

# BARONSMEAD

Baronsmead VCT 3 plc

# 2011

Half-yearly report  
for the six months ended  
30 June 2011



# Investment Objective

Baronsmead VCT 3 is a tax efficient listed company which aims to achieve long-term investment returns for private investors.

## Investment policy

- To invest primarily in a diverse portfolio of UK growth companies, whether unquoted or traded on AIM.
- Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

## Dividend policy

The Board of Baronsmead VCT 3 has the objective to maintain a minimum annual dividend level of around 4.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There will be variations in the amount of dividends paid year on year. Since launch the average annual tax-free dividend paid to shareholders (including the declared interim dividend of 3.0p) has been 5.6p per ordinary share (equivalent to a pre-tax return of 7.4p per ordinary share for a higher rate taxpayer). For shareholders who received up front tax reliefs, their returns would have been even higher.

## Secondary market in the shares of Baronsmead VCT 3

The existing shares of the Company are listed on the London Stock Exchange and can be bought and sold using a stockbroker in the same way as shares of any other listed company.

Qualifying investors\* who invest in the existing shares of the Company can benefit from:

- Tax free dividends
- Realised gains not subject to capital gains tax (although any realised losses are not allowable)
- No minimum holding period
- No need to include VCT dividends in annual tax returns

The UK tax treatment of VCTs is on a first in first out basis and therefore tax advice should be obtained before shareholders dispose of their shares and also if they deferred a capital gain in respect of new shares acquired prior to 6 April 2004.

\* UK income tax payers, aged 18 or over, who acquire no more than £200,000 worth of VCT shares in a tax year.

[www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk)

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If you have sold or otherwise transferred all of your shares in Baronsmead VCT 3 plc, please forward this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

## Financial Headlines

9.1%

Increase in Net Asset Value ("NAV") per share during the period to 111.43p before deduction of the interim dividend.

3.0p

Interim dividend tax free payable on 29 September 2011, for the six month period to 30 June 2011.

58.8p

Cumulative tax free dividends per share for founder shareholders since 2001, equivalent to an average annual dividend of 5.6p.

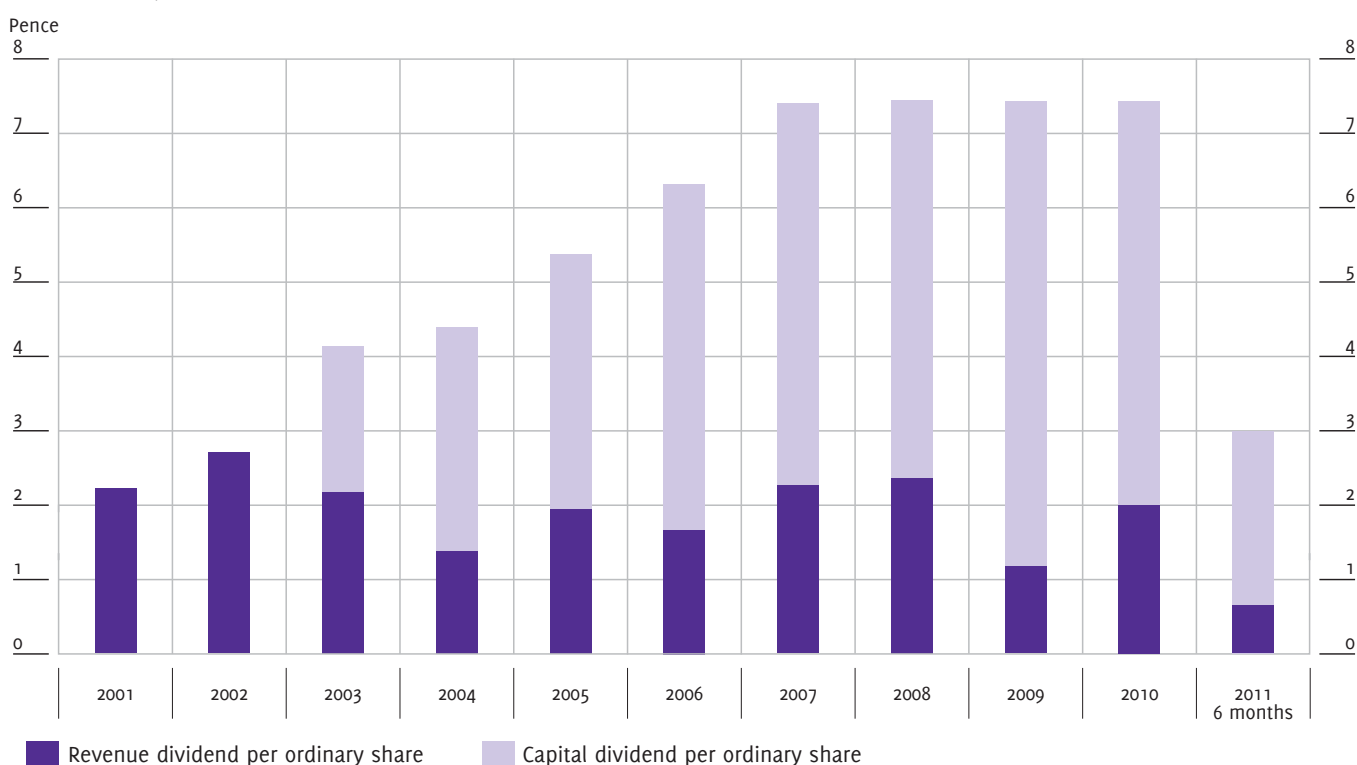
+196.4p

NAV total return to shareholders for every 100p invested since launch. The share price total return over the same time period is 170.3p. If the tax reliefs available on initial investment were taken into account this return would be higher.

