

Downing THREE VCT plc

Half-Yearly Report
for the six months
ended 30 June 2015



CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Half-Yearly Report for the six months ended 30 June 2015. Investment performance across the various share pools has mostly been satisfactory and progress is being made in exiting from investments in the share pools that have now reached their planned exit date. The Company has also continued to raise new funds in the 'J' Share pool.

Net asset values and overview

'C' Share pool

The 'C' Share pool is now exiting from its investments. During the period sufficient realisations were completed to allow the payment of a dividend of 50p per 'C' Share.

At 30 June 2015, the remaining net asset value ("NAV") for a combined holding of one 'C' Share and one 'A' Share was 49.4p. This represents a net increase of 1.1p (1.1%) over the period (after adjusting for dividends paid during the period).

Assuming that certain performance hurdles are met, it is expected that a performance fee will be payable to management and it is estimated that this might be equivalent to 7p per Ordinary Share. After providing for the performance fee the Total Return (NAV plus dividends paid to date) stands at 117.4p for a combined holding of one 'C' Share and one 'A' Share. This compares to the original cost, net of income tax relief, of 70p per share.

Plans are being advanced for exit from all of the remaining investments. The Manager is hopeful that these can be completed soon and a final payment made to 'C' Shareholders before the end of the year.

'D' Share pool

The 'D' Share pool has now passed its five year anniversary of the close of the original fundraising offer and work is ongoing to unwind the 'D' Share investment portfolio. Unfortunately a proposed transaction to dispose of a number of solar investments earlier in the year fell through, although a new process has now commenced with a different purchaser. Another proposed sale has encountered delays, but the Manager now expects it to complete soon.

Although it is unlikely that all investments will be realised over the next few months, the Manager believes the Company will be in a position to make a substantial initial payment to 'D' Shareholders before the end of the year.

At 30 June 2015, the NAV for a combined holding of one 'D' Share and one 'E' Share was 73.0p, an increase of 1.6p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 95.5p for a combined holding, compared to the original cost, net of income tax relief, of 70p per share.

'F' Share pool

The 'F' Share pool launched in 2012 and is scheduled to start exiting from investments in 2017.

At 30 June 2015, the NAV for a holding of one 'F' Share was 71.7p, a net decrease of 1.3p (1.7%) over the period (after adjusting for dividends paid during the period of 2.5p per 'F' Share). Total Return (NAV plus dividends paid to date) is now 89.2p, compared to the original cost, net of income tax relief, of 70p per share.

CHAIRMAN'S STATEMENT (continued)

'H' Share pool

The 'H' Share pool raised funds in 2014 and is in the process of building its VCT qualifying portfolio. The target date to start realising investments is 2019.

At 30 June 2015, the NAV for a holding of one 'H' Share was 93.3p. This represents a net increase of 1.1p (1.2%) over the period (after adjusting for the dividends paid during the period of 2.5p per 'H' Share). Total Return (NAV plus dividends paid to date) is now 100.8p, compared to the initial NAV of 100.0p.

'J' Share pool

The 'J' Share pool was launched in December 2014 and completed its first two investments in the period under review.

At 30 June 2015, the NAV for a holding of one 'J' Share was 99.9p, compared to the initial NAV of 100.0p.

A full review for each share pool is covered in the specific Investment Manager's Reports on pages 4 to 17.

Dividends

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

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

Each of the above dividends will be paid on 18 December 2015 to Shareholders on the register at 20 November 2015.

No usual interim dividends are being declared in respect of the 'C' Shares or 'D' Shares as it is expected that larger dividends will be paid as soon as investment realisations complete.

As a result of changes to the VCT regulations in 2014, the 'J' Share pool is effectively prohibited from paying dividends in its first three years.

Fundraising

The 'J' Share fundraising offer opened in December 2014 and has to date raised £9 million, which is of a sufficient size to ensure a reasonably spread portfolio for investors. The closing date for the offer has now been extended to 30 September 2015.

Shareholders may be aware of the proposed VCT rule changes that have been announced in the Summer Budget. The new rules have yet to be finalised but they will place a greater restriction on the range of investments that the Company can make in future.

For the pools that are already fully invested, there is not likely to be any significant impact. In respect of the pools that have not yet invested all their funds, this may result in the Company having to invest in younger businesses, potentially exposing the Company to a slightly higher risk profile. The proposed penalty for breaching some of the new rules is loss of VCT status, so the Company and its investors may face a higher risk of the loss of tax benefits than has previously been the case. While acknowledging the additional risks that the new rules may introduce, the Investment Manager believes that the Company will be able to satisfactorily adapt to the new rules and that the original performance target for the 'J' Share pool remains achievable.

The Company has recently published a brief supplementary prospectus in respect of the rule changes.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

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

No shares were purchased in the six month period to 30 June 2015.

Outlook

The Board is generally satisfied with progress and expects to see significant headway made in realising investments from the 'C' Share and 'D' Share pools over the remainder of the year. We expect to see all remaining funds returned to 'C' Share investors before the end of the year and a significant proportion of the 'D' Share fund paid out to those Shareholders over the same time period.

In terms of the less mature share pools, the Manager will continue to work closely with all portfolio companies. In the 'F' Share pool we believe there are prospects to recover ground lost on some of the weaker investments. In respect of the 'H' and 'J' Share pools, we expect a number of new VCT qualifying investments to be made over the remainder of the year.

As soon as there is news of the next dividends for 'C' and 'D' Shareholders, the Company will write to those Shareholders.



