

Downing THREE VCT PLC

—
Report & Accounts
for the year ended
31 January 2013

SHAREHOLDER INFORMATION

Share prices

The Company's share prices can be found in various financial websites with the TIDM/EPIC codes shown below (pence per share):

	'C' Shares	'D' Shares	'F' Shares
TIDM/EPIC code:	DP3C	DP3D	DP3F
Latest share price (23 May 2013):	74.5p	64.5p	88.0p

	'A' Shares	'E' Shares
TIDM/EPIC code:	DP3A	DP3E
Latest share price (23 May 2013):	5.025p	0.1p

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, by calling 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can be downloaded from Capita's website (see below).

Selling shares

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

Share certificates

Share certificates issued in the Company's previous name, "Downing Protected VCT III plc", remain valid.

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.

Financial calendar

5 July 2013	Annual General Meeting
September 2013	Announcement of half yearly financial results

Other information for Shareholders

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

www.downing.co.uk

If you have any queries regarding your shareholding in Downing Planned Exit VCT 3 plc, please contact the registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders and employees".

Share scam warning

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers 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.

CONTENTS

	Page
Company information	1
Investment objectives and financial highlights	2
Directors	3
Chairman's Statement	4
Investment Manager's Report 'C' Share pool	6
Review of Investments 'C' Share pool	7
Investment Manager's Report 'D' Share pool	14
Review of Investments 'D' Share pool	15
Investment Manager's Report 'F' Share pool	22
Review of Investments 'F' Share pool	24
Report of the Directors	30
Directors' Remuneration Report	35
Corporate governance	37
Independent Auditor's Report	40
Income statement	42
Balance sheet	44
Reconciliation of movements in Shareholders' funds	45
Cash flow statement	46
Notes to the accounts	47
Notice of Annual General Meeting	62

COMPANY INFORMATION

Registered number	5334413
Directors	Hugh Gillespie (Chairman) Dennis Hale Michael Robinson
Company secretary and registered office	Grant Whitehouse 10 Lower Grosvenor Place London SW1W 0EN
Investment and Administration Manager	Downing Managers 3 Limited 10 Lower Grosvenor Place London SW1W 0EN Tel: 020 7416 7780 www.downing.co.uk
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
VCT status advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday) www.capitaregistrars.com
Bankers	Bank of Scotland 33 Old Broad Street London BX2 1LB Royal Bank of Scotland London Victoria Branch 119/121 Victoria Street London SW1E 6RA

INVESTMENT OBJECTIVES

Downing Planned Exit VCT 3 plc is a venture capital trust established under the legislation introduced in the Finance Act 1995. The Company's principal objectives are to:

- maintain VCT status to enable Shareholders to benefit from tax reliefs available on an investment in a VCT;
- reduce the risks normally associated with VCT investments;
- target a tax-free return to investors of at least 9% per annum (based on a cost of 70p per share net of income tax relief) over the life of the shares (expected to be approximately six years); and
- target an annual dividend of at least 5p per share.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on page 32.

FINANCIAL HIGHLIGHTS

	31 Jan 2013 Pence	31 Jan 2012 Pence
'C' Share pool		
Net asset value per 'C' Share	94.7	91.5
Net asset value per 'A' Share	0.1	0.1
Cumulative distributions per 'C' Share	17.5	12.5
Total return per 'C' Share and 'A' Share	<u>112.3</u>	<u>104.1</u>
'D' Share pool		
Net asset value per 'D' Share	79.7	83.3
Net asset value per 'E' Share	0.1	0.1
Cumulative distributions per 'D' Share	12.5	7.5
Total return per 'D' Share and 'E' Share	<u>92.3</u>	<u>90.9</u>
'F' Share pool		
Net asset value per 'F' Share	88.5	n/a
Cumulative distributions per 'F' Share	5.0	n/a
Total return per 'F' Share	<u>93.5</u>	<u>n/a</u>

Proposed dividends

'C' Shares – proposed Final 2013	Payable 19 July 2013	2.5p
'D' Shares – proposed Final 2013	Payable 19 July 2013	2.5p
'F' Shares – proposed Final 2013	Payable 19 July 2013	2.5p

Dividend history

Year end	Date paid	'C' Shares Pence per share	'D' Shares Pence per share	'F' Shares Pence per share
Final 2010	30 July 2010	5.0	-	-
Interim 2011	26 November 2010	-	2.5	-
Final 2011	15 July 2011	5.0	2.5	-
Interim 2012	25 November 2011	2.5	2.5	-
Final 2012	27 July 2012	2.5	2.5	-
Interim 2012	30 November 2012	2.5	2.5	5.0
		<u>17.5</u>	<u>12.5</u>	<u>5.0</u>

DIRECTORS

Hugh Gillespie (Chairman) is non-executive chairman of a number of Downing VCTs and a non-executive director of Downing Income VCT 3 plc and Burgess Group plc. He was formerly a director of Hill Samuel Bank Limited and non-executive director or chairman of a number of public companies.

Dennis Hale was previously an investment director of Financial Management Bureau Limited ("FMB"), a firm of independent financial advisers based in Cumbria. He was responsible for VCT research within FMB, whose clients have invested in VCTs since 1997. Prior to founding FMB in 1987, he worked for several life assurance companies. He was an Associate of the Institute of Actuaries and holds The Investment Management Certificate. He graduated from the University of Hull with a degree in Mathematics in 1974. He is also a director of a number of Downing VCTs.

Michael Robinson has over 25 years' experience in the private equity industry. He spent 25 years at 3i plc, where he was latterly a director managing a large portfolio of equity investments. He qualified as a chartered accountant with Deloitte Haskins & Sells in 1979 and is non-executive chairman of Limbs and Things Limited.

All the Directors are non-executive and are considered to be independent of the Investment Manager.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Annual Report for the year ended 31 January 2013. The Company has continued to increase in size over the year, with a successful 'F' Share fundraising. Although a small number of investments have faced difficulties, generally investment performance has been satisfactory over the year.

Fundraisings and company structure

The original 'F' Share offer for subscription launched in October 2011 and closed on 28 September 2012. This was followed by an 'F' Share top-up offer that closed in December 2012. In total, the offers raised gross proceeds of £10.8 million for the 'F' Share class.

With the Company's Ordinary Shares having been cancelled in August 2012 (after returning all their funds to Shareholders), the Company now has three active share pools; 'C' Shares (and 'A' Shares), 'D' Shares (and 'E' Shares), 'F' Shares.

'C' Share pool

The Company's 'C' Shares were originally issued in 2008 and 2009. The 'C' Share pool is effectively fully invested and holds a portfolio of 19 investments, of which 14 are VCT qualifying or partially qualifying.

At 31 January 2013, the net asset value ("NAV") of a combined holding of one 'C' Share and one 'A' Share stood at 94.8p, an increase of 9% over the year after adding back dividends of 5p paid in the year. 'C' Share dividends paid to date total 17.5p such that Total Return (NAV plus cumulative dividends to date) is now 112.3p.

In line with the intention set out in the 'C' Share prospectus, the Board is proposing to pay a final dividend of 2.5p per 'C' Share on 19 July 2013 to Shareholders on the register at the close of business on 28 June 2013.

A detailed review of the 'C' Share pool is presented in the Investment Manager's Report and Review of Investments on pages 6 to 13.

'D' Share pool

The 'D' Shares were originally issued in 2010. The 'D' Share pool is now also effectively fully invested and holds a portfolio of 20 investments, of which 17 are qualifying or partially qualifying.

At 31 January 2013, the NAV of a combined holding of one 'D' Share and one 'E' Share stood at 79.8p, an increase of 1.8% over the year after adding back dividends of 5p per share paid in the year. 'D' Share dividends paid to date total 12.5p such that Total Return (NAV plus cumulative dividends to date) is now 92.3p.

In line with the intention set out in the 'D' Share prospectus, the Board is proposing to pay a final dividend of 2.5p per 'D' Share on 19 July 2013 to Shareholders on the register at the close of business on 28 June 2013.

A detailed review of the 'D' Share pool is presented in the Investment Manager's Report and Review of Investments on pages 14 to 21.

'F' Share pool

The 'F' Share pool was launched in 2012 and the Manager has been actively investing its fund over its initial period. At 31 January 2013, the pool held eight VCT qualifying investments and a further 9 non-qualifying investments, most of which are in the form of secured loans.

At 31 January 2013, the 'F' Share NAV stood at 88.5p, which represents a small decrease over the initial period after adjusting for the dividends of 5p per share paid in the year. Total Return (NAV plus cumulative dividends to date) is now 93.5p.

In line with the intention set out in the 'F' Share prospectus, the Board is proposing to pay a final dividend of 2.5p per 'F' Share on 19 July 2013 to Shareholders on the register at the close of business on 28 June 2013.

A detailed review of the 'F' Share pool is presented in the Investment Manager's Report and Review of Investments on pages 22 to 29.

Share buybacks

The Company has a general policy of buying in its own shares for cancellation when any become available in the market. The current policy is to buy in 'C' Shares, 'A' Shares, 'D' Shares or 'E' Shares at approximately a 10% discount to the latest published NAV of those share classes. In respect of the new 'F' Shares, in the initial years after issue, any such purchases will be undertaken at a price equal to the latest published NAV (i.e. at nil discount). All buybacks are subject to regulatory restrictions and other factors such as the availability of liquid funds.

CHAIRMAN'S STATEMENT (continued)

Share buybacks (continued)

During the year, the Company repurchased 15,050 'C' Shares for an aggregate consideration of £12,267 being an average price of 81.5p per share and which represented 0.2% of the Company's issued 'C' Share capital. 10,000 'A' Shares were repurchased for an aggregate consideration of £10 being an average price of 0.1p per share and which represented 0.1% of the Company's issued 'A' Share capital. These shares were subsequently cancelled. No 'D' Shares, 'E' Shares or 'F' Shares were repurchased during the year.

Annual General Meeting

The Company's eighth Annual General Meeting will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:05 a.m. on 5 July 2013.

One item of special business will be proposed at the AGM in connection with the authority for the Company to buy back shares as described above.

Outlook

The Company has three share pools; each of them at a different stage in its life. In respect of the 'C' Share pool and, to a lesser extent, the 'D' Share pool, during the current year the Manager will be starting to look ahead to potential exit plans for the investments, while continuing to closely monitor the portfolio companies to ensure that they stay on track to deliver full value.

The current year will see the process of building the 'F' Share portfolio continue. The Manager reports that it is continuing to see a good flow of investment opportunities which should allow the share pools to develop portfolios which have the potential to deliver the targeted returns. I look forward to reporting progress to Shareholders in my statement with the Half-Yearly Report to 31 July 2013.



Hugh Gillespie
Chairman

24 May 2013

INVESTMENT MANAGER'S REPORT- 'C' SHARE POOL

Introduction

The 'C' Share pool holds investments in 19 companies and is now fully invested. Further investment activity is likely to be limited to reinvesting proceeds from divestments when short term investment opportunities arise. The 'C' Share portfolio has continued to perform well and this has been reflected in a healthy increase in net asset value over the year.

Net asset value and results

At 31 January 2013, the 'C' Share NAV stood at 94.7p and the 'A' Share NAV at 0.1p, giving a combined NAV of 94.8p. Total Return (NAV plus cumulative dividends to date) was 112.3p for a combined holding of one 'C' and one 'A' Share. This represents a net increase of 8.2p over the year (after adjusting for dividends paid during the year of 5.0p per 'C' Share), equivalent to an increase of 9%.

The return on ordinary activities of the 'C' Share pool for the year was £585,000 (2012: 444,000), comprising a revenue profit of £286,000 (2012: £124,000) and a capital gain of £299,000 (2012: £320,000).

'C' Share pool - investment activity

During the year, the Company made three small follow on investments totalling £80,000 and also had loan stock redemptions of £27,000.

'C' Share pool – portfolio valuation

The majority of the investments within the 'C' Share portfolio performed well throughout the year and the values of a number of these have been uplifted at the year end.

The valuation of the investment in Atlantic Dogstar Limited was increased by £114,000. The company owns and operates The Dogstar pub in Brixton and The Clapton Hart in Clapton. Both pubs are trading significantly ahead of their original business plans. An independent valuation of each of the pubs was commissioned, on which the year end valuation has been based.

The valuation of the investment in Redmed Limited was increased by £105,000. The company owns The Annexe nightclub in Lincoln city centre, which is producing results that are 40% ahead of the original business plan.

Domestic Solar Limited owns a portfolio of solar panels on the rooftops of domestic properties across the UK. The panels have now been operational for over a year and are starting to establish a track record of income generation. An uplift of £60,000 in the value of the investment in Domestic Solar was made at the year end.

Further increases in value were recognised in Westow House Limited, £87,000, East Dulwich Tavern Limited, £41,000 and Bijou Wedding Venues Limited, £17,000, to reflect that the businesses are performing well and in line with expectations.

On the negative side, a reduction in valuation of £88,000 was made against Honeycombe Pubs VCT plc. The company owns a bar in Burnley, Lancashire. Trading continues to be difficult and a third party valuation has indicated that the value had fallen from previous carrying levels.

A £37,000 reduction in value of Ecosol Limited was made at the year end to reflect that the business, which owns a portfolio of commercial solar installations, has experienced technical difficulties at a number of the installations. This has affected the income generating abilities of the panels. This performance is below forecast and, therefore, a cautionary provision has been made until the technical difficulties are resolved.

Overall, the portfolio showed net unrealised gains of £299,000.

Outlook

Although the British economy remains in a fragile state, we believe that the 'C' Share portfolio is reasonably resilient and can continue to produce good results over the remaining planned life of the share pool.

We will be seeking to start returning funds to 'C' Shareholders late in 2014, being five years after the close of the 'C' Share offer, and will be starting preliminary work on planning investment realisations during the coming year.

Downing Managers 3 Limited

24 May 2013

REVIEW OF INVESTMENTS – ‘C’ SHARE POOL

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 January 2013:

‘C’ Share pool

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
VCT qualifying investments and partially qualifying investments				
Bijou Wedding Venues Limited	815	901	17	13.3%
Atlantic Dogstar Limited	438	728	114	10.7%
Future Biogas (SF) Limited	627	703	-	10.4%
Domestic Solar Limited	500	560	60	8.3%
Redmed Limited*	429	534	105	7.9%
Westow House Limited	304	418	87	6.2%
East Dulwich Tavern Limited	344	385	41	5.7%
Quadrate Spa Limited*	363	363	-	5.4%
Quadrate Catering Limited	330	330	-	4.9%
Ecosol Limited	250	213	(37)	3.1%
The 3D Pub Co Limited	267	186	-	2.7%
Mosaic Spa and Health Clubs Limited*	125	125	-	1.8%
Chapel Street Food and Beverage Limited	50	50	-	0.7%
Chapel Street Services Limited	50	50	-	0.7%
Non-qualifying investments				
Hoole Hall Country Club Holdings Limited	581	581	-	8.6%
The Thames Club Limited	500	500	-	7.4%
Honeycombe Pubs VCT plc	175	87	(88)	1.3%
Vermont Developments Limited	25	25	-	0.4%
Chapel Street Hotel Limited	2	2	-	0.0%
	<u>6,175</u>	<u>6,741</u>	<u>299</u>	<u>99.5%</u>
Cash at bank and in hand		<u>35</u>		<u>0.5%</u>
Total investments		<u><u>6,776</u></u>		<u><u>100.0%</u></u>

* Part-qualifying investment

The movements in the portfolio during the year and the basis of valuation of the ten largest investments are set out on pages 8 to 13.

REVIEW OF INVESTMENTS – ‘C’ SHARE POOL (continued)

Summary of investment movements

Additions

	Cost £'000
VCT qualifying investments and partially qualifying investments	
Quadrate Spa Limited*	53
The 3D Pub Co Limited	18
Atlantic Dogstar Limited	9
Total ‘C’ Share pool	<u>80</u>

Disposals

	Cost £'000	MV at 01/02/12 † £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain during the year £'000
VCT qualifying investments					
The 3D Pub Co Limited	18	18	18	-	-
Non-qualifying investments					
Redmed Limited	9	9	9	-	-
	<u>27</u>	<u>27</u>	<u>27</u>	<u>-</u>	<u>-</u>

* Part-qualifying investment

† Adjusted for additions in the year

REVIEW OF INVESTMENTS – ‘C’ SHARE POOL (continued)

Further details of the main investments:

Bijou Wedding Venues Limited
www.bijouweddingvenues.co.uk



Cost:	£815,000	Valuation at 31/01/13:	£900,750
Date of first investment:	Sep 09	Valuation at 31/01/12:	£883,600
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£245,000	Proportion of equity held:	10%
Loan stock:	£570,000	Proportion of loan stock held:	33%

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net assets:	£1,665,335	£865,770

Bijou Wedding Venues Limited purchased Botleys Mansion located in Chertsey, Surrey, from the administrator for £3.55m in September 2009. It is a Grade II listed building which was refurbished in 2010. The company operates as a dedicated exclusive wedding venue.