7.8%

Tax free return of 7.8 per cent has been received by qualifying shareholders, based on the 7.5p dividends paid and declared over the last 12 months and the mid share price of 96.25p at the period end. The gross equivalent annual yield for a higher rate tax payer is 10.4 per cent.

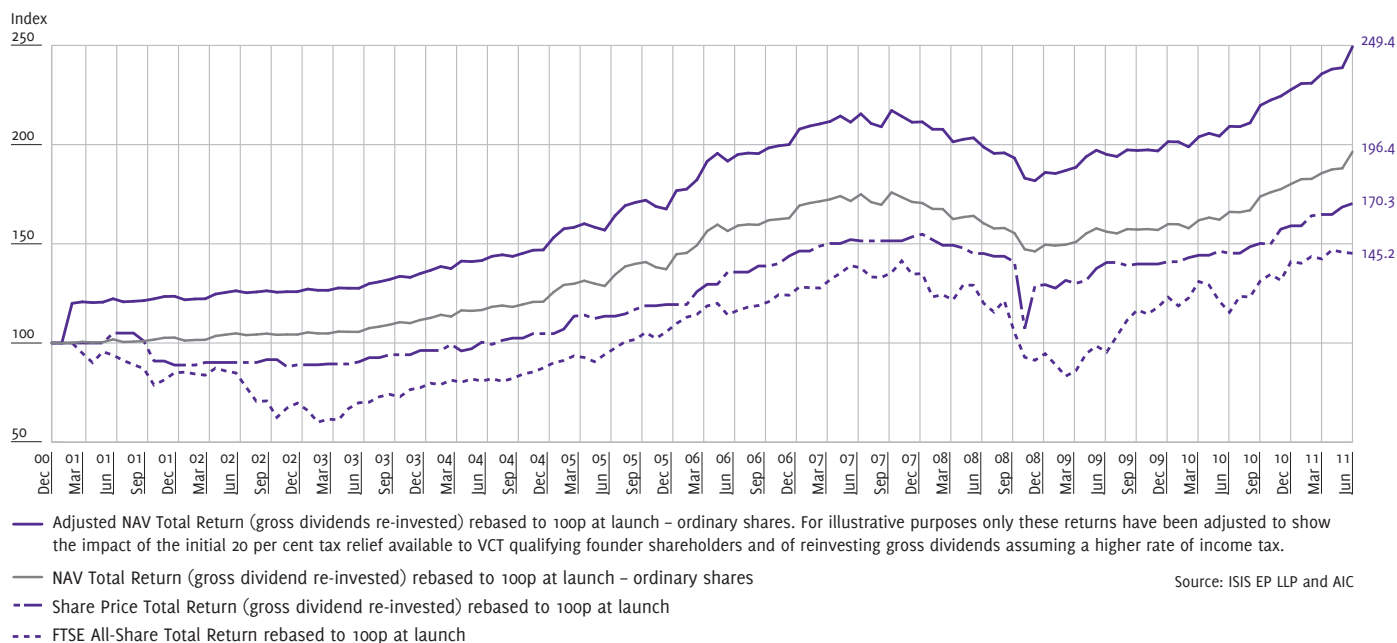
Dividend history since launch



# Summary Since Launch

## Baronsmead VCT 3 plc

Net asset value total return and share price total return since launch against the FTSE All-Share Index total return



AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from launch, assuming that dividends paid were re-invested at NAV of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

## Performance Summary to 30 June 2011

Total return and share price*	6 month %	1 year %	3 year %	5 year %	Since launch %
Net Asset Value†	+9.0	+18.3	+22.5	+23.4	+96.4
Share Price†	+7.1	+17.2	+17.6	+25.7	+70.3
FTSE All-Share	+3.0	+25.6	+21.0	+24.6	+45.2

\* Source: ISIS EP LLP and AIC.

† These returns for Baronsmead VCT 3 ignore up front tax reliefs and the impact of receiving dividends tax free.

## Cash Returned to Shareholders

The table below shows the cash returned to shareholders dependent on their subscription cost, including their income tax reclaimed on subscription.

Year subscribed	Subscription price p	Income tax reclaim p	Net cash invested p	Cumulative dividends paid* p	Net annual yield† %	Gross yield† %
2001 (January)	100.0	20.0	80.0	58.8	7.1	9.4
2005 (March) – C Shares	100.0	40.0	60.0	28.8	7.6	10.1
2010 (March)	103.1	30.9	72.2	10.5	–^	–^

Note – The total return could be higher for those shareholders who were able to defer a capital gain on subscription and the net sum invested may be less.

\* Includes proposed interim dividend of 3.0p to be paid on 29 September 2011.

† Net annual yield represents the cumulative dividends paid expressed as an annualised percentage of the net cash invested.