Michael Robinson
Chairman

28 August 2015

INVESTMENT MANAGER'S REPORT

'C' SHARE POOL

The task of exiting all of the 'C' Share pool investments continued during the period and we are hopeful this will now complete in the next few months. A dividend of 50p per 'C' Share was paid on 20 March 2015, bringing total dividends paid to date to 75.0p per 'C' Share.

Investment activity in the period

A number of investments were exited during the period under review:

The sale of Atlantic Dogstar Limited, AEW Pubs No 1 Limited, East Dulwich Tavern Limited and Westow House Limited completed in January 2015, generating capital proceeds to the 'C' share pool of £2.4 million as well as a dividend of £509,000. In total, this equates to a gain against original cost of £1.2 million.

The £210,000 non-qualifying loan in Hoole Hall Country Club Holdings Limited was repaid at par.

Vermont Developments Limited, a property development site in Salford, was exited in the period and generated proceeds of £156,000 and a gain against cost of £131,000.

Proceeds of £87,000 were received on the exit of Chapel Street Services Limited, Chapel Street Food and Beverage Limited and Chapel Street Hotel Limited.

Honeycombe Pubs Limited was sold in the period and proceeds of £66,000 were received.

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

There have been some minor adjustments to valuations of the remaining investments resulting in a net reduction of £53,000.

Further realisation plans

The 3D Pub Co Limited was disposed of in July at a price equal to the 30 June valuation. Each of the other remaining investments is in advanced stages of transactions which should secure exits at full value. As there are a significant number of parties involved it is difficult to accurately estimate when all of the transactions will be completed, however we are optimistic that the 'C' Share pool will be in a position to make a final distribution to 'C' Shareholders before the end of the year.

Net asset value and results

At 30 June 2015, the net asset value ("NAV") for a combined holding of one 'C' Share and one 'A' Share was 49.4p.

Based on the performance to date, it is expected that performance hurdles will be met and a performance fee will be paid to members of the management team. It is estimated that this fee might be equivalent to 7p per 'C' Share. After adjusting for that, Total Return (NAV plus dividends paid to date) now stands at 117.4p for a combined holding of one 'C' Share and one 'A' Share. Shareholders should note that although the 'A' Shares currently have a nominal value, meeting the performance hurdles will trigger a transfer of value from the 'C' Shares to the 'A' Shares.

The profit on ordinary activities after taxation for the 'C' Shares for the period was £89,000, comprising a revenue profit of £554,000 and a capital loss of £465,000.

Outlook

We are pleased with the overall performance of the 'C' Share portfolio and believe that the task of completing the liquidation of the remaining portfolio can be completed in a timely manner. As soon as this process is complete, we expect the Company to make a final payment to 'C' Shareholders to bring a successful investment to a close.

Downing LLP

28 August 2015

SUMMARY OF INVESTMENT PORTFOLIO

'C' SHARE POOL

as at 30 June 2015

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Domestic Solar Limited	500	560	-	15.8%
Future Biogas (SF) Limited*	697	476	-	13.5%
Redmed Limited	350	430	(22)	12.2%
Quadrat Spa Limited*	363	363	-	10.3%
Quadrat Catering Limited	330	359	-	10.1%
The 3D Pub Co Limited	267	233	6	6.6%
Ecossol Limited	250	175	(37)	4.9%
Mosaic Spa and Health Clubs Limited*	125	97	-	2.7%
Non-qualifying investments				
The Thames Club Limited	500	500	-	14.1%
	<u>3,382</u>	<u>3,193</u>	<u>(53)</u>	<u>90.2%</u>
Cash at bank and in hand		<u>348</u>		<u>9.8%</u>
Total		<u>3,541</u>		<u>100%</u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

'C' SHARE POOL

for the six months ended 30 June 2015

Disposals	Cost £'000	Market value at 01/01/15*	Disposal proceeds £'000	(Loss)/ gain against cost £'000	Total realised gain/(loss) £'000
VCT qualifying and partially qualifying investments					
Chapel Street Food and Beverage Limited	50	13	45	(5)	32
Chapel Street Services Limited	50	13	42	(8)	29
Atlantic Dogstar Limited	663	1,260	1,260	597	-
East Dulwich Tavern Limited	644	734	541	(103)	(193) **
Westow House Limited	429	606	338	(91)	(268) **
Non-qualifying investments					
Vermont Developments Limited	25	120	156	131	36
Hoole Hall Country Club Holdings Limited	210	210	210	-	-
Honeycombe Pubs VCT Limited	188	66	66	(122)	-
AEW Pubs No 1 Limited	-	261	261	261	-
Chapel Street Hotel Limited	2	1	-	(2)	(1)
Westow House Pub No 1 Limited	-	16	-	-	(16) **
East Dulwich Tavern Pub No 1 Limited	-	31	-	-	(31) **
	2,261	3,331	2,919	658	(412)

* Adjusted for additions in the year

**Disposal proceeds were supplemented by dividends totalling £509,000

INVESTMENT MANAGER'S REPORT

'D' SHARE POOL

The 'D' Share pool recently passed the five year anniversary of the close of the original fundraising and has therefore now started the process of seeking to realise its investments in order to return funds to 'D' Shareholders.

Exits have been achieved from some small investments so far. Other transactions are being progressed which should result in exits from a significant proportion of the portfolio within the next few months.

Investment activity

During the period under review, there were four full disposals and two part disposals which produced proceeds of £1.3 million and showed a small gain against previous carrying value of £50,000.

At 30 June 2015, the pool held 18 investments with a valuation of £5.9 million. Some minor valuation changes were made at the period end resulting in a total valuation reduction of £11,000. The carrying values adopted at the end of the period are consistent with the values at which we believe the investments can be exited.