Atlantic Dogstar Limited
www.anticlondon.com



Cost:	£438,480	Valuation at 31/01/13:	£728,055
Date of first investment:	Sep 09	Valuation at 31/01/12:	£604,666
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£138,180	Proportion of equity held:	12%
Loan stock:	£300,300	Proportion of loan stock held:	30%

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net assets:	£908,690	351,511

Atlantic Dogstar Limited owns two pubs in London, The Dogstar in Brixton and The Clapton Hart in Clapton. The pubs are operated under the Antic London brand, the management team of which has also invested in the company.

Future Biogas (SF) Limited
www.futurebiogas.com



Cost:	£627,455	Valuation at 31/01/13:	£702,689
Date of first investment:	May 10	Valuation at 31/01/12:	£702,689
		Valuation method:	Net assets

Investment comprises:

‘A’ Shares:	£174,000	Proportion of ‘A’ equity held:	8%
‘B’ Shares:	£47,455	Proportion of ‘B’ equity held:	2%
Loan stock:	£406,000	Proportion of loan stock held:	14%

Summary financial information from statutory accounts to 31 May*

	2012	2011
Net assets:	£936,933	£406,757

Future Biogas owns and operates a 1.4MW self-contained biogas plant in Norfolk. Through an anaerobic digestion process biogas is produced which is used to generate electricity. The company benefits from the receipt of Feed-in Tariffs and payments for electricity exported to the National Grid.

REVIEW OF INVESTMENTS – ‘C’ SHARE POOL (continued)

Further details of the main investments:

Hoole Hall Country Club Holdings Limited

www.theclubandspachester.co.uk



Cost:	£581,250	Valuation at 31/01/13:	£581,250
Date of first investment:	Dec 08	Valuation at 31/01/12:	£581,250
		Valuation method:	Net assets

Investment comprises:

Loan stock:	£581,250	Proportion of loan stock held:	11%
-------------	----------	--------------------------------	-----

Summary financial information from consolidated statutory accounts to 31 March

	2012	2011
Turnover:	£3,667,723	£3,920,471
Operating profit:	£40,769	£1,171,393
Net assets:	£4,561,220	£4,588,084

Hoole Hall Country Club is set on a ten acre site on the edge of Hoole, near Chester. It comprises a Victorian mansion, a large conservatory and a modern extension. The property has undergone an extensive refurbishment and consists of a conference and banqueting centre and a Marco Pierre White bar and grill.

Domestic Solar Limited

www.isis-solar.com



Cost:	£500,000	Valuation at 31/01/13:	£560,000
Date of first investment:	Mar 11	Valuation at 31/01/12:	£500,000
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£150,000	Proportion of equity held:	6%
Loan stock:	£350,000	Proportion of loan stock held:	11%

Summary financial information from statutory accounts to 31 March*

	2012
Net assets:	£304,711

Domestic Solar owns solar panels on residential rooftops throughout the south of England. The company has contracted with over 600 households who benefit from free electricity through an arrangement that allows Domestic Solar to receive the Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Redmed Limited

www.homelincoln.co.uk



Cost:	£428,750	Valuation at 31/01/13:	£533,750
Date of first investment:	May 11	Valuation at 31/01/12:	£437,500
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£105,000	Proportion of equity held:	11%
Loan stock:	£323,750	Proportion of loan stock held:	18%

Summary financial information from statutory accounts to 30 April*

	2012	2011
Net assets:	£735,537	£69,095

Redmed Limited owns and operates Home, a large entertainment venue with a restaurant, roof terrace and nightclub with six themed rooms in Lincoln city centre. The venue, which is located close to the University of Lincoln was completely refurbished and re-launched in October 2011.

REVIEW OF INVESTMENTS – 'C' SHARE POOL (continued)

Further details of the main investments:

The Thames Club Limited
www.thethamesclub.co.uk



Cost:	£500,000	Valuation at 31/01/13:	£499,900
Date of first investment:	Jun 09	Valuation at 31/01/12:	£499,900
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£100	Proportion of equity held:	5%
Loan stock:	£499,900	Proportion of loan stock held:	12%

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net assets:	£1,104,343	£988,680

The Thames Club is a 33,000 sqft health and fitness club located in Staines. In 2010 the club underwent a £2m refurbishment followed by a subsequent re-launch. The club now has over 2,500 members.

Westow House Limited
www.anticlondon.com



Cost:	£303,750	Valuation at 31/01/13:	£417,656
Date of first investment:	Sep 09	Valuation at 31/01/12:	£331,088
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£91,125	Proportion of equity held:	12%
Loan stock:	£212,625	Proportion of loan stock held:	18%

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net assets:	£601,404	£468,954

Westow House Limited is a public house in south London. The Company purchased the freehold interest from Punch Taverns and the leasehold interest from the operator (who is the investment partner) in 2009.

East Dulwich Tavern Limited
www.anticlondon.com



Cost:	£344,250	Valuation at 31/01/13:	£385,560
Date of first investment:	Sep 09	Valuation at 31/01/12:	£344,250
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£103,275	Proportion of equity held:	12%
Loan stock:	£240,975	Proportion of loan stock held:	17%

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net assets:	£648,834	£468,954

The East Dulwich Tavern is a public house in south London. The company purchased the freehold interest from Punch Taverns and the leasehold interest from the operator (who is the investment partner) in 2009.

REVIEW OF INVESTMENTS – ‘C’ SHARE POOL (continued)

Further details of the main investments:

Quadrate Spa Limited	Cost:	£363,174	Valuation at 31/01/13:	£363,174
www.theclubandspabirmingham.co.uk	Date of first investment:	Aug 10	Valuation at 31/01/12:	£310,400
			Valuation method:	Net assets



Investment comprises:				
Ordinary shares:	£105,120	Proportion of equity held:		4%
Loan stock:	£258,054	Proportion of loan stock held:		8%

Summary financial information from statutory accounts to 31 March

	2012	2011
Turnover:	£224,365	£-
Operating loss:	(£577,040)	(£192,020)
Net assets:	£130,560	£437,911

Quadrate Spa Limited has developed a spa and health club in the lower floors of a canal-side mixed-use building in Birmingham known as The Cube. The health club and spa opened for trading in January 2012.

Note: The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed

Summary of loan stock interest income

Loan stock interest recognised in the year from the ten largest investments held by the ‘C’ Share pool	£’000
Bijou Wedding Venues Limited	148
Atlantic Dogstar Limited	36
Future Biogas (SF) Limited	42
Hoole Hall Country Club Holdings Limited	47
Domestic Solar Limited	80
Redmed Limited	38
The Thames Club Limited	-
Westow House Limited	26
East Dulwich Tavern Limited	29
Quadrate Spa Limited	-
	446
Receivable from other investments	63
	509

Analysis of investments by investment type

The following shows the split of the ‘C’ Share pool’s investment portfolio by type of instrument held at 31 January 2013:

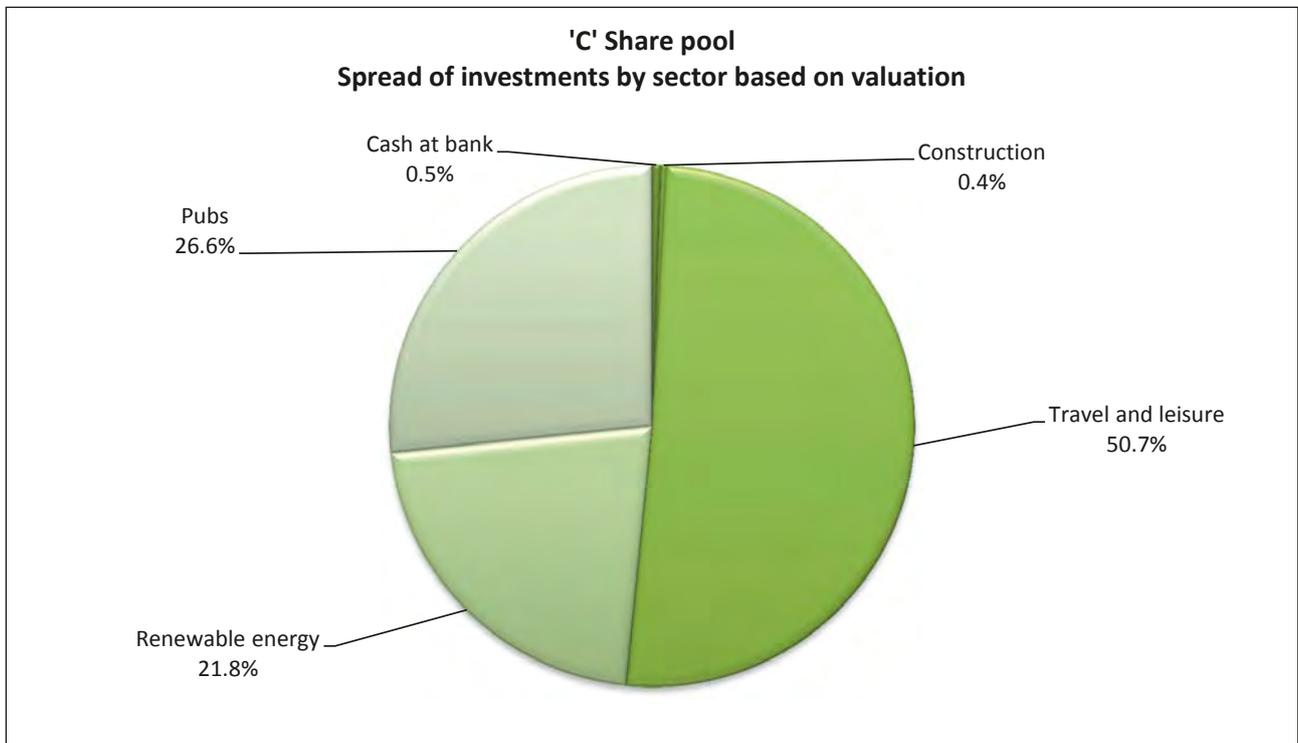
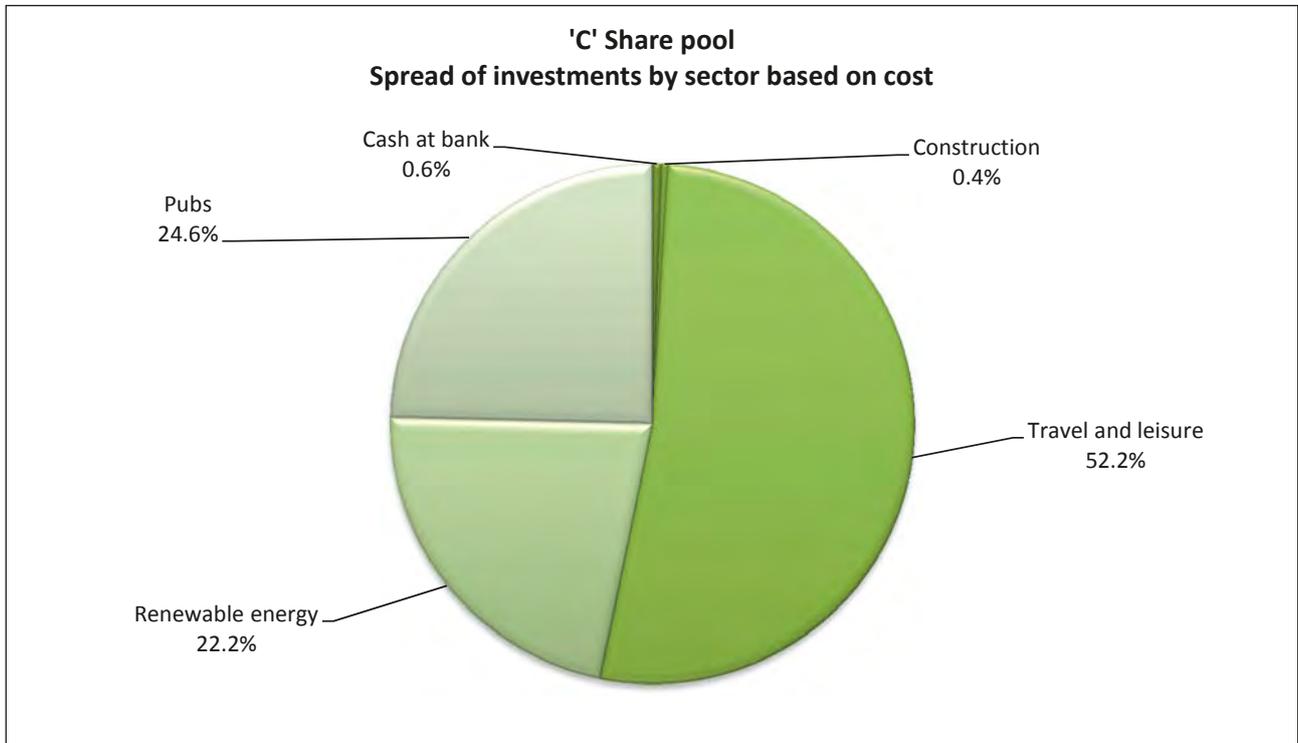
	Target portfolio split 31 Jan 2013	Actual portfolio split 31 Jan 2013
Qualifying investments		
Loans to qualifying companies	50%	52%
Ordinary shares in qualifying companies	25%	25%
Non-qualifying investments (including cash at bank)	25%	23%
	100%	100%

REVIEW OF INVESTMENTS – 'C' SHARE POOL (continued)

Further details of the main investments:

Analysis of investments by commercial sector

The split of the 'C' Share pool's venture capital investment portfolio by commercial sector (by cost and value at 31 January 2013) is as follows:



INVESTMENT MANAGER'S REPORT- 'D' SHARE POOL

Introduction

The 'D' Share pool now holds investments in 20 companies and is effectively fully invested. The portfolio has experienced a reasonably stable performance over the year, with the main problems encountered early in the share pool's life mostly now behind us.

Net asset value and results

At 31 January 2013, the 'D' Share NAV stood at 79.7p and the 'E' Share NAV at 0.1p, giving a combined NAV of 79.8p. Total Return (NAV plus cumulative dividends to date) was 92.3p for a combined holding of one 'D' and one 'E' Share. This represents a net increase of 1.5p over the year (after adjusting for dividends paid during the year of 5.0p per 'D' Share), equivalent to an increase of 1.8%.

The return on ordinary activities for the 'D' Shares for the year was a return of £151,000 (2012 loss: £527,000) being a revenue profit of £175,000 (2012: £57,000) and a capital loss of £24,000 (2012: £584,000).

'D' Share pool - investment activity

During the year, the Company made a small number of new investments totalling £602,000. These were partly financed by loan stock redemptions which produced proceeds of £469,000.

The main new addition was an investment of £250,000 in West Tower Property Limited in January 2013. The funding assisted the company in its purchase of "The West Tower", an exclusive wedding venue located in Aughton, Lancashire.

A further £150,000 was invested in Aminghurst Limited, which is completing the development of an apartment and hotel complex near Salcombe in South Devon. This is a non-qualifying investment for the share pool which should deliver an attractive yield and gives the company a charge over the development.

In addition to the above, a number of transactions also took place in respect of a reorganisation of Gingerbread Pre-School Nurseries where the trade was ultimately acquired by Liverpool Nurseries (Holdings). As part of the reorganisation a new manager and investment partner was brought in and is making progress in recovering from the initial difficulties that the business faced.

'D' Share pool – portfolio valuation

The majority of the 'D' Share portfolio performed in line with expectations during the year, however, there were a small number of valuation movements which resulted in a net unrealised loss of £24,000.

Domestic Solar Limited and Green Electricity Generation 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 £48,000 for Domestic Solar Limited and £7,000 for Green Electricity Generation Limited.

