

# Downing TWO 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.

## 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 50.1p. This represents a net increase of 1.4p (1.4%) 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 118.1p 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 73.2p, an increase of 1.6p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 95.7p 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 72.0p, 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 89.5p, compared to the original cost, net of income tax relief, of 70p per share.

### *'G' Share pool*

The 'G' Share pool raised funds in 2013 and is still completing the process of building its VCT qualifying portfolio. The target date to start realising investments is 2018.

At 30 June 2015, the NAV for a holding of one 'G' Share was 88.5p. This represents a net increase of 0.8p (0.9%) over the period (after adjusting for the dividends paid during the period of 2.5p per 'G' Share). Total Return (NAV plus dividends paid to date) is now 101.0p, 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 15.

## CHAIRMAN'S STATEMENT (continued)

### Dividends

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

'F' Shares	2.5p per share
'G' 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.

### 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 and 'G' Shares that become available in the market and will, subject to liquidity and regulatory constraints, buy at prices approximately equal to net asset value i.e. with no discount.

During the period under review, the Company purchased 12,250 'G' Shares in the period at a price of 90.0p per share. These shares were subsequently cancelled. No shares were purchased in the six month period to 30 June 2015 in respect of the 'C' Shares, 'D' Shares or 'F' Shares.

### Board change

Since a reorganisation with the Company's original sister company in 2013, the Company has had just two directors. The Board feels that it is appropriate for the Company to have a Board comprising of at least three members and I am pleased to report that Christopher McCann has agreed to join the Board as a new non-executive director.

Christopher has previously sat on the Boards of several Downing Planned Exit VCTs and is already familiar with a number of the Company's investments. He has extensive banking, corporate finance and unquoted investment management experience, including fifteen years at Bridgepoint Capital. We believe that Christopher will be a valuable addition and I would like to welcome him to the Board.

### 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 'G' Share pool, 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.



**Hugh Gillespie**  
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 50.1p.

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 118.1p 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 £95,000, comprising a revenue profit of £560,000 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 (loss)/gain in period £'000	% of portfolio by value
<b>VCT qualifying and partially qualifying investments</b>				
Domestic Solar Limited	500	560	-	15.7%
Future Biogas (SF) Limited*	697	476	-	13.3%
Redmed Limited	350	430	(22)	12.0%
Quadrat Spa Limited*	363	363	-	10.1%
Quadrat Catering Limited	330	359	-	10.1%
The 3D Pub Co Limited	267	233	6	6.5%
Ecosol Limited	250	175	(37)	4.9%
Mosaic Spa and Health Clubs Limited*	125	97	-	2.7%
<b>Non-qualifying investments</b>				
The Thames Club Limited	500	500	-	14.0%
	<u>3,382</u>	3,193	<u>(53)</u>	89.3%
<b>Cash at bank and in hand</b>		<u>381</u>		<u>10.7%</u>
<b>Total</b>		<u>3,574</u>		<u>100.0%</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* £'000	Disposal proceeds £'000	(Loss)/gain against cost £'000	Total realised gain/(loss) £'000
<b>VCT qualifying and partially qualifying investments</b>					
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) **
<b>Non-qualifying investments</b>					
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) **
	<u>2,261</u>	<u>3,331</u>	<u>2,919</u>	<u>658</u>	<u>(412)</u>

\* 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 73.2p, an increase of 1.6p (2.2%) over the period. Total Return (NAV plus dividends paid to date) is now 95.7p for a combined holding.

