



Downing TWO VCT plc

(in Liquidation)

Shareholder update

July 2025

Downing 

Shareholder Information

Performance summary

F Share pool	31 Dec 2024 Pence	30 Jun 2024 Pence	31 Dec 2023 Pence
Net asset value per F Share	6.5	6.3	6.9
Cumulative distributions per F Share	83.5	83.5	83.5
Total return per F Share	90.0	89.8	90.4

G Share pool	31 Dec 2024 Pence	30 Jun 2024 Pence	31 Dec 2023 Pence
Net asset value per G Share	6.1	6.0	6.3
Cumulative distributions per G Share	87.0	87.0	87.0
Total return per G Share	93.1	93.0	93.3

K Share pool	31 Dec 2024 Pence	30 Jun 2024 Pence	31 Dec 2023 Pence
Net asset value per K Share	7.8	9.0	8.8
Cumulative distributions per K Share	26.5	26.5	26.5
Total return per K Share	34.3	35.5	35.3

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 over four years as the Manager seeks to exit from the remaining five investments and return residual funds to Shareholders. Unfortunately, the sectors in which the remaining investments operate were severely impacted by the pandemic and now more recently by minimum wage and national insurance increases. These external market conditions are making exiting these investments more challenging than initially thought, but achieving exits at attractive pricing remains at the forefront of the Managers objectives for the year ahead.

This report includes the accounts for the six-month period to 31 December 2024.

Overview

The Company still has three active share pools, all of which have either two or three remaining investments.

Share pool overview

F Share pool

The F Share pool launched in 2012 and, at 31 December 2024, held just one active investment with a value of £481,000.

At 31 December 2024 the net asset value ("NAV") was 6.5p per F Share, an increase of 0.2p over the period. Total Return (NAV plus dividends paid to date) is now 90.0p, compared to the original cost, net of income tax relief, of 70.0p per share.

A final distribution to the VCT is expected to be made when the liquidation of Downing Pub EIS One Limited draws to a close but this is likely to be an insignificant amount.

The share pool's only active investment is Baron House Developments LLP, which has an interest in a Hampton by Hilton in Newcastle. The hotel has been marketed for sale over the last number of years, but due to the impact of the pandemic and the high interest rate environment thereafter, this process has been unsuccessful. The Manager has since made the decision to appoint a new hotel operator whose primary focus is to increase the profitability of the hotel. Since their appointment the hotel has achieved an increase in profitability and the intention is to remarket the hotel for sale in early 2026.

G Share pool

The G Share pool launched in 2013 and at 31 December 2024 had one remaining active investment with a value of £1.1 million.

At 31 December 2024, the net asset value ("NAV") was 6.1p per G Share, which represents an increase of 0.1p over the period. Total Return (NAV plus dividends paid to date) is now 93.1p, 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).

As highlighted in the F Share pool, a final distribution to the VCT is expected to be made as the liquidation of Downing Pub EIS One Limited draws to a close but is likely to be an insignificant amount.

The share pool's last remaining investment is that in Baron House Developments LLP, where, as described in respect of the F Share pool, an exit is unlikely to materialise until early 2026.

Statement from the Supervisory Committee Chairman

(continued)

Share pool overview (continued)

K Share pool

The overall performance of the K Share pool continues to be very disappointing.

The K Share pool raised the majority of its funds in the 2015/16 tax year and passed the five-year anniversary of the close of the offer for subscription at the end of 2021.

At 31 December 2024 the share pool held three active investments with a combined value of £958,000. The net asset value ("NAV") was 7.8p per K Share, a decrease of 1.2p per share over the period. Total Return (NAV plus dividends paid to date) is now 34.3p 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).

The sale of SF Renewables Limited completed in October 2024, with the final proceeds being received in April 2025. These proceeds have been announced for distribution to K Shareholders on 25 July.

The Manager continues to work on exit strategies for the remaining investments, Apprise Pubs Limited, Exclusive Events Venues Limited and Pilgrim Trading Limited, in order to return value to K Shareholders.

The Investment Manager's Reports on pages 5 to 10 provide further details on each share pool.

Distributions

At the present time, there is insufficient liquidity in the F and G share pools to make any distributions to shareholders and this is unlikely to change until the sale of the final investment completes. The K share pool is now in a position to make a distribution of 1.25p per share, which is due to be paid on 25 July. Any subsequent distributions will be dependent on the disposal of the remaining investments.

Outlook

As mentioned above, the F and G Share pools are now awaiting an exit from their final investment, Baron House Developments LLP, but this is unlikely to complete until 2026. In the meantime, the Manager is focusing on increasing the profitability of the underlying hotel in order to maximise an eventual sale price.

The process of realising the remaining investments in the K Share pool is also expected to take some time. Similar to the above, the primary focus is to try and increase the profitability of the underlying businesses in order to maximise sale prices, but these exits are unlikely to complete until next year.

Hugh Gillespie

Chairman - Supervisory Committee
4 July 2025

Investment Manager's Report

F Share pool

As at 31 December 2024, the F Share pool held just one active investment. Focus for the F Share pool remains achieving a successful exit of this investment, but this is unlikely to be achieved until next year.