† The gross equivalent yield if the dividends had been subject to higher rate tax (currently 32.5 per cent on dividend income). The new additional rate of tax on dividend income of 42.5 per cent which came into force from the 2010/11 tax year for those shareholders who earned more than £150,000 has not been included. For those Shareholders who would otherwise pay this additional rate of tax on dividends, the future gross equivalent yield will be higher than the figures shown. Dividends paid to C shareholders post conversion have been adjusted by the conversion ratio (0.85642528).

^ The table above excludes returns for shareholders who subscribed in the Joint Offer with Baronsmead VCT 4 plc as those returns are not yet meaningful.

# Chairman's Statement

I am pleased to report that over the six months to 30 June 2011, the Net Asset Value ("NAV") per share increased by 9.1 per cent from 102.1p to 111.4p before payment of a 3.0p per share interim dividend. This growth is due to a series of valuation increases across the portfolio and compares favourably with the FTSE All-Share Index which increased by 3.0 per cent. The share price total return for Baronsmead VCT 3 over the same period was 7.1 per cent. Since inception the Net Asset Value Total Return to 30 June 2011 is 196.4p for each 100.0p invested before taking account of any VCT tax reliefs.

Value growth occurred across the investment portfolio with the unquoted portfolio increasing in value by 12.3 per cent, the AIM-traded and listed portfolio by 12.8 per cent and Wood Street Microcap Investment Fund increasing by 11.2 per cent.

The 3.0p interim dividend is being paid largely from recently realised capital profits and revenue. Reed & Mackay was successfully sold during the period at 4.76 times the original cost and the realised capital profits of £3.8 million add significantly to reserves available for future dividend payments.

All of the VCT qualifying tests have been met throughout the six months to 30 June 2011.

## Portfolio Review

The portfolio is well-diversified in several aspects: by the number of investee companies, by the sector of the economy in which they operate and by whether they are unquoted or quoted (which includes AIM-traded and other quoted securities). The trading of the sixty-four portfolio companies remained consistent over the six months with the performance of 81 per cent of investee companies now being classified as steady or growing. At 30 June 2011, 47 per cent of the portfolio by value was invested in unquoted companies, 24 per cent in AIM-traded and listed companies, 5 per cent in Wood Street Microcap Investment Fund and the balance of 24 per cent remained in cash, interest bearing securities or government securities.

All areas of the portfolio increased in value over the six month period. The main value gains within the unquoted portfolio came from Nexus Vehicle Holdings (the largest unquoted investment at 8.0 per cent of

NAV) and Quantix both of whom continue to show strong profits growth. The AIM-traded portfolio increased by 12.8 per cent including a significant increase in value of IDOX plc (the largest quoted investment at 3.9 per cent of NAV), which provides software and IT services typically to the public sector. The unquoted portfolio companies provide monthly management accounts and so it is possible to track trading trends. Sales growth is being maintained and generally there has been an increase in profit margins leading to higher operating profits.

Two investments were sold during the period, Reed & Mackay (4.76 times cost) and Craneware (4.2 times cost). After the end of the period on 7 July 2011, the unquoted investment in Getting Personal was also successfully sold to Card Factory.

Wood Street Microcap Investment Fund continues to make good progress and its value increased in the six months by 11.2 per cent to £3.1 million, spread across thirty investments. This fund was established by ISIS Equity Partners in May 2009 to provide flexibility for the Baronsmead VCTs to invest in mainly larger and more liquid non-VCT qualifying AIM-traded and Small Cap quoted opportunities. The investments are intended to generate improved quoted investment returns for the Company and also be more readily realisable than smaller VCT qualifying AIM-traded shares. Since its formation, the unit price of Wood Street Microcap has increased by 38.1 per cent in value.

# Chairman's Statement

## New Investment

A total of £2.64 million was invested in the six months to 30 June 2011 in three new investments (one unquoted and two AIM-traded companies) and five small further funding rounds in existing AIM portfolio investments.

The Baronsmead VCTs collectively invested a total of £6.5 million in Valldata Group in January 2011, with Baronsmead VCT 3 investing £1.62 million. Valldata Group, based in Wiltshire, is the UK's leading provider of outsourced donation processing and fulfilment services for the UK not-for-profit market, servicing over fifty of the largest UK charities.

The two new AIM-traded investments were Music Festivals, an operator of live music events, in which Baronsmead VCT 3 invested £0.5 million and Ubisense Group, a provider of radio frequency tracking solutions for the high value manufacturing sector, in which £0.13 million was invested.

## Shareholder Matters

On 1 August 2011 an amendment to the EU Prospectus Directive was introduced by HM Government enabling companies to raise up to €5.0 million over a twelve month period without the need to publish a prospectus (increased from the previous limit of €2.5 million). Dependent upon the Company's

requirement for additional resources to fund new investments in the current tax year, the Board is currently planning to raise the sterling equivalent of up to €5.0 million in the early part of 2012. If confirmed, I will write to shareholders when the quarterly fact sheet for the three month period to 30 September 2011 is published in November 2011 to give further details.