The profit on ordinary activities for the ‘D’ Shares, after taxation, for the period was £161,000, comprising a revenue profit of £122,000 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
<b>VCT qualifying and partially qualifying investments</b>				
Future Biogas (Reepham Road) Limited	842	522	-	7.1%
Quadrate Spa Limited*	496	496	-	6.7%
Quadrate 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	-	4.7%
Green Electricity Generation Limited	250	303	-	4.1%
Westcountry Solar Solutions Limited	250	250	-	3.4%
Avon Solar Energy Limited	210	210	-	2.9%
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%
<b>Non-qualifying investments</b>				
Aminghurst Limited	1,322	1,322	-	18.0%
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>80.5%</u>
<b>Cash at bank and in hand</b>		<u>1,435</u>		<u>19.5%</u>
<b>Total</b>		<u><u>7,342</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

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

<b>Disposals</b>	<b>Cost £'000</b>	<b>Market value at 01/01/15* £'000</b>	<b>Disposal proceeds £'000</b>	<b>Gain/(loss) against cost £'000</b>	<b>Total realised gain/(loss) £'000</b>
<b>VCT qualifying and partially qualifying investments</b>					
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)
<b>Non-qualifying investments</b>					
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 £179,000. 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 £248,000. 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 72.0p, a decrease of 1.3p (1.7%) over the period. Total Return (NAV plus dividends paid to date) is now 89.5p for a combined holding.

The loss on ordinary activities for the 'F' Shares, after taxation, for the period was £140,000, comprising a revenue profit of £39,000 and a capital loss of £179,000.

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.

## **INVESTMENT MANAGER'S REPORT**

### **'F' SHARE POOL (continued)**

#### **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
<b>VCT qualifying and partially qualifying investments</b>				
Vulcan Renewables Limited	653	778	126	10.0%
Goonhilly Earth Station Limited	760	760	-	9.8%
Tor Solar PV Limited	680	595	(85)	7.6%
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	(248)	3.2%
Redmed Limited	250	239	(12)	3.1%
Pabulum Pubs Limited	200	229	29	2.9%
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%
<b>Non-qualifying investments</b>				
Aminghurst Limited	839	839	-	10.7%
Baron House Developments LLP	481	481	-	6.2%
Dominions House Limited	59	59	-	0.7%
3D Pub Company Limited	55	55	-	0.7%
Pearce and Saunders DevCo Limited	46	46	-	0.6%
London City Shopping Centre Limited	43	43	-	0.5%
Southampton Hotel Development Limited	298	-	-	0.0%
	<u>8,030</u>	<u>7,341</u>	<u>(179)</u>	<u>94.2%</u>
<b>Cash at bank and in hand</b>		<u>451</u>		<u>5.8%</u>
<b>Total</b>		<u><u>7,792</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
<b>Qualifying investments</b>	
Pearce and Saunders Limited	304
Atlantic Dogstar Limited	200
Vulcan Renewables Limited	64
<b>Non-qualifying investments</b>	
Pearce and Saunders DevCo Limited	46
<b>Total</b>	<u><u>614</u></u>

Disposals	Cost £'000	Market value at 01/01/15* £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
<b>Non-qualifying investments</b>					
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

### 'G' SHARE POOL

The 'G' Share pool raised funds in 2013 and has a planned exit date of 2018. The task of building the initial VCT qualifying portfolio is continuing and will be mainly complete before the end of the year.

#### Investment activity

The 'G' Share pool made two new investments (including partially qualifying investments or investments that will become qualifying in due course). Details are set out below:

£3.5 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.

The majority of the 'G' Share pool investments have performed in line with expectations over the period and continue to be valued at original cost. There have, however, been several valuation movements totalling an uplift of £71,000.

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 £57,000 and £37,000 respectively.

Redmed Limited saw a reduction in value of £23,000 as a result of recent under performance against expectations.

Total proceeds of £714,000 were received in the period. The partial repayment of non-qualifying loans in Pearce and Saunders Limited and Aminghurst Limited generated £493,000 and £199,000 respectively. A small capital repayment of £22,000 was also made on Ludlow Taverns Springhill Limited.

#### Net asset value

At 30 June 2015, the net asset value ("NAV") for a holding of one 'G' Share was 88.5p which represents a net increase of 0.8p (0.9%) over the period after adjusting for the dividends paid out. Total Return (NAV plus dividends paid to date) is now 101.0p.

#### Results and dividend

The profit on ordinary activities for the 'G' Shares, after taxation, for the period was £200,000, comprising a revenue profit of £129,000 and a capital profit of £71,000.