Net asset value and results

At 31 December 2024, the net asset value ("NAV") per F Share was 6.5p, an increase of 0.2p over the period. Total Return (NAV plus dividends paid to date) is now 90.0p.

The profit on ordinary activities for the F Shares, after taxation, was 0.2p for the period. This was driven by loan interest accrued during the period less operating costs.

F Share pool – Portfolio valuation and realisations

During the period, the value of Baron House Developments LLP, a partnership created to fund the development of a hotel in Newcastle, remained flat but the VCT benefitted from loan interest accrued during the period. Previous attempts to sell the hotel were unsuccessful due to external market conditions and with a new hotel operator being recently appointed, the focus of the hotel is to increase profitability for 2025. The Manager believes that achieving increased profitability will help promote a sale process, which is targeted for early 2026.

The liquidation process for the remaining holding, Downing Pub EIS One Limited, continues but has been delayed by a tax enquiry into one of the company's subsidiaries. We expect this to complete during the year.

Outlook

Full focus remains on achieving the best possible exit from Baron House Developments LLP. Unfortunately, this is not expected to occur until 2026 whilst the hotel focuses on increasing profitability for the 2025 financial year. We expect a final distribution to F Shareholders to be made shortly after this exit has complete.

Downing LLP
4 July 2025

Summary of Investment Portfolio

F Share pool

as at 31 December 2024

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
Baron House Developments LLP	481	481	-	85.4%
Downing Pub EIS One Limited	10	-	-	-
	491	481	-	85.4%
Cash at bank and in hand		82		14.6%
Total		563		100.0%

Investment Manager's Report

G Share pool

Focus for the G Share pool remains on the realisation of its investments while seeking to optimise Shareholder returns.

Net asset value and results

At 31 December 2024 the net asset value ("NAV") per G Share was 6.1p, representing an increase of 0.1p over the period. Total Return (NAV plus dividends paid to date) is now 93.1p.

The profit on ordinary activities for the G Shares, after taxation, was 0.1p for the period. This was driven by loan interest accrued during the period less operating costs.

G Share pool – Portfolio valuation and realisation plans

As with the F Share pool, the value of Baron House Developments LLP was unchanged, but the VCT benefitted from loan interest accrued during the period. Previous attempts to sell the hotel were unsuccessful due to external market conditions and with a new hotel operator being recently appointed, the focus of the hotel is to increase profitability for 2025. The Manager believes that achieving increased profitability will help promote a sale process, which is targeted for early 2026.

The liquidation process for the remaining holding, Downing Pub EIS One Limited, continues but has been delayed by a tax enquiry into one of the company's subsidiaries. We expect this to complete during the year.

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Full focus remains on achieving the best possible exit from Baron House Developments LLP. Unfortunately, this is not expected to occur until 2026 whilst the hotel focuses on increasing profitability for the 2025 financial year. We expect a final distribution to F Shareholders to be made shortly after this exit has complete.

Downing LLP

4 July 2025

Summary of Investment Portfolio

G Share pool

as at 31 December 2024

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
Baron House Developments LLP	1,093	1,093	-	91.6%
Downing Pub EIS One Limited	20	-	-	-
	1,113	1,093	-	91.6%
Cash at bank and in hand		100		8.4%
Total		1,193		100.0%

Investment Manager's Report

K Share pool

At the period end, the K Share pool held three investments, primarily in the hospitality sector. Attempts to sell these remaining investments have been unsuccessful over the last number of years due to the challenging external market conditions but this remains the key focus of the Manager.

Net asset value

At 31 December 2024 the net asset value ("NAV") per K Share was 7.8p, which represents a decrease of 1.2p over the period.

K Share pool – Portfolio valuation and realisation plans

The sale of SF Renewables (Solar) Limited, a solar plant in India, completed in late October. Overall this was a disappointing outcome resulting in a total loss of £187,000. The solar plant was constructed on time, to budget and performed well, but unfortunately the prices achieved for the sale of electricity never met our expectations, due to the price in which we were able to sell the power. Consequently, with profitability continually falling below expectations, the best possible outcome was to sell the plant to one of its customers.

The portfolio had an unrealised loss of £107,000 over the six-month period to 31 December 2024 mainly due to a decrease in the value of Pilgrim Trading Limited. This company owns two children's nurseries and previous attempts to sell the business were unsuccessful. The businesses continue to show very slow progress in growing occupancy but the Manager continues to engage with to operator to try and improve profitability.

Exclusive Events Venues Limited is the operator of a wedding venue in Chester, England. The venue was marketed for sale in mid-2023 but offers received were inadequate due to the venue's underperformance. Current year performance is marginally ahead of forecast on an EBITDA basis, but future bookings are lower than expected. Agents remain appointed to market the property, and interest has been expressed in recent months from two potential acquirers, although no offers have yet been received.

The valuation of Apprise Pubs Limited remained flat during the period. The Company owns one remaining pub in South West London which was recently relaunched under a new food led concept. The intention is to revitalise performance so an acceptable exit can be achieved.