Alpha Schools (Holdings) Limited, an independent primary school operator, is performing well and in line with expectations and was revalued upwards by £14,000.

On the negative side, Camandale Limited suffered a further write down of £45,000 as independent valuations of the two bars owned by the company in Kilmarnock indicated that their value has fallen.

A £38,000 reduction in value of Ecosol Limited was made at the year end to reflect that the business, which owns a portfolio of commercial solar installations, has experienced technical difficulties at a number of the installations which has affected the income generating abilities of the panels. This performance is below forecast; therefore, a cautionary provision has been made until the technical difficulties are resolved.

A £10,000 decrease in the value of Ridgeway Pub Company Limited was made at the year end. The investment, which owns and operates two pubs in Oxfordshire, is operating behind budget with no immediate sign of improvement. As a result, a small reduction in value has been made.

Outlook

The difficult economic conditions are expected to continue for some time and will provide challenges for many of the portfolio companies. Although some minor problems in the portfolio remain, the major ones have been resolved and we are working closely with all investment partners to ensure that full value can be extracted from the investments over the life of the share pool.

Downing Managers 3 Limited

24 May 2013

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 January 2013:

‘D’ Share pool

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
VCT qualifying and partially qualifying investments				
Future Biogas (Reepham Road) Limited	748	748	-	9.3%
Quadrate Spa Limited*	496	496	-	6.2%
Mosaic Spa and Health Clubs Limited*	475	475	-	5.9%
Liverpool Nurseries (Holdings) Limited*	467	467	-	5.8%
Domestic Solar Limited	400	448	48	5.6%
Quadrate Catering Limited	441	441	-	5.5%
Alpha Schools (Holdings) Limited	367	381	14	4.7%
Kidspace Adventures Holdings Limited*	375	375	-	4.7%
Green Electricity Generation Limited	250	257	7	3.2%
Avon Solar Energy Limited	250	250	-	3.1%
West Tower Property Limited	250	250	-	3.1%
Westcountry Solar Solutions Limited*	250	250	-	3.1%
Ecosol Limited	250	212	(38)	2.6%
Slopingtactic Limited	196	196	-	2.4%
Progressive Energies Limited	170	170	-	2.1%
Ridgeway Pub Company Limited	136	126	(10)	1.6%
Camandale Limited*	561	113	(45)	1.4%
Non-qualifying investments				
Aminghurst Limited	2,150	2,150	-	26.8%
Fenkle Street LLP	122	122	-	1.5%
Commercial Street Hotel Limited	100	100	-	1.3%
	<u>8,454</u>	<u>8,027</u>	<u>(24)</u>	<u>99.9%</u>
Cash at bank and in hand		<u>6</u>		<u>0.1%</u>
Total investments		<u><u>8,033</u></u>		<u><u>100.0%</u></u>

* Part-qualifying investment

The movements in the portfolio during the year and the basis of valuation of the ten largest investments are set out on pages 16 to 21.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Summary of investment movements

Additions

Cost
£'000

VCT qualifying and partially qualifying investments

West Tower Property Limited	250
Quadrat Spa Limited*	77
Liverpool Nurseries (Holdings) Limited* **	467

Non-qualifying investments

Liverpool Nurseries (House) Limited**	203
Aminghurst Limited	150
Liverpool Nurseries (Greenbank) Limited**	138
Kidspace Adventures Holdings Limited	125
Liverpool Nurseries (Cottage) Limited**	67

Total ‘D’ Share pool

1,477

Disposals

Total
realised
gain during
the year
£'000

	Cost £'000	MV at 01/02/12 † £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised gain during the year £'000
VCT qualifying and partially qualifying investments					
Gingerbread Pre-Schools (UK) Limited**	576	395	395	(181)	-
Non-qualifying investments					
Retallack SurfPods Limited	250	250	250	-	-
Liverpool Nurseries (House) Limited**	203	203	203	-	-
Liverpool Nurseries (Greenbank) Limited**	138	138	138	-	-
Kidspace Adventures Limited	135	135	135	-	-
Liverpool Nurseries (Cottage) Limited**	67	67	67	-	-
Hoi Polloi Pub Co Limited	60	60	60	-	-
Fenkle Street LLP	24	24	24	-	-
Total ‘D’ Share pool	1,453	1,272	1,272	(181)	-

* Part-qualifying investments

** Part of reorganisation of Liverpool Nurseries companies

† Adjusted for additions in the year

REVIEW OF INVESTMENTS – 'D' SHARE POOL (continued)

Further details of the main investments:

Aminghurst Limited
www.gararock.co.uk



Cost:	£2,150,000	Valuation at 31/01/13:	£2,150,000
Date of first investment:	May 10	Valuation at 31/01/12:	£2,000,000
		Valuation method:	Net assets

Investment comprises:

Loan stock:	£2,150,000	Proportion of loan stock held:	21%
-------------	------------	--------------------------------	-----

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net liabilities:	(£6,848,030)	(£4,433,221)

Aminghurst is a property development company which owns the Gara Rock site in East Portlemouth, South Devon. The company is working with Coastal Constructors Ltd to build a luxury hotel, spa, restaurant, holiday apartments and cottages which will be completed in the first half of 2013.

Future Biogas (Reepham Road) Limited
www.futurebiogas.com



Cost:	£747,924	Valuation at 31/01/13:	£747,927
Date of first investment:	Mar 11	Valuation at 31/01/12:	£747,927
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£226,130	Proportion of equity held:	9%
Loan stock:	£521,794	Proportion of loan stock held:	13%

Summary financial information from statutory accounts to 30 September*

Net assets:	£58,022
-------------	---------

Future Biogas (Reepham Road) is the second renewable energy investment with our partner Future Biogas. The site is located in Norfolk and the business is currently in the final stages of constructing the new anaerobic digestion plant.

Quadrate Spa Limited
www.theclubandspabirmingham.co.uk



Cost:	£495,826	Valuation at 31/01/13:	£495,826
Date of first investment:	Aug 10	Valuation at 31/01/12:	£418,600
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£143,580	Proportion of equity held:	6%
Loan stock:	£352,246	Proportion of loan stock held:	12%

Summary financial information from statutory accounts to 31 March

	2012	2011
Turnover:	£224,365	£-
Operating loss:	(£577,040)	(£192,020)
Net assets:	£130,560	£437,911

Quadrate Spa Limited has developed a spa and health club in the lower floors of a canal-side mixed-use building in Birmingham known as The Cube. The health club and spa opened for trading in January 2012.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Further details of the main investments:

Mosaic Spa and Health Clubs Limited

www.mosaicspaandhealth.co.uk



Cost:	£475,000	Valuation at 31/01/13:	£475,000
Date of first investment:	Feb 11	Valuation at 31/01/12:	£475,000
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£135,000	Proportion of equity held:	5%
Loan stock:	£340,000	Proportion of loan stock held:	8%

Summary financial information from statutory accounts to 31 December

	2011
Turnover:	5,048,936
Operating profit:	£58,150
Net assets:	£867,817

Mosaic Spa and Health Clubs Limited owns two spas and operates a spa and health club management company which trades under the name of Fitness Express. The Downing funds backed the existing experienced management team who started the business over 20 years ago. The company currently has 30 management contracts to provide gyms and spas to hotels, universities and corporate clients. In December 2011, the business bought a health and tennis club known as The Shrewsbury Club and in October 2012 a second freehold health club was purchased known as Holmer Park.

Liverpool Nurseries (Holdings) Limited

www.thecottagedaynursery.com



Cost:	£466,812	Valuation at 31/01/13:	£466,812
Date of first investment:	Feb 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Ordinary shares:	£130,466	Proportion of equity held:	19%
Loan stock:	£336,346	Proportion of loan stock held:	19%

Summary financial information from statutory accounts to: None filed

Liverpool Nurseries operates three children's day nurseries based in Liverpool: The Cottage Day Nursery in Fazakerley which is registered for 88 children; The House Day Nursery in Crosby which is registered for 154 children; and Greenbank Park Day Nursery in Greenbank which is registered for 116 children.

Domestic Solar Limited

www.isis-solar.com



Cost:	£400,000	Valuation at 31/01/13:	£448,000
Date of first investment:	Mar 11	Valuation at 31/01/12:	£400,000
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£120,000	Proportion of equity held:	6%
Loan stock:	£280,000	Proportion of loan stock held:	11%

Summary financial information from statutory accounts to 31 March

	2012
Net assets:	£304,711

Domestic Solar owns solar panels on residential rooftops throughout the south of England. The company has contracted with over 600 households who benefit from free electricity through an arrangement that allows Domestic Solar to receive the Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Further details of the main investments:

Quadrate Catering Limited

www.theclubandspabirmingham.co.uk



Cost:	£441,400	Valuation at 31/01/13:	£441,400
Date of first investment:	Aug 10	Valuation at 31/01/12:	£441,400
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£132,420	Proportion of equity held:	6%
Loan stock:	£308,980	Proportion of loan stock held:	12%

Summary financial information from statutory accounts to 31 March

	2012	2011
Turnover:	1,035,382	-
Operating loss:	(£276,926)	(£181,566)
Net assets:	£459,310	(£525,463)

Quadrate Catering Limited has developed the top floor of a canal-side mixed-use building in Birmingham known as The Cube which opened as a Marco Pierre-White branded restaurant in December 2011.

Alpha Schools (Holdings) Limited



Cost:	£366,667	Valuation at 31/01/13:	£380,417
Date of first investment:	May 11	Valuation at 31/01/12:	£366,667
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£110,000	Proportion of equity held:	4%
Loan stock:	£256,667	Proportion of loan stock held:	18%

Summary financial information from consolidated statutory accounts to 31 August

	2011
Turnover:	£658,746
Operating profit:	£45,604
Net assets:	£872,090

Alpha Schools is an independent primary school operator, which owns several sites and is run by an experienced head teacher. The company has recently purchased Ladymede School in Buckinghamshire, which has now been renamed as Griffin House Preparatory School.

Kidspace Adventures Holdings Limited

www.kidspaceadventures.com



Cost:	£375,000	Valuation at 31/01/13:	£375,000
Date of first investment:	Jan 12	Valuation at 31/01/12:	£250,000
		Valuation method:	Net assets

Investment comprises:

Ordinary shares:	£75,000	Proportion of equity held:	6%
Loan stock:	£300,000	Proportion of loan stock held:	9%

Summary financial information from statutory accounts: None Filed

Kidspace Adventures Holdings Limited is the holding company of Kidspace Adventures Limited which owns two well established and profitable indoor children's play centres in Croydon and Romford. The company has developed an adventure farm park called Hobbledown, located in Epsom, Surrey, which opened in July 2012.

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL (continued)

Further details of the main investments:

Green Electricity Generation Limited



Cost:	£250,000	Valuation at 31/01/13:	£257,500
Date of first investment:	May 11	Valuation at 31/01/12:	£250,000
		Valuation method:	Net assets
Investment comprises:			
Ordinary shares:	£75,000	Proportion of equity held:	8%
Loan stock:	£175,000	Proportion of loan stock held:	13%

Summary financial information from statutory accounts to 30 June*

	2012
Net assets:	£450,735

Green Electricity Generation Limited owns solar panels on the rooftops of over 200 domestic properties in the UK. The households benefit from free electricity whilst Green Electricity receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Note: The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed

Summary of loan stock interest income

Loan stock interest recognised in the year from the ten largest investments held by the ‘D’ Share pool £’000

Aminghurst Limited	-
Future Biogas (Reepham Road) Limited	52
Quadrate Spa Limited*	-
Mosaic Spa and Health Clubs Limited*	20
Liverpool Nurseries (Holdings) Limited*	-
Domestic Solar Limited	64
Quadrate Catering Limited	60
Alpha Schools (Holdings) Limited	45
Kidspace Adventures Holdings Limited*	29
Green Electricity Generation Limited	38
	<u>308</u>
Receivable from other investments	99
	<u><u>407</u></u>

Analysis of investments by investment type

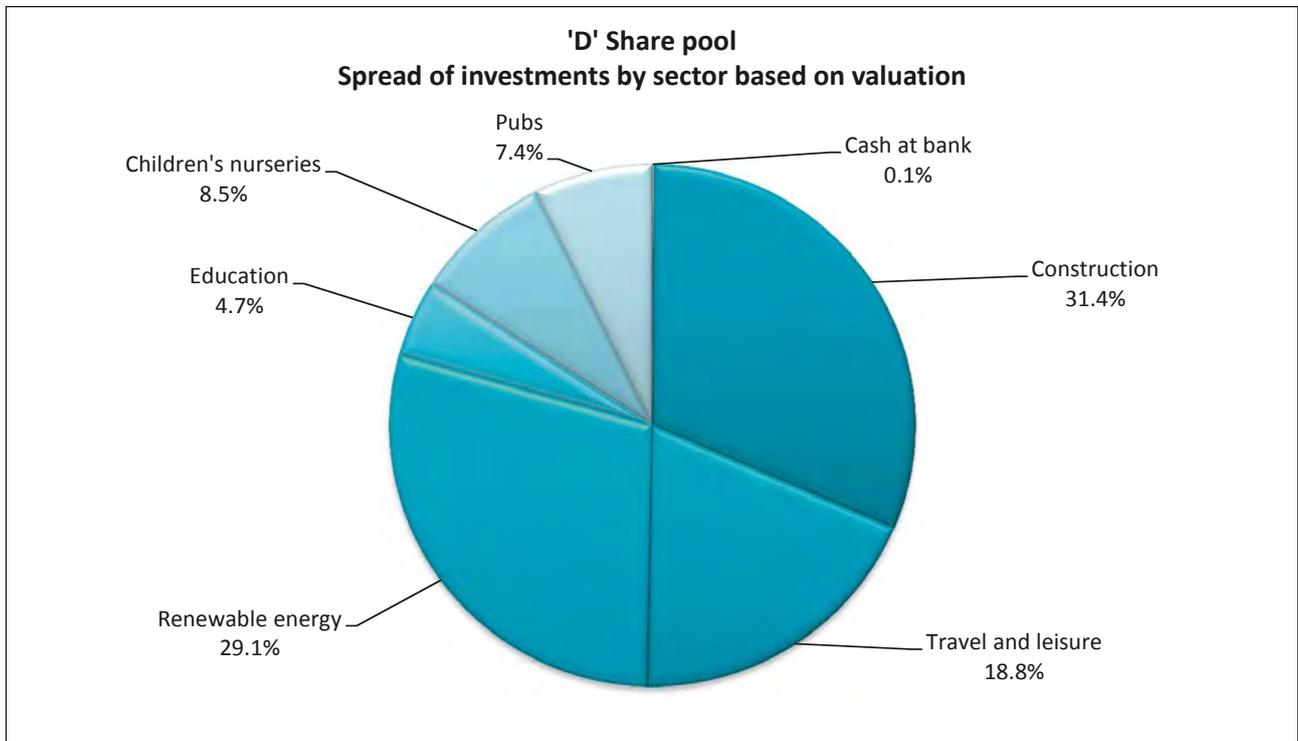
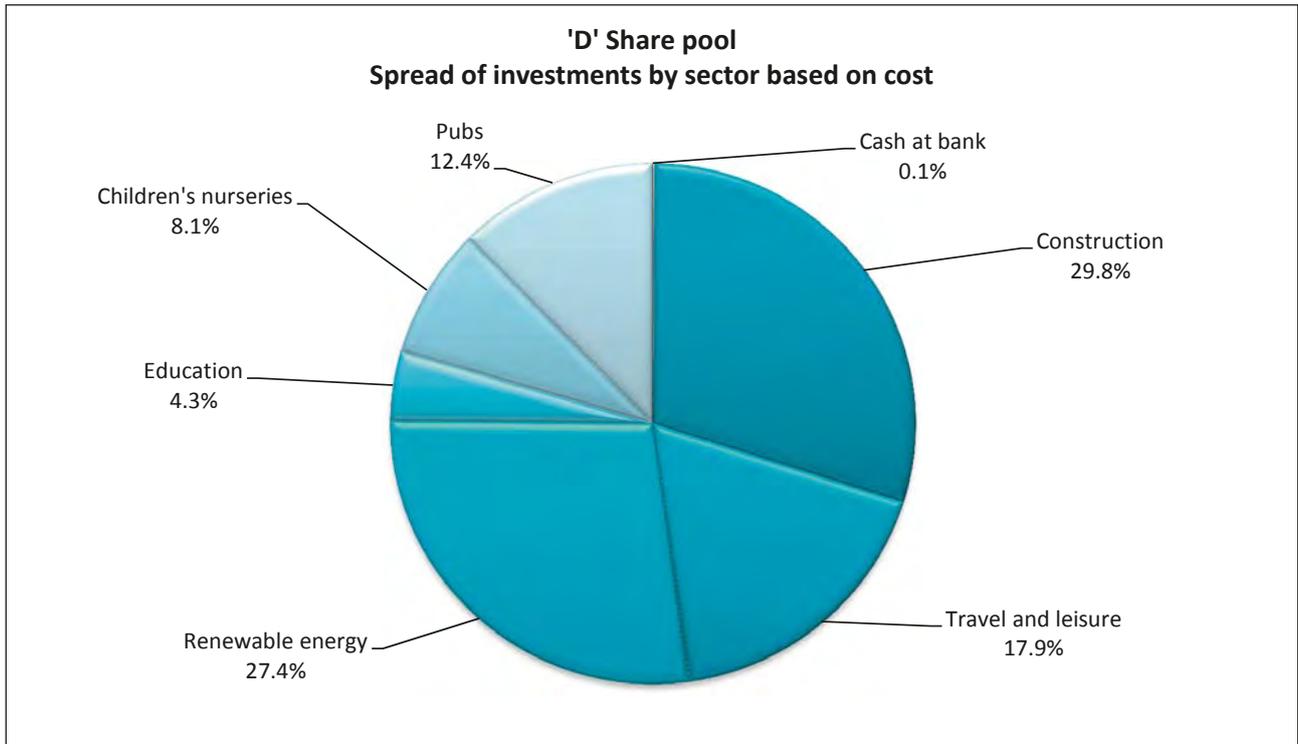
The following shows the split of the ‘D’ Share pool’s investment portfolio by type of instrument held at 31 January 2013:

	Target portfolio split 31 Jan 2013	Actual portfolio split 31 Jan 2013
Qualifying investments		
Loans to qualifying companies	50%	48%
Ordinary shares in qualifying companies	25%	20%
Non-qualifying investments (including cash at bank)	25%	32%
	<u>100%</u>	<u>100%</u>

REVIEW OF INVESTMENTS – ‘D’ SHARE POOL

Analysis of investments by commercial sector

The split of the ‘D’ Share pool’s venture capital investment portfolio by commercial sector (by cost and value at 31 January 2013) is as follows:



INVESTMENT MANAGER'S REPORT- 'F' SHARE POOL

Introduction

As set out in the 'F' Share prospectus, the pool is expected to initially invest much of its funds in non-qualifying secured loans and, over the next three years, the pool will build a qualifying investment portfolio with a focus on asset backed businesses and those with predictable revenue streams.

Fundraising

The original 'F' Share fundraising closed in September 2012, shortly after which a top up share offer was launched, which, in turn, closed in December 2012. Both share offers were launched in conjunction with Downing Planned Exit VCT 3 plc. The joint offers raised total proceeds of £21.6 million, of which £10.8 million was in respect of Downing Planned Exit VCT 2 plc.

Net asset value and results

At 31 January 2013, the 'F' Share NAV stood at 88.5p. The 'F' Shares paid a first dividend of 5p per share in November 2012. Total Return (NAV plus cumulative dividends to date) for shareholders who invested in the original share offer is now 93.5p. This represents a net decrease of 1.0p per share against the price at launch of 94.5p per share (after adjusting for dividends paid during the year of 5.0p per Share), equivalent to a decrease of 1.1%.

The return on ordinary activities for the 'F' Share pool for the year was a loss of £105,000 being a revenue loss of £10,000 and a capital loss of £95,000.

'F' Share pool - investment activity

During the 'F' Share pool's first period, the Company invested £1.8 million in eight VCT qualifying investments.

Three separate investments were made in City Falkirk Limited, Fubar Stirling Limited and Cheers Dumbarton Limited totalling £738,000. Each of these companies owns and operates a nightclub in Scotland. A £13,000 investment was also made in Lochrise Limited who manages the nightclubs and is associated with the Castle Leisure Group, an experienced operator in the region.

Four investments during the year were made in secure Government-backed renewable investments:

A net investment of £680,000 was made in Tor Solar PV Limited which owns a portfolio of Solar PV panels located on farms in the South West of the UK.

£560,000 was invested in Vulcan Renewables Limited. Vulcan Renewables is developing a 2MW maize fed biogas plant near Doncaster which will generate both gas and electricity.

A £200,000 investment was made in Fresh Green Power Limited and £100,000 was invested in Green Energy Production UK Limited. Both companies install and own solar PV systems on the roofs of domestic properties in the UK.

The four investments above will benefit from the receipt of Feed-in-Tariffs from the production of electricity. Vulcan Renewables will also receive payments under the Renewable Heat Incentive scheme from gas injection into the gas main.

In addition, the share pool made nine non-qualifying investments and two investments with a non-qualifying element, mostly in the form of short-term secured loans. These provide the share pool with a steady yield on its funds which are not yet employed in qualifying opportunities.

There were also a small number of loan stock redemptions that took place, returning some £561,000 to the share pool.

'F' Share pool – portfolio valuation

As all the investments were made within the last 12 months, the majority of the investments were held at valuations equal to cost at the year end. Some valuation adjustments have however been necessary where businesses have not performed to plan.

As mentioned above, City Falkirk owns a large nightclub in Falkirk, Scotland. The club was purchased out of administration in April 2012 at what was considered to be, an attractive price. It has become apparent that the long period in administration, when there was poor customer service and a lack of maintenance, has damaged the business. This along with generally challenging trading conditions has resulted in the performance of the club falling well behind forecast. Accordingly, a cautionary reduction in value of £82,000 was recognised at the year end. Lochrise Limited acts as the manager to City Falkirk and a number of other bars and clubs. The value of Lochrise is based on the performance of the nightclubs and bars that it manages. In view of the performance of City Falkirk and other disappointing trading, a full provision of £13,000 has been made.

INVESTMENT MANAGER'S REPORT- 'F' SHARE POOL

Outlook

The 'F' Share pool is expected to continue to be an active investor over the next year. Dealflow of potential investments is looking promising so we expect to see the pool complete a number of new qualifying investments.

Monitoring of the portfolio companies will become an increasing proportion of our work and is essential to ensure that the businesses remain on track and that, if it is required, prompt, appropriate action is taken.

Downing Managers 3 Limited

24 May 2013

REVIEW OF INVESTMENTS – ‘F’ SHARE POOL

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 January 2013:

‘F’ Share pool

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
VCT qualifying and partially qualifying investments				
Tor Solar PV Limited*	680	680	-	7.1%
Vulcan Renewables Limited	560	560	-	5.8%
City Falkirk Limited*	422	340	(82)	3.5%
Fubar Stirling Limited	268	268	-	3.0%
Fresh Green Power Limited	200	200	-	2.1%
Green Energy Production UK Limited	100	100	-	1.0%
Cheers Dumbarton Limited	48	48	-	0.5%
Lochrise Limited	13	-	(13)	0.0%
Non-qualifying investments				
Aminghurst Limited	1,110	1,110	-	11.6%
Baron House Developments LLP	625	625	-	6.5%
Clareville St LLP	500	500	-	5.2%
Southampton Hotel Developments Limited	300	300	-	3.1%
West Tower Holdings Limited	290	290	-	3.0%
Hoole Hall Hotel Limited	265	265	-	2.8%
Kidspace Adventures Holdings Limited	250	250	-	2.6%
Retallack Limited	250	250	-	2.6%
3D Pub Co Limited	55	55	-	0.6%
	<u>5,936</u>	<u>5,841</u>	<u>(95)</u>	<u>61.0%</u>
Cash at bank and in hand		<u>3,740</u>		<u>39.0%</u>
Total investments		<u>9,581</u>		<u>100.0%</u>

* Part-qualifying investment

All of the above were also additions during the year.

The movements in the portfolio during the year and the basis of valuation of the ten largest investments are set out above, below and on pages 25 to 29.

Summary of investment movements

Disposals

	Cost £'000	MV at 01/02/12 † £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain during the year £'000
Non-qualifying investments					
Holdland House Developments Limited	350	350	350	-	-
Tor Solar PV Limited	136	136	136	-	-
Baron House Developments LLP	75	75	75	-	-
	<u>561</u>	<u>561</u>	<u>561</u>	<u>-</u>	<u>-</u>

† Adjusted for additions in the year

All of the above were also additions during the year.

REVIEW OF INVESTMENTS – 'F' SHARE POOL (continued)

Further details of the main investments:

Aminghurst Limited

www.gararock.co.uk



Cost:	£1,110,000	Valuation at 31/01/13:	£1,110,000
Date of first investment:	Sep 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Loan stock:	£1,110,000	Proportion of loan stock held:	11%
-------------	------------	--------------------------------	-----

Summary financial information from statutory accounts to 31 December*

	2011	2010
Net liabilities:	(£6,848,030)	(£4,433,221)

Aminghurst is a property development company which owns the Gara Rock site in East Portlemouth, South Devon. The company is working with Coastal Constructors Ltd to build a luxury hotel, spa, restaurant, holiday apartments and cottages which will be completed in the first half of 2013.

Tor Solar PV Limited

www.isis-solar.com



Cost:	£680,000	Valuation at 31/01/13:	£680,000
Date of first investment:	Mar 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Ordinary shares:	£34	Proportion of equity held:	17%
Preference shares	£476,000	Proportion of preference shares held:	34%
Loan stock:	£203,966	Proportion of loan stock held:	34%

Summary financial information from statutory accounts: None due

Tor Solar PV owns a portfolio of ground mounted solar panels on farms in the South West of the UK. Tor Solar PV receives Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Baron House Developments LLP



Cost:	£625,000	Valuation at 31/01/13:	£625,000
Date of first investment:	Apr 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Loan stock:	£625,000	Proportion of loan stock held:	13%
-------------	----------	--------------------------------	-----

Summary financial information from statutory accounts: None due

Baron House Developments was created to fund the purchase of a property opposite Newcastle station, which qualifies under the Business Premises Renovation Allowance (BPRA) scheme. This is a non-qualifying investment.

REVIEW OF INVESTMENTS – ‘F’ SHARE POOL (continued)

Further details of the main investments:

Vulcan Renewables Limited



Cost:	£560,000	Valuation at 31/01/13:	£560,000
Date of first investment:	Apr 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Ordinary shares:	£392,000	Proportion of equity held:	6%
Loan stock:	£168,000	Proportion of loan stock held:	11%

Summary financial information from statutory accounts: None due

Vulcan Renewables is developing a 2.0MW maize fed biogas plant near Doncaster. Through an anaerobic digestion process, biogas is produced which is used to generate gas. The company benefits from the receipt of Feed-In Tariffs and payments for gas exported to the National Gas Grid.

Clareville St LLP



Cost:	£500,000	Valuation at 31/01/13:	£500,000
Date of first investment:	Jun 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Loan stock:	£500,000	Proportion of loan stock held:	17%
-------------	----------	--------------------------------	-----

Summary financial information from statutory accounts: None due

Clareville Street has acquired a property in Kensington, London which will be redeveloped into two residential properties. This non-qualifying investment was redeemed in full on 13 March 2013 with all interest being fully paid up.

City Falkirk Limited

www.cityfalkirk.co.uk



Cost:	£421,500	Valuation at 31/01/13:	£339,617
Date of first investment:	Feb 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

‘A’ shares:	£14	Proportion of equity held:	7%
‘B’ shares:	£81,814	Proportion of equity held:	14%
Loan stock:	£339,672	Proportion of loan stock held:	14%

Summary financial information from statutory accounts: None due

City Falkirk Limited owns and operates the City & Sportsters sports bar and nightclub in Falkirk. This freehold asset was purchased out of administration, and is being run on a management contract by Lochrise Limited.

REVIEW OF INVESTMENTS – 'F' SHARE POOL (continued)

Further details of the main investments:

Southampton Hotel Developments Limited



Cost:	£300,003	Valuation at 31/01/13:	£300,003
Date of first investment:	Aug 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Ordinary shares:	£3	Proportion of equity held:	5%
Loan stock:	£300,000	Proportion of loan stock held:	10%

Summary financial information from statutory accounts: None due

Southampton Hotel Developments is developing a hotel at Ageas Bowl, the home of Hampshire Cricket Club. This is a non-qualifying investment.

West Tower Holdings Limited www.westtower.com



Cost:	£290,000	Valuation at 31/01/13:	£290,000
Date of first investment:	Jul 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Loan stock:	£290,000	Proportion of loan stock held:	5%
-------------	----------	--------------------------------	----

Summary financial information from statutory accounts to 31 March:

	2012	2011
Turnover:	-	-
Operating loss:	(35,589)	(£40,872)
Net (liabilities)/assets:	(£56,280)	£3,211,697

West Tower Holdings Limited purchased West Tower Limited and The Swan Limited in 2008. West Tower has been re-launched as an exclusive wedding venue based in Aughton, Lancashire. The Swan Limited owned a nearby inn which traded as a Marco Pierre White restaurant. The inn was sold in January 2012.

Fubar Stirling Limited www.fubarclub.info



Cost:	£268,091	Valuation at 31/01/13:	£268,077
Date of first investment:	Feb 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

'A' shares:	£14	Proportion of equity held:	7%
'B' shares:	£80,423	Proportion of equity held:	18%
Loan stock:	£187,654	Proportion of loan stock held:	14%

Summary financial information from statutory accounts: None due

Fubar Stirling Limited owns and operates the Fubar nightclub in Stirling, Scotland. This freehold asset was purchased out of administration, and is being run on a management contract by Lochrise Limited.

REVIEW OF INVESTMENTS – ‘F’ SHARE POOL (continued)

Further details of the main investments:

Hoole Hall Hotel Limited
www.doubletreechester.co.uk



Cost:	£265,000	Valuation at 31/01/13:	£265,000
Date of first investment:	Nov 12	Valuation at 31/01/12:	n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:			
Loan stock:	£265,000	Proportion of loan stock held:	13%

Summary financial information from statutory accounts to 31 March:

	2012	2011
Net assets:	£936,456	£727,081

Hoole Hall Hotel owns a long lease of the hotel room blocks at Hoole Hall from Hoole Hall Country Club, and operates the hotel as an independent company. This is a non-qualifying investment for the ‘F’ Share pool.

