



Downing THREE VCT plc (in Liquidation)

Report and accounts for the six months ended
30 June 2021

Downing 

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 two share pools 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.

Net asset values and overview 'F' Share pool

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

At 30 June 2021, the net asset value ("NAV") for a holding of one 'F' Share was 18.7p, an increase of 1.0p (5.6%) over the period. Total Return (NAV plus dividends paid to date) is now 90.7p, compared to the original cost, net of income tax relief, of 70p 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)

Net asset values and overview (continued)

'H' Share pool

The 'H' Share pool passed its fifth anniversary at the end of 2019 and was due to realise its investments from 2020.

The 'H' Share pool has seen a small recovery in its NAV over the period, resulting in an unrealised gain of £224,000 at the period end. More details can be found in the Investment Manager's report on page 7.

At 30 June 2021, the net asset value ("NAV") for a holding of one 'H' Share was 18.7p which represents an increase of 1.6p (9.4%) over the period. Total Return (NAV plus dividends paid to date) is now 58.2p, 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 reopening of many of the Share pool's investments and resumption of normal business conditions.

'J' Share pool

The overall performance of the 'J' Share pool has been extremely disappointing and unfortunately prospects for recovery are limited.

The 'J' Share pool raised funds in 2015 and completed its initial investment phase in 2019. Following the passing of the 'J' Share pools fifth year anniversary at the end of 2020, the process of returning funds was due to commence in 2021. However, as with the other Share pools this timeline has been severely impacted by the coronavirus pandemic.

At 30 June 2021, the pool held 10 investments with a total value of £2.0 million. At 30 June 2021, the net asset value ("NAV") for a holding of one 'J' Share was 22.2p which represents a net decrease of 1.6p (6.7%) over the period. Total Return (NAV plus dividends paid to date) is now 39.7p, 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).

It is disappointing to report further setbacks in a number of the portfolio's investments during the period. The Manager continues to work alongside management teams to recover previously incurred unrealised losses where possible.

The Investment Manager's Report on pages 4 to 11 will provide more detail on each of the share pools.

Letter from the Supervisory Committee Chairman (continued)

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 11.

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 has 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.



Michael Robinson
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 18.7p, an increase of 1p (5.6%) over the period. Total Return (NAV plus dividends paid to date) is now 90.7p.

The gain on ordinary activities for the 'F' Shares, after taxation was £103,000 for the period, comprising a revenue loss of £38,000 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 a new management team was appointed which has led to improved performance within both companies. Plans are currently in place for the exit of both companies and a recent third-party valuation has been sought, resulting in an uplift 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 pool's 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 Pubs EIS One Limited	490	685	117	35.7%
Fresh Green Power Limited	189	279	1	14.5%
Atlantic Dogstar Limited	200	200	21	10.4%
Green Energy Production UK Limited	100	66	3	3.4%
Pearce and Saunders Limited	497	40	(1)	2.1%
Non-qualifying investments				
Baron House Developments LLP	481	577	-	30.1%
Pearce and Saunders DevCo Limited	44	-	-	0.0%
London City Shopping Centre Limited	66	-	-	0.0%
	2,067	1,847	141	96.2%
Cash at bank and in hand		73		3.8%
Total		1,920		100.0%

Investment Manager's Report

'H' Share pool

The 'H' Share pool raised funds in 2014 and we are now seeking to realise the investments in order to return funds to Shareholders. This task has been significantly delayed as a result of the ongoing pandemic.

Net asset value and results

At 30 June 2021, the net asset value per 'H' Share was 18.7p, an increase of 1.6p (9.4%) over the period. Total Return (NAV plus dividends paid to date) is now 58.2p.

The gain on ordinary activities for the 'H' Shares, after taxation, for the period was £209,000, comprising a revenue loss of £21,000 and a capital gain of £230,000.

'H' Share pool – Portfolio valuation

The period to 30 June 2021 has seen some recovery of previously incurred losses, resulting in an unrealised gain of £224,000 for the period.

