

BARONSMEAD

Baronsmead VCT 3 plc

2012

Half-yearly report
for the six months ended
30 June 2012



Investment Objective

Baronsmead VCT 3 plc 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 businesses, 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 aims to sustain a minimum annual dividend level at an average of 4.5p per Ordinary Share, mindful of the need to maintain net asset value. The ability to meet these twin objectives depends significantly on the level and timing of profitable realisations and it 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 ordinary shareholders including the 3.0p interim dividend, has been 5.8p per share (equivalent to a pre-tax return of 7.7p per share for a higher rate taxpayer). For shareholders who claimed tax reliefs on initial subscription of 20 per cent, 30 per cent or 40 per cent, their returns would have been higher.

Share price discount policy

The Company buys back its shares if, in the opinion of the Board, a repurchase would be in the best interests of the Company's shareholders as a whole. Shares are bought back through the market rather than directly from shareholders. This minimises the number of shares bought back by the Company while maximising the opportunity for investors to invest in the Company's existing shares.

Through the operation of the Company's share buy back policy the mid share price was at an average discount to net asset value of approximately 10 per cent in the two years to 30 June 2012. The difference between the buy and sell price for the Company's shares averaged 1.1p over the same two year period.

Shareholder choice

The Board provides shareholders with a number of choices that enable them to utilise their investment in Baronsmead VCT 3 in ways that best suit their personal investment and tax planning, in a way that treats all shareholders equally.

- **Fund raising** | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for issue costs. On 12 January 2012, the Company launched an offer for subscription to raise £4.135 million (£3.939 million after costs). On 7 February 2012 the Company announced that this offer was fully subscribed.
- **Dividend Reinvestment Plan** | The Company offers a Dividend Reinvestment Plan which enables shareholders to purchase additional shares through the market in lieu of cash dividends. Approximately 1,106,000 shares were bought in this way between April and December 2011.
- **Buy back of shares** | From time to time the Company buys its own shares through the market in order to maintain a mid share price discount of approximately 10 per cent to net asset value. In the six months to 30 June 2012, 656,897 shares were bought back representing 0.9 per cent of the shares in issue at 30 June 2012 at prices which represented an average discount of 10 per cent to the latest published net asset values.
- **Secondary market** | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. In addition to the shares bought by participants of the Dividend Reinvestment Plan, approximately 114,000 shares were bought by investors in the Company's existing shares in the six months to 30 June 2012.

www.baronsmeadvct3.co.uk

Financial Headlines

+ 7.8%

Net asset value ("NAV") per share increased 7.8 per cent to 108.0p before deduction of the interim dividend.

3.0p

Interim dividend of 3.0p payable on 21 September 2012 for the six month period to 30 June 2012.

64.0p

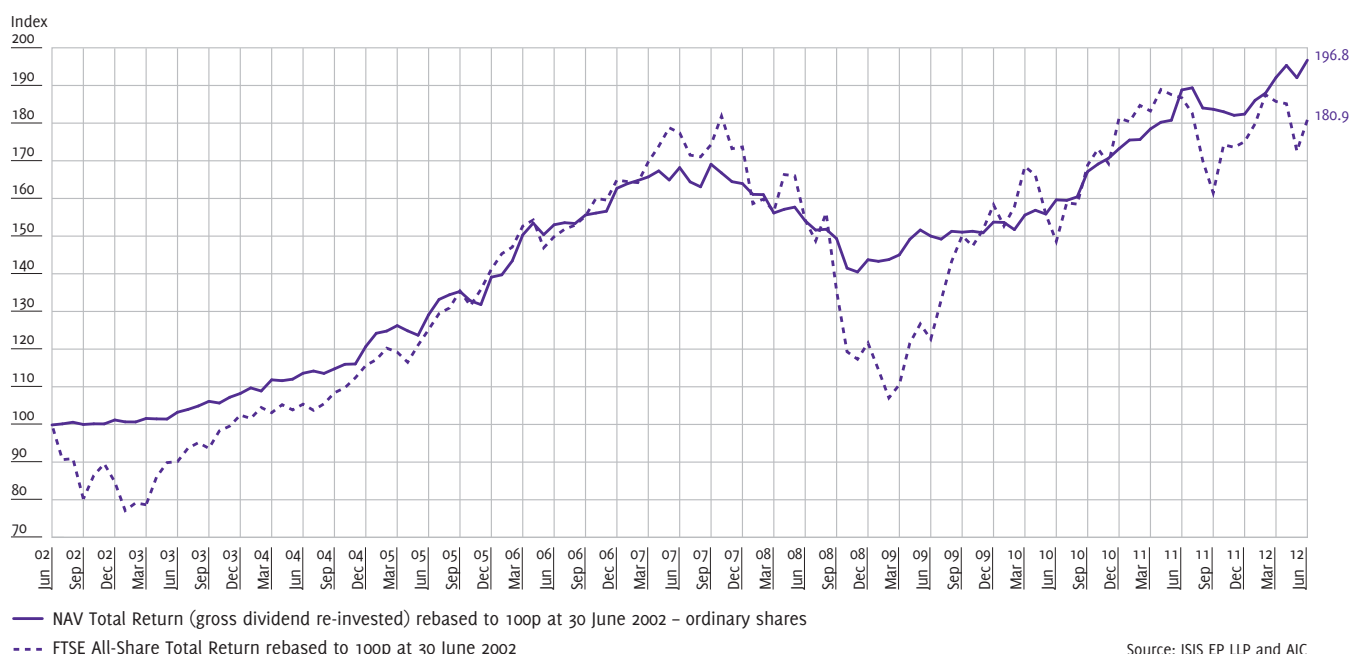
Cumulative tax free dividends total 64.0p paid to shareholders in the last 10 years, including the declared 3.0p interim dividend.