Note: The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

* Turnover and operating profit figures not publicly available as abbreviated small company accounts filed

Summary of loan stock interest income

Loan stock interest recognised in the year from the ten largest investments held by the ‘F’ Share pool £’000

Aminghurst Limited	-
Tor Solar PV Limited	4
Vulcan Renewables Limited	-
Baron House Developments LLP	19
Clareville St LLP	30
City Falkirk Limited	18
Southampton Hotel Developments Limited	-
West Tower Holdings Limited	-
Fubar Stirling Limited	17
Hoole Hall Hotel Limited	4
	<hr/>
	92
Receivable from other investments	52
	<hr/>
	144
	<hr/> <hr/>

Analysis of investments by investment type

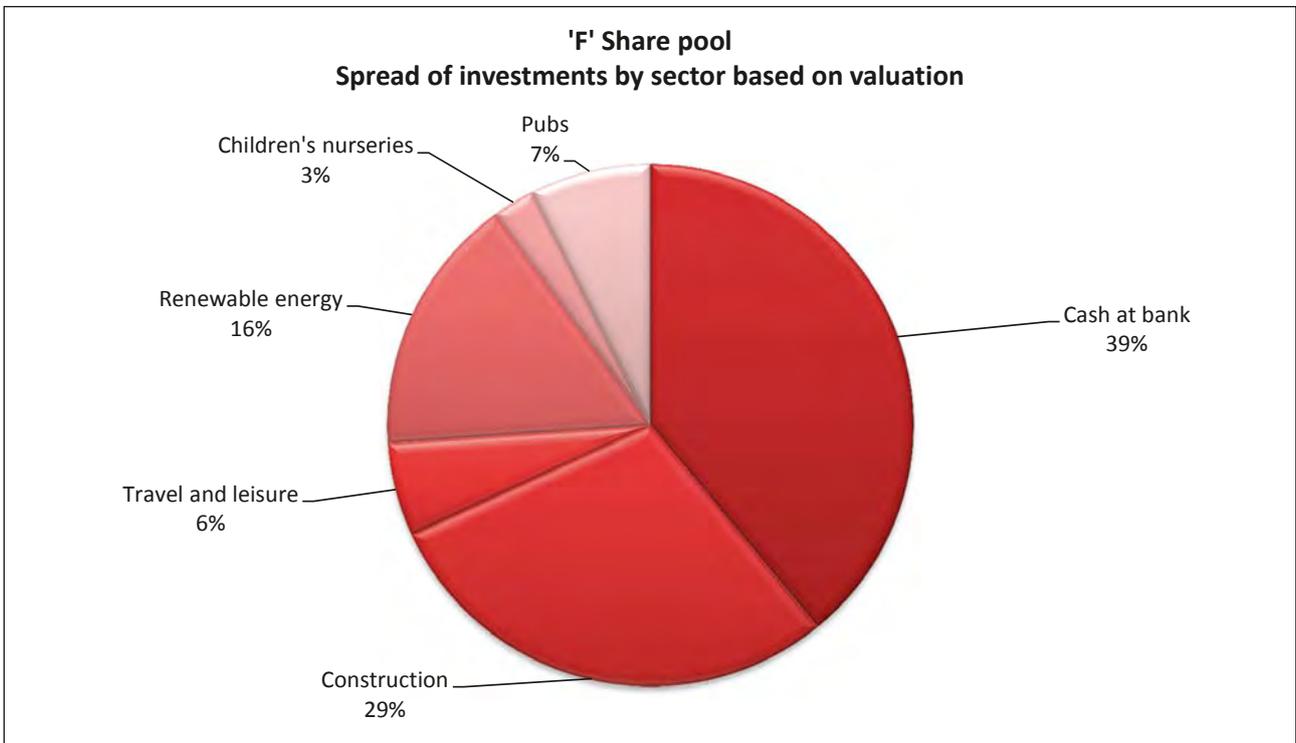
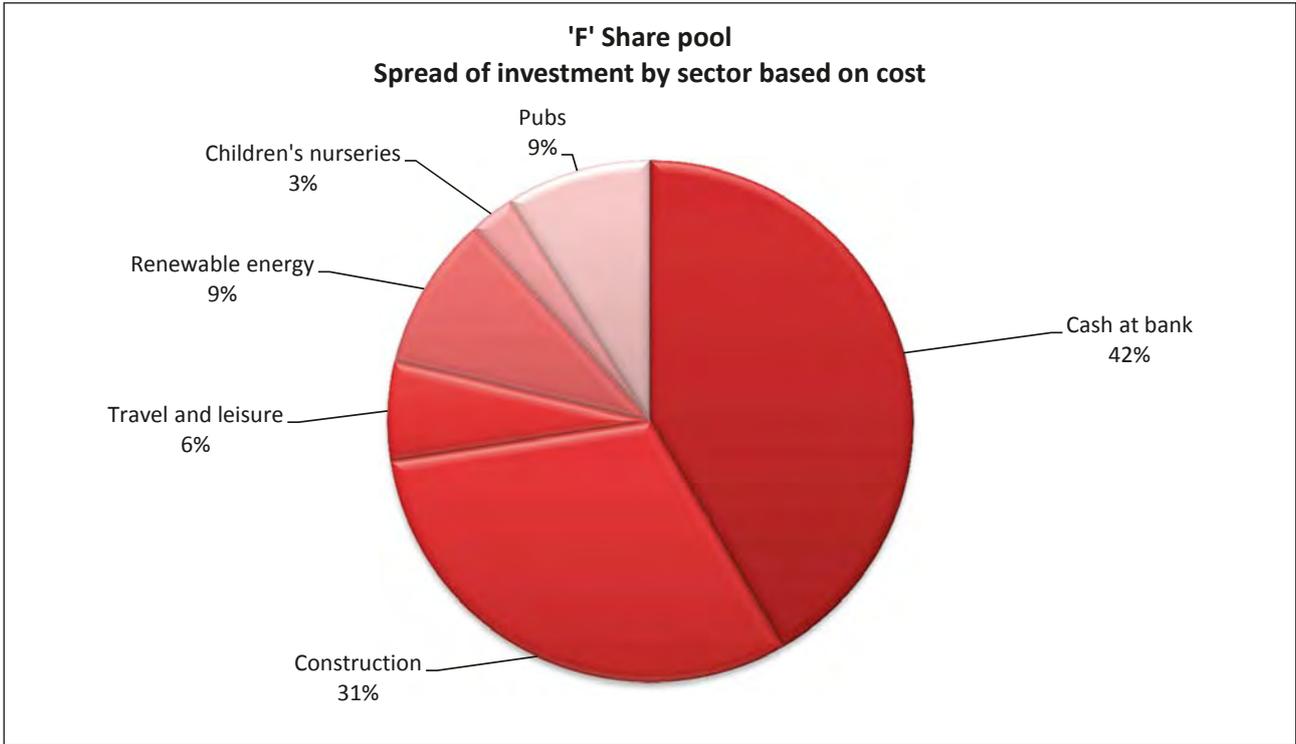
The following shows the split of the ‘F’ Share pool’s investment portfolio by type of instrument held at 31 January 2013:

	Target portfolio split 31 Jan 2015	Actual portfolio split 31 Jan 2013
Qualifying investments		
Loans to qualifying companies	50%	9%
Ordinary shares in qualifying companies	25%	13%
Non-qualifying investments (including cash at bank)	25%	78%
	<hr/>	<hr/>
	100%	100%
	<hr/> <hr/>	<hr/> <hr/>

REVIEW OF INVESTMENTS – 'F' SHARE POOL

Analysis of investments by commercial sector

The split of the 'F' Share pool's venture capital investment portfolio by commercial sector (by cost and value at 31 January 2013) is as follows:



REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 January 2013.

Principal activity and status

The Directors have received provisional approval to act as a Venture Capital Trust from HM Revenue and Customs and have continued to meet the standards set out by the Revenue.

The Company revoked its status as an investment company on 21 October 2008 in order to pay a capital dividend, but the Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Part 6 of the Income Tax Act 2007.

The Company has no employees (other than the Directors). Downing Managers 3 Limited, the wholly owned subsidiary, has two executive directors and one employee.

Business review

The Company's business and developments during the year are reviewed in the Chairman's Statement, Investment Manager's Report and Review of Investments.

Share capital

At the year end, the Company had in issue 7,158,326 'C' Shares of 0.1p each, 10,750,064 'A' Shares of 0.1p each, 9,994,109 'D' Shares of 0.1p each, 14,994,862 'E' Shares of 0.1p each and 10,821,660 'F' Shares of 0.1p each.

Only the holders of the 'C' Shares, 'D' Shares and 'F' Shares have voting rights, except where there are issues in respect of the variation of rights of the 'A' Shares and 'E' Shares. There are no other share classes in issue.

Assets attributable to the 'C' Shares and 'A' Shares ("C Share pool"), the 'D' Shares and 'E' Shares ("D Share pool") and 'F' Shares ("F Share pool") are maintained as separate investment pools.

The Company has a general policy of buying in for cancellation its own shares that become available in the market.

During the year, the Company repurchased 15,050 'C' Shares for an aggregate consideration of £12,267 being an average price of 81.5p per share and which represented 0.2% of the Company's issued 'C' Share capital. 10,000 'A' Shares were repurchased for an aggregate consideration of £10 being an average price of 0.1p per share and which represented 0.1% of the Company's issued 'A' Share capital. These shares were subsequently cancelled. No 'D' Shares, 'E' Shares or 'F' Shares were repurchased during the year.

At the AGM that took place on 24 July 2012, the Company was authorised to make market purchases of its Ordinary Shares, 'C' Shares, 'A' Shares, 'D' Shares, 'E' Shares and 'F' Shares up to a limit of 1,068,833 'C' Shares, 1,603,250 'A' Shares, 1,489,912 'D' Shares, 2,234,234 'E' Shares and 1,320,459 'F' Shares which represented approximately 14.9% of the issued share capital of each share class respectively at the date of the AGM.

The process of distributing the funds in the Ordinary Share pool was complete at the previous year end, and there was no value remaining in that share class. The Board, therefore, put forward proposals to wind up the Ordinary Share class for Shareholder approval on 24 July 2012. This was approved and the Ordinary Share class was subsequently cancelled.

At the current date, authority remains for 1,053,783 'C' Shares, 1,593,250 'A' Shares, 1,489,912 'D' Shares, 2,234,234 'E' Shares and 1,320,459 'F' Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 5 July 2013.

The minimum price which may be paid for a 'C' Share, 'A' Share, 'D' Share, 'E' Share or an 'F' Share is 0.1p, exclusive of all expenses, and the maximum price which may be paid for an Ordinary Share, 'C' Share, 'A' Share, 'D' Share, 'E' Share or an 'F' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations.

Results and dividends

	£'000	Pence per share
Return/(loss) on ordinary activities after tax for the year ended 31 January 2013 split as:		
'C' Shares	585	8.2
'D' Shares	151	1.5
'F' Shares	(105)	(1.3)
Other shares	(5)	-
Total	<u>626</u>	
Distributions paid in respect of current year		
27 July 2012 ('C' Shares)	179	2.5
27 July 2012 ('D' Shares)	250	2.5
30 November 2012 ('C' Shares)	179	2.5
30 November 2012 ('D' Shares)	250	2.5
30 November 2012 ('F' Shares)	492	5.0
	<u>1,350</u>	

Your Board is proposing to pay a final dividend of 2.5p per 'C' Share, 2.5p per 'D' Share and 2.5p per 'F' Share payable on 19 July 2013 to Shareholders on the register at 28 June 2013.

REPORT OF THE DIRECTORS (continued)

Performance incentive fees

'C' Share pool and 'D' Share pool

The investments, other assets and liabilities of each share class are managed as separate pools and, accordingly, performance incentive arrangements are specific to each pool. No performance incentive fee will be payable until Shareholders:

- i) receive proceeds, by way of dividends/distributions/ share buybacks ("Total Proceeds"), of at least 100p per £1 invested; and
- ii) achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

Subject to these conditions being met, Total Proceeds will be distributed as follows:

Shareholders	97% of the first 100p of proceeds per £1 invested and 80% thereafter
Management	3% of the first 100p of proceeds and 20% thereafter

If the above distribution would result in Shareholders receiving less than 100p per £1 invested or lower than a 7% compound return, the return to the Management Team will be reduced until Shareholders receive at least 100p per £1 invested and a 7% compound return. Management's share of the Total Proceeds will be subject to a cap at 1.25% of net assets per share pool per annum and will only be payable if the hurdle is achieved.

The maximum Performance Incentive is limited to an amount equivalent to 1.25% of net assets per annum per share pool (the "Cap"). If, in any accounting period, the performance incentive payable is less than the Cap then the shortfall shall be aggregated to the Cap in respect of the following accounting period and so on until fully utilised.

'F' Share pool

The Performance Incentive fee in respect of the 'F' Share pool will only become payable if 'F' Shareholders: (i) receive Shareholder Proceeds of at least 100p per 'F' Share (excluding initial income tax relief); and (ii) achieve a tax-free Compound Return of at least 7% per annum (after allowing for income tax relief on investment) (together the "Hurdles").

If the Hurdles are met, the Performance Incentive will be 3p per 'F' Share plus 20% above 100p per 'F' Share of the funds available (for distribution to 'F' Shareholders and the payment of the Performance Incentive). The Performance Incentive will only be paid to the extent that the Hurdles continue to be met and will be subject to a maximum amount over the life of the 'F' Share pool equivalent to 7p per 'F' Share (based on the number of 'F' Shares in issue at the close of the Offers).

For example, if the total funds available for distribution were 110p per 'F' Share, then the Performance Incentive would be 5p per 'F' Share (3p plus 20% x 10p), leaving Shareholder Proceeds of 105p per 'F' Share (assuming the Hurdles have been met and ignoring any benefit from corporation tax relief on the Performance Incentive). If the total funds available for distribution were instead 130p per 'F' Share, the Performance Incentive would be capped at 7p per 'F' Share, leaving Shareholder Proceeds of 123p per 'F' Share.

As the targets have not been met for any share pool, no fee is due to be paid for the year ended 31 January 2013. It will be recalculated for the year ended 31 January 2014, and annually thereafter, following approval of the audited accounts by the Shareholders.

Directors

The Directors of the Company during the year and their beneficial interests in the issued shares of Downing Planned Exit VCT 2 plc or Downing Planned Exit VCT 3 plc at 31 January 2012 and 31 January 2013 were as follows:

		No. of shares	
		31 Jan 2013	31 Jan 2012
Directors			
Downing Planned Exit VCT 2 plc			
Hugh Gillespie	'C' Shares	5,250	5,250
	'A' Shares	5,250	5,250
Dennis Hale	Ords	n/a	10,450
	'C' Shares	7,385	7,385
	'A' Shares	7,385	7,385
	'D' Shares	13,600	8,400
	'E' Shares	13,600	8,400
	'F' Shares	5,175	-
Downing Planned Exit VCT 3 plc			
Hugh Gillespie	Ords	n/a	5,000
	'D' Shares	5,237	5,237
	'E' Shares	5,237	5,237
	'F' Shares	5,175	-
Michael Robinson	'F' Shares	18,630	-

Between the 31 January 2013 and the date of this report there were no movements in the Directors' shareholdings.

Downing Planned Exit VCT 2 plc and Downing Planned Exit VCT 3 plc were launched under one prospectus with investors being allotted shares in one Company or the other. The Directors, therefore, feel it is appropriate to present their holdings in both companies.

REPORT OF THE DIRECTORS (continued)

Directors (continued)

In accordance with developments in corporate governance practice, the Board has decided that it is best practice for all Directors to retire at each Annual General Meeting and being eligible offer themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 3 together with the results for the period to date, in order to support the resolutions to re-appoint all three Directors.

The terms of appointment of Hugh Gillespie and Dennis Hale are detailed in a letter of appointment dated 19 January 2005. The terms of appointment of Michael Robinson are detailed in a letter of appointment dated 30 September 2010. These agreements are for a period of three years and thereafter are terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Insurance cover

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

Investment and administration manager

Downing Managers 3 Limited ("DM3") provides investment management services to the Company. DM3 is a wholly owned subsidiary of the Company and is paid 1.35% of the 'C' and 'D' Share net assets per annum and 1.8% of the 'F' Share net assets per annum. Additionally, DM3 provides administration services to the Company for a fee of £47,500 (plus RPI adjustment) per annum.

The Board is satisfied with DM3's approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of DM3 as Investment Manager remains in the best interest of Shareholders.

The agreement is for a minimum term of three years with a twelve month notice period on either side at any time after two years following the commencement of the agreement.

The annual running costs of the Company, for the year, are also subject to a cap of 2.9% of net assets for the 'C' and 'D' Share pools, and 3.5% of net assets for the 'F' Share pool of the Company plus cumulative distributions. Any excess costs over this cap are met by DM3 through a reduction in fees.

Investment policy

Qualifying investments

Qualifying investments comprise investments in UK trading companies that own substantial assets (over which a charge will be taken by the Company) or have predictable revenue streams from financially sound customers.

Non-qualifying investments

The funds not employed in qualifying investments will be predominantly invested in:

- Secured loans; and/or
- Fixed income securities.

Secured loans will be secured on property or other assets. Fixed Income Securities will consist of bonds issued by the UK Government, major companies and institutions and will have credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated). Both Standard & Poor's and Moody's are independent rating agencies not registered in the EU.

The target allocation of the Company's funds is summarised as follows:

Qualifying investments	75%
Non-qualifying investments	25%
	<hr/> <hr/> 100%

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital) for funds raised before 6 April 2011 and at least 70% in "eligible shares" for funds raised on or after 6 April 2011;
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; and
6. The Company distributes sufficient Revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained.

REPORT OF THE DIRECTORS (continued)

Borrowings

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a maximum amount equal to 50% of the funds raised under its offers for subscription, of the aggregate amount paid on any shares issued by the Company together with any share premium thereon, currently equal to £10 million. There are no plans to utilise this ability at the current time.

