



Downing TWO VCT plc (in Liquidation)

Report and accounts for the six months ended
30 June 2021



Letter from the Supervisory Committee Chairman

Introduction

I present the first report to Shareholders since the voluntary winding-up of the Company was approved by Shareholders at the General Meeting on 30 March 2021. This report covers the six-month period to 30 June 2021.

Appointment of Liquidator

As explained in the Shareholder Circular published in February 2021, the Company has commenced a VCT winding-up period, which relaxes many of the usual VCT regulations as the Company works towards exiting from its investments and returning funds to Shareholders. Following approval by Shareholders at a General Meeting on 30 March 2021, a liquidator was appointed in line with the regulations.

The Company continues to operate in much the same way as it did before the appointment of the liquidator, with the Investment Manager progressing investment realisations across all portfolios. The Company does now benefit from reduced running costs, primarily as a result of the delisting of its shares.

The Directors have now formed a Supervisory Committee which continues to oversee the activities of the Investment Manager and works with the liquidator as the process of realising investments progresses.

Overview

The three remaining share pools have been reasonably stable throughout the period, with each increasing slightly in value. Several investee companies have been able to make some recovery from the negative effects of the coronavirus pandemic.

A brief summary of each share pool is provided below.

Share pool review

'F' Share pool

The 'F' Share pool launched in 2012 and now holds a portfolio of eight investments with a total value of £1.8 million at the period end.

At 30 June 2021, the remaining net asset value ("NAV") was 19.0p per F Share, an increase of 1.0p (5.6%) over the period. Total Return (NAV plus dividends paid to date) is now 91.0p, compared to the original cost, net of income tax relief, of 70.0p per share.

The portfolio is currently in its realisation phase. Exits from a number of investments have been significantly delayed as a result of the ongoing pandemic. With a number of the investments held in the hospitality sector, the Manager believes it is realistic to expect the disposals of these investments to be achieved in 2022 in order to achieve optimal returns.

Exits from the 'F' Share pool's two renewable energy assets are, however, well underway and expected to complete prior to the end of 2021.

Letter from the Supervisory Committee Chairman (continued)

Share pool review (continued)

'G' Share pool

The 'G' Share pool passed its five-year anniversary in November 2018 and the process of realising the remaining investments is ongoing. As with the other share pools, this timeline has been severely impacted by the coronavirus pandemic.

At 30 June 2021, the pool held ten investments and the net asset value ("NAV") was 37.7p per 'G' Share, which represents a net increase of 2.4p (6.8%) over the period. Total Return (NAV plus dividends paid to date) is now 91.2p, compared to the initial NAV, before income tax relief, of 100.0p (or original cost, net of income tax relief, which was typically between 70.0p and 75.0p, depending on costs).

Previously planned exits of investments which had subsequently stalled are being progressed following the easing of Government imposed restrictions and the resumption of normal business conditions.

'K' Share pool

Unfortunately, the overall performance of K Share pool remains extremely disappointing.

The 'K' Share pool raised the majority of its funds in the 2015/16 tax year and will pass its five-year anniversary of the close of the original offer in the fourth quarter of 2021. The 'K' Share pool has seen some recovery of its NAV during the period under review, predominantly in its largest holding. More details can be found in the Investment Manager's report on page 10.

At 30 June 2021, the share pool held 12 investments and the net asset value ("NAV") was 31.7p per 'K' Share, which represents a net increase of 0.6p (1.9%) over the period. Total Return (NAV plus dividends paid to date) is now 41.7p per K Share, compared to the initial NAV before income tax relief, of 100.0p (or original cost, net of income tax relief, which was typically between 70.0p and 75.0p, depending on costs).

With the five-year anniversary now imminent, the Manager is already focussed on seeking to exit from the investments. The two largest investments are now expected to complete their exit in the first half of 2022, but Shareholders should note that this is dependent on third parties and a number of external factors.

Following the passing of the five-year anniversary, the Liquidator plans to pay an interim distribution in liquidation of 9.0p per 'K' Share on 12 November 2021, to Shareholders on the register at the close of business on 22 October 2021.

Share buybacks

Now the Company has delisted its shares, it will not undertake any more share buybacks. Funds will be distributed to Shareholders as investment realisations are achieved. Further details on anticipated exits can be found within the individual Investment Manager Reports on pages 4 to 10.