The most significant gain related to Hermes Wood Pellets Limited, the operator of a wood pellet manufacturing plant. The investment had previously been written down significantly due to delays and cost overruns. During the period the Manager has identified a buyer for the company's main asset which has resulted in the equity value being uplifted at the period end by £223,000, in line with anticipated sale proceeds.

Atlantic Dogstar Limited, which operates in the pub and hospitality industry was uplifted by £102,000 at the period end. Towards the end of 2020 a new management team were appointed which has led to improved performance at the two pub sites which reopened in May 2021. Plans are currently in place for the sale of the investment and a recent third-party valuation has been sought, resulting in an uplift at the period end.

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 £81,000 has been recognised in Rockhopper Renewables Limited due to uncertainty over the recoverability of income from electricity sold to the electricity grid.

Following a downward trend on power pricing, a provision of £20,000 has been recognised in SF Renewables (Solar) Limited as a result of the anticipated reduction in revenue.

Realisation plans

Previously formulated plans to exit from the Share pool's remaining investments were withdrawn or have fallen through as investments suffered the 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, the plans for the exit of the Share pools investment in Atlantic Dogstar Limited are progressing. However, in order to achieve optimal return for Shareholders, the sale 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.

Investment Manager's Report

'H' Share pool (continued)

Realisation plans (continued)

The Manager is exploring options to exit from the investments in the remaining Indian Solar companies, Rockhopper Renewables Limited and SF Renewables (Solar) Limited, which is unlikely to occur until 2022.

Outlook

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

'H' Share pool

as at 30 June 2021

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
VCT qualifying investments				
Atlantic Dogstar Limited	1,000	1,000	102	52.0%
Hermes Wood Pellets Limited	1,500	451	223	23.5%
SF Renewables (Solar) Limited	281	202	(20)	10.5%
Pearce and Saunders Limited	136	136	-	7.0%
Rockhopper Renewables Limited	492	104	(81)	5.4%
Quadrate Catering Limited	850	-	-	0.0%
Non-qualifying investments				
Quadrate Spa Limited	850	-	-	0.0%
	5,109	1,893	224	98.4%
Cash at bank and in hand		30		1.6%
Total		1,923		100%

Summary of Investment Movements

'H' 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
Indigo Generation Limited	613	-	3	(610)	3
Ironhide Generation Limited	613	-	3	(610)	3
Zora Energy Renewables Limited	1,000	26	26	(974)	-
	2,226	26	32	(2,194)	6

Investment Manager's Report

'J' Share pool

At the period end, the 'J' Share pool held 10 investments, primary in the hospitality and renewable energy sectors.

Net asset value and results

At 30 June 2021, the net asset value per 'J' Share was 22.2p, a net decrease of 1.6p (6.7%) over the period. Total return (NAV plus dividends paid to date) is 39.7p.

The loss on ordinary activities for the 'J' Share pool, after taxation, was £164,000 for the period, comprising a revenue loss of £30,000 and a capital loss of £134,000.

'J' Share pool – Portfolio valuation

During the period to 30 June 2021 the Share pool continued to face a number of challenges and setbacks across a number of its investee companies, culminating in a total unrealised loss at the period end of £140,000.

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 £81,000 has been recognised in respect of Rockhopper Renewables Limited due to uncertainty over the recoverability of income from electricity sold to the electricity grid.

Following a downward trend on power pricing, a provision of £20,000 has been recognised in respect of SF Renewables (Solar) Limited as a result of the anticipated reduction in revenue.

Pilgrim Trading Limited, the operator of two children's nurseries, has been written down by £28,000 due to increased working capital commitments.

Realisation plans

The 'J' Share pool passed the five-year anniversary of the close of the original offer for subscription at the end of 2020 and so the focus is now on the realisation of its investments in order to return funds to Shareholders.

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

The Manager notes that the share pool's largest investment, Pilgrim Trading Limited is likely to commence a sale process by the end of the year, with a possible exit in 2022. However, Shareholders should note that this is dependent on third parties and a number of external factors.

The Manager is exploring options to exit from the investments in the remaining Indian Solar companies, Rockhopper Renewables Limited and SF Renewables (Solar) Limited, which is likely to occur during 2022.

