



Downing THREE VCT plc (in Liquidation)

Shareholder update
October 2023

Downing 

Shareholder Information

Performance summary

F Share pool	30 Jun 2023 Pence	31 Dec 2022 Pence	30 Jun 2022 Pence
Net asset value per F Share	8.0	14.4	20.5
Cumulative distributions per F Share	82.5	77.0	72.0
Total return per F Share	90.5	91.4	92.5

H Share pool	30 Jun 2023 Pence	31 Dec 2022 Pence	30 Jun 2022 Pence
Net asset value per H Share	2.3	1.8	20.2
Cumulative distributions per H Share	58.0	58.0	39.5
Total return per H Share	60.3	59.8	59.7

J Share pool	30 Jun 2023 Pence	31 Dec 2022 Pence	30 Jun 2022 Pence
Net asset value per J Share	9.9	16.2	21.1
Cumulative distributions per J Share	22.5	19.5	17.5
Total return per J Share	32.4	35.7	38.6

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.

Statement from the Supervisory Committee Chairman

Introduction

The Company has now been in members' voluntary liquidation for two and a half years, as the Manager seeks to exit from the remaining investments and return funds to Shareholders. The liquidation process continues to encounter some challenges in achieving optimal exits from the remaining investments, brought about by high interest rates and decreasing consumer confidence. Our last report was issued in May 2023, covering the six-month period to 31 December 2022. This report covers the six-month period to 30 June 2023 and also details realisations since that period end.

Overview

The Company still has three share pools. Progress has been made, in the period under review, towards realising investments in all three share pools, with a few disposals and the majority of the other remaining investments now close to completing a sale.

Share pool overview

F Share pool

The F Share pool launched in 2012 and, at 30 June 2023, held a portfolio of two investments of value, with that total value being £638,000 at the period end.

At 30 June 2023, the net asset value ("NAV") was 8.0p per F Share, a decrease of 0.9p over the period, after adjusting for the 5.5p dividend paid on 23 June 2023. Total Return (NAV plus dividends paid to date) is now 90.5p, compared to the original cost, net of income tax relief, of 70.0p per share.

During the period, distributions of £591,000 were received by the F Share pool from Downing Pub EIS One Limited. This has been treated as a partial disposal, as the investee company winds down and is equal to carrying value but represents a gain over cost of £169,000. There has also been a further distribution since the end of the period, with £87,000 received by the F Share pool. A final distribution is expected to be made as the liquidation of Downing Pub EIS One Limited draws to a close, with the expected value of said distribution estimated at £15,000.

With the wind down of Downing Pub EIS One Limited and Pearce and Saunders DevCo Limited approaching completion, the share class will soon just be left with the investment in Baron House Developments LLP, where the Manager is seeking to work towards an exit in a timely manner without sacrificing significant value.

H Share pool

The H Share pool launched in 2014 and, at 30 June 2023, had two remaining investments with value, totalling £239,000.

At 30 June 2023, the net asset value ("NAV") was 2.3p per H Share, which represents a net increase of 0.5p over the period. Total Return (NAV plus dividends paid to date) is now 60.3p, 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).

During the period, the remaining holding in Atlantic Dogstar Limited was disposed of for nil proceeds. Pearce and Saunders Limited made what is expected to be its final return to the VCT after the period end, and it is hoped that the Manager can strike a deal to sell SF Renewables (Solar) Limited shortly. Once the final investments have been disposed of, we can commence the process of returning all funds to H Shareholders.

Statement from the Supervisory Committee Chairman (continued)

Share pool overview *(continued)*

J Share pool

The overall performance of the J Share pool remains very disappointing.

The J Share pool raised the majority of its funds in the 2014/15 tax year and passed the five-year anniversary of the close of the offer for subscription at the end of 2020.

At 30 June 2023, the share pool held three active investments with a total value of £770,000 and the net asset value ("NAV") was 9.9p per J Share, a decrease of 3.3p over the period. Total Return (NAV plus dividends paid to date) is now 32.4p per J 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).

The J Share pool made a full disposal of Fenkle Street LLP during the period, receiving proceeds of £272,000.

The Investment Manager's Reports on pages 4 to 10 provide further details on each share pool.

Distribution

As a result of some of the realisations noted above, a distribution of 1.0p per F Share will be made on 17 November 2023. No distributions will be made in respect of the H Shares and J Shares at this time.