VCT status

The Company has retained PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities and regular review of the portfolio. Although PwC works closely with the Investment Manager, they report directly to the Board.

A summary of the VCT Regulations is included in the Company's Investment Policy shown above. Compliance with the main VCT Regulations for the year ended 31 January 2013 is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies 71.6%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital) for funds raised before 6 April 2011 and at least 70% in "eligible shares" for funds raised on or after 6 April 2011; 31.6%
3. At least 10% of each investment held in "eligible shares" Complied
4. No investment constitutes more than 15% of the Company's portfolio Complied
5. Income is derived wholly or mainly from shares and securities 92.0%
6. No more than 15% of the income from shares and securities is retained 12.4%

Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year end.

Environmental and social policy

As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives (as shown on page 2). The Board believes the Company's key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see Shareholder Information page).

In addition, the Board considers the Company's performance in relation to other VCTs.

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, liquidity and marketability risks, are summarised within note 17 to the financial statements.

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

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Managers which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

Substantial interests

As at 31 January 2013 and the date of this report, the Company had not been notified of any beneficial interest exceeding 3 per cent of any class of Share Capital.

REPORT OF THE DIRECTORS (continued)

Auditor

Since the year end, the Auditor, PKF (UK) LLP, merged its business into BDO LLP. A resolution to appoint BDO LLP as the Company's Auditor will be proposed at the forthcoming AGM.

Annual General Meeting

The Annual General Meeting will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11.05 a.m. on 5 July 2013. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 3, confirms that, to the best of each person's knowledge:

- that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the management report included within the Report of the Directors, Chairman's Statement, Investment Manager's Report and Review of Investments includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that it faces.

Electronic publication

The financial statements are published on www.downing.co.uk.

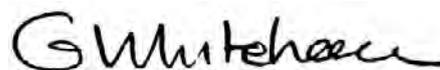
Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code June 2010 (www.frc.org.uk) is shown on page 39.

Statement as to disclosure of information to Auditor

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

By order of the Board



Grant Whitehouse

Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

24 May 2013

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Section 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the Shareholders at the Annual General Meeting to be held on 5 July 2013.

Under the requirements of Section 497, the Company's Auditors are required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 40 and 41.

Directors' remuneration policy

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

- (i) The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £100,000 per annum (excluding any performance incentive fees to which the Directors may be entitled from time to time). The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of the determination equally.
- (ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors including any expenses incurred in attending meetings of the Board or of Committees of the Board or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

Service contracts

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

Performance incentive fees

No performance incentive fees were due in respect of the year ended 31 January 2013.

Directors' remuneration (audited)

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

	Current annual fee £	Year ended 31/01/13 £	Year ended 31/01/12 £
Hugh Gillespie	12,500	12,500	10,167
Dennis Hale	10,000	10,000	8,333
Michael Robinson	10,000	10,000	8,333
	<u>32,500</u>	<u>32,500</u>	<u>26,833</u>

No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

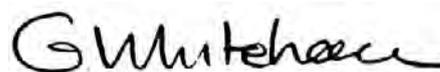
Insurance cover

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

Performance graph

The charts on the next page represents the 'C' Share pool, 'D' Share pool and 'F' Share pool performance over the period since shares were first listed on the London Stock Exchange and compares the Total Return of the Company (Net Asset Value plus dividends) to a rebased Numis Smaller Companies Index including dividends reinvested. The Numis Smaller Companies Index has been chosen as a comparison as the Board considers it is the publicly available index which most closely matches the spread of investments held by the Company. It has been rebased to 100 at the launch date of each respective pool.

By order of the Board

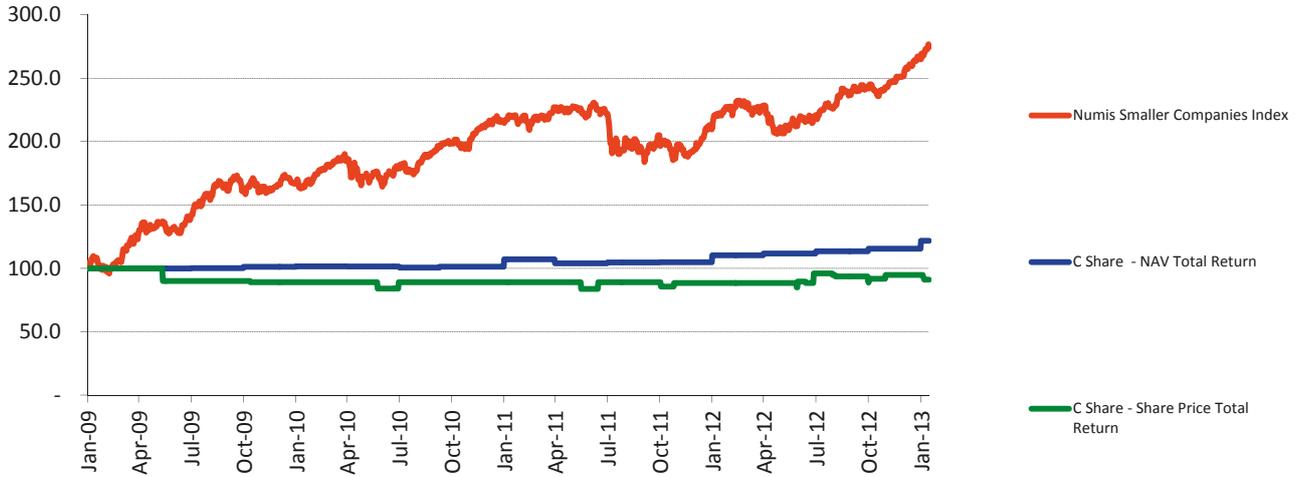


Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

24 May 2013

DIRECTORS' REMUNERATION REPORT (continued)

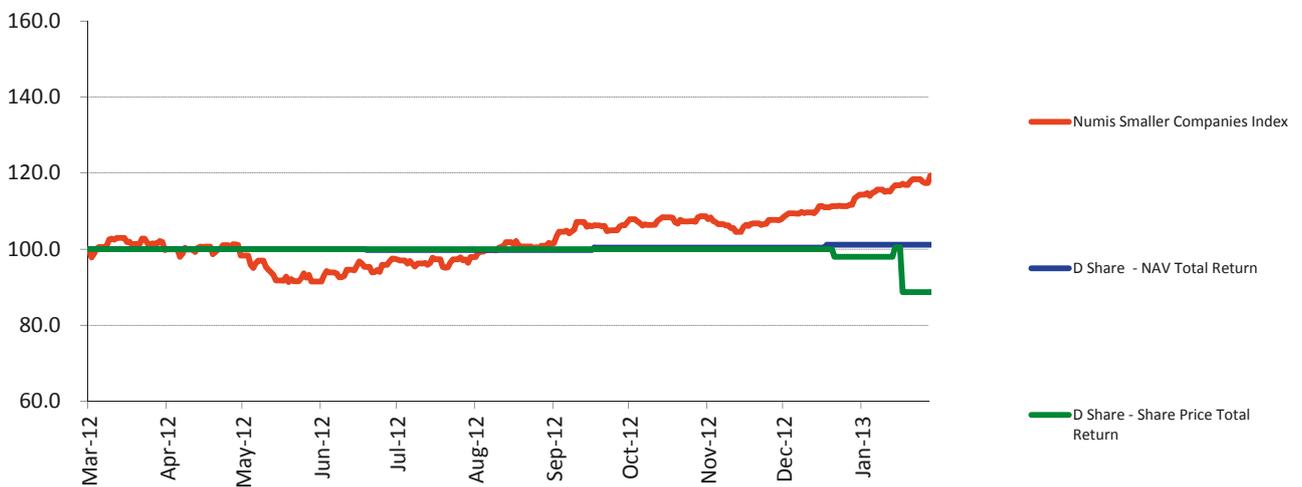
**Downing Planned Exit VCT 3 plc
'C' Share performance chart**



**Downing Planned Exit VCT 3 plc
'D' Share performance chart**



**Downing Planned Exit VCT 3 plc
'F' Share performance chart**



CORPORATE GOVERNANCE

The Directors support the relevant principles of the UK Corporate Governance Code issued in June 2010, being the principles of good governance and the code of best practice, as set out in Section 1 of the UK Corporate Governance Code.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman and senior Director is Hugh Gillespie. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 3.

In accordance with Company policy all of the Directors are offering themselves for re-election at the next AGM.

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

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

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

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

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

The capital structure of the Company is disclosed on page 30 of the Report of the Directors.

Audit Committee

The Company has an Audit Committee comprising of Hugh Gillespie, as Chairman, Dennis Hale and Michael Robinson. This Committee has defined terms of reference and duties.

The Audit Committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the auditor, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that Auditor objectivity and independence is safeguarded. In addition the Auditor confirms their independent status on an annual basis.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they remained appropriate. They also considered the need for an internal audit function and concluded that due to the size of the Company this would not be an appropriate function.

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

As the Company has no staff, other than the Directors, there are no procedures in place in respect of C3.4 of the UK Corporate Governance Code, relating to whistle blowing. The Audit Committee understands that the Investment and Administration Manager have whistle blowing procedures in place.

Board and Committee meetings

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

	Board meetings attended (5 held)	Audit Committee meetings attended (2 held)
Hugh Gillespie	5	2
Dennis Hale	5	2
Michael Robinson	5	2

CORPORATE GOVERNANCE (continued)

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration due to each Director are set out in the Directors' Remuneration Report on page 35 and this is subject to Shareholder approval. The Committee did not meet during the year.

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee meets as and when appropriate.

Relations with Shareholders

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

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

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

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

Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Report of the Directors on page 34, and a statement by the Auditor about their reporting responsibilities is set out in the Auditor's Report on page 40.

Internal control

The Board has adopted an Internal Control Manual ("Manual") for which they are responsible, which has been compiled in order to comply with the UK Corporate Governance Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board are as follows:

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals.
- Quarterly reviews by the Board of the Company's investments, other assets and liabilities, and revenue and expenditure and detailed review of unquoted investment valuations;
- Quarterly reviews by the Board of compliance with the venture capital trust regulations to retain status, including a review of half yearly reports from PwC;
- A separate review of the Annual Report and Half Yearly report by the Audit Committee prior to Board approval; and
- A review by the Board of all financial information prior to publication.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company to Downing Managers 3 Limited.

Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by the Manager at www.downing.co.uk.

CORPORATE GOVERNANCE (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 and 5, the Investment Manager's Reports on pages 6, 14 and 22 and the Report of the Directors on page 30. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 44, the Cash Flow statement on page 46 and the Report of the Directors on page 33. In addition, note 17 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources at the year end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

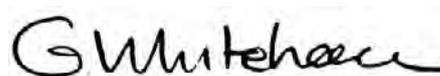
Share capital

The company has five classes of authorised share capital; 'C' Shares, 'A' Shares, 'D' Shares, 'E' Shares and 'F' Shares. The rights and obligations attaching to those shares, including the power of the Company to buy back shares and details of any significant shareholdings, are set out on page 30 of the Report of the Directors.

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance Code provisions throughout the accounting year. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 January 2013 with the provisions set out in the UK Corporate Governance Code issued in June 2010.

- a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. In addition, the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (B.4.1, B.4.2, E.1.1)
- b) Due to the size of the Board and nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)
- c) The Company does not have any independent Directors as defined by the UK Corporate Governance Code as a result of other directorships of companies managed by the same investment management team. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code. (B.1.2) (Consequently the composition of the Audit Committee does not comply with C.3.1)
- d) Non-executive Directors have consultancy agreements, whereas the recommendation is for fixed term renewable contracts. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company. (B.2.3)
- e) As the Company has had no staff, other than Directors, there are no procedures in place relating to whistleblowing. (C.3.4)



Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

24 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING PLANNED EXIT VCT 3 PLC

We have audited the financial statements of Downing Planned Exit VCT 3 plc for the year ended 31 January 2013 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 37 to 39 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING PLANNED EXIT VCT 3 PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 39, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the Shareholders by the board on Directors' remuneration.



Stuart Collins (Senior statutory auditor)

for and on behalf of PKF (UK) LLP

Statutory auditor

London UK

24 May 2013

INCOME STATEMENT

for the year ended 31 January 2013

	Note	Year ended 31 January 2013			Year ended 31 January 2012		
		Revenue (incl. Ord Shares) £'000	Capital (incl. Ord Shares) £'000	Total (incl. Ord Shares) £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	1,149	-	1,149	676	-	676
Gain/(loss) on investments	9	-	175	175	-	(264)	(264)
		1,149	175	1,324	676	(264)	412
Investment management fees	3	(308)	-	(308)	(211)	-	(211)
Other expenses	4	(238)	-	(238)	(199)	-	(199)
Return/(loss) on ordinary activities before tax		603	175	778	266	(264)	2
Tax on ordinary activities	6	(152)	-	(152)	(85)	-	(85)
Return/(loss) attributable to equity shareholders		451	175	626	181	(264)	(83)
Basic and diluted return/(loss) per:							
'C' Share	8	4.0p	4.2p	8.2p	1.7p	4.5p	6.2p
'A' Share	8	-	-	-	-	-	-
'D' Share	8	1.7p	(0.2p)	1.5p	0.5p	(5.8p)	(5.3p)
'E' Share	8	-	-	-	-	-	-
'F' Share	8	(0.1p)	(1.2p)	(1.3p)	-	-	-

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the profit and loss account of the Company.

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

Other than revaluation movements arising on investments held at fair value through the profit and loss, there were no differences between the return/loss as stated above and at historical cost.

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

INCOME STATEMENT (ANALYSED BY SHARE POOL)

for the year ended 31 January 2013

'C' Share pool

	Year ended 31 January 2013			Year ended 31 January 2012			
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income		537	-	537	337	-	337
Gain on investments		-	299	299	-	320	320
		537	299	836	337	320	657
Investment management fees		(89)	-	(89)	(88)	-	(88)
Other expenses		(75)	-	(75)	(74)	-	(74)
Return on ordinary activities before tax		373	299	672	175	320	495
Tax on ordinary activities		(87)	-	(87)	(51)	-	(51)
Return attributable to equity shareholders	8	286	299	585	124	320	444

'D' Share pool

	Year ended 31 January 2013			Year ended 31 January 2012			
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income		433	-	433	339	-	339
Loss on investments		-	(24)	(24)	-	(584)	(584)
		433	(24)	409	339	(584)	(245)
Investment management fees		(110)	-	(110)	(123)	-	(123)
Other expenses		(88)	-	(88)	(125)	-	(125)
Return/(loss) on ordinary activities before tax		235	(24)	211	91	(584)	(493)
Tax on ordinary activities		(60)	-	(60)	(34)	-	(34)
Return/(loss) attributable to equity shareholders	8	175	(24)	151	57	(584)	(527)

'F' Share pool

	Year ended 31 January 2013			Year ended 31 January 2012			
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income		179	-	179	-	-	-
Loss on investments		-	(95)	(95)	-	-	-
		179	(95)	84	-	-	-
Investment management fees		(109)	-	(109)	-	-	-
Other expenses		(75)	-	(75)	-	-	-
Loss on ordinary activities before tax		(5)	(95)	(100)	-	-	-
Tax on ordinary activities		(5)	-	(5)	-	-	-
Loss attributable to equity shareholders	8	(10)	(95)	(105)	-	-	-

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

BALANCE SHEET
as at 31 January 2013

	Year ended 31 January 2013				Year ended 31 January 2012				
	Note	'C' Share pool £'000	'D' Share pool £'000	'F' Share pool £'000	Total £'000	'C' Share pool £'000	'D' Share pool £'000	Other share pools £'000	Total £'000
Fixed assets									
Investments	9	6,741	8,027	5,841	20,609	6,389	7,846	5	14,240
Current assets									
Debtors	10	157	90	73	320	114	99	1,178	1,391
Cash at bank and in hand		35	6	3,740	3,781	179	493	-	672
		<u>192</u>	<u>96</u>	<u>3,813</u>	<u>4,101</u>	<u>293</u>	<u>592</u>	<u>1,178</u>	<u>2,063</u>
Creditors: amounts falling due within one year	11	<u>(144)</u>	<u>(139)</u>	<u>(80)</u>	<u>(363)</u>	<u>(108)</u>	<u>(105)</u>	<u>-</u>	<u>(213)</u>
Net current assets/(liabilities)		<u>48</u>	<u>(43)</u>	<u>3,733</u>	<u>3,738</u>	<u>185</u>	<u>487</u>	<u>1,178</u>	<u>1,850</u>
Net assets		<u>6,789</u>	<u>7,984</u>	<u>9,574</u>	<u>24,347</u>	<u>6,574</u>	<u>8,333</u>	<u>1,183</u>	<u>16,090</u>
Capital and reserves									
Called up share capital	12	18	25	11	54	18	25	101	144
Share capital to be issued		-	-	-	-	-	-	1,178	1,178
Capital redemption reserve	13	106	-	-	106	4	-	1	5
Special reserve	13	5,977	8,384	-	14,361	6,173	8,975	-	15,148
Share premium reserve	13	-	-	10,160	10,160	-	-	-	-
Revaluation reserve	13	566	(427)	(95)	44	267	(584)	-	(317)
Capital reserve – realised	13	53	-	(492)	(439)	53	-	-	53
Revenue reserve	13	69	2	(10)	61	59	(83)	(97)	(121)
Total equity shareholders' funds	14	<u>6,789</u>	<u>7,984</u>	<u>9,574</u>	<u>24,347</u>	<u>6,574</u>	<u>8,333</u>	<u>1,183</u>	<u>16,090</u>
Basic and diluted net asset value per									
Ordinary Share	14	n/a	n/a	n/a		-	-	0.1p	
'C'/'D'/'F' Share	14	94.7p	79.7p	88.5p		91.5p	83.3p	-	
'A'/'E' Share	14	0.1p	0.1p	n/a		0.1p	0.1p	-	

Other share pools comprise the Ordinary Share pool and the 'F' Share pool.