Exclusive Events Venues Limited, the operator of an exclusive use wedding venue in Chester, England, has recently reopened following a period of forced closure imposed by the coronavirus restrictions. The Investment Manager is exploring different options to exit following a period of continued trade in 2021.

Investment Manager's Report 'J' Share pool (continued)

Outlook

In line with the above, we will work to exit from the investments in as timely a manner as is realistic while seeking to preserve value. Regrettably, it is unlikely that a significant improvement in overall performance is achievable at this stage.

Downing LLP

30 September 2021

Summary of Investment Portfolio

'J' Share pool

as at 30 June 2021

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio by value
VCT qualifying investments				
Pilgrim Trading Limited	1,297	1,055	(28)	45.0%
Exclusive Events Venues Limited	500	293	(15)	12.6%
SF Renewables (Solar) Limited	281	202	(20)	8.6%
Rockhopper Renewables Limited	492	104	(81)	4.4%
Garthcliff Shipping Limited	400	50	-	2.1%
Ormsborough Limited	1,000	-	-	0.0%
Jito Trading Limited Limited	1,000	-	-	0.0%
Yamuna Renewables Limited	800	-	-	0.0%
Non-qualifying investments				
Fenkle Street LLP	287	307	4	13.1%
London City Shopping Centre Limited	15	-	-	0.0%
	6,072	2,011	(140)	85.8%
Cash at bank and in hand		334		14.2%
Total		2,345		100%

Summary of Investment Movements

'J' 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
Indigo Generation Limited	613	-	3	(610)	3
Ironhide Generation Limited	613	-	3	(610)	3
Zora Energy Renewables Limited	300	8	8	(292)	-
	1,526	8	14	(1,512)	6

Unaudited Summarised Balance Sheet

as at 30 June 2021

	30 Jun 2021				30 Jun 2020	31 Dec 2020
	'F' Shares £'000	'H' Shares £'000	'J' Shares £'000	Total £'000	Total £'000	Total £'000
Fixed assets						
Unquoted investments	1,847	1,893	2,011	5,751	6,439	5,561
Current assets						
Debtors	136	671	3	810	559	818
Cash at bank and in hand	73	30	334	437	2,273	502
	209	701	337	1,247	2,832	1,320
Creditors: amounts falling due within one year (34)		(96)	25	(105)	(132)	(136)
Net current assets	175	605	362	1,142	2,700	1,184
Net assets	2,022	2,498	2,373	6,893	9,139	6,745
Capital and reserves						
Called up share capital	11	13	11	35	35	35
Capital redemption reserve	149	-	-	149	149	149
Special reserve	2,912	4,991	8,172	16,075	23,721	19,783
Share premium account	-	-	-	-	-	-
Revaluation reserve	(362)	(3,216)	(1,246)	(4,824)	(10,191)	(8,768)
Capital reserve - realised	(1,099)	-	(3,348)	(4,447)	(4,448)	(4,448)
Revenue reserve	411	710	(1,216)	(95)	(127)	(6)
Total equity shareholders' funds	2,022	2,498	2,373	6,893	9,139	6,745
Basic and diluted net asset value per:						
'F' Share	18.7p				18.5p	17.7p
'H' Share	18.7p				23.3p	17.1p
'J' Share	22.2p				37.6p	23.8p

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	35	149	23,726	-	(6,932)	(4,447)	(66)	12,465
Total comprehensive income	-	-	-	-	(4,098)	166	150	(3,782)
Realisation of impaired valuations	-	-	-	-	-	-	-	-
<i>Transactions with owners</i>								
Transfer between reserves	-	-	(3,943)	-	2,262	1,681	-	-
Dividend paid	-	-	-	-	-	(1,848)	(90)	(1,938)
At 31 December 2020	35	149	19,783	-	(8,768)	(4,448)	(6)	6,745
Total comprehensive income	-	-	-	-	225	12	(89)	148
<i>Transactions with owners</i>								
Purchase of own shares	-	-	-	-	-	-	-	-
Transfer between reserves	-	-	(3,708)	-	3,719	(11)	-	-
Dividend paid	-	-	-	-	-	-	-	-
At 30 June 2021	35	149	16,075	-	(4,824)	(4,447)	(95)	6,893