Outlook

Over the remainder of 2023, we expect to see the Manager complete the exit from Downing Pub EIS One Limited, which will leave only Baron House Developments LLP remaining for the F Share pool. The exit from Baron House Developments LLP will take some time to complete as a suitable buyer with an acceptable offer for the underlying hotel needs to be identified. The timeline for the disposal of Baron House is currently unclear as an appropriate buyer is yet to come forward. A final distribution F Shareholders will only be made once this completes.

For the H Share pool, the completion of the liquidation of Pearce and Saunders Limited is imminent and a sales process is underway for SF Renewables (Solar) Limited. Once that completes the share pool should be in a position to make a final distribution to H Shareholders.

The process of realising the remaining investments in the J Share pool is expected to take some time. Offers at acceptable prices need to be found for the underlying wedding venue and children's nurseries assets held by the main remaining portfolio companies. This process is not expected to complete until 2024.

Michael Robinson

Chairman - Supervisory Committee

25 October 2023

Investment Manager's Report

F Share pool

As at 30 June 2023, the F Share pool held two investments. Focus for the F Share pool remains on the realisation of the remaining investments at acceptable values.

Net asset value and results

At 30 June 2023, the net asset value ("NAV") per F Share was 8.0p, a decrease of 0.9p over the period, after adjusting for the 5.5p dividend paid in June 2023. Total Return (NAV plus dividends paid to date) is now 90.5p.

The loss on ordinary activities for the F Shares, after taxation, was 0.9p for the period due to a reduction in the valuation of Baron House Developments LLP and a £37,000 realised loss recognised on Pearce and Saunders DevCo Limited.

F Share pool – Portfolio valuation and realisations

During the period, one partial realisation was achieved. Downing Pub EIS One Limited distributed £591,000 to the F Share pool, representing a healthy £169,000 gain over cost. A further £87,000 was received from Downing Pub EIS One Limited after the period end, in August 2023, and it is expected that when the liquidation of the investee company comes to a close, a final distribution, cautiously estimated at around £15,000, could be due to the F Share pool.

The portfolio saw limited valuation movement during the six months to 30 June 2023. Baron House Developments LLP, a partnership created to fund the development of a hotel in Newcastle, was the only investment with a change in valuation. There was previously an agreement in place for the sale of the hotel but following a material price reduction, it was decided not to go proceed with that offer.

The hotel has been remarketed, but no acceptable offers have been received at this stage. We will continue in our endeavours to exit this investment at an acceptable price. At this stage, due to the uncertainty involved in the sales process, we have decided to cautiously write down the valuation of the investment by £37,000.

Elsewhere in the portfolio, Pearce and Saunders Limited, and the related Pearce and Saunders DevCo Limited, are in the process of being wound up. The F Share pool holds equity in the companies and, in view of the debt owed by the companies, it is now thought unlikely that any distributions will be made to equity holders. Therefore, these investments are deemed to have nil value and have been removed from the portfolio, realising the losses made.

Atlantic Dogstar Limited and London City Shopping Centre Limited have been valued at nil for some time now, and with no prospect of recovery, we have also made the decision to treat these losses as realised and remove them from the active portfolio.

Distribution

As a result of the recent realisations, a further distribution of 1.0p per F Share will be paid on 17 November 2023 to F Shareholders, which will bring total distributions paid to 83.5p and the remaining net asset value to 7.0p

Outlook

We are now close to completing the extraction of residual value from Downing Pub EIS One Limited. Unfortunately, there is no certainty about the timing of an exit from Baron House, where we continue to seek a new buyer in order to achieve an exit at an acceptable price. Once this is done, we expect a final distribution to F Shareholders to be made shortly after.

Downing LLP

25 October 2023

Summary of Investment Portfolio

F Share pool

as at 30 June 2023

	Cost £'000	Valuation £'000	Unrealised loss in period £'000	% of portfolio by value
Baron House Developments LLP	481	544	(37)	73.2%
Downing Pubs EIS One Limited	68	94	-	12.7%
	549	638	(37)	85.9%
Cash at bank and in hand		105		14.1%
Total		743		100.0%