£3.9m

Net proceeds raised in January/February 2012.

Baronsmead VCT 3 plc – Ten Year Track Record

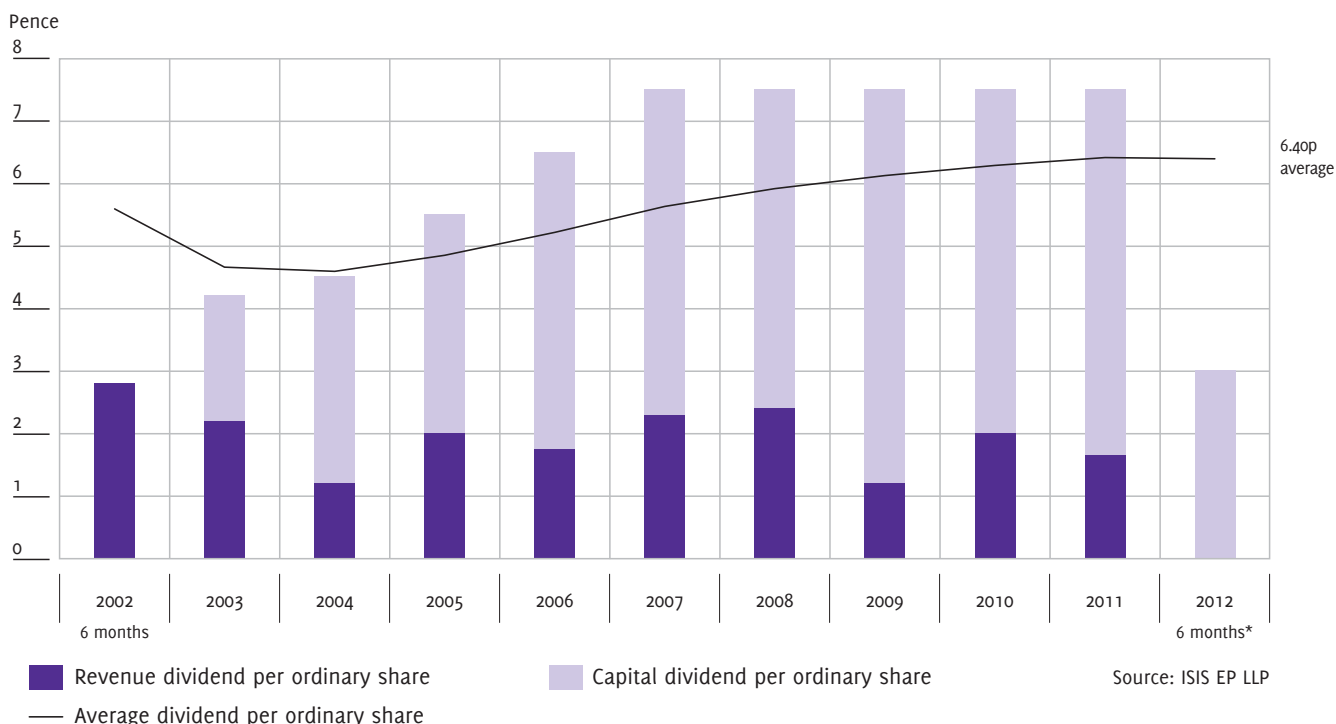
The chart below shows Baronsmead VCT 3 plc's net asset value total return and the FTSE All-Share Index total return in the ten years to 30 June 2012.



AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100) from 30 June 2002, 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

Dividend history in the last ten years



* includes 3.0p interim dividend payable on 21 September 2012.

Performance Summary to 30 June 2012

Total return*	6 months %	1 year %	3 years %	5 years %	10 years %
Net asset value†	+7.8	+4.2	+31.1	+16.9	+96.8
FTSE All-Share	+3.3	(3.1)	+47.4	+2.0	+80.9

* Source: ISIS EP LLP and AIC.

† This return for Baronsmead VCT 3 ignores 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	66.3	7.3	9.7
2005 (March) – C Shares**	100.0	40.0	60.0	35.3	8.0	10.7
2010 (March)	103.1	30.9	72.2	18.0	11.0	14.6

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 interim dividend of 3.0p to be paid on 21 September 2012.

† 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 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).

Chairman's Statement

I am delighted to report growth of 7.8 per cent in Net Asset Value to 108.01p per share which was mainly attributable to increases in the valuations of the AIM portfolio. In the six months to 30 June 2012, the Company raised £3.9 million net of expenses and invested £6.4 million in five new and six follow-on investments.

In the absence of substantial realisations in the period, the interim dividend of 3.0p per share will be funded by Capital reserves.

Results

The Net Asset Value increased to 108.01p per share from 100.16p before taking account of the interim dividend. This 7.8 per cent increase compares to the gain in the FTSE All-Share Index of 3.3 per cent.

	Pence per share
NAV as at 1 January 2012	100.16
Valuation uplift (7.8 per cent)	7.85
NAV as at 30 June 2012	108.01
Less interim dividend payable on 21 September 2012	(3.00)
	105.01

Long Term Performance

Over the last ten years the cumulative tax free dividends paid to shareholders, including the interim dividend of 3.0p, amount to 64.0p per share. The NAV total return over ten years has been 196.8p for each 100p invested compared with 180.9p for the FTSE All-Share index.