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

#### Outlook

Over the remainder of the year, we expect to exit from a large proportion of the non-qualifying investments in order to free up funds to make a number of new qualifying investments and complete the task of building the initial portfolio. Our focus will then shift to close monitoring and support of the portfolio companies in order to nurture growth before the ultimate exit date.

Downing LLP

28 August 2015

## SUMMARY OF INVESTMENT PORTFOLIO

### 'G' SHARE POOL

as at 30 June 2015

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
<b>VCT qualifying investments</b>				
Atlantic Dogstar Limited	3,500	3,500	-	15.7%
Goonhilly Earth Station Limited	1,710	1,710	-	7.7%
Grasshopper 2007 Limited	1,050	1,050	-	4.7%
Augusta Pub Company Limited	580	617	37	2.8%
Redmed Limited	500	478	(23)	2.1%
Pabulum Pubs Limited	400	458	57	2.1%
Oak Grove Renewables Limited	420	420	-	1.9%
<b>Non-qualifying investments</b>				
Harrogate Street LLP	1,400	1,400	-	6.3%
Woodbridge Solar Limited	1,200	1,200	-	5.4%
Deeside Solar Limited	1,200	1,200	-	5.4%
Baron House Developments LLP	1,093	1,093	-	4.9%
Vulcan Renewables Limited	940	940	-	4.2%
Pub People Holdings Limited	897	897	-	4.0%
Aminghurst Limited	801	801	-	3.6%
Future Biogas (SF) Limited	525	525	-	2.4%
Ludlow Taverns Springhill Limited	398	397	-	1.8%
Antelope Pub Limited	300	300	-	1.3%
Pearce and Saunders Limited	193	193	-	0.9%
Dominion House Limited	98	98	-	0.4%
Craft Beer Pub Co Limited	92	92	-	0.4%
London City Shopping Centre Limited	72	72	-	0.3%
	<u>17,369</u>	<u>17,441</u>	<u>71</u>	78.3%
<b>Cash at bank and in hand</b>		<u>4,845</u>		<u>21.7%</u>
<b>Total</b>		<u>22,286</u>		<u>100%</u>

## SUMMARY OF INVESTMENT MOVEMENTS

### 'G' SHARE POOL

as at 30 June 2015

<b>Additions</b>	<b>£'000</b>
<b>Qualifying investments</b>	
Atlantic Dogstar Limited	3,500
Oak Grove Renewables Limited	420
<b>Total</b>	<u><u>3,920</u></u>

<b>Disposals</b>	<b>Cost</b>	<b>Market value at 01/01/15</b>	<b>Disposal proceeds</b>	<b>Gain against cost</b>	<b>Total realised gain</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-qualifying investments</b>					
Pearce and Saunders Limited	493	493	493	-	-
Aminghurst Limited	199	199	199	-	-
Ludlow Taverns Springhill Limited	22	22	22	-	-
	<u>714</u>	<u>714</u>	<u>714</u>	<u>-</u>	<u>-</u>

## 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	'G' Shares £'000	Total £'000	Total £'000	Total £'000
<b>Fixed assets</b>							
Unquoted investments	3,193	5,907	7,341	17,441	33,882	32,522	35,236
<b>Current assets</b>							
Debtors	88	130	120	389	727	435	635
Cash at bank and in hand	381	1,435	451	4,845	7,112	13,871	10,047
	469	1,565	571	5,234	7,839	14,306	10,682
Creditors: amounts falling due within one year	(96)	(149)	(116)	(173)	(534)	(769)	(568)
<b>Net current assets</b>	373	1,416	455	5,061	7,305	13,537	10,114
<b>Net assets</b>	3,566	7,323	7,796	22,502	41,187	46,059	45,350
<b>Capital and reserves</b>							
Called up share capital	18	25	11	25	79	79	79
Capital redemption reserve	106	-	-	-	106	106	106
Special reserve	2,549	7,519	9,347	23,596	43,011	48,317	47,161
Share premium account	-	-	-	-	-	-	-
Revaluation reserve	(189)	(627)	(688)	73	(1,431)	(318)	(289)
Capital reserve – realised	289	-	(1,033)	(1,221)	(1,965)	(2,255)	(2,255)
Revenue reserve	793	406	159	29	1,387	130	548
<b>Total equity shareholders' funds</b>	3,566	7,323	7,796	22,502	41,187	46,059	45,350
<b>Basic and diluted net asset value per:</b>							
'C' Share	50.0p					91.6p	98.6p
'A' Share	0.1p					0.1p	0.1p
'D' Share		73.1p				76.0p	71.5p
'E' Share		0.1p				0.1p	0.1p
'F' Share			72.0p			77.8p	75.8p
'G' Share				88.5p		92.4p	90.2p