The financial statements on pages 42 to 61 were approved and authorised for issue by the Board of Directors on 24 May 2013 and were signed on its behalf by



Hugh Gillespie
Chairman
Company number: 5334413

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 January 2013

	Year ended 31 January 2013				Year ended 31 January 2012				
	Note	'C' Share pool £'000	'D' Share pool £'000	'F' Share pool £'000	Total (incl. Ord Shares) £'000	'C' Share pool £'000	'D' Share pool £'000	Other Share pools £'000	Total £'000
Opening Shareholders' funds		6,574	8,333	1,178	16,090	6,668	9,360	5	16,033
Issue of shares		-	-	10,763	10,763	-	-	-	-
Share issue costs		-	-	(592)	(592)	-	-	-	-
Purchase of own shares		(12)	-	-	(12)	-	-	-	-
Share capital to be issued		-	-	(1,178)	(1,178)	-	-	1,178	1,178
Total recognised return/(loss) for the year		585	151	(105)	626	444	(527)	-	(83)
Dividends paid	7	(358)	(500)	(492)	(1,350)	(538)	(500)	-	(1,038)
Closing Shareholders' funds		<u>6,789</u>	<u>7,984</u>	<u>9,574</u>	<u>24,347</u>	<u>6,574</u>	<u>8,333</u>	<u>1,183</u>	<u>16,090</u>

Other share pools comprise the Ordinary Share pool and the 'F' Share pool.

The Ordinary Share pool had opening Shareholders funds of £5,000 at 1 February 2012. These were eliminated when the class was cancelled during the year (see note 12).

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

CASH FLOW STATEMENT

for the year ended 31 January 2013

	Note	Year ended 31 January 2013				Year ended 31 January 2012			
		'C' Share pool £'000	'D' Share pool £'000	'F' Share pool £'000	Total £'000	'C' Share pool £'000	'D' Share pool £'000	Other share pools £'000	Total £'000
Net cash inflow/(outflow) from operating activities	15	327	251	(3)	575	259	260	-	519
Taxation									
Corporation tax paid		(48)	(33)	-	(81)	-	(120)	-	(120)
Capital expenditure									
Purchase of investments	9	(80)	(1,477)	(6,497)	(8,054)	(2,842)	(5,627)	-	(8,469)
Sale of investments	9	27	1,272	561	1,860	2,627	4,560	-	7,187
Net cash outflow from capital expenditure		(53)	(205)	(5,936)	(6,194)	(215)	(1,067)	-	(1,282)
Equity dividends paid	7	(358)	(500)	(492)	(1,350)	(538)	(500)	-	(1,038)
Net cash outflow before financing		(132)	(487)	(6,431)	(7,050)	(494)	(1,427)	-	(1,921)
Financing									
Proceeds from share issue		-	-	10,763	10,763	-	-	-	-
Share issue costs		-	-	(592)	(592)	-	-	-	-
Purchase of own shares		(12)	-	-	(12)	-	-	-	-
Net cash inflow/(outflow) from financing		(12)	-	10,171	10,159	-	-	-	-
Increase/(decrease) in cash	16	(144)	(487)	3,740	3,109	(494)	(1,427)	-	(1,921)

Other share pools comprise the Ordinary and 'F' Share pools.

There were no cash flow movements with respect to the Ordinary Share pool in either year.

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

NOTES TO THE ACCOUNTS

for the year ended 31 January 2013

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised January 2009 ("SORP").

The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value and on the basis that it is not necessary to prepare consolidated accounts as explained in note 9.

The Company implements new Financial Reporting Standards ("FRS") issued by the Financial Reporting Council when required.

Presentation of Income Statement

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

Investments

Venture capital investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS26.

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

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

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

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

It is not the Company's policy to exercise significant influence over investee companies. Therefore the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

Income

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

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

1. Accounting policies (continued)

Expenses

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

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The Company has adopted the policy of allocating Investment Manager's fees 100% as revenue.
- Expenses and liabilities not specific to a Share class are generally allocated pro rata to the net assets.

Taxation

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

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

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

Other debtors, other creditors and loan notes

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

Issue costs

Issue costs in relation to the shares issued for each share class have been deducted from the share premium account for the relevant share class.

2. Income

	2013	2012
	£'000	£'000
Income from investments		
Loan stock interest	1,060	641
	<u>1,060</u>	<u>641</u>
Other income		
Bank interest	40	14
Fee income	23	21
Dividend income	26	-
	<u>1,149</u>	<u>676</u>

3. Investment management fees

The Company's subsidiary undertaking, Downing Managers 3 Limited ("DM3"), provides management services in respect of the portfolio of venture capital investments. The management fee, which is charged to the Company, is based on an annual amount of 1.35% of the 'C' and 'D' pool net assets and 1.8% of the 'F' pool net assets. The Manager also provides administration services for a fee of £47,500 (plus RPI) per annum. Fees in relation to these services are shown within note 4.

	2013	2012
	£'000	£'000
Investment management fees	<u>308</u>	<u>211</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

4. Other expenses

	2013	2012
	£'000	£'000
Administration services	52	49
Trail commission	61	63
Directors' remuneration	33	27
Social security costs	1	1
Auditor's remuneration for audit	14	14
Auditor's remuneration for non-audit services (taxation)	7	2
Other	70	43
	<u>238</u>	<u>199</u>

The 'C' and 'D' Share pool annual running costs of the Company, for the year, are subject to a cap of 2.9% of the net of each respective share pool. The 'F' Share pool is subject to an annual running costs cap of 3.5%.

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the Directors' Remuneration Report on page 35.

The Company had no employees (other than Directors) during the year. Costs in respect of these are referred to in note 4 above. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director.

6. Tax on ordinary activities

	2013	2012
	£'000	£'000
(a) Tax charge for year		
UK corporation tax	152	85
Charge for the year	<u>152</u>	<u>85</u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	<u>778</u>	<u>2</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 24.2% (2012: 28%)	188	-
Effects of:		
(Gain)/loss on investments	(41)	73
Marginal rate relief	(1)	(6)
Expenses disallowed for tax purposes	17	18
Adjustment in respect of prior year	(5)	-
Dividend income	(6)	-
	<u>152</u>	<u>85</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

7. Dividends

	Year ended 31 January 2013			Year ended 31 January 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid by 'C' Share pool						
2013 Interim – 2.5p	179	-	179	-	-	-
2012 Final – 2.5p	-	179	179	-	-	-
2012 Interim – 2.5p	-	-	-	72	107	179
2011 Final – 5.0p	-	-	-	144	215	359
	<u>179</u>	<u>179</u>	<u>358</u>	<u>216</u>	<u>322</u>	<u>538</u>
Proposed by 'C' Share pool						
2013 Final – 2.5p	50	129	179	-	-	-
2012 Final – 2.5p	-	-	-	-	179	179
	<u>50</u>	<u>129</u>	<u>179</u>	<u>-</u>	<u>179</u>	<u>179</u>
Paid by 'D' Share pool						
2013 Interim – 2.5p	90	160	250	-	-	-
2012 Final – 2.5p	-	250	250	-	-	-
2012 Interim – 2.5p	-	-	-	25	225	250
2011 Final – 2.5p	-	-	-	150	100	250
	<u>90</u>	<u>410</u>	<u>500</u>	<u>175</u>	<u>325</u>	<u>500</u>
Proposed by 'D' Share pool						
2013 Final – 2.5p	-	250	250	-	-	-
2012 Final – 2.5p	-	-	-	-	250	250
	<u>-</u>	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>	<u>250</u>
Paid by 'F' Share pool						
2013 Interim – 5.0p	-	492	492	-	-	-
	<u>-</u>	<u>492</u>	<u>492</u>	<u>-</u>	<u>-</u>	<u>-</u>
Proposed by 'F' Share pool						
2013 Final – 2.5p	-	271	271	-	-	-
	<u>-</u>	<u>271</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>-</u>

8. Basic and diluted return per share

	'C' Shares	'A' Shares	'D' Shares	'E' Shares	'F' Shares
Revenue return/(loss) (£'000)	<u>286</u>	-	<u>175</u>	-	<u>(10)</u>
Weighted average number of shares in issue	<u>7,173,376</u>	<u>10,760,064</u>	<u>10,000,000</u>	<u>15,000,000</u>	<u>8,129,676</u>
Net capital gain/(loss) for the financial year (£'000)	<u>299</u>	-	<u>(24)</u>	-	<u>(95)</u>
Weighted average number of shares in issue	<u>7,173,376</u>	<u>10,760,064</u>	<u>10,000,000</u>	<u>15,000,000</u>	<u>8,129,676</u>

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per share for any of the share classes. The return per share disclosed therefore represents both the basic and diluted return per share for all share classes.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

9. Investments - "Fair value through profit or loss" assets

	Unquoted investments £'000
Cost at 31 January 2012	14,557
Unrealised gains/(losses)/(impairments) at 31 January 2012	(317)
Valuation at 31 January 2012	<u>14,240</u>
Movement in the year:	
Purchased at cost	8,054
Sale - proceeds	(1,860)
- realised gains on sales	-
Gain in the income statement	175
Valuation at 31 January 2013	<u><u>20,609</u></u>
Cost at 31 January 2013	20,564
Unrealised gains at 31 January 2013	45
Valuation at 31 January 2013	<u><u>20,609</u></u>

No costs incidental to the acquisitions of investments were incurred during the year.

The Company also owns 100% of the issued ordinary share capital of Downing Managers 3 Limited with an attributable cost of £2.

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

- Level 1 Reflects financial instruments quoted in an active market;
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
- Level 3 Reflects financial instruments that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2013 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2012 £'000
Loan notes	-	-	15,467	15,467	-	-	11,242	11,242
Unquoted equity	-	-	5,142	5,142	-	-	2,998	2,998
	<u>-</u>	<u>-</u>	<u>20,609</u>	<u>20,609</u>	<u>-</u>	<u>-</u>	<u>14,240</u>	<u>14,240</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

9. Investments (continued)

Reconciliation of fair value for Level 3 financial instruments held at the year end:

	Loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 1 February 2012	11,242	2,998	14,240
Movements in the Income Statement:			
Gain/(loss) in the Income Statement	(146)	321	175
	11,096	3,319	14,415
Purchases at cost	6,664	1,390	8,054
Loan stock converted to shares	(433)	433	-
Sales proceeds	(1,860)	-	(1,860)
Balance at 31 January 2013	15,467	5,142	20,609

There is an element of judgement in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to certain of the VCT's investments.

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative valuation assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgement in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The basis of valuation of the investments was unchanged during the year.

The Board and the Investment Manager believe that the valuations as at 31 January 2013 reflect the most appropriate assumptions at the date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17.

An analysis of venture capital investments between equity and non-equity elements is set out on pages 12, 20 and 28 within the Review of Investments.

Analysis by class of shares is set out on pages 7, 15 and 24 within the review of investments.

Results of the subsidiary undertaking for the year ended 31 January 2013

	Country of registration	Nature of Business	Turnover £'000	Profit before tax £'000	Net assets £'000
Downing Managers 3 Limited	England and Wales	Investment Manager	360	17	32

This subsidiary undertaking has not been consolidated as its exclusion does not materially alter the group's accounts. The financial statements therefore present information about the Company as an individual undertaking and not about its group.

Downing Corporate Finance Limited, a company in which Nicholas Lewis and Tony McGing (directors of DM3) are directors and shareholders, has been granted an option to acquire the entire share capital of DM3 at any time after 1 February 2009 for an amount equal to the net asset value of DM3 at the time of exercise.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

10. Debtors

	2013	2012
	£'000	£'000
Prepayments and accrued income	320	213
Other debtors	-	1,178
	<u>320</u>	<u>1,391</u>

Other debtors comprise amounts due from Downing Planned Exit VCT 2 plc in respect of monies raised in the 'F' Share fundraising.

11. Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Amounts due to subsidiary undertaking	94	61
Corporation tax	157	85
Other taxes and social security	3	4
Other creditors	99	24
Accruals and deferred income	10	39
	<u>363</u>	<u>213</u>

12. Called up share capital

	2013	2012
	£'000	£'000
Issued, allotted, called up and fully-paid:		
Nil (2012: 10,064,617) Ordinary Shares of 1p each	-	101
7,158,326 (2012: 7,173,376) 'C' Shares of 0.1p each	7	7
10,750,064 (2012: 10,760,064) 'A' Shares of 0.1p each	11	11
9,994,109 (2012: 9,994,109) 'D' Shares of 0.1p each	10	10
14,994,862 (2012: 14,994,862) 'E' Shares of 0.1p each	15	15
10,821,660 (2012: £nil) 'F' Shares of 0.1p each	11	-
	<u>54</u>	<u>144</u>

The process of distributing the funds in the Ordinary Share pool was complete at the previous year end, and there was no value remaining in that share class. The Board, therefore, put forward proposals to wind up the Ordinary Share class for Shareholder approval in a separate class meeting on 24 July 2012. This was approved and the Ordinary Share class was subsequently cancelled.

Between 6 October 2012 and 3 October 2012, a total of 9,839,319 'F' Shares were issued for £1 per share pursuant to the Offer for Subscription dated 12 October 2011. The aggregate consideration of the shares was £9,839,000 which excludes costs of £541,000.

On 7 January 2013 982,341 'F' Shares were issued for 94p per share pursuant to the Top Up Offer for Subscription dated 24 October 2012. The aggregate consideration of the shares was £923,000 which excludes costs of £51,000.

During the year, the Company repurchased 15,050 'C' Shares for an aggregate consideration of £12,267 being an average price of 81.5p per share and which represented 0.2% of the Company's issued 'C' Share capital. 10,000 'A' Shares were repurchased for an aggregate consideration of £10 being an average price of 0.1p per share and which represented 0.1% of the Company's issued 'A' Share capital. These shares were subsequently cancelled. No 'D' Shares, 'E' Shares or 'F' Shares were repurchased during the year.

The Company's capital is managed in accordance with its investment policy as shown in the Directors' Report on page 32, in pursuit of its principal investment objectives as stated on page 2.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

12. Called up share capital (continued)

Any distributions or returns of capital from the assets attributable to the 'C' Shares and 'A' Shares ("C' Share pool") shall be made on the following basis between the holders of the 'C' Shares and 'A' Shares:

- Provided that the performance hurdle is met (i.e. for a shareholding comprising of one 'C' Share and one 'A' Share a total of at least £1 is distributed and a 7% compound return), distributions are made as 91% to 'C' Shares and 9% to 'A' Shares until an amount equivalent to the 100p for a shareholding comprising of one 'C' Share and one 'A' Share has been distributed; thereafter
- All distributions will be allocated pro-rata to the number of shares held.