In previous years we have provided the performance record since the launch of the Company in January 2001. However, recognising that most investment companies typically report on ten year performance, we have set out the ten year record in the financial summary to this half-yearly report. In view of our policy of providing full disclosure and transparency we have also set out the full record of performance on page 12 as well as on our website www.baronsmeadvct3.co.uk

Portfolio Review

The net assets of £68.3 million were invested as follows:

- 52 per cent in unquoted companies
- 29 per cent in AIM-traded and other listed companies
- 5 per cent in Wood Street Microcap Investment Fund
- 14 per cent in liquid assets or UK government securities.

The portfolio has progressed well during the last six months with a steady increase in unquoted values of 5 per cent and a significant uplift in the quoted portfolio of 23 per cent. The latter gain reflected a re-rating of the small cap sector from January 2012 following a large reduction during the last quarter of 2011.

The most significant gain in the unquoted portfolio was an uplift of £1.37 million in the value of Independent Living Services Limited, a domiciliary care business based in Scotland and on the quoted side IDOX plc, an AIM-traded software company, increased in value by £1.76 million. Each quarter the direction of trading and profitability of these companies is recorded so that the Board can monitor the overall health and trajectory of the portfolio. At 30 June 2012, 86 per cent of companies in the portfolio were progressing steadily or better.

The largest unquoted investment, Nexus Vehicle Holdings, and the largest AIM investment, IDOX plc, represented 6.9 and 6.5 per cent of net asset value respectively.

New Investments

During the six months to 30 June 2012 approximately £6.4 million was invested in five new companies as well as a number of follow on investments.

An unquoted investment of £833,000 was made into Happy Days Consultancy, an established childcare day nursery based in Newquay covering South-West England. A follow on investment of £360,000 was also made into Crew Clothing Holdings Limited.

In addition, £3.0 million has been invested into three unquoted acquisition companies chaired by experienced operating partners with whom ISIS has successfully worked in the recent past. These companies have been formed to enable investment into established trading entities over the next two years.

After the period end, £1.0 million was invested in Pho, an unquoted restaurant group that specialises in Vietnamese street food.

Chairman's Statement

£1.2 million of investments were made into five quoted companies as set out in the Table of Investments and Realisations on page 5.

Finally, a further investment of £1.0 million was made in Wood Street Microcap Investment Fund.

Investment realisations

Six investments were realised during the period. On the unquoted portfolio TVC Group, a marketing communications agency based in London, was sold for an undisclosed but profitable multiple. This investment was made in July 2008 but very quickly encountered difficult trading conditions such that by March 2010 operating profits had fallen significantly and the company was valued at 25 per cent of cost. Since then its recovery has been significant with credit due to the management for attracting a new senior team, winning new profitable contracts and tightening its financial management, in which efforts it was supported heavily by our Investment Manager ISIS. The final sale to the Economist Group in March 2012 represented a fivefold gain in value from the low point.

Five AIM companies were divested, Clarity Commerce Solutions, Real Good Food Company (The), Prologic, Stagecoach Theatre Arts and Colliers International UK were legacy AIM-traded companies that were valued below cost and were divested largely to reduce the tail of older and poorer performing investments. Their combined value at 31 December 2011 was £449,000 but together realised £251,000 in excess of this.

VCT Legislation

The Finance Bill in March 2012 announced some changes designed to improve Venture Capital Trust ("VCT") legislation and to obtain continued EU State Aid approval for the VCT scheme. These changes received Royal Assent on 17 July 2012 and are summarised below:

- Increasing the size of companies which can receive VCT funds (from those with assets of £7 million to £15 million)
- Allowing companies with a greater number of employees to receive funding (up from a headcount of 50 to 250)
- Enabling companies to receive more money from VCTs and other similar schemes (up from £2 million to £5 million per year)
- Restricting the use of VCT and EIS funds for the acquisition of shares in another company. This change will apply only to VCT funds raised after 5 April 2012.

In addition, from 6 April 2012, the annual limit of £1 million that a VCT can invest in a qualifying investment in any tax year has been removed.

Shareholder Choice

The Board has always tried to offer shareholders a wide choice of options regarding their investment in Baronsmead VCT 3. To explain those options we have set out on the inside front cover of this half-yearly report the Board's share price discount policy and our approach to buy backs. The Board believes that the buy back policy, which is operated primarily by our brokers using the secondary market, is in the best interests of the Company's shareholders as a whole. It facilitates realisation, if that is required, without limiting the ability of the Board to offer "top-up" fund raisings to existing shareholders. There is no intention to introduce an 'enhanced buy back' scheme since such a scheme does not generate additional funds for the Company and could also limit our ability to raise additional funds through more cost effective non-prospectus offers.

Website

The Company's website has recently been redesigned and is continually updated to provide easier access to information about the Company. Please do visit the web site at the following location and your feedback will be most appreciated:

www.baronsmeadvct3.co.uk

Outlook

The outlook for the UK economy is uncertain with the volatility caused by the Eurozone debt crisis and the continued lack of bank finance manifesting in limited growth. The Manager's focus on identifying high growth niches within its specialist sectors, on limiting the amount of leverage in the portfolio and its hands on approach to supporting and guiding its investments has ensured that the portfolio has largely avoided distress to date. The Board believes that this approach should ensure that Baronsmead VCT 3 is well placed to steer through these current economic conditions and continue to prosper.