The majority of investments have performed to plan although a small number which have underperformed historically have not been able to make up lost ground as yet.

Realisation plans

Plans are well advanced for exits from all of the share pool's VCT qualifying investments. A proposed transaction to dispose of all of the solar assets fell through earlier in the year when the purchaser was not able to complete. However, a new purchaser is now in place and we believe the transaction should complete soon.

Separate transactions are also being progressed for Future Biogas (Reepham Road), the Quadrate and Commercial Street Hotel companies, Kidspace, Alpha Schools and Mosaic which, assuming they each go ahead as planned will, with the above transaction, result in approximately 75% of the fund being liquidated over the next few months. As soon as a significant proportion of the portfolio has been realised, we expect the Board to declare a major distribution to Shareholders.

Aminghurst is the one major investment where the exit plans are currently a little less clear. The company developed an apartment and hotel complex at Gara Rock in Devon. Sales of the apartments have been slow to date and it is therefore currently difficult to estimate when Aminghurst may be in position to repay funds to the Company. Some options are being explored that might help to draw the investment to a conclusion earlier than might otherwise be the case.

Net asset value and results

At 30 June 2015, the net asset value ("NAV") for a combined holding of one 'D' Share and one 'E' Share was 73.0p, an increase of 1.6p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 95.5p for a combined holding.

The profit on ordinary activities for the 'D' Shares, after taxation, for the period was £154,000, comprising a revenue profit of £115,000 and a capital profit of £39,000.

Outlook

The remainder of the year will be a busy period in terms of investment disposals and we expect the first major distribution to Shareholders to be made before the end of the year. The complete disposal process is likely to take some time and, as a result of Aminghurst in particular, it may be 12 months or more before the full task is completed.

Downing LLP

28 August 2015

SUMMARY OF INVESTMENT PORTFOLIO

'D' SHARE POOL

as at 30 June 2015

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Future Biogas (Reepham Road) Limited	842	522	-	7.2%
Quadrat Spa Limited*	496	496	-	6.8%
Quadrat Catering Limited	441	481	-	6.6%
Kidspace Adventure Holdings Limited	375	454	6	6.2%
Domestic Solar Limited	400	448	-	6.1%
Alpha Schools (Holdings) Limited	367	438	-	6.0%
Mosaic Spa and Health Clubs Limited	475	347	-	4.8%
Green Electricity Generation Limited	250	303	-	4.2%
Westcountry Solar Solutions Limited	250	250	-	3.4%
Avon Solar Energy Limited	210	210	-	2.8%
Progressive Energies Limited	170	190	-	2.6%
Ecosol Limited	250	175	(38)	2.4%
Liverpool Nurseries (Holdings) Limited	-	22	22	0.3%
Camandale Limited	421	2	(1)	0.0%
Non-qualifying investments				
Aminghurst Limited	1,322	1,322	-	18.1%
Fenkle Street LLP	122	122	-	1.7%
Commercial Street Hotel Limited	100	100	-	1.4%
Kilmarnock Monkey Bar Limited	42	25	-	0.3%
	<u>6,533</u>	<u>5,907</u>	<u>(11)</u>	<u>80.9%</u>
Cash at bank and in hand		<u>1,391</u>		<u>19.1%</u>
Total		<u><u>7,298</u></u>		<u><u>100%</u></u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS 'D' SHARE POOL

for the six months ended 30 June 2015

Additions	£'000
Non-qualifying investments	
Camandale Limited	8
Total	<u>8</u>

Disposals	Cost £'000	Market value at 01/01/15*	Disposal proceeds £'000	Gain/ (loss) against cost £'000	Total realised gain/ (loss) £'000
VCT qualifying and partially qualifying investments					
Ridgeway Pub Company Limited	137	126	150	13	24
Slopingtactic Limited	196	225	248	52	23
Liverpool Nurseries (Holdings) Limited	435	386	397	(38)	11
West Tower Property Limited	250	250	250	-	-
Camandale Limited	102	36	28	(74)	(8)
Non-qualifying investments					
Aminghurst Limited	185	185	185	-	-
	<u>1,305</u>	<u>1,208</u>	<u>1,258</u>	<u>(47)</u>	<u>50</u>

* Adjusted for additions in the year

INVESTMENT MANAGER'S REPORT

'F' SHARE POOL

The 'F' Share pool is now fully invested and is scheduled to start realising investments in 2017 in order to return funds to shareholders.

Investment activity

The 'F' Share pool made three further qualifying investments in the period and has now met the target of having at least 70% of its fund in VCT qualifying investments. Details of the new investments are set out below:

£258,000 of non-qualifying loan was replaced with a qualifying investment in Pearce and Saunders Limited, the freehold pub company that operates three sites in south east London. A further £46,000 was also invested in a new company that will be used to take advantage of a related development opportunity.

£200,000 was invested in Atlantic Dogstar Limited, the owner and operator of five London pubs.

£64,000 was invested in Vulcan Renewables Limited, the operator of a biogas plant in Doncaster.

The majority of the 'F' Share pool investments have performed in line with expectations over the period and continue to be valued at original cost, however, there have been a number of adjustments to valuations resulting in an unrealised value decrease of £180,000. Details are below:

Following a further round of financing the valuation of Vulcan Renewables Limited was increased by £126,000.

After third party valuations of the sites at two of our freehold London pub companies, Pabulum Pubs Limited and Augusta Pub Company Limited, the valuations were increased by £29,000 and £19,000 respectively.