Letter from the Supervisory Committee Chairman (continued)

Outlook

Now that the UK economy is reopening, we hope to see realisation plans progressing at a faster rate than has been possible during the height of the pandemic.

Many of the remaining investments, such as pubs and wedding venues, are in the hospitality sector which have only recently returned to more normal operating conditions.

These businesses are expected to need some time to re-establish reliable trading records to support exits at optimal prices. However, the Manager will give consideration to all exit opportunities in order to return funds to Shareholders in as timely manner as can be achieved without sacrificing significant value.



Hugh Gillespie
Supervisory Committee Chairman
30 September 2021

Investment Manager's Report

'F' Share pool

As at 30 June 2021, the 'F' Share pool held eight investments. Focus for the 'F' Share pool remains on the realisation of its investments and maximising Shareholder returns. Sales from the portfolio have been severely delayed as a result of the ongoing coronavirus pandemic. However, exits are now being progressed as businesses begin to resume operations.

Net asset value and results

At 30 June 2021, the net asset value ("NAV") for a holding of one 'F' Share was 19.0p, an increase of 1.0p (5.6%) over the period. Total Return (NAV plus dividends paid to date) is now 91.0p.

The profit on ordinary activities for the 'F' Shares, after taxation was £104,000 for the period, comprising a revenue loss of £37,000 and a capital gain of £141,000.

'F' Share pool – Portfolio valuation

Over the period to 30 June 2021, business operations have gradually resumed as the UK emerges from the government-imposed lockdowns, resulting in a partial recovery of investment value, leading to an unrealised gain of £141,000 over the period.

The most significant increases in valuation in the period related to Downing Pub EIS One Limited and Atlantic Dogstar Limited which both operate in the pub and hospitality industry. All six of the group's sites in Downing Pub EIS One Limited and both sites in Atlantic Dogstar Limited reopened in May 2021.

Towards the end of 2020, both pub companies appointed a new management team, which has led to improved performance. Plans are currently in place for the exit of both companies and a recent third-party valuation has been sought, resulting in uplifts of £117,000 and £21,000, respectively, at the period end.

Realisation plans

As the UK reopens, in line with the Government's coronavirus roadmap, the Investment Manager is seeking opportunities to exit from the remaining investments in the portfolio. As noted above, the exit of the pub and hospitality companies is progressing. However, in order to achieve optimal return for Shareholders, the sales may not conclude until the first half of 2022.

The plans for exiting the pools two renewable energy assets, Fresh Green Power Limited and Green Energy Production Limited are well underway. An external valuation of the sites is currently being sought, with a sale expected to complete prior to the end of 2021. Shareholders should note that the exact timing will be dependent on third parties and a number of external factors.

The final investment to exit in the portfolio is expected to be Baron House Developments LLP, a company created to fund the purchase and development of a property outside Newcastle station, as a hotel. The investment is not expected to exit until 2022 once trading has had the opportunity to improve.

Investment Manager's Report

'F' Share pool (continued)

Outlook

We hope to see progress in realising some of the remaining investments before the end of 2021, although expect that the larger realisations will take place in 2022, as we look at bringing the task of returning funds to shareholders to a close.

Downing LLP

30 September 2021

Summary of Investment Portfolio 'F' Share pool

as at 30 June 2021

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Downing Pub EIS One Limited	490	685	117	35.1%
Fresh Green Power Limited	189	279	1	14.3%
Atlantic Dogstar Limited	200	200	21	10.2%
Green Energy Production UK Limited	100	66	3	3.4%
Pearce and Saunders Limited	497	40	(1)	2.0%
Non-qualifying investments				
Baron House Developments LLP	481	577	-	29.6%
Pearce and Saunders DevCo Limited	44	-	-	0.0%
London City Shopping Centre Limited	66	-	-	0.0%
	2,067	1,847	141	94.6%
Cash at bank and in hand		105		5.4%
Total		1,952		100.0%

Investment Manager's Report

'G' Share pool

The 'G' Share pool raised funds in 2013 and the task of realising its investments has been significantly delayed as a result of the ongoing pandemic, with most of the Share pool's investments focussed on the hospitality sector.