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 June 2015					30 Jun 2014	31 Dec 2014
	'C'	'D'	'F'	'G'	Total	Total	Total
	Shares	Shares	Shares	Shares	Shares	Shares	Shares
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Shareholders' funds	7,034	7,162	8,206	22,948	45,350	47,062	47,062
Purchase of own shares	-	-	-	(11)	(11)	-	-
Total recognised gains/ (losses) for the period	95	161	(140)	200	316	332	779
Dividends	(3,563)	-	(270)	(635)	(4,468)	(1,335)	(2,491)
Closing Shareholders' funds	<u>3,566</u>	<u>7,323</u>	<u>7,796</u>	<u>22,502</u>	<u>41,187</u>	<u>46,059</u>	<u>45,350</u>

## 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	1,439	-	1,439	928	-	928	1,959
Gains/(losses) on investments							
- realised	-	(362)	(362)	-	-	-	-
- unrealised	-	(172)	(172)	-	198	198	227
	1,439	(534)	905	928	198	1,126	2,186
Investment management fees	(383)	-	(383)	(534)	-	(534)	(941)
Other expenses	(126)	-	(126)	(189)	-	(189)	(287)
<b>Return/(loss) on ordinary activities before taxation</b>	930	(534)	396	205	198	403	958
Taxation	(80)	-	(80)	(71)	-	(71)	(179)
<b>Return/(loss) attributable to equity shareholders</b>	850	(534)	316	134	198	332	779
<b>Return per 'C' Share</b>	7.9p	(6.5p)	1.4p	1.0p	2.2p	3.2p	10.1p
<b>Return per 'A' Share</b>	-	-	-	-	-	-	-
<b>Return per 'D' Share</b>	1.2p	0.4p	1.6p	1.0p	0.5p	1.5p	(0.5p)
<b>Return per 'E' Share</b>	-	-	-	-	-	-	-
<b>Return per 'F' Share</b>	0.4p	(1.7p)	(1.3p)	0.3p	(0.1p)	0.2p	0.8p
<b>Return per 'G' Share</b>	0.5p	0.3p	0.8p	(0.3p)	-	(0.3p)	0.1p

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	390
Gains/(losses) on investments							
- realised	-	(412)	(412)	-	-	-	-
- unrealised	-	(53)	(53)	-	154	154	529
	621	(465)	156	168	154	322	919
Investment management fees	(31)	-	(31)	(44)	-	(44)	(89)
Other expenses	(18)	-	(18)	(25)	-	(25)	(48)
<b>Return/(loss) on ordinary activities before taxation</b>	572	(465)	107	99	154	253	782
Taxation	(12)	-	(12)	(25)	-	(25)	(58)
<b>Return/(loss) attributable to equity shareholders</b>	560	(465)	95	74	154	228	724

### '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	210	-	210	467
Gains/(losses) on investments							
- realised	-	50	50	-	-	-	-
- unrealised	-	(11)	(11)	-	55	55	(292)
	227	39	266	210	55	265	175
Investment management fees	(49)	-	(49)	(53)	-	(53)	(104)
Other expenses	(24)	-	(24)	(25)	-	(25)	(49)
<b>Return on ordinary activities before taxation</b>	154	39	193	132	55	187	22
Taxation	(32)	-	(32)	(34)	-	(34)	(72)
<b>Return/(loss) attributable to equity shareholders</b>	122	39	161	98	55	153	(50)



## UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2015

	30 Jun 2015					30 Jun 2014	31 Dec 2014	
	'C'	'D'	'F'	'G'	Total	Total	Total	
	Shares	Shares	Shares	Shares	£'000	£'000	£'000	
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Net cash inflow from operating activities</b>	<b>1</b>	511	104	43	67	725	389	559
<b>Taxation</b>								
Corporation tax paid		-	-	-	-	-	-	(155)
<b>Capital expenditure</b>								
Purchase of investments		-	(8)	(614)	(3,920)	(4,542)	(5,850)	(11,103)
Sale of investments		2,919	1,258	470	714	5,361	1,698	4,267
<b>Net cash inflow/(outflow) from capital expenditure</b>		2,919	1,250	(144)	(3,206)	819	(4,152)	(6,836)
<b>Equity dividends paid</b>		(3,563)	-	(270)	(635)	(4,468)	(1,335)	(2,490)
<b>Net cash (outflow)/inflow before financing</b>		(133)	1,354	(371)	(3,774)	(2,924)	(5,098)	(8,922)
<b>Financing</b>								
Purchase of own shares		-	-	-	(11)	(11)	-	-
<b>Net cash outflow from financing</b>		-	-	-	(11)	(11)	-	-
<b>(Decrease)/increase in cash</b>	<b>2</b>	<u>(133)</u>	<u>1,354</u>	<u>(371)</u>	<u>(3,785)</u>	<u>(2,935)</u>	<u>(5,098)</u>	<u>(8,922)</u>

## NOTES TO THE UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2015

	30 Jun 2015					30 Jun 2014	31 Dec 2014
	'C'	'D'	'F'	'G'	Total	Total	Total
	Shares	Shares	Shares	Shares	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>1 Cash inflow from operating activities and returns on investments</b>							
Return on ordinary activities							
before taxation	107	193	(136)	232	396	403	959
Losses/(gains) on investments	465	(39)	179	(71)	534	(198)	(227)
Decrease/(increase) in other debtors	(36)	6	24	(87)	(93)	(146)	(346)
(Decrease)/increase in other creditors	(14)	(27)	(23)	(5)	(69)	30	23
(Decrease)/increase in amounts due to subsidiary undertaking	(11)	(29)	(1)	(2)	(43)	300	150
Net cash inflow from operating activities	511	104	43	67	725	389	559
<b>2 Analysis of net funds</b>							
Beginning of period	514	81	822	8,630	10,047	18,969	18,969
Net cash (outflow)/inflow	(133)	1,354	(371)	(3,785)	(2,935)	(5,098)	(8,922)
End of period	381	1,435	451	4,845	7,112	13,871	10,047

## 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 to 31 Dec 2014
		Revenue £'000	Capital £'000	Total £'000	Total £'000
<b>'C' Shares</b>					
Y/E Dec 2014 Final	50.0p	-	3,563	3,563	-
P/E Dec 2013 Final	2.5p	-	-	-	178
		-	3,563	3,563	178
<b>'D' Shares</b>					
Y/E Dec 2014 Interim	2.5p	-	-	-	250
P/E Dec 2013 Final	2.5p	-	-	-	250
		-	-	-	500
<b>'F' Shares</b>					
Y/E Dec 2014 Final	2.5p	-	270	270	-
Y/E Dec 2014 Interim	2.5p	-	-	-	271
P/E Dec 2013 Final	2.5p	-	-	-	271
		-	270	270	542
<b>'G' Shares</b>					
Y/E Dec 2014 Final	2.5p	-	635	635	-
Y/E Dec 2014 Interim	2.5p	-	-	-	636
P/E Dec 2013 Final	2.5p	-	-	-	636
		-	635	635	1,272

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		Capital return/(loss)	
		£'000	Per share	£'000	Per share
'C' Shares	7,126,194	560	7.9p	(465)	(6.5p)
'A' Shares	10,724,029	-	-	-	-
'D' Shares	10,000,000	122	1.2p	39	0.4p
'E' Shares	14,950,000	-	-	-	-
'F' Shares	10,822,154	39	0.4p	(179)	(1.7p)
'G' Shares	25,420,572	129	0.5p	71	-
		<u>850</u>		<u>(534)</u>	