Kidspace Adventures Holdings Limited is the holding company of Kidspace Adventures Limited which owns three children's play

centres. Continued good performance at all three sites has resulted in an increase in value of £4,000.

These gains were offset by valuation reductions on four investments, most notably Pearce and Saunders Limited where underperformance at the pub sites resulted in a valuation decrease of £249,000. Also Tor Solar Limited, the solar panel installer, saw its valuation reduced by £85,000 following underperformance of a number of the solar arrays.

In addition to the Pearce and Saunders reorganisation noted above there was also a partial repayment of the non-qualifying loan in Aminghurst Limited which generated £128,000. Furthermore, Hoole Hall Hotel Limited exited for £84,000.

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

Net asset value, results and dividend

At 30 June 2015, the net asset value ("NAV") for a holding of one 'F' Share was 71.7p, a decrease of 1.3p (1.7%) over the period. Total Return (NAV plus dividends paid to date) is now 89.2p for a combined holding.

The loss on ordinary activities for the 'F' Shares, after taxation, for the period was £148,000, comprising a revenue profit of £32,000 and a capital loss of £180,000.

The Company will pay an interim dividend of 2.5p per 'F' Share, on 18 December 2015 to 'F' Shareholders on the register at 20 November 2015.

Outlook

The focus now for the 'F' Share portfolio is on close monitoring and support of the portfolio companies to ensure that prospects for growth are optimised in the period until the realisation process commences in 2017.

Downing LLP

28 August 2015

SUMMARY OF INVESTMENT PORTFOLIO

'F' SHARE POOL

as at 30 June 2015

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Vulcan Renewables Limited	653	778	126	10.0%
Goonhilly Earth Station Limited	760	760	-	9.8%
Tor Solar PV Limited	680	595	(85)	7.7%
Merlin Renewables Limited	500	500	-	6.4%
Lambridge Solar Limited	500	500	-	6.4%
Grasshopper 2007 Limited	378	378	-	4.9%
Augusta Pub Company Limited	290	309	19	4.0%
Kidspace Adventures Holdings Limited	250	302	4	3.9%
Fubar Stirling Limited	268	256	(12)	3.3%
Pearce and Saunders Limited*	497	248	(249)	3.2%
Redmed Limited	250	239	(12)	3.1%
Pabulum Pubs Limited	200	229	29	3.0%
City Falkirk Limited	422	207	-	2.6%
Atlantic Dogstar Limited	200	200	-	2.6%
Fresh Green Power Limited	200	200	-	2.6%
Green Energy Production UK Limited	100	100	-	1.3%
Cheers Dumbarton Limited	48	17	-	0.2%
Lochrise Limited	13	-	-	0.0%
Non-qualifying investments				
Aminghurst Limited	839	839	-	10.8%
Baron House Developments LLP	481	481	-	6.2%
Dominions House Limited	59	59	-	0.8%
3D Pub Company Limited	55	55	-	0.7%
Pearce and Saunders DevCo Limited	46	46	-	0.6%
London City Shopping Centre Limited	43	43	-	0.6%
Southampton Hotel Development Limited	298	-	-	0.0%
	<u>8,030</u>	<u>7,341</u>	<u>(180)</u>	<u>94.7%</u>
Cash at bank and in hand		<u>407</u>		<u>5.3%</u>
Total		<u><u>7,748</u></u>		<u><u>100.0%</u></u>

* Partially qualifying investment

SUMMARY OF INVESTMENT MOVEMENTS

'F' SHARE POOL

as at 30 June 2015

Additions	£'000
Qualifying investments	
Pearce and Saunders Limited	304
Atlantic Dogstar Limited	200
Vulcan Renewables Limited	64
Non-qualifying investments	
Pearce and Saunders DevCo Limited	46
Total	<u>614</u>

Disposals	Cost £'000	Market value at 01/01/15* £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Non-qualifying investments					
Pearce and Saunders Limited	258	258	258	-	-
Aminghurst Limited	128	128	128	-	-
Hoole Hall Hotel Limited	84	84	84	-	-
	<u>470</u>	<u>470</u>	<u>470</u>	<u>-</u>	<u>-</u>

* adjusted for purchases made in the period

INVESTMENT MANAGER'S REPORT

'H' SHARE POOL

The 'H' Share pool raised funds in 2014 and is still in the early stages of building its VCT qualifying portfolio.

Investment activity

The pool made its first two new qualifying investments in the period, as well as two further non-qualifying investments. Details are set out below:

£1 million was invested in Atlantic Dogstar Limited, in January 2015. The company owns and operates five freehold pubs in London.

Oak Grove Renewables Limited operates an anaerobic digestion plant in Norfolk. £420,000 has been invested in the company in the period.

A non-qualifying loan of £200,000 was made to UK Solar (Hartwell) LLP to fund the construction of a solar plant in Northamptonshire.

£155,000 non-qualifying loan was made to Augusta Pub Company Limited, an owner and operator of freehold London pubs.

All of the 'H' Share pool investments are performing as expected and are valued at original cost.

There was one partial disposal in the period being a repayment of non-qualifying loan of £23,000 made by Ludlow Taverns Springhill Limited.

Net asset value and results

At 30 June 2015, the net asset value per 'H' Share was 93.3p, a net increase of 1.1p (1.2%) over the period. Total Return (NAV plus dividends paid to date) is now 100.8p.

Results and dividend

The gain on ordinary activities for the 'H' Shares, after taxation, for the period was £154,000 being wholly related to Revenue.