Summary of Investment Disposals

F Share pool

1 January 2023 to 30 June 2023

Disposals	Type	Cost £'000	Market value at 01/01/23 £'000	Disposal proceeds £'000	Gain/(loss) against cost £'000	Total realised loss £'000
Downing Pubs EIS One Limited	Partial	422	591	591	169	-
Pearce and Saunders Limited	Full	497	-	-	(497)	-
Atlantic Dogstar Limited	Full	152	-	-	(152)	-
London City Shopping Centre Limited	Full	66	-	-	(66)	-
Pearce and Saunders DevCo Limited	Full	44	37	-	(44)	(37)
		1,181	628	591	(590)	(37)

1 July 2023 to 31 August 2023

Disposals	Type	Cost £'000	Market value at 01/07/23 £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Downing Pubs EIS One Limited	Partial	58	81	87	29	6

Investment Manager's Report

H Share pool

Focus for the H Share pool remains on the realisation of the final investments.

Net asset value and results

At 30 June 2023, the net asset value per H Share was 2.3p, an increase of 0.5p over the period. Total Return (NAV plus dividends paid to date) is now 60.3p.

The gain on ordinary activities for the H Shares, after taxation, for the period was 0.5p per share.

H Share pool – Portfolio valuation and realisation plans

The portfolio showed a net unrealised gain in the period to 30 June 2023 of £64,000.

During the period, the remaining holding in Atlantic Dogstar Limited was disposed of for nil proceeds, as no further distributions to the H Share pool were expected. There were three realisations after the period end and the sale of the final remaining investment, SF Renewables (Solar) Limited, is progressing well.

During the liquidation of Pearce and Saunders Limited, a freehold pub company, it became apparent that there was expected to be sufficient value for the company to repay the loan provided by the G Share pool in full and therefore, the investment was revalued at 30 June 2023 to the face value of the loan notes, giving a £90,000 unrealised gain for the period. The £90,000 was repaid after the period end, in August 2023. The value of any further distributions from the investee company is expected to be very small.

SF Renewables (Solar) Limited, an Indian solar plant, is nearing an exit. A number of bids have been received for the solar plant and we are now progressing a sale to the highest bidder. We are hopeful that the sale will complete shortly, although we have yet to reach the point of having an unconditional offer and therefore there is still some risk. The final structure of the transaction will also influence when funds from the sale can be paid to the VCT. A reduction of £26,000 in the valuation was recognised during the period due to align the value with expected achievable sales price and to factor in some uncertainty involved in the sale process.

Elsewhere in the portfolio there was limited movement. £10,000 has been received relating to investments in Quadrate Catering Limited and Quadrate Spa Limited, which have been valued at nil for some time now. The two companies have now been dissolved and have subsequently been removed from the portfolio.

It continues to be the case that no further distributions are expected to be made to the VCT by Atlantic Dogstar Limited and therefore, with the investment valued at nil and with no prospect of it making a recovery, we have made the decision to treat this loss as realised and remove it from the portfolio.

Outlook

Pearce and Saunders Limited made what is expected to be its final return to the VCT after the period end, and we hope to be able to strike a deal to sell SF Renewables (Solar) Limited shortly. Once that sale is complete, and the proceeds received, a final distribution will be made to bring this share pool to a close.

Downing LLP

25 October 2023

Summary of Investment Portfolio

H Share pool

as at 30 June 2023

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio by value
SF Renewables (Solar) Limited	281	149	(26)	52.5%
Pearce and Saunders Limited	90	90	90	31.7%
Quadrate Catering Limited	850	-	-	-
Quadrate Spa Limited	850	-	-	-
	2,071	239	64	84.2%
Cash at bank and in hand		45		15.8%
Total		284		100.0%

Summary of Investment Disposals

H Share pool

1 January 2023 to 30 June 2023

Disposals	Type	Cost £'000	Market value at 01/01/23 £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised gain £'000
Atlantic Dogstar Limited	Full	152	-	-	(152)	-

1 July 2023 to 31 August 2023

Disposals	Type	Cost £'000	Market value at 01/07/23 £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised gain £'000
Pearce and Saunders Limited	Full	90	90	90	-	-
Quadrate Catering Limited	Full	850	-	5	(845)	5
Quadrate Spa	Full	850	-	5	(845)	5
		1,790	90	100	(1,690)	10

Investment Manager's Report

J Share pool

At the period end, the J Share pool held three investments with value, in a variety of sectors. We continue to work towards realising the value of the remaining investments.

Net asset value and results

At 30 June 2023, the net asset value per J Share was 9.9p, a net decrease of 3.3p over the period, after adjusting for the 3.0p dividend paid in June 2023. Total return (NAV plus dividends paid to date) is 32.4p.