Net asset value and results

At 30 June 2021, the net asset value ("NAV") for a holding of one 'G' Share was 37.7p, representing an increase of 2.4p (6.8%) over the period. Total Return (NAV plus dividends paid to date) is now 91.2p.

The profit on ordinary activities for the 'G' Share pool, after taxation, for the period was £624,000, comprising a revenue loss of £118,000 and a capital gain of £742,000.

'G' Share pool – Portfolio valuation

The period to 30 June 2021 has seen some recovery of previously incurred losses, resulting in an unrealised gain of £742,000 for the period.

The most significant increases in valuation in the period relate to Downing Pub EIS One Limited and Atlantic Dogstar Limited, which both operate in the pub and hospitality industry. All six of the group's sites in Downing Pub EIS One Limited, and both sites in Atlantic Dogstar Limited, reopened in May 2021.

Towards the end of 2020, the pub companies appointed a new management team, which has led to improved performance. Plans are currently in place for the exit of both companies and a recent third-party valuation has been sought, resulting in uplifts of £235,000 and £358,000, respectively, at the period end.

Hermes Wood Pellets Limited, the operator of a wood pellet manufacturing plant, had previously been written down significantly due to major delays and cost overruns. During the period, the Manager identified a buyer for the company's main asset, which has resulted in the equity value being uplifted at the period end by £149,000, in line with the anticipated sale proceeds.

Realisation plans

Previously formulated plans to exit from the Share pool's remaining investments were withdrawn or have fallen through, as investments in the hospitality sector suffered the worst effects of the coronavirus lockdown.

As more normal business conditions have started to return, the Investment Manager has been working alongside management teams in order to develop new plans to exit and return funds to Shareholders.

As noted above, plans are in place to exit from the Share pools investments in Atlantic Dogstar Limited and Downing Pub EIS One Limited. However in order to achieve optimal return for Shareholders, these exits may conclude in the first half of 2022.

The exit from Hermes Wood Pellets Limited is at an advanced stage and is expected to complete prior to the end of 2021.

Walworth House Pub Limited, the owner of a pub in Walworth, South London, was recently placed into administration, a move which should help protect the value of our investment. It is expected that the site will be marketed, with a sale expected to complete in the first half of 2022, although the timing is dependent on many external factors.

Investment Manager's Report

'G' Share pool (continued)

Realisation plans (continued)

The final investment to exit in the portfolio is expected to be Baron House Developments LLP, a company created to fund the purchase and development of a property outside Newcastle station, as a hotel, which qualifies under the BPRA scheme. An exit in 2022 is targeted once trading has had the opportunity to improve.

Outlook

It has been encouraging to see some recovery of value in the pub companies over the period.

Our focus remains on the realisation of the Share pool's investments at optimal values, although the timing of when exits can be achieved is uncertain as these processes involve third parties.

Downing LLP

30 September 2021

Summary of Investment Portfolio

'G' Share pool

as at 30 June 2021

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
VCT qualifying and partially qualifying investments				
Atlantic Dogstar Limited	3,500	3,500	358	44.9%
Downing Pubs EIS ONE Limited	980	1,370	235	17.6%
Walworth House Pub Limited	1,330	1,176	-	15.1%
Hermes Wood Pellets Limited	1,000	301	149	3.9%
Pearce and Saunders Limited	136	136	-	1.7%
Quadrate Catering Limited	1,450	-	-	0.0%
Ormsborough Limited	500	-	-	0.0%
Non-qualifying investments				
Baron House Developments LLP	1,093	1,312	-	16.8%
Quadrate Spa Limited	1,450	-	-	0.0%
London City Shopping Centre Limited	110	-	-	0.0%
	11,549	7,795	742	100.0%
Cash at bank and in hand		3		0.0%
Total		7,798		100.0%

Summary of Investment Movements

'G' Share pool

as at 30 June 2021

Disposals	Cost £'000	Market value at 01/01/21 £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised gain £'000
Zora Energy Renewables Limited	750	20	20	(730)	-
	750	20	20	(730)	-

Investment Manager's Report

'K' Share pool

At the period end, the 'K' Share pool held 12 investments, primarily in the hospitality and renewable energy sectors.