The Company will pay an interim dividend of 2.5p per 'H' Share, on 18 December 2015 to 'H' Shareholders on the register at 20 November 2015.

Outlook

The task of building the 'H' Share portfolio is now underway. We have a good pipeline of potential investment opportunities from which we expect to be able to build a solid qualifying portfolio with good potential for growth over the next five years. The portfolio currently comprises a number of non-qualifying investments that provide additional yield in the initial phase but will be realised in order to provide funds for further qualifying investments in due course. As a result, we expect there to be a significant level of investment activity over the remainder of the year.

Downing LLP

28 August 2015

SUMMARY OF INVESTMENT PORTFOLIO

'H' SHARE POOL

as at 30 June 2015

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
VCT qualifying investments				
Atlantic Dogstar Limited	1,000	1,000	-	8.1%
Oak Grove Renewables Limited	420	420	-	3.4%
Non-qualifying investments				
Woodbridge Solar Limited	1,800	1,800	-	14.5%
Deeside Solar Limited	1,800	1,800	-	14.5%
Vulcan Renewables Limited	1,410	1,410	-	11.4%
Pub People Limited	984	984	-	8.0%
Future Biogas (SF) Limited	525	525	-	4.2%
Ludlow Taverns Springhill Limited	398	398	-	3.2%
UK Solar (Hartwell) LLP	200	200	-	1.6%
Pearce and Saunders Limited	193	193	-	1.6%
Augusta Pub Company Limited	155	155	-	1.3%
	<u>8,885</u>	<u>8,885</u>	<u>-</u>	<u>71.8%</u>
Cash at bank and in hand		<u>3,485</u>		<u>28.2%</u>
Total		<u>12,370</u>		<u>100%</u>

SUMMARY OF INVESTMENT MOVEMENTS

'H' SHARE POOL

as at 30 June 2015

Additions	£'000
Qualifying investments	
Atlantic Dogstar Limited	1,000
Oak Grove Renewables Limited	420
Non-qualifying investments	
UK Solar (Hartwell) LLP	200
Augusta Pub Company Limited	155
Total	<u><u>1,775</u></u>

	Cost £'000	Market value at 01/01/15* £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Disposals					
Non-qualifying investments					
Ludlow Taverns Springhill Limited	23	23	23	-	-
	<u>23</u>	<u>23</u>	<u>23</u>	<u>-</u>	<u>-</u>

* adjusted for purchases made in the period

INVESTMENT MANAGER'S REPORT

'J' SHARE POOL

Fundraising

The fundraising for the 'J' Share pool was launched in December 2014 and has raised £8.9m to date. The closing date for the offer has now been extended to 30 September 2015.

Investment activity

Two initial investments were made in the period being a qualifying investment of £420,000 in Oak Grove Renewables Limited and a non-qualifying secured loan investment of £410,000 in UK Solar (Lower Newton) LLP.

Net asset value and results

At 30 June 2015, the net asset value per 'J' Share was 99.9p, a small reduction of 0.1p from the initial value resulting from the excess of running costs over investment income while most of the funds have been held in cash.

The loss on ordinary activities for the 'J' Shares, after taxation, for the period was £8,000, being wholly related to revenue.

Following changes to the VCT regulations in 2014, there are now tight restrictions on dividends that can be paid on new VCT shares. As a result it is expected that no dividend will be paid to 'J' Shareholders in the initial years following investment.

Outlook

The task of building the 'J' Share portfolio has very recently begun. We have a good pipeline of potential investment opportunities from which we expect to be able to build a solid qualifying portfolio with good potential for growth over the planned life of the share pool. Accordingly, we expect to complete a number of new qualifying and non-qualifying investments for the share pool over the remainder of the year.

Downing LLP

28 August 2015

SUMMARY OF INVESTMENT PORTFOLIO 'J' SHARE POOL

as at 30 June 2015

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Oak Grove Renewables Limited	420	420	-	5.2%
Non-qualifying investments				
UK Solar (Lower Newton) LLP	300	300	-	3.7%
	<u>720</u>	<u>720</u>	<u>-</u>	<u>8.9%</u>
Cash at bank and in hand		<u>7,413</u>		<u>91.1%</u>
Total		<u>8,133</u>		<u>100%</u>

SUMMARY OF INVESTMENT MOVEMENTS 'J' SHARE POOL

as at 30 June 2015

Additions	£'000
Qualifying investments	
Oak Grove Renewables Limited	420
Non-qualifying investments	
UK Solar (Lower Newton) LLP	410
Total	<u>830</u>

	Cost £'000	Market value at 01/01/15 *	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Disposals					
Non-qualifying investments					
UK Solar (Lower Newton) LLP	110	110	110	-	-
	<u>110</u>	<u>110</u>	<u>110</u>	<u>-</u>	<u>-</u>