The loss on ordinary activities for the J Share pool, after taxation, was 3.3p per share for the period.

J Share pool – Portfolio valuation and realisation plans

During the period to 30 June 2023, a full disposal of the share pool's investment in Fenkle Street LLP completed and losses were realised on four other investments that had no prospect of recovery. The share pool's investment in Pilgrim Trading Limited remained stable, however, there were reductions in the value of two investments.

Fenkle Street LLP held an interest in a hotel in central Newcastle. A transaction to sell the hotel completed in March 2023, providing final proceeds of £272,000.

The investment in Exclusive Events Venues Limited, the operator of a wedding venue in Chester, England, saw a small unrealised loss of £24,000 during the period, as a result of the company's slightly weakened balance sheet. We are currently exploring options to sell the investment but are keen not to sacrifice any significant value by pushing through an exit when market conditions for such assets are weak.

SF Renewables (Solar) Limited, an Indian solar plant, is nearing an exit. A number of bids have been received for the solar plant and we are now progressing a sale to the highest bidder. We are hopeful that the sale will complete shortly, although we have yet to reach the point of having an unconditional offer and therefore there is still some risk. The final structure of the transaction will also influence when funds from the sale can be paid to the VCT. A reduction of £26,000 in the valuation was recognised during the period due to align the value with expected achievable sales price and to factor in some uncertainty involved in the sale process.

The share pool's largest investment, Pilgrim Trading Limited, the owner of two children's nurseries, has been held at the same capital value as was previously reported at 31 December 2022. A sale price had been agreed for the company's business, but that deal has fallen through after the potential buyer's funding was withdrawn. A new sale process has been initiated and, to reflect the possibility that high interest rates may impact the price a buyer may now be willing to pay, we have increased the provision made against the interest accrued on the loan stock held in the company. Our total valuation of the expected proceeds from the sale has been reduced by £273,000 to £620,000.

With Jito Trading Limited, Ormsborough Limited, Yamuna Renewables Limited and London City Shopping Centre Limited valued at nil, and with no prospect of recovery, we have made the decision to realise the losses on these investments and remove them from the active portfolio.

Investment Manager's Report

J Share pool (continued)

Outlook

The overall performance of the J Share pool's investments has been extremely disappointing, and a significant improvement is unlikely at this stage. Our focus is on exiting from the remaining three investments at optimal values. We hope to see good progress to this end during the remainder of this year although the task may not complete fully until 2024. Further distributions will be made as these realisations come through.

Downing LLP

25 October 2023

Summary of Investment Portfolio

J Share pool

as at 30 June 2023

	Cost £'000	Valuation £'000	Unrealised loss in period £'000	% of portfolio by value
Pilgrim Trading Limited	1,297	389	-	43.5%
Exclusive Events Venues Limited	500	232	(24)	25.9%
SF Renewables (Solar) Limited	281	149	(26)	16.7%
	2,078	770	(50)	86.1%
Cash at bank and in hand		124		13.9%
Total		894		100.0%

Summary of Investment Disposals

J Share pool

1 January 2023 to 30 June 2023

Disposals	Type	Cost £'000	Market value at 01/01/23 £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised loss £'000
Fenkle Street LLP	Full	287	278	272	(15)	(6)
Jito Trading Limited	Full	1,000	-	-	(1,000)	-
Ormsborough Limited	Full	1,000	-	-	(1,000)	-
Yamuna Renewables Limited	Full	800	-	-	(800)	-
London City Shopping Centre Limited	Full	15	-	-	(15)	-
		3,102	278	272	(2,830)	(6)

Unaudited Summarised Balance Sheet

as at 30 June 2023

	30 June 2023				31 Dec 2022
	F Shares £'000	H Shares £'000	J Shares £'000	Total £'000	Total £'000
Fixed assets					
Unquoted investments	639	238	770	1,647	2,575
Current assets					
Debtors	178	27	191	396	683
Cash at bank and in hand	105	45	124	274	353
	283	72	315	670	1,036
Creditors: amounts falling due within one year	(60)	(4)	(29)	(93)	(87)
Net current assets	223	68	286	577	949
Net assets	862	306	1,056	2,224	3,524
Capital and reserves					
Called up share capital	11	13	11	35	35
Capital redemption reserve	148	-	-	148	148
Special reserve	1,408	3,105	5,516	10,029	15,126
Revaluation reserve	(119)	(132)	(1,308)	(1,559)	(2,795)
Capital reserve - realised	(1,033)	(3,401)	(2,082)	(6,516)	(9,397)
Revenue reserve	447	721	(1,081)	87	407
Total equity shareholders' funds	862	306	1,056	2,224	3,524
Basic and diluted net asset value per:					
F Share	8.0p				14.4p
H Share		2.3p			1.8p
J Share			9.9p		16.2p