Net asset value, results and distribution

At 30 June 2021, the net asset value ("NAV") and Total Return for a holding of one 'K' Share was 31.7p, which represents a net increase of 0.6p (1.9%) over the period. The profit on ordinary activities for the 'K' Share pool, after taxation, was £105,000 for the period, comprising a revenue loss of £26,000 and a capital loss of £131,000. The Liquidator will pay an interim distribution in liquidation of 9.0p per 'K' Share on 12 November 2021, to Shareholders on the register at 22 October 2021.

'K' Share pool – Portfolio valuation

The portfolio had an overall unrealised gain of £125,000 over the six-month period to 30 June 2021.

Apprise Pubs Limited, which was established to build an estate of quality freehold pubs across the south of England, was uplifted by £265,000, in line with anticipated exit proceeds following the recent exit from one of its two sites.

Rockhopper Renewables Limited and SF Renewables (Solar) Limited, which are Indian Solar companies that built and operate ground mounted solar farms in India, continued to face difficulties during the period, exacerbated by the impact of the pandemic.

An unrealised loss of £97,000 has been recognised in respect of Rockhopper Renewables Limited due to uncertainty over the recoverability of income from electricity sold to the grid.

Following a downward trend on power pricing, a valuation reduction of £24,000 has been recognised in respect of SF Renewables (Solar) Limited, as a result of the anticipated reduction in revenue.

Realisation plans

The 'K' Share pool will pass the five-year anniversary of the close of its original offer for subscription in October 2021 and the process of seeking to return funds to Shareholders can then commence.

The Manager is actively seeking exits, with plans for the exit of the two largest investments, Apprise Pubs Limited and Walworth House Pub Limited, already underway.

Apprise Pubs Limited recently sold one of its two sites, with focus now switching to an exit of its second site during the first half of 2022.

Walworth House Pub Limited, the owner of a pub in Walworth, South London, was recently placed into administration, a move which should help protect the value of the investment. It is expected that the site will be marketed, with a sale expected to complete in the first half of 2022, although the timing is dependent on many external factors.

Outlook

As the five-year anniversary of the close of the original offer for subscription is imminent, our focus is now on progressing plans to exit from all investments at optimal values. Unfortunately, a significant recovery in overall performance value is unlikely at this stage.

Downing LLP

30 September 2021

Summary of Investment Portfolio 'K' Share pool

as at 30 June 2021

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio by value
VCT qualifying investments				
Apprise Pubs Limited	1,300	1,118	265	22.5%
Walworth House Pub Limited	500	442	-	8.9%
Pilgrim Trading Limited	432	342	(8)	6.9%
Exclusive Events Venues Limited	500	293	(15)	5.9%
SF Renewables (Solar) Limited	337	242	(24)	4.9%
Garthcliff Shipping Limited	1,300	162	-	3.3%
Rockhopper Renewables Limited	591	125	(97)	2.5%
Jito Trading Limited	1,500	-	-	0.0%
Ormsborough Limited	1,400	-	-	0.0%
Yamuna Renewables Limited	1,300	-	-	0.0%
Non-qualifying investments				
Fenkle Street LLP	287	308	4	6.2%
London City Shopping Centre Limited	15	-	-	0.0%
	9,462	3,032	125	61.1%
Cash at bank and in hand		1,928		38.9%
Total		4,960		100.0%

Summary of Investment Movements 'K' Share pool

as at 30 June 2021

Disposals	Cost £'000	Market value at 01/01/21 £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Ironhide Generation Limited	736	-	3	(733)	3
Indigo Generation Limited	736	-	3	(733)	3
Zora Energy Renewables Limited	350	9	9	(341)	-
	1,822	9	15	(1,807)	6