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	(5)	-	(5)	866	-	866	472
Gains/(losses) on investments							
- realised	-	12	12	-	172	172	154
- unrealised	-	225	225	-	(3,259)	(3,259)	(4,098)
	(5)	237	232	866	(3,087)	(2,221)	(3,472)
Investment management fees	(16)	-	(16)	(19)	-	(19)	(18)
Other expenses	(68)	-	(68)	(797)	-	(797)	(251)
Return/(loss) on ordinary activities before taxation	(89)	237	148	50	(3,087)	(3,037)	(3,741)
Tax on total comprehensive income and ordinary activities	-	-	-	(21)	-	(21)	(41)
Return/(loss) attributable to equity shareholders	(89)	237	148	29	(3,087)	(3,058)	(3,782)
Return per 'F' Share	(0.4p)	1.3p	(0.9p)	(0.3p)	(5.6p)	(5.9p)	(6.7p)
Return per 'H' Share	(0.2p)	1.7p	1.5p	1.6p	(11.5p)	(9.9p)	(11.6p)
Return per 'J' Share	(0.3p)	(1.3p)	(1.6p)	(1.5p)	(8.7p)	(10.2p)	(14.0p)

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	67
Gains/(losses) on investments							
- realised	-	-	-	-	-	-	(8)
- unrealised	-	141	141	-	(609)	(609)	(716)
	-	141	141	111	(609)	(498)	(657)
Investment management fees	(16)	-	(16)	(19)	-	(19)	(18)
Other expenses	(22)	-	(22)	(117)	-	(117)	(60)
Return/(loss) on ordinary activities before taxation	(38)	141	103	(25)	(609)	(634)	(735)
Tax on total comprehensive income and ordinary activities	-	-	-	(5)	-	(5)	6
Return attributable to equity shareholders	(38)	141	103	(30)	(609)	(639)	(729)

Income Statement (analysed by Share pool)

for the six months ended 30 June 2021

'H' 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	-	-	-	671	-	671	522
Gains/(losses) on investments							
- realised	-	6	6	-	172	172	162
- unrealised	-	224	224	-	(1,718)	(1,718)	(2,072)
	-	230	230	671	(1,546)	(875)	(1,388)
Investment management fees	-	-	-	-	-	-	-
Other expenses	(21)	-	(21)	(403)	-	(403)	(83)
Return/(loss) on ordinary activities before taxation	(21)	230	209	268	(1,546)	(1,278)	(1,471)
Tax on total comprehensive income and ordinary activities	-	-	-	(51)	-	(51)	(84)
Return/(loss) attributable to equity shareholders	(21)	230	209	217	(1,546)	(1,329)	(1,555)

Income Statement (analysed by Share pool)

for the six months ended 30 June 2021

'J' 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	(5)	-	(5)	84	-	84	(117)
(Losses)/gains on investments							
- realised	-	6	6	-	-	-	-
- unrealised	-	(140)	(140)	-	(932)	(932)	(1,310)
	(5)	(134)	(139)	84	(932)	(848)	(1,427)
Investment management fees	-	-	-	-	-	-	-
Other expenses	(25)	-	(25)	(277)	-	(277)	(108)
Loss on ordinary activities before taxation	(30)	(134)	(164)	(193)	(932)	(1,125)	(1,535)
Tax on total comprehensive income and ordinary activities	-	-	-	35	-	35	37
Loss attributable to equity shareholders	(30)	(134)	(164)	(158)	(932)	(1,090)	(1,498)

Unaudited Cash Flow Statement

for the six months ended 30 June 2021

	30 Jun 2021				30 Jun	31 Dec	
	Note	'F'	'H'	'J'	2020	2020	
		Shares £'000	Shares £'000	Shares £'000	Total £'000	Total £'000	
Net cash (outflow)/inflow from operating activities	1	(29)	(37)	(45)	(111)	116	(5)
Cash flows from investing activities							
Sale of investments		-	32	14	46	232	252
Net cash inflow from investing activities		-	32	14	46	232	252
Net cash (outflow)/inflow before financing activities		(29)	(5)	(31)	(65)	348	247
Cash flows from financing activities							
Equity dividends paid		-	-	-	-	(268)	(1,938)
Net cash outflow from financing activities		-	-	-	-	(268)	(1,938)
(Decrease)/increase in cash	2	(29)	(5)	(31)	(65)	80	(1,691)