Income Statement

for the six months ended 30 June 2023

Company	Six months ended 30 Jun 2023			Six months ended 31 Dec 2022
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	18	-	18	(199)
Gains/(losses) on investments				
- realised	-	(42)	(42)	308
- unrealised	-	(24)	(24)	(576)
	18	(66)	(48)	(467)
Provision for doubtful debts	(273)	-	(273)	-
Investment management fees	(13)	-	(13)	(12)
Other expenses	(52)	-	(52)	(55)
Loss on ordinary activities before taxation	(320)	(66)	(386)	(534)
Tax on total comprehensive income and ordinary activities ¹	-	-	-	109
Loss attributable to equity shareholders	(320)	(66)	(386)	(425)
Return per F Share	(0.2p)	(0.7p)	(0.9p)	(1.2p)
Return per H Share	-	0.5p	0.5p	0.1p
Return per J Share	(2.8p)	(0.5p)	(3.3p)	(2.9p)

¹ Tax on total comprehensive income and ordinary activities is a credit due to a reduction in the accrual brought forward and a creditor that arose due to amended returns being filed for previous periods.

Income Statement (analysed by share pool)

for the six months ended 30 June 2023

F Shares	Six months ended 30 Jun 2023			Six months ended 31 Dec 2022
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	15	-	15	15
Gains/(losses) on investments				
- realised	-	(37)	(37)	51
- unrealised	-	(37)	(37)	(191)
	15	(74)	(59)	(125)
Investment management fees	(13)	-	(13)	(12)
Other expenses	(24)	-	(24)	(20)
Loss on ordinary activities before taxation	(22)	(74)	(96)	(157)
Tax on total comprehensive income and ordinary activities ¹	-	-	-	30
Loss attributable to equity shareholders	(22)	(74)	(96)	(127)

¹Tax on total comprehensive income and ordinary activities is a credit due to a reduction in the accrual brought forward and a creditor that arose due to amended returns being filed for previous periods.

Income Statement (analysed by share pool)

for the six months ended 30 June 2023

H Shares	Six months ended 30 Jun 2023			Six months ended 31 Dec 2022
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	-	-	-	60
Gains/(losses) on investments				
- realised	-	-	-	257
- unrealised	-	63	63	(283)
	-	63	63	34
Investment management fees	-	-	-	-
Other expenses	-	-	-	(18)
Return on ordinary activities before taxation	-	63	63	16
Tax on total comprehensive income and ordinary activities	-	-	-	(2)
Return attributable to equity shareholders	-	63	63	14

Income Statement (analysed by share pool)

for the six months ended 30 June 2023

J Shares	Six months ended 30 June 2023			Six months ended 31 Dec 2022
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	3	-	3	11
Losses on investments				
- realised	-	(5)	(5)	-
- unrealised	-	(50)	(50)	(102)
	3	(55)	(52)	(376)
Provision for doubtful debts	(273)	-	(273)	(285)
Investment management fees	-	-	-	-
Other expenses	(28)	-	(28)	(16)
Loss on ordinary activities before taxation	(298)	(55)	(353)	(392)
Tax on total comprehensive income and ordinary activities ¹	-	-	-	81
Loss attributable to equity shareholders	(298)	(55)	(353)	(311)

¹Tax on total comprehensive income and ordinary activities is a positive figure due to a reduction in the accrual brought forward and a creditor that arose due to amended returns being filed for previous periods.

Notes

1. 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.
2. **Forthcoming Distributions**

Share class	Date payable	Per share pence
F Shares	17 Nov 2023	1.0

The above distribution will be paid to Shareholders on the register at 27 October 2023.

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 dividend and distribution history) may be obtained from Downing's website at:

www.downing.co.uk/existing-investor/downing-three-vct

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:

downing-vct.cityhub.uk.com

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Company Secretary

Grant Whitehouse

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