Anthony Townsend

Chairman

17 August 2012

Table of Investments and Realisations

Investments in the six months to 30 June 2012

Company	Location	Sector	Activity	Book cost £'000
Unquoted investments				
New				
Ingleby (1885) Limited	London	Business Services	Company seeking to acquire businesses in the business services sector	1,000
Ingleby (1886) Limited	London	Business Services	Company seeking to acquire businesses in the business services sector	1,000
Ingleby (1887) Limited	London	Consumer Markets	Company seeking to acquire businesses in the consumer markets sector	1,000
Happy Days Consultancy Limited	Newquay	Healthcare & Education	Provider of nursery based childcare in Cornwall & Plymouth across 16 settings	833
Follow on				
Crew Clothing Holdings Limited	London	Consumer Markets	Multi-channel clothing retailer	360
Total unquoted investments				4,193
AIM-traded & listed investments				
New				
Zattikka plc	London	TMT*	Online games development	316
Follow on				
Dods Group plc	London	TMT*	Political information and communication	678
Inspired Energy plc	Kirkham	Business Services	Energy procurement consultancy services	100
Driver Group plc	Rossendale	Business Services	Dispute resolution	60
Accumuli plc	Salford	TMT*	Managed IT security	5
Total AIM-traded & listed investments				1,159
Collective investment vehicle				
Follow on				
Wood Street Microcap Investment Fund				1,000
Total collective investment vehicle				1,000
Total investments in the period				6,352

* Technology, Media and Telecommunications ("TMT").

Realisations in the six months to 30 June 2012

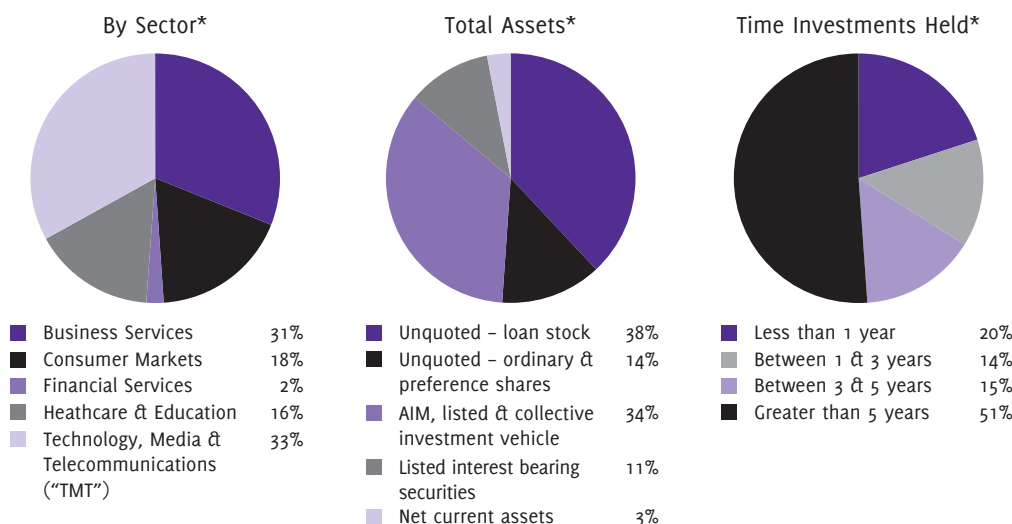
Company		First investment date	31 December 2011 valuation £'000	Realised profit/(loss) this period £'000	Overall multiple return
Unquoted realisations					
TVC Group Limited	Full trade sale	Jul 08	1,298	26	^
MLS Limited	Loan repayment	Jul 06	121	-	1.0
Total unquoted realisations			1,419	26	
AIM-traded & listed realisations					
Stagecoach Theatre Arts plc	Full trade sale	Dec 01	153	140	0.7
Real Good Food Company (The) plc	Full market sale	Dec 03	160	65	0.4
Prologic plc	Full trade sale	Jun 04	103	48	0.5
Clarity Commerce Solutions plc	Full trade sale	Oct 09	29	2	0.6
Colliers International UK plc	Written off	Jul 01	4	(4)	0.0
Total AIM-traded & listed realisations			449	251	
Total realisations in the period			1,868	277[†]	

^ Not disclosed.

† Proceeds of £8,000 were also received in respect of Getting Personal Limited, which had been sold in the year ended 31 December 2011.