### 7. Net asset value per share

	Shares in issue	Net asset value	
		£'000	Per share
'C' Shares	7,126,194	3,555	50.0p
'A' Shares	10,724,029	11	0.1p
'D' Shares	10,000,000	7,308	73.1p
'E' Shares	14,950,000	15	0.1p
'F' Shares	10,822,154	7,796	72.0p
'G' Shares	25,424,746	22,502	88.5p
		<u>41,187</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	-	47,161	548	(2,255)	(289)
Net loss on investments	-	-	-	-	(362)	(172)
Dividends paid	-	-	-	-	(4,468)	-
Purchase of own shares	-	-	-	(11)	-	-
Transfer between reserves	-	-	(4,150)	-	5,120	(970)
Retained revenue	-	-	-	850	-	-
At 30 June 2015	106	-	43,011	1,387	(1,965)	(1,431)

The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £2,254,000 which are included in the calculation of distributable reserves. Total distributable reserves are £40,179,000 (31 Dec 2014: £43,325,000).

9. The unaudited condensed financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 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:
- 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
  - 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](http://www.downing.co.uk).

## SHAREHOLDER INFORMATION

### Performance summary

<b>'C' Share pool</b>	<b>30 Jun 2015 Pence</b>	<b>31 Dec 2014 Pence</b>	<b>30 Jun 2014 Pence</b>
Net asset value per 'C' Share	50.0	98.6	91.6
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>118.1</u> *	<u>123.7</u>	<u>116.7</u>
<b>'D' Share pool</b>	<b>30 Jun 2015 Pence</b>	<b>31 Dec 2014 Pence</b>	<b>30 Jun 2014 Pence</b>
Net asset value per 'D' Share	73.1	71.5	76.0
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>95.7</u>	<u>94.1</u>	<u>96.1</u>
<b>'F' Share pool</b>	<b>30 Jun 2015 Pence</b>	<b>31 Dec 2014 Pence</b>	<b>30 Jun 2014 Pence</b>
Net asset value per 'F' Share	72.0	75.8	77.8
Cumulative distributions per 'F' Share	17.5	15.0	12.5
Total return per 'F' Share	<u>89.5</u>	<u>90.8</u>	<u>90.3</u>
<b>'G' Share pool</b>	<b>30 Jun 2015 Pence</b>	<b>31 Dec 2014 Pence</b>	<b>30 Jun 2014 Pence</b>
Net asset value per 'G' Share	88.5	90.2	92.4
Cumulative distributions per 'G' Share	12.5	10.0	7.5
Total return per 'G' Share	<u>101.0</u>	<u>100.2</u>	<u>99.9</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	'G' 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](http://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 have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT houses have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website. 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](http://www.downing.co.uk)).

	<b>'C' Shares</b>	<b>'D' Shares</b>	<b>'F' Shares</b>	<b>'G' Shares</b>
TIDM/EPIC codes	<b>DP2C</b>	<b>DP2D</b>	<b>DP2F</b>	<b>DP2G</b>
Latest share price (per share) (27 August 2015):	15.0p	55.0p	73.0p	84.0p

  

	<b>'A' Shares</b>	<b>'E' Shares</b>
TIDM/EPIC codes	<b>DP2A</b>	<b>DP2E</b>
Latest share price (per share) (27 August 2015):	7.5p	5.0p

### 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](http://www.downing.co.uk)**

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

**Directors**

Hugh Gillespie (Chairman)  
Dennis Hale  
Christopher McCann

**Company Secretary and Registered Office**

Grant Whitehouse  
Ergon House  
Horseferry Road  
London SW1P 2AL

Registered No. 5334418

**Investment and Administration Manager**

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[www.downing.co.uk](http://www.downing.co.uk)  
Tel: 020 7416 7780

**Registrar**

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

[www.capitaassetservices.com](http://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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