Unaudited Summarised Balance Sheet

as at 30 June 2021

	30 Jun 2021				30 Jun 2020	31 Dec 2020
	'F' Shares £'000	'G' Shares £'000	'K' Shares £'000	Total £'000	Total £'000	Total £'000
Fixed assets						
Unquoted investments	1,847	7,795	3,032	12,674	12,520	11,698
Current assets						
Debtors	136	2,149	2	2,287	1,549	2,296
Cash at bank and in hand	105	3	1,928	2,036	2,674	2,092
	241	2,152	1,930	4,323	4,223	4,388
Creditors: amounts falling due within one year	(36)	(410)	28	(418)	(346)	(340)
Net current assets	205	1,742	1,958	3,905	3,877	4,048
Net assets	2,052	9,537	4,990	16,579	16,397	15,746
Capital and reserves						
Called up share capital	11	25	16	52	52	52
Capital redemption reserve	149	-	-	149	149	149
Special reserve	2,958	12,652	13,076	28,686	33,606	31,222
Share premium account	-	-	-	-	-	-
Revaluation reserve	(402)	(3,144)	(2,214)	(5,760)	(10,787)	(9,310)
Capital reserve – realised	(1,099)	(1,831)	(4,155)	(7,085)	(7,085)	(7,085)
Revenue reserve	435	1,835	(1,733)	537	462	718
Total equity shareholders' funds	2,052	9,537	4,990	16,579	16,397	15,746
Basic and diluted net asset value per:						
'F' Share	19.0p			18.8p		18.0p
'G' Share	37.7p			34.1p		35.3p
'K' Share	31.7p			36.6p		31.1p

Statement of Changes in Equity

for the six months ended 30 June 2021

	Called up share capital £'000	Capital redemption Reserve £'000	Special Reserve £'000	Share Premium Reserve £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000	Total £'000
At 1 January 2020	52	149	34,938	-	(4,585)	(7,105)	536	23,985
Total comprehensive income	-	-	-	-	(6,988)	194	632	(6,162)
Transactions with owners								
Transfer between reserves	-	-	(3,716)	-	2,263	1,453	-	-
Dividends paid	-	-	-	-	-	(1,627)	(450)	(2,077)
Cancellation of shares	-	-	-	-	-	-	-	-
At 31 December 2020	52	149	31,222	-	(9,310)	(7,085)	718	15,746
Total comprehensive income	-	-	-	-	1,008	6	(181)	833
Transaction with owners								
Transfer between reserves	-	-	(2,536)	-	2,542	(6)	-	-
Dividends paid	-	-	-	-	-	-	-	-
At 30 June 2021	52	149	28,686	-	(5,760)	(7,085)	537	16,579

Income Statement

for the six months ended 30 June 2021

Company Total

	Six months ended 30 Jun 2021			Six months ended 30 Jun 2020			Year ended 31 Dec 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	(7)	-	(7)	1,908	-	1,908	1,291
Gains/(losses) on investments							
- realised	-	6	6	-	173	173	154
- unrealised	-	1,008	1,008	-	(6,202)	(6,202)	(6,987)
	(7)	1,014	1,007	1,908	(6,029)	(4,121)	(5,542)
Investment management fees	(107)	-	(107)	(116)	-	(116)	(215)
Other expenses	(67)	-	(67)	(1,557)	-	(1,557)	(263)
Return/(loss) on ordinary activities before taxation	(181)	1,014	833	235	(6,029)	(5,794)	(6,020)
Tax on total comprehensive income and ordinary activities	-	-	-	(109)	-	(109)	(142)
Return/(loss) attributable to equity shareholders	(181)	1,014	833	126	(6,029)	(5,903)	(6,162)
Return per 'F' Share	(0.3p)	1.3p	1.0p	(0.3p)	(5.6p)	(5.9p)	(6.7p)
Return per 'G' Share	(0.5p)	2.9p	2.4p	1.4p	(13.4p)	(12.0p)	(10.8p)
Return per 'K' Share	(0.2p)	0.8p	0.6p	(1.2p)	(12.9p)	(14.1p)	(17.1p)

Income Statement (analysed by Share pool)

for the six months ended 30 June 2021

'F' Shares	Six months ended 30 Jun 2021			Six months ended 30 Jun 2020			Year ended 31 Dec 2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	-	-	-	111	-	111	68
Gains/(losses) on investments							
- realised	-	-	-	-	-	-	(8)
- unrealised	-	141	141	-	(609)	(609)	(716)
	-	141	141	111	(609)	(498)	(656)
Investment management fees	(18)	-	(18)	(20)	-	(20)	(36)
Other expenses	(19)	-	(19)	(118)	-	(118)	(38)
Return/(loss) on ordinary activities before taxation	(37)	141	104	(27)	(609)	(636)	(730)
Tax on total comprehensive income and ordinary activities	-	-	-	(5)	-	(5)	5
Return/(loss) attributable to equity shareholders	(37)	141	104	(32)	(609)	(641)	(725)