## Outlook

The proposals set out in the 2011 Budget recognise that entrepreneurial companies, like those backed by Baronsmead VCT 3, are critical to creating the UK economic growth, jobs, and wealth that are so essential for Britain's future prosperity. We have the capability to make further investments in these ambitious entrepreneurial businesses and there is a solid platform within our existing portfolio for future growth.

The outlook for the UK economy remains uncertain with many commentators anticipating low growth due to public sector cuts, tax rises and continuing high levels of unemployment. However, the Baronsmead VCT 3 portfolio is showing resilience and an ability to withstand these pressures assisted by the active management, disciplines and encouragement from ISIS. We therefore hope to sustain our performance and to continue generating tangible returns for our shareholders.

**Anthony Townsend**

Chairman

18 August 2011

# Table of Investments and Realisations

## Investments in the six months to 30 June 2011

Company	Location	Sector	Activity	Book cost £'000
<b>Unquoted investments</b>				
<b>New</b>				
Valldata Group Limited	Melksham	Business Services	Payment processing for not-for-profit sector	1,616
Music Festivals plc (Loan note)	London	Consumer Markets	Owner and operator of live music festivals and events	400
<b>Total unquoted investments</b>				<b>2,016</b>
<b>AIM-traded &amp; listed investments</b>				
<b>New</b>				
Ubisense Group plc	Cambridge	IT & Media	Technology & services offering real time location system solutions	130
Music Festivals plc	London	Consumer Markets	Owner and operator of live music festivals and events	100
<b>Follow on</b>				
Active Risk Group plc	Maidenhead	IT & Media	Risk management software	124
Green Compliance plc	Cirencester	Business Services	Small business compliance	101
Netcall plc	St Ives	IT & Media	Communications software	80
Driver Group plc	Rossendale	Business Services	Dispute resolution	65
STM Group plc	Gibraltar	Financial Services	Offshore trust and company administration services	22
<b>Total AIM-traded &amp; listed investments</b>				<b>622</b>
<b>Collective investment vehicle</b>				
<b>Follow on</b>				
Wood Street Microcap Investment Fund				700
<b>Total collective investment vehicle</b>				<b>700</b>
<b>Total investments in the period</b>				<b>3,338</b>

## Realisations in the six months to 30 June 2011

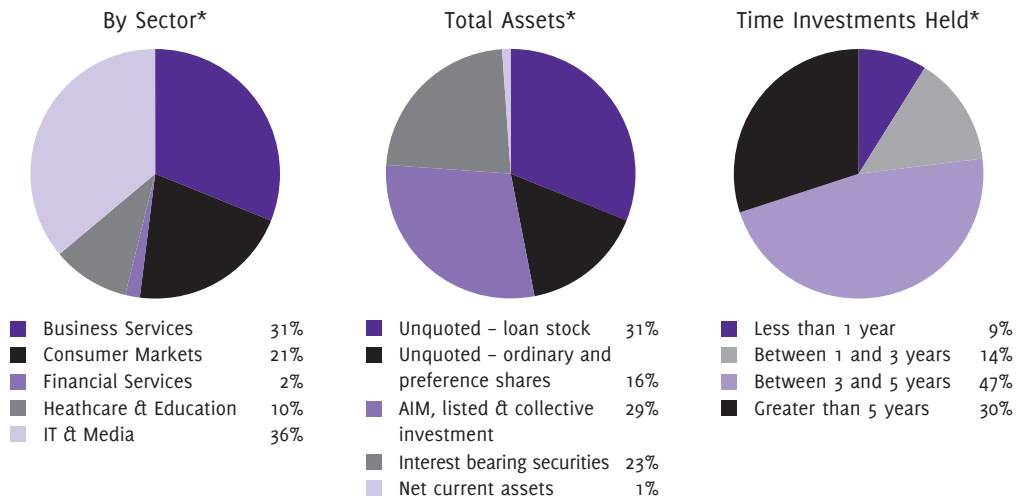
Company		First investment date	31 December 2010 valuation £'000	Realised profit/(loss) this period £'000	Overall multiple return*
<b>Unquoted realisations</b>					
Reed & Mackay Limited	Trade sale	Nov 05	4,779	229	4.8
MLS Limited	Loan repayment	Jul 06	63	-	1.0
<b>Total unquoted realisations</b>			<b>4,842</b>	<b>229</b>	
<b>AIM-traded &amp; listed realisations</b>					
Craneware plc	Full market sale	Sep 07	335	(37)	2.7
<b>Total AIM-traded &amp; listed realisations</b>			<b>335</b>	<b>(37)</b>	
<b>Total realisations in the period</b>			<b>5,177</b>	<b>192†</b>	

\* Includes interest/dividends received, loan note redemptions and partial realisations accounted for in prior periods.

† Proceeds of £19,000 were also received in respect of an investment, Country Artists Limited, which had been written off in a prior period.