* adjusted for purchases made in the period

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 June 2015

	30 Jun 2015						30 Jun 2014	31 Dec 2014
	'C' Shares £'000	'D' Shares £'000	'F' Shares £'000	'H' Shares £'000	'J' Shares £'000	Total £'000	Total £'000	Total £'000
Fixed assets								
Unquoted investments	3,193	5,907	7,341	8,885	720	26,046	22,172	28,204
Current assets								
Debtors	89	130	119	286	31	655	272	417
Cash at bank and in hand	348	1,391	407	3,485	7,413	13,044	11,728	7,182
	437	1,521	526	3,771	7,444	13,699	12,000	7,599
Creditors: amounts falling due within one year	(93)	(144)	(111)	(110)	(561)	(1,019)	(568)	(734)
Net current assets	344	1,377	415	3,661	6,883	12,680	11,432	6,865
Net assets	3,537	7,284	7,756	12,546	7,603	38,726	33,604	35,069
Capital and reserves								
Called up share capital	18	25	11	13	8	75	64	67
Share capital to be issued	-	-	-	-	-	-	431	-
Capital redemption reserve	106	-	-	-	-	106	106	106
Special reserve	1,495	7,515	9,346	(1,008)	-	17,348	23,462	22,268
Share premium account	-	-	-	13,607	7,760	21,367	10,685	13,608
Revaluation reserve	(190)	(626)	(688)	-	-	(1,504)	(320)	(289)
Capital reserve – realised	1,334	-	(1,033)	-	-	301	(1,033)	(1,033)
Revenue reserve	774	370	120	(66)	(165)	1,033	209	342
Total equity shareholders' funds	3,537	7,284	7,756	12,546	7,603	38,726	33,604	35,069
Basic and diluted net asset value per:								
'C' Share	49.3p						91.3p	98.2p
'A' Share	0.1p						0.1p	0.1p
'D' Share		72.9p					75.9p	71.3p
'E' Share		0.1p					0.1p	0.1p
'F' Share			71.7p				77.5p	75.5p
'H' Share				93.3p			99.6p	94.7p
'J' Share					99.9p		n/a	n/a

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 June 2015						30 Jun 2014	31 Dec 2014
	'C'	'D'	'F'	'H'	'J'	Total	Total	Total
	Shares £'000	Shares £'000	Shares £'000	Shares £'000	Shares £'000	£'000	£'000	£'000
Opening Shareholders' funds	7,037	7,130	8,174	12,728	-	35,069	22,837	22,837
Issue of shares	-	-	-	-	7,767	7,767	11,117	14,009
Share issue costs	-	-	-	-	(156)	(156)	(422)	(563)
Purchase of own shares	-	-	-	-	-	-	-	-
Total recognised gains/ (losses) for the period	89	154	(148)	154	(8)	241	340	677
Share capital to be issued	-	-	-	-	-	-	431	-
Dividends	(3,589)	-	(270)	(336)	-	(4,195)	(699)	(1,891)
Closing Shareholders' funds	3,537	7,284	7,756	12,546	7,603	38,726	33,604	35,069

INCOME STATEMENT

for the six months ended 30 June 2015

Company Total

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	1,411	-	1,411	657	-	657	1,466
Gains/(losses) on investments							
- realised		(362)	(362)	-	-	-	-
- unrealised		(244)	(244)	-	197	197	226
	1,411	(606)	805	657	197	854	1,692
Investment management fees	(332)	-	(332)	(270)	-	(270)	(564)
Other expenses	(148)	-	(148)	(173)	-	(173)	(296)
Return/(loss) on ordinary activities before taxation	931	(606)	325	214	197	411	832
Taxation	(84)	-	(84)	(71)	-	(71)	(155)
Return/(loss) attributable to equity shareholders	847	(606)	241	143	197	340	677
Return per 'C' Share	7.7p	(6.5p)	1.2p	0.9p	2.2p	3.1p	9.9p
Return per 'A' Share	-	-	-	-	-	-	-
Return per 'D' Share	1.2p	0.4p	1.6p	1.0p	0.5p	1.5p	(0.6p)
Return per 'E' Share	-	-	-	-	-	-	-
Return per 'F' Share	0.3p	(1.7p)	(1.4p)	0.2p	(0.1p)	0.1p	0.7p
Return per 'H' Share	1.2p	-	1.2p	(0.8p)	-	(0.8p)	(0.5p)
Return per 'J' Share	(0.2p)	-	(0.2p)	n/a	n/a	n/a	n/a

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

INCOME STATEMENT

for the six months ended 30 June 2015

'C' Shares

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	621	-	621	168	-	168	391
Gains/(losses) on investments							
- realised	-	(412)	(412)	-	-	-	-
- unrealised	-	(53)	(53)	-	154	154	529
	621	(465)	156	168	154	322	920
Investment management fees	(31)	-	(31)	(44)	-	(44)	(89)
Other expenses	(24)	-	(24)	(38)	-	(38)	(64)
Return/(loss) on ordinary activities before taxation	566	(465)	101	86	154	240	767
Taxation	(12)	-	(12)	(20)	-	(20)	(56)
Return/(loss) attributable to equity shareholders	554	(465)	89	66	154	220	711

'D' Shares

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	227	-	227	221	-	221	473
Gains/(losses) on investments							
- realised	-	50	50	-	-	-	-
- unrealised	-	(11)	(11)	-	55	55	(292)
	227	39	266	221	55	276	181
Investment management fees	(49)	-	(49)	(53)	-	(53)	(103)
Other expenses	(32)	-	(32)	(41)	-	(41)	(67)
Return on ordinary activities before taxation	146	39	185	127	55	182	11
Taxation	(31)	-	(31)	(32)	-	(32)	(70)
Return/(loss) attributable to equity shareholders	115	39	154	95	55	150	(59)

INCOME STATEMENT

for the six months ended 30 June 2015

'F' Shares

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	153	-	153	232	-	232	424
Losses on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	(180)	(180)	-	(12)	(12)	(11)
	153	(180)	(27)	232	(12)	220	413
Investment management fees	(73)	-	(73)	(107)	-	(107)	(184)
Other expenses	(46)	-	(46)	(78)	-	(78)	(117)
Return/(loss) on ordinary activities before taxation	34	(180)	(146)	47	(12)	35	112
Taxation	(2)	-	(2)	(21)	-	(21)	(41)
Return/(loss) attributable to equity shareholders	32	(180)	(148)	26	(12)	14	71