Income Statement (analysed by Share pool)

for the six months ended 30 June 2021

'G' Shares	Six months ended 30 Jun 2021			Six months ended 30 Jun 2020			Year ended 31 Dec 2020
	Revenue	Capital	Total	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	-	-	-	1,738	-	1,738	1,309
Gains/(losses) on investments							
- realised	-	-	-	-	173	173	163
- unrealised	-	742	742	-	(3,566)	(3,566)	(3,734)
	-	742	742	1,738	(3,393)	(1,655)	(2,262)
Investment management fees	(89)	-	(89)	(96)	-	(96)	(179)
Other expenses	(29)	-	(29)	(1,189)	-	(1,189)	(125)
Return/(loss) on ordinary activities before taxation	(118)	742	624	453	(3,393)	(2,940)	(2,566)
Tax on total comprehensive income and ordinary activities	-	-	-	(109)	-	(109)	(182)
Return/(loss) attributable to equity shareholders	(118)	742	624	344	(3,393)	(3,049)	(2,748)

Income Statement (analysed by Share pool)

for the six months ended 30 June 2021

'K' Shares	Six months ended 30 Jun 2021			Six months ended 30 Jun 2020			Year ended 31 Dec 2020
	Revenue	Capital	Total	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(7)	-	(7)	59	-	59	(86)
(Losses)/gains on investments							
- realised	-	6	6	-	-	-	-
- unrealised	-	125	125	-	(2,027)	(2,027)	(2,538)
	(7)	131	124	59	(2,027)	(1,968)	(2,624)
Investment management fees	-	-	-	-	-	-	-
Other expenses	(19)	-	(19)	(250)	-	(250)	(100)
Loss on ordinary activities before taxation	(26)	131	105	(191)	(2,027)	(2,218)	(2,724)
Tax on total comprehensive income and ordinary activities	-	-	-	5	-	5	35
Loss attributable to equity shareholders	(26)	131	105	(186)	(2,027)	(2,213)	(2,689)

Unaudited Cash Flow Statement

for the six months ended 30 June 2021

	Note	30 Jun 2021				30 Jun	31 Dec
		'F' Shares £'000	'G' Shares £'000	'K' Shares £'000	Total £'000	2020 Total £'000	2020 Total £'000
Net cash (outflow)/inflow from operating activities	1	(34)	(18)	(40)	(92)	(9)	(219)
Cash flows from investing activities							
Sale of investments		-	20	16	36	232	252
Net cash inflow from investing activities		-	20	16	36	232	252
Net cash (outflow)/inflow before financing activities		(34)	2	(24)	(56)	223	33
Cash flows from financing activities							
Equity dividend paid		-	-	-	-	(1,685)	(2,077)
Net cash outflow from financing activities		-	-	-	-	(1,685)	(2,077)
(Decrease)/increase in cash	2	(34)	2	(24)	(56)	(1,462)	(2,044)

Notes to the Unaudited Cash Flow Statement

for the six months ended 30 June 2021

	30 Jun 2021				30 Jun	31 Dec
	'F'	'G'	'K'	Total	2020	2020
	Shares	Shares	Shares	Total	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 Cash inflow/(outflow) from operating activities						
Return/(loss) on ordinary activities before taxation	104	624	105	833	(5,794)	(6,020)
Corporation tax	-	-	-	-	-	(78)
(Gains)/losses on investments	(141)	(742)	(131)	(1,014)	6,029	6,833
(Increase)/decrease in other debtors	(1)	(1)	10	8	(175)	(923)
(Decrease)/increase in other creditors	4	101	(24)	81	(69)	(31)
Net cash (outflow)/inflow from operating activities	(34)	(18)	(40)	(92)	(9)	(219)
2 Analysis of net funds						
Beginning of period	139	1	1,952	2,092	4,136	4,136
Net cash (outflow)/inflow	(34)	2	(24)	(56)	(1,462)	(2,044)
End of period	105	3	1,928	2,036	2,674	2,092

Notes to the Unaudited Financial Statements

1. General information

Downing TWO VCT plc (in liquidation) ("the Company") is a venture capital trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Accounting policies - Basis of accounting

The unaudited half-yearly results cover the six months to 30 June 2021 and have been prepared on a basis consistent with the accounting policies adopted within the Company's most recent audited financial statements, for the year ended 31 December 2019.