# Investment Portfolio

## Investment Classification at 30 June 2011



\* at 30 June 2011 valuation

Company	Sector	Book cost £'000	31 December 2010 valuation £'000†	30 June 2011 valuation £'000	% of net assets	% of equity held by Baronsmead VCT 3 plc	% of equity held by all funds*
<b>Unquoted</b>							
Nexus Vehicle Holdings Limited	Business Services	2,368	4,182	5,342	8.0	12.6	57.4
Quantix Limited	IT & Media	1,194	2,025	2,757	4.1	11.4	48.0
CableCom Networking Holdings Limited	IT & Media	1,381	2,490	2,719	4.1	10.6	48.0
Crew Clothing Company Limited	Consumer Markets	984	2,569	2,493	3.7	5.4	22.8
CSC (World) Limited	IT & Media	1,606	1,687	2,079	3.1	8.8	40.0
Kafevend Holdings Limited	Consumer Markets	1,252	2,032	2,073	3.1	15.8	66.5
Getting Personal Limited <sup>°</sup>	Consumer Markets	988	1,013	1,811	2.7	8.3	37.5
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,777	1,777	2.7	10.5	44.0
Valldata Group Limited	Business Services	1,616	–	1,616	2.4	8.9	40.6
Independent Living Services Limited	Healthcare & Education	1,161	1,849	1,513	2.3	16.2	68.1
MLS Limited	IT & Media	718	1,161	1,116	1.7	5.3	22.5
Empire World Trade Limited	Business Services	1,297	869	1,099	1.6	–	–
Inspired Thinking Group Limited	Business Services	796	976	1,037	1.6	5.0	22.5
Surgi C Limited	Healthcare & Education	1,102	919	939	1.4	9.8	44.7
TVC Group Limited	IT & Media	1,233	774	789	1.2	13.0	59.3
Playforce Holdings Limited	Business Services	1,033	1,023	767	1.1	9.7	44.0
Carnell Contractors Limited	Business Services	1,499	337	675	1.0	8.3	37.5
Music Festivals plc (Loan note)	Consumer Markets	400	–	400	0.6	N/A	N/A
Kidsunlimited Group Limited	Business Services	113	113	113	0.2	N/A	N/A
Xention Discovery Limited	Healthcare & Education	893	104	0	0.0	2.2	3.0
Provesica Limited	Healthcare & Education	0	56	0	0.0	1.0	1.6
<b>Total unquoted</b>		<b>23,057</b>	<b>25,956</b>	<b>31,115</b>	<b>46.6</b>		
<b>AIM</b>							
IDOX plc	IT & Media	1,038	1,525	2,633	3.9	3.2	9.7
Green Compliance plc	Business Services	882	938	906	1.4	4.0	19.8
Murgitroyd Group plc	Business Services	319	751	830	1.2	3.1	6.2
Netcall plc	IT & Media	869	508	817	1.2	4.1	20.2
Jelf Group plc	Financial Services	761	670	780	1.2	1.4	6.3
Electric Word plc	IT & Media	616	702	663	1.0	5.2	28.8
Tasty plc	Consumer Markets	469	316	595	0.9	2.5	17.1
Brulines Group plc	Business Services	646	544	528	0.8	1.8	9.6
Sinclair IS Pharma plc <sup>^</sup>	Healthcare & Education	524	–	508	0.8	0.5	2.5
PROACTIS Holdings plc	IT & Media	619	614	478	0.7	5.4	26.2
Accumuli plc	IT & Media	333	409	473	0.7	3.6	20.7
FFastFill plc	IT & Media	251	316	446	0.7	0.9	6.2
Plastics Capital plc	Business Services	473	307	416	0.6	1.7	9.8
InterQuest Group plc	Business Services	310	360	394	0.6	1.8	7.0
Kiotech International plc	Healthcare & Education	275	339	335	0.5	2.2	16.0
EG Solutions plc	IT & Media	375	357	300	0.4	3.1	14.2
Real Good Food Company (The) plc	Consumer Markets	540	92	276	0.4	0.6	2.3

<sup>°</sup> Getting Personal Limited was sold after the period end.

<sup>^</sup> Sinclair IS Pharma plc shares received in exchange for IS Pharma plc shares following a merger of the two companies in May 2011.

<sup>‡</sup> Following a restructuring, the effective ownership percentage is dependent on final exit proceeds.

<sup>†</sup> The total investment valuation at 31 December 2010 per the table above does not agree to the audited accounts due to purchases and sales since that date.

\* All funds managed by the same investment manager, ISIS EP LLP, including Baronsmead VCT 3.