'H' Shares

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	359	-	359	36	-	36	178
Gains/(losses) on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	-	-	-	-	-	-
	359	-	359	36	-	36	178
Investment management fees	(128)	-	(128)	(66)	-	(66)	(188)
Other expenses	(36)	-	(36)	(16)	-	(16)	(48)
Return/(loss) on ordinary activities before taxation	195	-	195	(46)	-	(46)	(58)
Taxation	(41)	-	(41)	2	-	2	12
Return/(loss) attributable to equity shareholders	154	-	154	(44)	-	(44)	(46)

INCOME STATEMENT

for the six months ended 30 June 2015

'J' Shares

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	51	-	51	-	-	-	-
Gains on investments							
- realised	-	-	-	-	-	-	-
- unrealised	-	-	-	-	-	-	-
	51	-	51	-	-	-	-
Investment management fees	(51)	-	(51)	-	-	-	-
Other expenses	(10)	-	(10)	-	-	-	-
Loss on ordinary activities before taxation	(10)	-	(10)	-	-	-	-
Taxation	2	-	2	-	-	-	-
Loss attributable to equity shareholders	(8)	-	(8)	-	-	-	-

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2015

30 Jun 2015							30 Jun 2014	31 Dec 2014	
		‘C’ Shares £’000	‘D’ Shares £’000	‘F’ Shares £’000	‘H’ Shares £’000	‘J’ Shares £’000	Total £’000	Total £’000	
Note									
Net cash inflow/(outflow) from operating activities	1	515	110	29	(283)	522	893	306	762
Taxation									
Corporation tax paid		-	-	-	-	-	-	-	(129)
Capital expenditure									
Purchase of investments		-	(8)	(614)	(1,775)	(830)	(3,227)	(2,356)	(10,413)
Sale of investments		2,919	1,258	470	23	110	4,780	98	2,153
Net cash inflow/(outflow) from capital expenditure		2,919	1,250	(144)	(1,752)	(720)	1,553	(2,258)	(8,260)
Equity dividends paid		(3,589)	-	(270)	(336)	-	(4,195)	(700)	(1,891)
Net cash (outflow)/inflow before financing									
		(155)	1,360	(385)	(2,371)	(198)	(1,749)	(2,652)	(9,518)
Financing									
Proceeds from share issue		-	-	-	-	7,767	7,767	11,117	13,621
Share issue costs		-	-	-	-	(156)	(156)	(422)	(175)
Share capital to be issued		-	-	-	-	-	-	431	-
Net cash inflow from financing		-	-	-	-	7,611	7,611	11,126	13,446
Increase/(decrease) in cash	2	(155)	1,360	(385)	(2,371)	7,413	5,862	8,474	3,928

NOTES TO THE UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2015

	30 Jun 2015						30 Jun 2014 Total	31 Dec 2014 Total
	'C' Shares £'000	'D' Shares £'000	'F' Shares £'000	'H' Shares £'000	'J' Shares £'000	Total £'000	£'000	£'000
1 Cash inflow from operating activities and returns on investments								
Return/(loss) on ordinary activities before taxation	101	185	(146)	195	(10)	325	411	833
Losses/(gains) on investments	465	(39)	180	-	-	606	(197)	(226)
Decrease/(increase) in other debtors	(23)	22	21	(227)	(31)	(238)	(101)	(248)
Increase/(decrease) in other creditors	(16)	(28)	(24)	(249)	524	207	16	278
(Decrease)/increase in amount due to subsidiary undertaking	(12)	(30)	(2)	(2)	39	(7)	177	125
Net cash inflow/(outflow) from operating activities	515	110	29	(283)	522	893	306	762
2 Analysis of net funds								
Beginning of period	503	31	792	5,856	-	7,182	3,254	3,254
Net cash inflow/(outflow)	(155)	1,360	(385)	(2,371)	7,413	5,862	8,474	3,928
End of period	348	1,391	407	3,485	7,413	13,044	11,728	7,182

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half-yearly results cover the six months to 30 June 2015 and have been prepared in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” revised January 2009 and in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2014, which were prepared under UK Generally Accepted Accounting Practice.
2. All revenue and capital items in the Income Statement derive from continuing operations.
3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures are in respect of the six month period ended 30 June 2014 and the year ended 31 December 2014 respectively.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

5. Dividends

Paid in period	Per share pence	Six months ended 30 June 2015			Year ended 31 Dec 2014
		Revenue £'000	Capital £'000	Total £'000	Total £'000
‘C’ Shares					
Y/E Dec 2014 Final	50.0p	-	3,589	3,589	-
P/E Dec 2013 Final	2.5p	-	-	-	179
		-	3,589	3,589	179
‘D’ Shares					
Y/E Dec 2014 Interim	2.5p	-	-	-	249
P/E Dec 2013 Final	2.5p	-	-	-	250
		-	-	-	499
‘F’ Shares					
Y/E Dec 2014 Final	2.5p	-	270	270	-
Y/E Dec 2014 Interim	2.5p	-	-	-	271
P/E Dec 2013 Final	2.5p	-	-	-	270
		-	270	270	541
‘H’ Shares					
Y/E Dec 2014 Final	2.5p	-	336	336	-
Y/E Dec 2014 Final	5.0p	-	-	-	672
		-	336	336	672