Summary Investment Portfolio

Investment Classification at 30 June 2012



* at 30 June 2012 valuation

Company	Sector	Book cost £'000	31 December 2011 valuation £'000†	30 June 2012 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*
Unquoted							
Nexus Vehicle Holdings Limited	Business Services	2,368	5,658	4,713	6.9	12.6	57.4
CableCom Networking Holdings Limited	TMT	1,381	3,707	3,881	5.7	10.6	48.0
Crew Clothing Holdings Limited	Consumer Markets	1,344	2,676	3,047	4.5	6.1	25.5
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,777	2,771	4.0	10.5	44.0
Independent Living Services Limited	Healthcare & Education	1,599	1,293	2,667	3.9	16.2	65.7
CSC (World) Limited	TMT	1,606	1,940	2,282	3.3	8.8	40.0
Kafévend Holdings Limited	Consumer Markets	1,252	1,991	2,204	3.2	15.8	66.5
Valldata Group Limited	Business Services	1,616	1,694	1,749	2.5	8.9	40.6
Inspired Thinking Group Limited	Business Services	796	1,368	1,382	2.0	5.0	22.5
Independent Community Care Management Limited	Healthcare & Education	1,346	1,346	1,346	2.0	10.9	55.0
MLS Limited	TMT	389	1,043	1,122	1.6	5.3	22.5
Arcas Investments Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.5	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
Ingleby (1885) Limited	Business Services	1,000	–	1,000	1.5	9.6	48.6
Ingleby (1886) Limited	Business Services	1,000	–	1,000	1.5	9.6	48.6
Ingleby (1887) Limited	Consumer Markets	1,000	–	1,000	1.5	9.6	48.6
Happy Days Consultancy Limited	Healthcare & Education	833	–	833	1.2	8.4	42.5
Playforce Holdings Limited	Business Services	1,033	512	511	0.7	9.7	44.0
Music Festivals plc Loan note	Consumer Markets	400	400	400	0.6	N/A	N/A
Other investments		4,346	1,084	440	0.7		
Total unquoted		27,732	29,489	35,348	51.8		
AIM							
IDOX plc	TMT	1,038	2,661	4,421	6.5	3.2	9.6
Netcall plc	TMT	869	842	1,337	1.9	4.1	20.4
Murgitroyd Group plc	Business Services	319	791	843	1.2	3.1	6.2
Jelf Group plc	Financial Services	761	877	762	1.1	1.4	6.3
Escher Group Holdings plc	TMT	614	564	759	1.1	1.9	9.7
Tasty plc	Consumer Markets	469	547	741	1.1	2.5	17.1
TLA Worldwide plc	Business Services	620	620	651	1.0	4.9	24.3
Dods Group plc	TMT	1,219	105	649	0.9	6.3	29.9
FFastFill plc	TMT	314	448	601	0.9	0.9	6.1
Driver Group plc	Business Services	563	259	568	0.8	4.1	19.4
Accumuli plc	TMT	338	473	556	0.8	3.5	19.9
Vianet Group plc	Business Services	646	388	518	0.7	1.8	9.6

† The total investment valuation at 31 December 2011 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.

Summary Investment Portfolio

Company	Sector	Book cost £'000	31 December 2011 valuation £'000†	30 June 2012 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*
AIM (continued)							
Sinclair IS Pharma plc	Healthcare & Education	524	399	479	0.7	0.4	2.4
Paragon Entertainment Limited	Healthcare & Education	200	425	400	0.6	3.1	17.3
Anpario plc	Healthcare & Education	275	315	339	0.5	2.0	14.8
Zattikka plc	TMT	316	–	325	0.5	1.4	7.1
Quadnetics Group plc	Business Services	296	261	319	0.5	0.6	2.1
Plastics Capital plc	Business Services	473	321	317	0.5	1.7	9.8
Electric Word plc	TMT	616	312	312	0.5	5.2	28.8
Inspired Energy plc	Business Services	300	217	310	0.4	2.4	11.8
Other investments		5,910	3,128	3,098	4.6		
Total AIM		16,680	13,953	18,305	26.8		
Listed							
Vectura Group plc	Healthcare & Education	771	900	1,227	1.8	0.5	1.3
Chime Communications plc	TMT	369	293	269	0.4	0.2	1.3
Marwyn Management Partners plc	Financial Services	525	81	68	0.1	0.3	1.8
Marwyn Value Investors Limited	Financial Services	64	44	37	0.1	1.3	6.0
Total listed		1,729	1,318	1,601	2.4		
Listed interest bearing securities							
UK T-Bill 23/07/12		2,799	–	2,799	4.1		
UK T-Bill 17/09/12		3,598	–	3,598	5.3		
BlackRock ICS plc – Institutional Sterling Liquidity Fund		490	1,590	490	0.7		
JP Morgan Liquidity Funds – Sterling Liquidity Fund		490	1,590	490	0.7		
Total listed interest bearing securities		7,377	3,180	7,377	10.8		
Collective investment vehicle							
Wood Street Microcap Investment Fund		3,525	2,826	3,769	5.5		
Total collective investment vehicle		3,525	2,826	3,769	5.5		
Total investments		57,043	50,766	66,400	97.3		
Net current assets				1,853	2.7		
Net assets				68,253	100.0		

† The total investment valuation at 31 December 2011 per the table above does not agree to the audited accounts due to the purchases and sales since that date.

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

AIM & Listed Portfolio Concentration Analysis as at 30 June 2012

Investment ranking by valuation	Book cost £'000	Valuation £'000	% of quoted portfolio
Top Ten	6,994	11,991	60.2
11–20	4,247	4,133	20.8
21–30	3,836	2,724	13.7
31+	3,332	1,058	5.3
Total	18,409	19,906	100.0

The full investment portfolio can be found on pages 13 and 14.

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 2012 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 2012 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.

Catherine Burnet
for and on behalf of
KPMG Audit Plc
Chartered Accountants
Edinburgh
17 August 2012

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

17 August 2012

Unaudited Income Statement

For the six months to 30 June 2012

	Six months to 30 June 2012			Six months to 30 June 2011			Year to 31 December 2011*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	–	5,206	5,206	–	5,418	5,418	–	1,403	1,403
Realised gains on investments	–	285	285	–	211	211	–	1,824	1,824
Income	343	–	343	876	–	876	1,963	–	1,963
Investment management fee	(202)	(606)	(808)	(198)	(594)	(792)	(385)	(1,155)	(1,540)
Other expenses	(188)	–	(188)	(185)	–	(185)	(365)	–	(365)
(Loss)/profit on ordinary activities before taxation	(47)	4,885	4,838	493	5,035	5,528	1,213	2,072	3,285
Taxation on ordinary activities	–	–	–	(88)	88	–	(244)	244	–
(Loss)/profit on ordinary activities after taxation	(47)	4,885	4,838	405	5,123	5,528	969	2,316	3,285
Return per ordinary share:									
Basic	(0.08p)	7.82p	7.74p	0.67p	8.48p	9.15p	1.61p	3.85p	5.46p

* Figures as at 31 December 2011 are audited.

Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 30 June 2012

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000*
Opening shareholders' funds	60,095	64,643	64,643
Profit for the period	4,838	5,528	3,285
Gross proceeds of share issues	4,135	–	–
Purchase and sale of shares for treasury	(616)	(736)	(613)
Expenses of share issue and buybacks	(199)	(4)	(6)
Dividends paid	–	(2,729)	(7,214)
Closing shareholders' funds	68,253	66,702	60,095

* Figures as at 31 December 2011 are audited.

Notes

- The unaudited interim results which cover the six months to 30 June 2012 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 2011.
- Return per share is based on a weighted average of 62,481,892 ordinary shares in issue (30 June 2011 – 60,393,473; 31 December 2011 – 60,112,945).
- Earnings for the first six months to 30 June 2012 should not be taken as a guide to the results of the full financial year to 31 December 2012.
- During the six months to 30 June 2012 the Company purchased 656,897 ordinary shares to be held in treasury at a cost of £616,000. At 30 June 2012, the Company holds 8,279,214 ordinary shares in treasury. These shares may be re-issued below Net Asset Value as long as the discount at issue is narrower than the average discount at which the shares were bought back.
Excluding treasury shares, there were 63,194,037 ordinary shares in issue at 30 June 2012 (30 June 2011 – 59,862,534; 31 December 2011 – 59,997,534).
- The interim dividend of 3.0 pence per ordinary share (3.0 pence capital) will be paid on 21 September 2012 to shareholders on the register on 7 September 2012. The ex-dividend date is 5 September 2012.
- 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 2011 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2011, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2011 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- In accordance with the Companies (Shareholders Rights) Regulation 2009, copies of the half-yearly financial report have been made available 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 2012

	As at 30 June 2012 £'000	As at 30 June 2011 £'000	As at 31 December 2011 £'000*
Fixed assets			
Unquoted investments	35,348	31,115	30,787
Traded on AIM	18,305	14,472	14,402
Listed on LSE	1,601	1,799	1,318
Traded on NYSE	–	175	–
Collective investment vehicle (Wood Street Microcap Investment Fund)	3,769	3,140	2,826
Listed interest bearing securities	7,377	15,694	9,979
Investments	66,400	66,395	59,312
Current assets			
Debtors	305	632	562
Cash at bank and on deposit	2,052	179	683
	2,357	811	1,245
Creditors (amounts falling due within one year)	(504)	(504)	(462)
Net current assets	1,853	307	783
Net assets	68,253	66,702	60,095
Capital and reserves			
Called-up share capital	7,147	6,762	6,762
Share premium account	18,566	15,012	15,012
Capital redemption reserve	10,862	10,862	10,862
Capital reserve	22,047	25,553	24,262
Revaluation reserve	9,357	7,770	2,876
Revenue reserve	274	743	321
Equity shareholders' funds	68,253	66,702	60,095

* Figures as at 31 December 2011 are audited.

	As at 30 June 2012	As at 30 June 2011	As at 31 December 2011*
Net asset value per share	108.01p	111.43p	100.16p
Number of ordinary shares in circulation	63,194,037	59,862,534	59,997,534
Treasury net asset value per share	106.56p	109.68p	99.16p
Number of ordinary shares in circulation	63,194,037	59,862,534	59,997,534
Number of ordinary shares held in treasury	8,279,214	7,757,317	7,622,317
Number of listed ordinary shares in issue	71,473,251	67,619,851	67,619,851

* Figures as at 31 December 2011 are audited.

Unaudited Statement of Cash Flows

For the six months to 30 June 2012

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000*
Net cash outflow from operating activities	(383)	(260)	(74)
Capital expenditure and financial investment	(1,568)	2,640	7,322
Equity dividends paid	-	(2,729)	(7,214)
Net cash (outflow)/inflow before financing	(1,951)	(349)	34
Net cash inflow/(outflow) from financing	3,320	(740)	(619)
Increase/(decrease) in cash	1,369	(1,089)	(585)
Reconciliation of net cash inflow/(outflow) to movement in net cash			
Increase/(decrease) in cash	1,369	(1,089)	(585)
Opening cash position	683	1,268	1,268
Closing cash position	2,052	179	683
Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities			
Profit on ordinary activities before taxation	4,838	5,528	3,285
Gains on investments	(5,491)	(5,629)	(3,227)
Changes in working capital and other non-cash items	270	(159)	(132)
Net cash outflow from operating activities	(383)	(260)	(74)

* Figures as at 31 December 2011 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 2011. 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 2011. During the period, the Company has incurred management fees of £808,000 and secretarial and accounting fees of £60,000 payable to the Manager.