Notes to the Unaudited Cash Flow Statement

for the six months ended 30 June 2021

	30 Jun 2021				30 Jun	31 Dec
	'F'	'H'	'J'	Total	2020	2020
	Shares	Shares	Shares	£'000	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 Cash (outflow)/inflow from operating activities and returns on investments						
Return/(loss) on ordinary activities before taxation	103	209	(164)	148	(3,037)	(3,741)
Corporation tax paid	-	-	-	-	-	(24)
(Gains)/losses on investments	(141)	(230)	134	(237)	3,087	3,944
Decrease/(increase) in other debtors	-	-	9	9	120	(140)
(Decrease)/increase in other creditors	9	(16)	(24)	(31)	(54)	(44)
Net cash (outflow)/inflow from operating activities	(29)	(37)	(45)	(111)	116	(5)
2 Analysis of net funds						
Beginning of period	102	35	365	502	2,193	2,193
Net cash (outflow)/inflow	(29)	(5)	(31)	(65)	80	(1,691)
End of period	73	30	334	437	2,273	502

Notes to the Unaudited Financial Statements

1. General information

Downing THREE 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 which are unaudited.

6. Dividends

Paid in period	Per share pence	Six months ended 30 June 2020			Year ended 31 Dec 2020
		Revenue £'000	Capital £'000	Total £'000	Total £'000
'H' Shares					
Y/E Dec 2019 Interim	4.5p	-	-	-	603
		-	-	-	603
'J' Shares					
Y/E Dec 2019 Interim	2.5p	-	-	-	268
Y/E Dec 2019 Interim	10.0p	-	-	-	1,067
		-	-	-	1,335

Notes to the Unaudited Financial Statements (continued)

7. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue loss		Capital return/(loss)	
		£'000	Per share	£'000	Per share
'F' Shares	10,821,660	(38)	(0.4p)	141	1.3p
'H' Shares	13,389,758	(21)	(0.2p)	230	1.7p
'J' Shares	10,675,533	(30)	(0.3p)	(134)	(1.3p)
		(89)		237	

8. Net asset value per share

	Shares in issue	Net asset value	
		£'000	Per share
'F' Shares	10,821,660	2,022	18.7p
'H' Shares	13,389,758	2,498	18.7p
'J' Shares	10,675,533	2,373	22.2p
		6,893	

9. Reserves

	30 June 2021	31 Dec 2020
	£'000	£'000
Capital redemption reserve	149	149
Special reserve	16,075	19,783
Revaluation reserve	(4,824)	(8,768)
Capital reserve - realised	(4,447)	(4,448)
Revenue reserve	(95)	(6)
	6,858	6,710

The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves. The Revaluation reserve includes losses of £5,266,000 which are included in the calculation of distributable reserves. Total distributable reserves are £6,267,000 (31 Dec 2020: £6,242,000).

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	18.7	17.7	18.5
Cumulative distributions per 'F' Share	72.0	72.0	72.0
Total return per 'F' Share	90.7	89.7	90.5

'H' Share pool	30 Jun 2021 Pence	31 Dec 2020 Pence	30 Jun 2020 Pence
Net asset value per 'H' Share	18.7	17.1	23.3
Cumulative distributions per 'H' Share	39.5	39.5	35.0
Total return per 'H' Share	58.2	56.6	58.3

'J' Share pool	30 Jun 2021 Pence	31 Dec 2020 Pence	30 Jun 2020 Pence
Net asset value per 'J' Share	22.2	23.8	37.6
Cumulative distributions per 'J' Share	17.5	17.5	7.5
Total return per 'J' Share	39.7	41.3	45.1

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/d3

If you have any queries regarding your shareholding in Downing THREE 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

Michael Robinson (Chairman)
Roger Jeynes
Dennis Hale

Company Secretary

Grant Whitehouse

Investment and Administration Manager

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Registrar

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