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

6. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue Return/(loss) Per £'000 share		Capital return/(loss) Per £'000 share	
'C' Shares	7,158,326	554	7.7p	(465)	(6.5p)
'A' Shares	10,750,064	-	-	-	-
'D' Shares	9,979,109	115	1.2p	39	0.4p
'E' Shares	14,994,862	-	-	-	-
'F' Shares	10,821,660	32	0.3p	(180)	(1.7p)
'H' Shares	13,446,972	154	1.2p	-	-
'J' Shares	4,346,245	(8)	(0.2p)	-	-
		<u>847</u>		<u>(606)</u>	

7. Net asset value per share

	Shares in issue	Net asset value Per share £'000	
'C' Shares	7,158,326	3,526	49.3p
'A' Shares	10,750,064	11	0.1p
'D' Shares	9,979,109	7,269	72.9p
'E' Shares	14,994,862	15	0.1p
'F' Shares	10,821,660	7,756	71.7p
'H' Shares	13,446,972	12,546	93.3p
'J' Shares	7,611,768	7,603	99.9p
		<u>38,726</u>	

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	Capital redemption reserve £'000	Share premium reserve £'000	Special reserve £'000	Revenue reserve £'000	Capital reserve- realised £'000	Revaluation reserve £'000
At 1 January 2015	106	13,608	22,268	342	(1,033)	(289)
Issue new shares	-	7,759	-	-	-	-
Share issue costs	-	-	-	(156)	-	-
Net gain on investments	-	-	-	-	(362)	(244)
Dividends paid	-	-	-	-	(4,195)	-
Transfer between reserves	-	-	(4,920)	-	5,891	(971)
Retained revenue	-	-	-	847	-	-
At 30 June 2015	106	21,367	17,348	1,033	301	(1,504)

The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £1,865,000 which are included in the calculation of distributable reserves. Total distributable reserves are £16,817,000 (31 Dec 2014: £19,448,000).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. The unaudited condensed financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 December 2014 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.
10. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Risks and uncertainties

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

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

- (i) Compliance risk of failure to maintain approval as a VCT; and
- (ii) Investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Manager, who reports regularly to the Board on the current position. The Company has also appointed Robertson Hare LLP to provide regular reviews and advice in this area. In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. It also has a limited period in which it must invest the majority of its funds. The Manager follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business. The Board is satisfied that these approaches provide satisfactory management of the key risks.

12. Going concern

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

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

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

SHAREHOLDER INFORMATION

Performance summary

'C' Share pool	30 Jun 2015 Pence	31 Dec 2014 Pence	30 Jun 2014 Pence
Net asset value per 'C' Share	49.3	98.2	91.3
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative distributions per 'C' Share	75.0	25.0	25.0
Adjusted for estimated performance fee	(7.0)	-	-
Total return per 'C' Share and 'A' Share	<u>117.4 *</u>	<u>123.3</u>	<u>116.4</u>
'D' Share pool	30 Jun 2015 Pence	31 Dec 2014 Pence	30 Jun 2014 Pence
Net asset value per 'D' Share	72.9	71.3	75.9
Net asset value per 'E' Share	0.1	0.1	0.1
Cumulative distributions per 'D' Share	22.5	22.5	20.0
Total return per 'D' Share and 'E' Share	<u>95.5</u>	<u>93.9</u>	<u>96.0</u>
'F' Share pool	30 Jun 2015 Pence	31 Dec 2014 Pence	30 Jun 2014 Pence
Net asset value per 'F' Share	71.7	75.5	77.5
Cumulative distributions per 'F' Share	17.5	15.0	12.5
Total return per 'F' Share	<u>89.2</u>	<u>90.5</u>	<u>90.0</u>
'H' Share pool	30 Jun 2015 Pence	31 Dec 2014 Pence	30 Jun 2014 Pence
Net asset value per 'H' Share	93.3	94.7	99.6
Cumulative distributions per 'H' Share	7.5	5.0	-
Total return per 'H' Share	<u>100.8</u>	<u>99.7</u>	<u>99.6</u>
'J' Share pool	30 Jun 2015 Pence	Initial Pence	
Net asset value per 'J' Share	<u>99.9</u>	<u>100.0</u>	

*Based on Total Return levels at 30 June 2015, performance fees are expected to become due to management, estimated to be 7p per 'C'/'A' Share.

SHAREHOLDER INFORMATION (continued)

Forthcoming dividends

	'F' Shares	'H' Shares
Interim 2015 – Payable 18 December 2015	2.5p	2.5p

Dividends

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

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

Terminology

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

Share scam warning

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

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

SHAREHOLDER INFORMATION (continued)

Shareholder Communications

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

Share prices

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

	'C'	'D'	'F'	'H'	'J'
	Shares	Shares	Shares	Shares	Shares
TIDM/EPIC codes	DP3C	DP3D	DP3F	DP3H	DP3J
Latest share price (per share) (27 August 2015):	22.5p	57.0p	72.0p	87.0p	100.0p

	'A'	'E'
	Shares	Shares
TIDM/EPIC codes	DP3A	DP3E
Latest share price (per share) (27 August 2015):	7.5p	10.0p

Trading shares

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

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

Notification of change of address

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

Other information for Shareholders

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

www.downing.co.uk

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

Directors

Michael Robinson (Chairman)
Roger Jeynes
Dennis Hale

Company Secretary and Registered Office

Grant Whitehouse
Ergon House
Horseferry Road
London SW1P 2AL

Registered No. 5334413

Investment and Administration Manager

Downing Managers 3 Limited
Ergon House
Horseferry Road
London SW1P 2AL

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

Registrar

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

www.capitaassetservices.com

Tel: 0871 664 0324

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



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