3. All revenue and capital items in the Income Statement derive from continuing operations.

4. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

5. The comparative figures are in respect of the six-month period ended 30 June 2020 and the year ended 31 December 2020, respectively, and are both unaudited.

6. Dividends

Paid in period	Per share pence	Six months ended 30 June 2021			Year to 31 Dec 2020
		Revenue £'000	Capital £'000	Total £'000	Total £'000
'G' Shares					
Y/E Dec 2019 Interim	2.0p	-	-	-	506
		-	-	-	506
'K' Shares					
Y/E Dec 2019 Interim	7.5p	-	-	-	1,179
Y/E Dec 2019 Interim	2.5p	-	-	-	392
		-	-	-	1,571

7. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue return/(loss)		Capital return/(loss)	
		£'000	Per share	£'000	Per share
'F' Shares	10,810,859	(37)	(0.3p)	141	1.3p
'G' Shares	25,281,571	(118)	(0.5p)	742	2.9p
'K' Shares	15,718,154	(26)	(0.2p)	131	0.8p
		(181)		1,014	

Notes to the Unaudited Financial Statements (continued)

8. Net asset value per share

	Shares in issue	Net asset value	
		£'000	Per share
'F' Shares	10,810,859	2,052	19.0p
'G' Shares	25,281,571	9,537	37.7p
'K' Shares	15,718,154	4,990	31.7p
		16,579	

9. Reserves

	30 Jun 2021 £'000	31 Dec 2020 £'000
Capital redemption reserve	149	149
Special reserve	28,686	31,222
Revaluation reserve	(5,760)	(9,310)
Capital reserve - realised	(7,085)	(7,085)
Revenue reserve	537	718
	16,527	15,694

The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £6,771,000 which are included in the calculation of distributable reserves. Total distributable reserves are £15,367,000 (31 Dec 2020: £14,891,000).

10. 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.

Shareholder Information

Performance summary

'F' Share pool	30 Jun 2021 Pence	31 Dec 2020 Pence	30 Jun 2020 Pence
Net asset value per 'F' Share	19.0	18.0	18.8
Cumulative distributions per 'F' Share	72.0	72.0	72.0
Total return per 'F' Share	91.0	90.0	90.8

'G' Share pool	30 Jun 2021 Pence	31 Dec 2020 Pence	30 Jun 2020 Pence
Net asset value per 'G' Share	37.7	35.3	34.1
Cumulative distributions per 'G' Share	53.5	53.5	53.5
Total return per 'G' Share	91.2	88.8	87.6

'K' Share pool	30 Jun 2021 Pence	31 Dec 2020 Pence	30 Jun 2020 Pence
Net asset value per 'K' Share	31.7	31.1	36.6
Cumulative distributions per 'K' Share	10.0	10.0	7.5
Total return per 'K' Share	41.7	41.1	44.1

Forthcoming distributions in liquidation

	'K' Shares
Interim 2021 – Payable 12 November 2021	9.0p

Distributions

Distributions in liquidation are paid by the registrar on behalf of the Company. Shareholders who wish to have distributions 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 the Company's registrar, The City Partnership).

Queries relating to distributions and requests for mandate forms should be directed to the Company's registrar, The City Partnership, whose details are on the back cover of this document.

Share scam warning

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

www.downing.co.uk/vctboilerroomscam.

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 email or letter; 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, The City Partnership, whose details are 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, The City Partnership, under the signature of the registered holder.

Other information for Shareholders

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

www.downing.co.uk/d2

If you have any queries regarding your shareholding in Downing TWO VCT plc, please contact the registrar on 01484 240 910 or access your information on City Partnership's website via The Hub at:

www.downing-vct.cityhub.uk.com

Liquidators

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Supervisory Committee

Hugh Gillespie (Chairman)
Dennis Hale
Christopher McCann

Company Secretary

Grant Whitehouse

Investment and Administration Manager

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Registrar

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