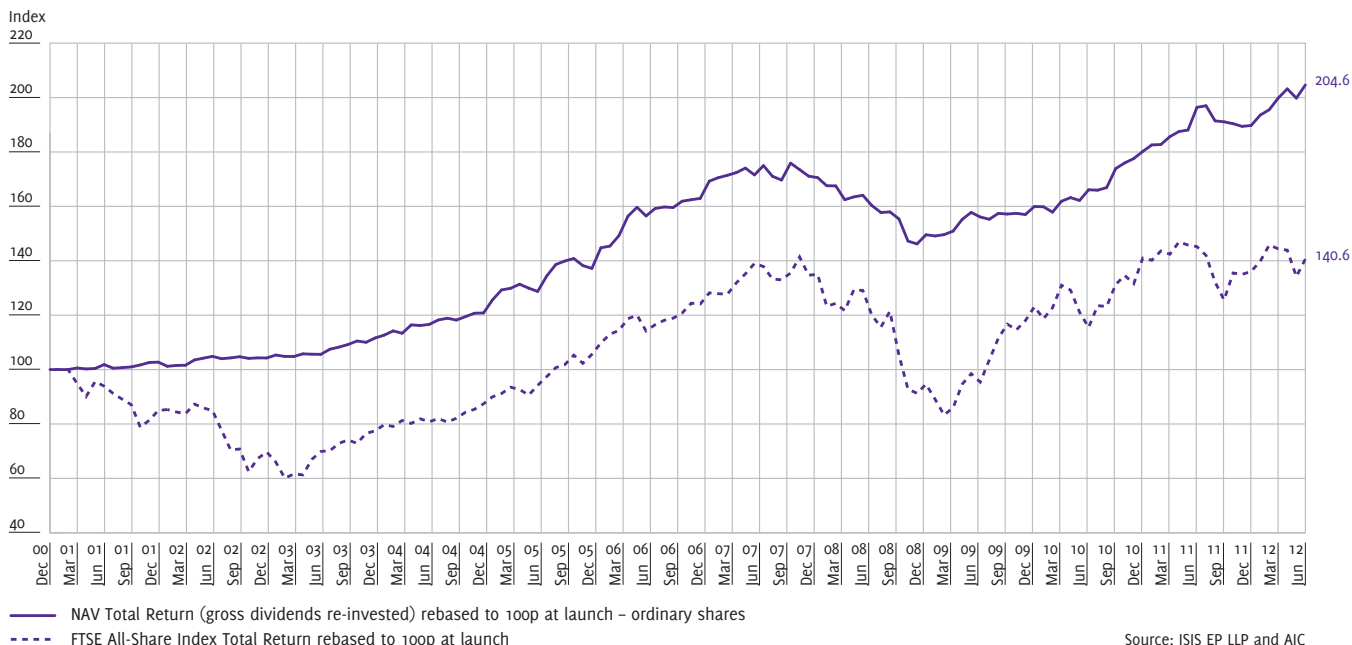
Going Concern

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 2012, the Company held cash balances, investments in UK Gilts and Money Market Funds with a combined value of £9,429,000. 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.