Outlook

Full focus remains on seeking optimal exits for the remaining investments in the hospitality sector and children's nurseries. We continue to work closely with the management of the remaining investee companies to optimise value as we seek suitable buyers.

Following on from the sale of SF Renewables (Solar) Limited, a distribution of 1.25p per share is due to be paid on 25 July

Downing LLP

4 July 2025

Summary of Investment Portfolio

K Share pool

as at 31 December 2024

	Cost £'000	Valuation £'000	Unrealised loss in period £'000	% of portfolio by value
Apprise Pubs Limited	1,300	758	-	60.1%
Exclusive Events Venues Limited	500	168	(9)	13.4%
Pilgrim Trading Limited	432	31	(98)	2.5%
	2,570	958	(107)	76.0%
Cash at bank and in hand		303		24.0%
Total		1,261		100.0%

Summary of Investment Disposals

K Share pool

1 July 2024 to 31 December 2024

Disposals	Type	Cost £'000	Market value at July 2024 £'000	Disposal proceeds £'000	Loss against cost £'000	Total realised loss £'000
SF Renewables (Solar) Limited	Full	337	189	150	(187)	(39)
		337	189	150	(187)	(39)

Unaudited Summarised Balance Sheet

as at 31 December 2024

	31 December 2024				30 June 2024
	F Shares £'000	G Shares £'000	K Shares £'000	Total £'000	Total £'000
Fixed assets					
Unquoted investments	481	1,093	958	2,532	2,828
Current assets					
Debtors	189	417	-	606	516
Cash at bank and in hand	82	100	303	485	388
	271	517	303	1,091	904
Creditors: amounts falling due within one year	(50)	(59)	(32)	(141)	(126)
Net current assets	221	458	271	950	778
Net assets	702	1,551	1,229	3,482	3,606
Capital and reserves					
Called up share capital	11	25	16	52	52
Reserves	691	1,526	1,213	3,430	3,554
Total equity shareholders' funds	702	1,551	1,229	3,482	3,606
Basic and diluted net asset value per:					
F Share	6.5p				6.3p
G Share		6.1p			6.0p
K Share			7.8p		9.0p

Income Statement

for the six months ended 31 December 2024

Company	Six months ended 31 December 2024			Six months ended 30 June 2024
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	217	-	217	29
Gains/(losses) on investments				
- realised	-	(180)	(180)	14
- unrealised	-	41	41	12
	217	(139)	78	55
Provision for doubtful debts	(133)	-	(133)	(74)
Investment management fees	(21)	-	(21)	(22)
Other expenses	(48)	-	(48)	(64)
Return/(loss) on ordinary activities before taxation	15	(139)	(124)	(105)
Tax on total comprehensive income and ordinary activities	-	-	-	-
Return/(loss) attributable to equity shareholders	15	(139)	(124)	(105)
Return per F Share	0.1p	0.1p	0.2p	(0.6p)
Return per G Share	0.1p	-	0.1p	(0.3)p
Return per K Share	(0.3p)	(0.9p)	(1.2p)	0.3p

Income Statement (analysed by share pool)

for the six months ended 31 December 2024

F Shares	Six months ended 31 December 2024			Six months ended 30 June 2024
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	22	-	22	1
Gains/(losses) on investments				
- realised	-	7	7	-
- unrealised	-	-	-	(19)
	22	7	29	(18)
Provision for doubtful debts	12	-	12	(25)
Investment management fees	(6)	-	(6)	(6)
Other expenses	(11)	-	(11)	(14)
Profit/(loss) on ordinary activities before taxation	17	7	24	(63)
Tax on total comprehensive income and ordinary activities	-	-	-	-
Profit/(loss) attributable to equity shareholders	17	7	24	(63)

Income Statement (analysed by share pool)

for the six months ended 31 December 2024

G Shares	Six months ended 31 December 2024			Six months ended 30 June 2024
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	48	-	48	22
Gains/(losses) on investments				
- realised	-	-	-	10
- unrealised	-	-	-	(44)
	48	-	48	(12)
Provision for doubtful debts	27	-	27	(39)
Investment management fees	(15)	-	(15)	(16)
Other expenses	(21)	-	(21)	(24)
Profit/(loss) on ordinary activities before taxation	39	-	39	(91)
Tax on total comprehensive income and ordinary activities	-	-	-	-
Profit/(loss) attributable to equity shareholders	39	-	39	(91)

Income Statement (analysed by share pool)

for the six months ended 31 December 2024

K Shares	Six months ended 31 December 2024			Six months ended 30 June 2024
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	147	-	147	6
Gains/(losses) on investments				
- realised	-	(187)	(187)	4
- unrealised	-	41	41	75
	147	(146)	1	85
Provision for doubtful debts	(171)	-	(171)	(11)
Investment management fees	-	-	-	-
Other expenses	(17)	-	(17)	(25)
(Loss)/return on ordinary activities before taxation	(41)	(146)	(187)	49
Tax on total comprehensive income and ordinary activities	-	-	-	-
(Loss)/return attributable to equity shareholders	(41)	(146)	(187)	49

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.

Shareholder Information

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-two-vct

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:

downing-vct.cityhub.uk.com

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