# Investment Portfolio

Company	Sector	Book cost £'000	31 December 2010 valuation £'000†	30 June 2011 valuation £'000	% of net assets	% of equity held by Baronsmead VCT 3 plc	% of equity held by all funds*
<b>AIM (continued)</b>							
Begbies Traynor Group plc	Financial Services	231	347	250	0.4	0.6	2.5
Driver Group plc	Business Services	503	138	249	0.4	3.5	16.2
Quadnetics Group plc	Business Services	296	192	220	0.3	0.6	2.1
Sanderson Group plc	IT & Media	387	209	217	0.3	1.8	6.9
Brady plc	IT & Media	176	199	208	0.3	0.5	3.1
Tangent Communications plc	Business Services	268	158	202	0.3	2.0	10.3
Stagecoach Theatre Arts plc	Consumer Markets	419	180	194	0.3	4.5	9.1
Tristel plc	Healthcare & Education	217	232	175	0.3	1.0	5.4
Active Risk Group plc	IT & Media	159	44	172	0.3	1.1	5.6
Dods Group plc	IT & Media	541	142	163	0.2	1.4	4.4
Ubisense Group plc	IT & Media	130	–	155	0.2	0.3	1.7
Prologic plc	IT & Media	310	186	132	0.2	4.1	15.0
Praesepe plc	Consumer Markets	525	167	131	0.2	0.5	2.7
Autoclenz Holdings plc	Business Services	400	115	125	0.2	3.1	12.3
Cohort plc	Business Services	179	84	104	0.2	0.3	1.4
Music Festivals plc	Consumer Markets	100	–	100	0.1	1.0	5.2
STM Group plc	Financial Services	162	47	71	0.1	0.8	4.9
Bglobal plc	Business Services	176	172	56	0.1	0.5	2.7
Colliers International UK plc	Financial Services	470	76	41	0.1	0.3	0.8
Adventis Group plc	IT & Media	361	89	37	0.1	3.1	20.7
Zoo Digital Group plc	IT & Media	584	36	35	0.1	0.3	0.9
Hangar8 plc	Business Services	44	44	34	0.0	0.5	2.6
Clarity Commerce Solutions plc	IT & Media	50	43	23	0.0	0.3	6.0
<b>Total AIM</b>		<b>15,988</b>	<b>11,648</b>	<b>14,472</b>	<b>21.7</b>		
<b>Listed</b>							
Vectura Group plc	Healthcare & Education	771	1,120	1,275	1.9	0.5	1.3
Chime Communications plc	IT & Media	369	386	475	0.7	0.2	1.3
Marwyn Value Investors plc	Financial Services	64	55	49	0.1	1.3	6.0
<b>Total listed</b>		<b>1,204</b>	<b>1,561</b>	<b>1,799</b>	<b>2.7</b>		
<b>New York Stock Exchange</b>							
Alere Inc	Healthcare & Education	157	179	175	0.3	0.0	0.0
<b>Total New York Stock Exchange</b>		<b>157</b>	<b>179</b>	<b>175</b>	<b>0.3</b>		
<b>Interest bearing securities</b>							
UK T-Bill 11/07/11		5,798	–	5,798	8.7		
UK T-Bill 12/09/11		2,996	–	2,996	4.5		
BlackRock Cash Market OEIC		5,700	5,700	5,700	8.5		
JP Morgan Europe OEIC		1,200	1,200	1,200	1.8		
<b>Total interest bearing securities</b>		<b>15,694</b>	<b>6,900</b>	<b>15,694</b>	<b>23.5</b>		
<b>Collective investment vehicle</b>							
Wood Street Microcap Investment Fund		2,525	2,123	3,140	4.7		
<b>Total collective investment vehicle</b>		<b>2,525</b>	<b>2,123</b>	<b>3,140</b>	<b>4.7</b>		
<b>Total investments</b>		<b>58,625</b>	<b>48,367</b>	<b>66,395</b>	<b>99.5</b>		
<b>Net current assets</b>				<b>307</b>	<b>0.5</b>		
<b>Net assets</b>				<b>66,702</b>	<b>100.0</b>		

† The total investment valuation at 31 December 2010 per the table above does not agree to the audited accounts due to purchases and sales since that date.

\* All funds managed by the same investment manager, ISIS EP LLP, including Baronsmead VCT 3.

AIM, Listed and NYSE Portfolio Concentration Analysis at 30 June 2011			
Investment ranking by valuation	Book cost £'000	Valuation £'000	% of quoted portfolio
Top Ten	6,895	9,535	58.0
11–20	3,776	3,843	23.4
21–30	3,123	1,975	12.0
30+	3,555	1,093	6.6
<b>Total</b>	<b>17,349</b>	<b>16,446</b>	<b>100.0</b>

# Independent Review Report to Baronsmead VCT 3 plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

Simon Pashby  
for and on behalf of  
KPMG Audit Plc  
Chartered Accountants  
Edinburgh  
18 August 2011

## Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement 'Half-yearly financial reports' issued by the UK Accounting Standards Board;
- the Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 11 is a fair review of the information required by DTR 4.2.7R being a description of the principal risks and uncertainties for the remaining six months of the year; and
- the financial statements include a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board  
Anthony Townsend  
Chairman  
18 August 2011

# Unaudited Income Statement

For the six months to 30 June 2011

	Six months to 30 June 2011			Six months to 30 June 2010			Year to 31 December 2010*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	–	5,418	5,418	–	1,019	1,019	–	4,951	4,951
Realised gains on investments	–	211	211	–	806	806	–	1,757	1,757
Income	876	–	876	1,287	–	1,287	2,407	–	2,407
Investment management fee	(198)	(594)	(792)	(182)	(547)	(729)	(380)	(1,140)	(1,520)
Other expenses	(185)	–	(185)	(181)	–	(181)	(360)	–	(360)
<b>Profit on ordinary activities before taxation</b>	<b>493</b>	<b>5,035</b>	<b>5,528</b>	<b>924</b>	<b>1,278</b>	<b>2,202</b>	<b>1,667</b>	<b>5,568</b>	<b>7,235</b>
Taxation on ordinary activities	(88)	88	–	(224)	224	–	(412)	412	–
<b>Profit on ordinary activities after taxation</b>	<b>405</b>	<b>5,123</b>	<b>5,528</b>	<b>700</b>	<b>1,502</b>	<b>2,202</b>	<b>1,255</b>	<b>5,980</b>	<b>7,235</b>
<b>Return per share:</b>									
Basic	0.67p	8.48p	9.15p	1.19p	2.55p	3.74p	2.09p	9.98p	12.07p

\* These figures are audited.

# Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 30 June 2011

	Six months to 30 June 2011 £'000	Six months to 30 June 2010 £'000	Year to 31 December 2010 £'000*
<b>Opening shareholders' funds</b>	<b>64,643</b>	52,878	52,878
Profit for the period	5,528	2,202	7,235
Purchase of shares for treasury	(736)	(803)	(1,357)
Gross proceeds of share issues	–	8,165	8,165
Expenses of share issue and buybacks	(4)	(441)	(441)
Dividends paid	(2,729)	–	(1,837)
<b>Closing shareholders' funds</b>	<b>66,702</b>	62,001	64,643

\* These figures are audited.

## Notes

- The unaudited interim results which cover the six months to 30 June 2011 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year to 31 December 2010.
- Return per share is based on a weighted average of 60,393,473 ordinary shares in issue (30 June 2010 – 58,829,168, 31 December 2010 – 59,933,988).
- Earnings for the first six months to 30 June 2011 should not be taken as a guide to the results of the full financial year.
- During the six months to 30 June 2011 the Company purchased 780,000 ordinary shares to be held in treasury at a cost of £736,000. At 30 June 2011 the Company holds 7,757,317 ordinary shares in treasury. Excluding treasury shares, there were 59,862,534 ordinary shares in issue at 30 June 2011 (30 June 2010 – 61,242,534, 31 December 2010 – 60,642,534).
- The interim dividend of 3.0 pence per ordinary share (0.65 pence revenue and 2.35 pence capital) will be paid on 29 September 2011 to shareholders on the register on 16 September 2011. The ex-dividend date is 14 September 2011.
- The financial information contained in this Half-yearly Financial Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The information for the year to 31 December 2010 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2010 have been filed with the Registrar of Companies. The auditor's report thereon was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. No statutory accounts in respect of any period after 31 December 2010 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- Copies of the Half-yearly Financial Report have been mailed to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

# Unaudited Balance Sheet

As at 30 June 2011

	As at 30 June 2011 £'000	As at 30 June 2010 £'000	As at 31 December 2010 £'000*
<b>Fixed assets</b>			
Unquoted investments	31,115	29,481	30,735
Traded on AIM	14,472	10,599	12,522
Listed on LSE	1,799	1,022	1,561
Traded on NYSE	175	136	179
Collective investment vehicle	3,140	1,005	2,123
Interest bearing securities	15,694	17,393	16,287
Investments	66,395	59,636	63,407
<b>Current assets</b>			
Debtors	632	254	461
Cash at bank and on deposit	179	2,613	1,268
	811	2,867	1,729
<b>Creditors</b> (amounts falling due within one year)	(504)	(502)	(493)
<b>Net current assets</b>	307	2,365	1,236
<b>Net assets</b>	66,702	62,001	64,643
<b>Capital and reserves</b>			
Called-up share capital	6,762	6,762	6,762
Share premium account	15,012	15,012	15,012
Capital redemption reserve	10,862	10,862	10,862
Capital reserve	25,553	26,154	24,941
Revaluation reserve	7,770	2,209	6,182
Revenue reserve	743	1,002	884
<b>Equity shareholders' funds</b>	66,702	62,001	64,643

\* These figures are audited.

	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010*
<b>Net asset value per share</b>	111.43p	101.24p	106.60p
Number of ordinary shares in circulation	59,862,534	61,242,534	60,642,534
<b>Treasury net asset value per share</b>	109.68p	100.08p	105.32p
Number of ordinary shares in circulation	59,862,534	61,242,534	60,642,534
Number of ordinary shares held in treasury	7,757,317	6,377,317	6,977,317
Number of listed ordinary shares	67,619,851	67,619,851	67,619,851

\* These figures are audited.

# Unaudited Statement of Cash Flows

For the six months to 30 June 2011

	Six months to 30 June 2011 £'000	Six months to 30 June 2010 £'000	Year to 31 December 2010 £'000*
Net cash (outflow)/inflow from operating activities	(260)	499	232
Capital expenditure and financial investment	2,640	(6,846)	(5,533)
Equity dividends paid	(2,729)	-	(1,837)
Net cash outflow before financing	(349)	(6,347)	(7,138)
Net cash (outflow)/inflow from financing	(740)	6,927	6,373
(Decrease)/increase in cash	(1,089)	580	(765)
Reconciliation of net cash (outflow)/inflow to movement in net cash			
(Decrease)/increase in cash	(1,089)	580	(765)
Opening net cash	1,268	2,033	2,033
Net cash at end of period	179	2,613	1,268
Reconciliation of operating profit before taxation to net cash flow from operating activities			
Profit on ordinary activities before taxation	5,528	2,202	7,235
Gains on investments	(5,629)	(1,825)	(6,708)
Changes in working capital and other non-cash items	(159)	122	(295)
Net cash (outflow)/inflow from operating activities	(260)	499	232

\* These figures are audited.

## Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal risks, risk management and regulatory environment within the Business Review and Notes in the Company's Annual Report and Accounts for the year to 31 December 2010. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

ISIS EP LLP ('the Manager') manages the investments of the Company. The Manager also provides or procures the provision of secretarial, accounting, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2.5 per cent per annum of the net assets of the Company. This is described in more detail under the heading Management within the Report of the Directors in the Company's Annual Report and Accounts for the year to 31 December 2010. During the period the Company has incurred management fees of £792,000 and secretarial and accounting fees of £58,000 payable to the Manager.

## Going Concern

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 30 June 2011 the Company held cash balances, investments in UK Gilts and Money Market Funds with a combined value of £15,873,000. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the share buyback programme and dividend policy. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

# Shareholder Information and Contact Details

## Shareholder Communication

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### BARONSMEAD



Baronsmead VCT 3's website is [www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk).

The Board has a policy of regular and open communication with shareholders based around quarterly reporting.

The Manager for Baronsmead VCT 3 plc is **ISIS EP LLP**.

For information on asset allocations, dividend policies, investment process, DRIP mechanism, share price movements, the share price discount and selling shares please contact:

**By email:** [michael.probin@isisep.com](mailto:michael.probin@isisep.com) ; [margaret.barff@isisep.com](mailto:margaret.barff@isisep.com)

**By telephone:** Michael Probin 020 7506 5796; Margaret Barff 020 7506 5630.

**Internet:** [www.isisep.com](http://www.isisep.com)

For comparative performance data of Baronsmead VCT 3 and other generalist VCTs please visit the AIC performance statistics page at:

[www.theaic.co.uk/statistics-publications](http://www.theaic.co.uk/statistics-publications)



The Registrar for Baronsmead VCT 3 is Computershare Investors Services PLC.

To change the details held by Computershare in respect of your shareholding, including change of address, bank account details and joining the DRIP, please contact them as follows:

**Baronsmead shareholder helpline: 0870 703 0137**

*(calls charged at geographical and national rates)*

The Baronsmead shareholder helpline is available on UK business days between Monday and Friday, 8.30a.m. to 5.00p.m. If you wish to speak to someone please press '0'. The automated self-service system is available 24 hours a day, 7 days a week. You will need your Shareholder Reference Number ("SRN"), which for security reasons you should always keep confidential and is available on your share certificate and dividend tax voucher, in order to:

- confirm the latest share price
- confirm your current share holding balance
- confirm payment history
- order a Change of Address, Dividend Bank Mandate or Stock Transfer Form

**Managing online your own shareholding via the**

**Investor Centre:** [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

Computershare's secure website, Investor Centre, enables shareholders to manage their shareholding online. Using your SRN you will be able to do the following:

- **Holding Enquiry** – view balances, values, history, payments and reinvestments
- **Payments Enquiry** – view your dividends and other payment types
- **Address Change** – change your registered address
- **Bank Details Update** – choose to receive your dividend payments directly into your bank account instead of by cheque
- **e-Comms sign-up** – choose to receive email notification when your shareholder communications become available instead of paper communications
- **Outstanding Payments** – reissue payments using our online replacement service
- **Downloadable Forms** – including dividend mandates, stock transfer, dividend reinvestment and change of address forms
- **By email** – [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

# Shareholder Information and Contact Details

## Share Price

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's shares is given daily in the *Financial Times* in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites.

## Trading Shares

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. As buying and selling existing shares in VCTs is complex, Shareholders should seek to trade shares on a "best execution" basis if appropriate.

The marketmakers in the shares of Baronsmead VCT 3 plc are:

Matrix Corporate Capital LLP	020 3206 7000 (the Company's broker)
Singer Capital Markets Limited	020 3205 7500
Winterflood Securities Limited	020 3400 0251

## Financial Calendar

November 2011	Quarterly Fact Sheet to 30 September 2011
February 2012	Results for the year to December 2011 announced and annual report and accounts sent to shareholders
April 2012	Eleventh Annual General Meeting

## Additional Information

The information provided in this report has been produced in order for shareholders to be informed of the activities of the Company during the period it covers. ISIS EP LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

Baronsmead VCT 3 plc is managed by ISIS EP LLP which is authorised and regulated by the FSA. Past performance is not necessarily a guide to future performance. Stockmarkets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.

# Corporate Information

## Directors

Anthony Townsend (Chairman)‡  
Andrew Karney†  
Gillian Nott OBE\*  
Ian Orrock

## Secretary

ISIS EP LLP

## Registered Office

100 Wood Street  
London EC2V 7AN

## Investment Manager

ISIS EP LLP  
100 Wood Street  
London EC2V 7AN

## Investor Relations

Michael Probin  
020 7506 5796

## Registered Number

04115341

\* Chairman of the Audit and Risk Committee

‡ Chairman of the Nomination Committee and  
Remuneration and Management Engagement Committee

† Senior Independent Director

## Registrars and Transfer Office

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Tel: 0870 703 0137

## Brokers

Matrix Corporate Capital LLP  
One Vine Street  
London W1J 0AH

## Auditors

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

## Solicitors

Norton Rose  
3 More London Riverside  
London SE1 2AQ

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Website

[www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk)



## Notes

## Notes