Before the 'C' Share pool performance hurdle is met, distributions and returns of capital from the 'C' Share pool will be made to the holders of 'C' Shares and the holders of 'A' Shares in proportion of 999 to 1 respectively being pro rata to the amount subscribed for the shares. Once the 'C' Share pool Hurdle is met, all distributions will be to the holders of the 'C' Shares until the above split of distributions is achieved.

Any distributions or returns of capital from the assets attributable to the 'D' and 'E' Shares ('D' Share pool) shall be made on the following basis between the holders of the 'D' and 'E' Shares:

- Provided that the performance hurdle is met (i.e. for a shareholding comprising of one 'D' Share and one 'E' Share a total of at least £1 is distributed and a 7% compound return), distributions are made as 97% to the 'D' Shares and 3% to the 'E' Shares until an amount equivalent to the 100p for a shareholding comprising one 'D' Share and one 'E' Share has been distributed; thereafter
- All distributions are made 80% to the 'D' Shares and 20% to the 'E' Shares.

Before the 'D' Share pool performance hurdle is met, distributions and returns of capital from the 'D' Share pool will be made to the holders of 'D' Shares and the holders of 'E' Shares in proportion of 999 to 1 respectively being pro rata to the amount subscribed for the shares. Once the 'D' Share pool Hurdle is met, all distributions will be to the holders of the 'D' Shares until the above split of distributions is achieved.

Any distributions or returns of capital from the assets attributable to the 'F' Share pool shall be made on the following basis between the holders of the 'F' Shares:

The Performance Incentive will only become payable if 'F' Shareholders:

- receive Shareholder Proceeds of at least 100p per 'F' Share (excluding initial income tax relief); and
- achieve a tax-free Compound Return of at least 7% per annum (after allowing for income tax relief on investment) (together the "Hurdles").

If the 'F' Share pool Hurdles are met, the Performance Incentive will be 3p per 'F' Share plus 20% above 100p per 'F' Share of the funds available (for distribution to 'F' Shareholders and the payment of the Performance Incentive). The Performance Incentive will only be paid to the extent that the Hurdles continue to be met and will be subject to a maximum amount over the life of each Company equivalent to 7p per 'F' Share (based on the number of 'F' Shares in issue at the close of the Offers).

13. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 1 February 2012	5	15,148	-	(317)	53	(121)
Shares repurchased	-	(12)	10,752	-	-	-
Issue of new shares	-	-	(592)	-	-	-
Share issue costs	-	-	-	-	-	-
Gain on investments	-	-	-	180	-	-
Retained revenue	-	-	-	-	-	451
Transfer between reserves	-	(775)	-	181	594	-
Cancellation of Ordinary pool	101	-	-	-	(5)	-
Dividend paid	-	-	-	-	(1,081)	(269)
At 31 January 2013	106	14,361	10,160	44	(439)	61

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

13. Reserves (continued)

	Capital redemption reserve £'000	Special reserve £'000	Share premium reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
Split between:						
'C' Share pool						
At 1 February 2012	4	6,173	-	267	53	59
Shares repurchased	-	(12)	-	-	-	-
Gain on investments	-	-	-	299	-	-
Retained revenue	-	-	-	-	-	286
Transfer between reserves	-	(184)	-	-	184	-
Cancellation of Ordinary pool	102	-	-	-	(5)	(97)
Dividend paid	-	-	-	-	(179)	(179)
At 31 January 2013	106	5,977	-	566	53	69
'D' Share pool						
At 1 February 2012	-	8,975	-	(584)	-	(83)
Loss on investments	-	-	-	(24)	-	-
Retained revenue	-	-	-	-	-	175
Transfer between reserves	-	(591)	-	181	410	-
Dividend paid	-	-	-	-	(410)	(90)
At 31 January 2013	-	8,384	-	(427)	-	2
'F' Share pool						
At 1 February 2012	-	-	-	-	-	-
Issue of new shares	-	-	10,752	-	-	-
Share issue costs	-	-	(592)	-	-	-
Loss on investments	-	-	-	(95)	-	-
Retained revenue	-	-	-	-	-	(10)
Dividend paid	-	-	-	-	(492)	-
At 31 January 2013	-	-	10,160	(95)	(492)	(10)
Ordinary Share pool						
At 31 January 2012	1	-	-	-	-	(97)
Cancellation of Ordinary pool	(1)	-	-	-	-	97
At 31 January 2013	-	-	-	-	-	-

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay capital distributions. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. Revaluation reserve includes losses of £795,000 which are included in the calculation of distributable reserves. At 31 January 2013, total distributable reserves were £13,188,000 (2012: £14,416,000).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

14. Basic and diluted net asset value per share

	Shares in issue		2013 Net asset value		2012 Net asset value	
	2013	2012	per share	£'000	per share	£'000
	Ordinary Shares	-	10,064,617	n/a	n/a	0.1p
'C' Shares	7,158,326	7,173,376	94.7p	6,778	91.5p	6,563
'A' Shares	10,750,064	10,760,064	0.1p	11	0.1p	11
'D' Shares	9,994,109	9,994,109	79.7p	7,969	83.3p	8,318
'E' Shares	14,994,862	14,994,862	0.1p	15	0.1p	15
'F' Shares	10,821,660	-	88.5p	9,574	n/a	n/a
Share capital to be issued				-		1,178
				<u>24,347</u>		<u>16,090</u>

The 'C' Share pool, 'D' Share pool and 'F' Share pool are treated as separate investment pools. Within the 'C' Share pool the Directors allocate the assets and liabilities of the Company between the 'C' Shares and 'A' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights. Within the 'D' Share pool the Directors allocate the assets and liabilities of the Company between the 'D' Shares and 'E' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights.

15. Reconciliation of return on ordinary activities before taxation to net cash flow from operating activities

	Year ended 31 January 2013				Year ended 31 January 2012		
	'C' Share pool £'000	'D' Share pool £'000	'F' Share pool £'000	Total (incl. Ord Shares) £'000	'C' Share pool £'000	'D' Share pool £'000	Total (incl. Ord Shares) £'000
Return/(loss) on ordinary activities before taxation	672	211	(100)	778	495	(493)	2
(Gain)/loss on investments	(299)	24	95	(175)	(320)	584	264
(Increase)/decrease in prepayments and accrued income	(43)	9	(73)	(107)	86	152	238
Increase/(decrease) in accruals and deferred income	2	7	38	47	(4)	24	20
Increase/(decrease) in amounts due to subsidiary undertaking	(5)	-	37	32	2	(7)	(5)
Net cash inflow/(outflow) from operating activities	<u>327</u>	<u>251</u>	<u>(3)</u>	<u>575</u>	<u>259</u>	<u>260</u>	<u>519</u>

16. Analysis of changes in cash during the year

	2013 £'000	2012 £'000
Beginning of year	672	2,593
Net cash inflow/(outflow)	<u>3,109</u>	<u>(1,921)</u>
End of year	<u>3,781</u>	<u>672</u>

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 January 2013

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in unquoted companies; loans and receivables, being cash deposits and short term debtors; and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cashflow and revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

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

The fair value of cash deposits and short term debtors and creditors equates to their carrying value in the Balance Sheet.

Loans and receivables and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

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

- Investment risks
- Credit risk
- Liquidity risk

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

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

Investment risks

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

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

- Investment price risk
- Interest rate risk

Investment price risk

Investment price risk arises from uncertainty about the valuation of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through changes in the fair value of unquoted investments that it holds.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

17. Financial instruments (continued)

At 31 January 2013, the unquoted portfolio was valued at £20,609,000 (2012: £14,240,000).

As the majority of the Company's investments are 'asset-backed', a fall in share prices generally would have a lesser impact on the valuation of the portfolio. A 10% movement in the valuations of all of the investments held by the Company would have an effect as follows:

10% movement in unquoted investment valuations		2013		2012	
	Impact on net assets £'000	Impact on NAV per share Pence	Impact on net assets £'000	Impact on NAV per share Pence	
'C' Shares					
Unquoted investments	674	9.4p	639	8.9p	
'D' Shares					
Unquoted investments	803	8.0p	785	7.9p	
'F' Shares					
Unquoted investments	584	5.8p	-	-	

The sensitivity analysis for unquoted valuations above assumes that each of the sub-categories of financial instruments (ordinary shares and loan stocks) held by the Company produces an overall movement of 10%. Shareholders should note that equal correlation between these sub-categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to investment price risk in isolation.

Interest rate risk

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

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

- "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate or LIBOR and comprise cash at bank and liquidity fund investments and certain loan note investments.
- "No interest rate" assets do not attract interest and comprise equity investments and debtors.

	Average interest rate	Average period until maturity	2013 £'000	2012 £'000
Fixed rate	9.6%	751 days	15,380	11,067
Floating rate	0.6%		3,869	847
No interest rate			5,098	4,176
			<u>24,347</u>	<u>16,090</u>

The Company monitors the level of income received from fixed and floating rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

17. Financial instruments (continued)

It is estimated that an increase of 1% in interest rates would have increased total return before taxation for the year by £4,000 for the 'C' Share pool, £nil for the 'D' Share pool and £44,000 for the 'F' Share pool. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is not believed that a reduction from this level is likely.

Credit risk

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

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

	2013	2012
	£'000	£'000
Investments in loan stocks	15,467	11,242
Cash and cash equivalents	3,781	672
Interest, dividends and other receivables	266	213
	<u>19,514</u>	<u>12,127</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under "Investment risks" above. In addition the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. Similarly the management of credit risk associated with interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held by Bank of Scotland plc and Royal Bank of Scotland plc, both of which are A-rated financial institutions and both also ultimately part-owned by the UK Government. Consequently, the Directors consider that the credit risk associated with cash deposits is low.

There have been no changes in fair value during the year that are directly attributable to changes in credit risk.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. As the Company has a relatively low level of creditors, (£363,000) and has no borrowings, the Board believes that the Company's exposure to liquidity risk is low. The Company always holds sufficient levels of funds as cash in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 January 2013

17. Financial instruments (continued)

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

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 January 2013 as analysed by the expected maturity date is as follows:

As at 31 January 2013	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	1,172	2,813	282	3,277	625	8,169
Past due loan stock	4,134	55	1,755	1,354	-	7,298
	<u>5,306</u>	<u>2,868</u>	<u>2,037</u>	<u>4,631</u>	<u>625</u>	<u>15,467</u>

As at 31 January 2012	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	1,450	581	842	3,026	-	5,899
Past due loan stock	2,696	350	570	1,727	-	5,343
	<u>4,146</u>	<u>931</u>	<u>1,412</u>	<u>4,753</u>	<u>-</u>	<u>11,242</u>

Of the loan stock classified as "past due" above, £4,385,000 relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is thus in arrears. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due comprised loan notes of £1,221,000, falling within the banding of less than one year, £55,000, falling within the banding of one to two years; £1,755,000 falling within the banding of two to three years; and £1,354,000 falling within the banding of three to five years. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

Of the loan stock classified as "past due" above, £2,913,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date giving rise to the classification of the loan notes as past due falls within the banding of nil to six months past due. Notwithstanding that the principal has passed its maturity date, the Directors do not consider that the loan note itself has been impaired. Of this amount, £nil has been redeemed since the year end.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 January 2013

18. Capital management

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

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

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

19. Contingencies, guarantees and financial commitments

At 31 January 2013, the Company had no contingencies, guarantees or financial commitments.

20. Related party transactions

Downing Managers 3 Limited ("DM3"), a wholly owned subsidiary, is the Company's Investment Manager. Details of the agreement with DM3 are included in Note 3.

During the year ended 31 January 2013, £308,000 (2012: £211,000) was payable to DM3. Additionally, DM3 provides accounting, secretarial and administrative services for an annual fee of £47,500 (plus VAT and RPI) per annum.

During the year ended 31 January 2013, £52,000 (2012: £49,000) was due in respect of administration fees. At the year end a balance of £94,000 (2012: £61,000) was due to DM3.

21. Controlling party

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

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING OF DOWNING PLANNED EXIT VCT 3 PLC

NOTICE IS HEREBY GIVEN that the eighth Annual General Meeting of Downing Planned Exit VCT 3 plc will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:05 a.m. on 5 July 2013 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 January 2013, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve a final dividend of 2.5p per 'C' Share, 2.5p per 'D' Share and 2.5p per 'F' Share.
4. To appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine the Auditor's remuneration.
5. To re-elect as Director, Hugh Gillespie, who retires in accordance with company policy and, being eligible, offers himself for re-election.
6. To re-elect as Director, Dennis Hale, who retires in accordance with company policy and, being eligible, offers himself for re-election.
7. To re-elect as Director, Michael Robinson, who retires in accordance with company policy and, being eligible, offers himself for re-election.

Special Resolution

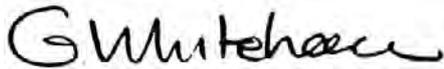
8. THAT, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of 'C' shares of 0.1p each ("C' Shares"), 'A' shares of 0.1p each ("A' Shares"), 'D' shares of 0.1p each ("D' Shares"), 'E' shares of 0.1p each ("E' Shares") and 'F' Shares of 0.1p each ("F' Shares") in the capital of the Company provided that:
 - (i) the maximum number of 'C' Shares, 'A' Shares, 'D' Shares, 'E' Shares and 'F' Shares hereby authorised to be purchased is: 1,066,591, being 14.99 per cent. of the issued 'C' Shares; 1,601,760, being 14.99 per cent. of the issued 'A' Shares; 1,489,122, being 14.99 per cent. of the issued 'D' Shares; 2,234,234, being 14.99 per cent. of the issued 'E' Shares; and 1,612,427, being 14.99 per cent. of the issued 'F' Shares at such time;
 - (ii) the minimum price which may be paid for a 'C' Share, 'A' Share, 'D' Share, 'E' Share or an 'F' Share is its respective nominal value;
 - (iii) the maximum price which may be paid for a 'C' Share, 'A' Share, 'D' Share, 'E' Share or an 'F' Share, is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares, 'C' Shares, 'A' Shares, 'D' Shares, 'E' Shares and 'F' Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Share, 'C' Share, 'A' Share, 'D' Share, 'E' Share or 'F' Share is contracted to be purchased;

**NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING
OF DOWNING PLANNED EXIT VCT 3 PLC**

- (iv) the Company may make a contract to purchase a 'C' Share, 'A' Share, 'D' Share, 'E' Share or an 'F' Share under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares, 'C' Shares, 'A' Shares, 'D' Shares, 'E' Shares and 'F' Shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board



Grant Whitehouse
Company Secretary

Registered Office
10 Lower Grosvenor Place
London SW1W 0EN

24 May 2013

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING (continued)

Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11.05 a.m. on 5 July 2013 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11.05 a.m. on 5 July 2013 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING (continued)

- (g) As at 9.00 a.m. on 24 May 2013, the Company's issued share capital comprised 10,750,064 'A' Shares, 7,158,326 'C' Shares, 9,994,109 'D' Shares and 14,994,862 'E' Shares, 10,821,660 'F' Shares and the total number of voting rights in the Company was 27,974,095. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY

DOWNING PLANNED EXIT VCT 3 PLC

For use at the Annual General Meeting of the above-named Company to be held on 5 July 2013, at 10 Lower Grosvenor Place, London SW1W 0EN at 11.05 a.m.

I/We*(in BLOCK CAPITALS please)

of
being the holder(s)* of ordinary shares of 1p each or 'C' Shares or 'D' Shares or 'F' Shares of 0.1p each in the capital of the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or.....

of
as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 10 Lower Grosvenor Place, London SW1W 0EN on 5 July 2013 or at any adjournment thereof.

I/We* desire to vote on the resolutions as indicated in the appropriate column below.
Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' Report and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve a final dividend payment of 2.5p per 'C' Share, 2.5p per 'D' Share, and 2.5p per 'F' Share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Hugh Gillespie as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Dennis Hale as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Michael Robinson as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
8. To authorise the Company to make market purchases of its shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s) Date:.....

* Delete as appropriate

If you are unable to attend the AGM and wish to put any comments to the Board, please use the box below.

PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED



NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, and be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



10 Lower Grosvenor Place
London SW1W 0EN

Tel: 020 7416 7780

Email: vct@downing.co.uk

Web: www.downing.co.uk

Downing LLP is authorised and regulated by the Financial Conduct Authority