Appendix

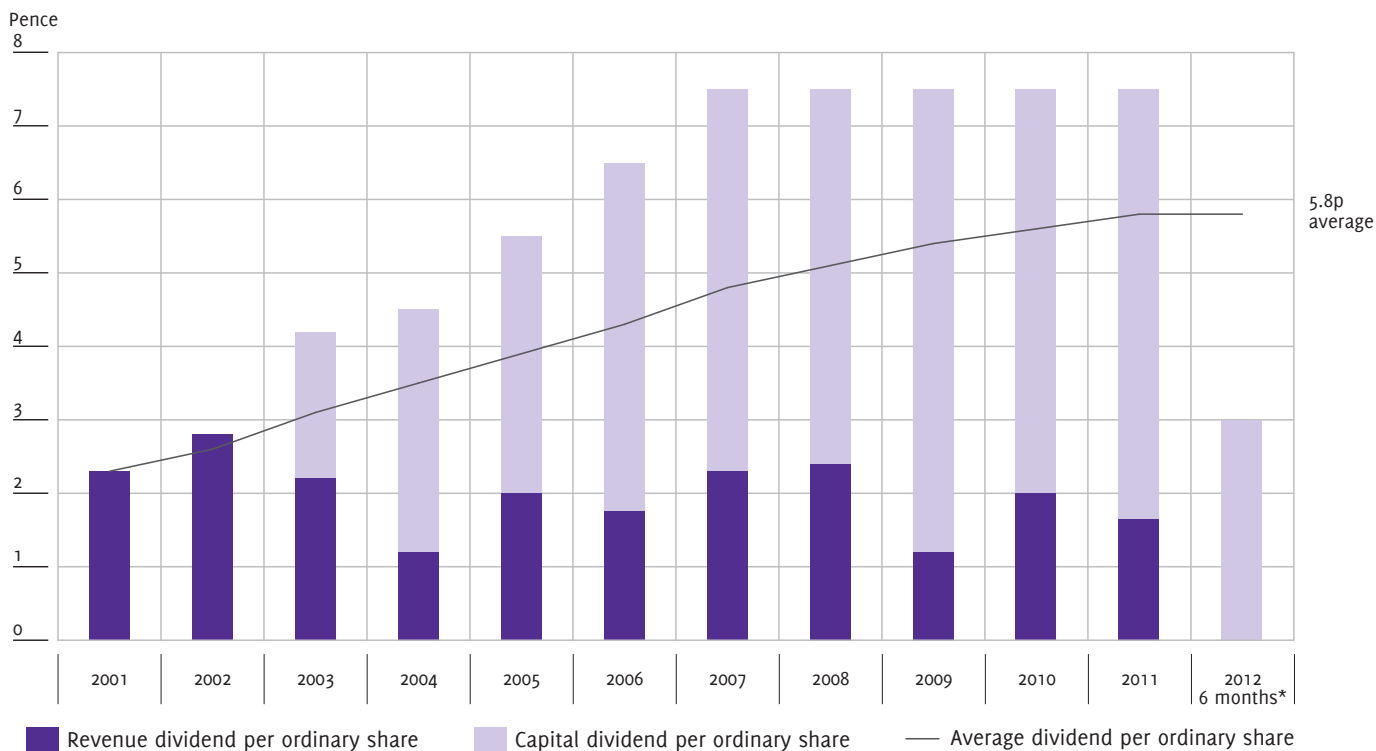
Baronsmead VCT 3 plc

Net asset value total return and the FTSE All-Share Index total return since launch.



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.

Dividend history since launch



Appendix

Full Investment Portfolio

Company	Sector	Book cost £'000	31 December 2011 valuation £'000†	30 June 2012 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*
Unquoted							
Nexus Vehicle Holdings Limited	Business Services	2,368	5,658	4,713	6.9	12.6	57.4
CableCom Networking Holdings Limited	TMT	1,381	3,707	3,881	5.7	10.6	48.0
Crew Clothing Holdings Limited	Consumer Markets	1,344	2,676	3,047	4.5	6.1	25.5
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,777	2,771	4.0	10.5	44.0
Independent Living Services Limited	Healthcare & Education	1,599	1,293	2,667	3.9	16.2	65.7
CSC (World) Limited	TMT	1,606	1,940	2,282	3.3	8.8	40.0
Kafévend Holdings Limited	Consumer Markets	1,252	1,991	2,204	3.2	15.8	66.5
Valldata Group Limited	Business Services	1,616	1,694	1,749	2.5	8.9	40.6
Inspired Thinking Group Limited	Business Services	796	1,368	1,382	2.0	5.0	22.5
Independent Community Care Management Limited	Healthcare & Education	1,346	1,346	1,346	2.0	10.9	55.0
MLS Limited	TMT	389	1,043	1,122	1.6	5.3	22.5
Arcas Investments Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.5	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.5	9.6	48.6
Ingleby (1885) Limited	Business Services	1,000	–	1,000	1.5	9.6	48.6
Ingleby (1886) Limited	Business Services	1,000	–	1,000	1.5	9.6	48.6
Ingleby (1887) Limited	Consumer Markets	1,000	–	1,000	1.5	9.6	48.6
Happy Days Consultancy Limited	Healthcare & Education	833	–	833	1.2	8.4	42.5
Playforce Holdings Limited	Business Services	1,033	512	511	0.7	9.7	44.0
Music Festivals plc Loan note	Consumer Markets	400	400	400	0.6	N/A	N/A
Surgi C Limited	Healthcare & Education	1,102	650	327	0.5	9.8	44.7
Kidsunlimited Group Limited	Business Services	113	113	113	0.2	N/A	N/A
Empire World Trade Limited	Business Services	1,297	321	0	0.0	‡	‡
Carnell Contractors Limited	Business Services	941	0	0	0.0	#	#
Xention Discovery Limited	Healthcare & Education	893	0	0	0.0	2.2	3.0
Total unquoted		27,732	29,489	35,348	51.8		
AIM							
IDOX plc	TMT	1,038	2,661	4,421	6.5	3.2	9.6
Netcall plc	TMT	869	842	1,337	1.9	4.1	20.4
Murgitroyd Group plc	Business Services	319	791	843	1.2	3.1	6.2
Jelf Group plc	Financial Services	761	877	762	1.1	1.4	6.3
Escher Group Holdings plc	TMT	614	564	759	1.1	1.9	9.7
Tasty plc	Consumer Markets	469	547	741	1.1	2.5	17.1
TLA Worldwide plc	Business Services	620	620	651	1.0	4.9	24.3
Dods Group plc	TMT	1,219	105	649	0.9	6.3	29.9
FFastFill plc	TMT	314	448	601	0.9	0.9	6.1
Driver Group plc	Business Services	563	259	568	0.8	4.1	19.4
Accumuli plc	TMT	338	473	556	0.8	3.5	19.9
Vianet Group plc	Business Services	646	388	518	0.7	1.8	9.6
Sinclair IS Pharma plc	Healthcare & Education	524	399	479	0.7	0.4	2.4
Paragon Entertainment Limited	Healthcare & Education	200	425	400	0.6	3.1	17.3
Anpario plc	Healthcare & Education	275	315	339	0.5	2.0	14.8
Zattikka plc	TMT	316	–	325	0.5	1.4	7.1
Quadnetics Group plc	Business Services	296	261	319	0.5	0.6	2.1
Plastics Capital plc	Business Services	473	321	317	0.5	1.7	9.8
Electric Word plc	TMT	616	312	312	0.5	5.2	28.8
Inspired Energy plc	Business Services	300	217	310	0.4	2.4	11.8
Sanderson Group plc	TMT	387	201	302	0.4	1.8	6.9
PROACTIS Holdings plc	TMT	619	341	290	0.4	5.4	26.4
GB Group plc	TMT	150	176	274	0.4	0.3	1.7
InterQuest Group plc	Business Services	310	298	270	0.4	1.7	6.8
EG Solutions plc	TMT	375	256	265	0.4	3.1	14.2
Tangent Communications plc	Business Services	268	175	254	0.4	2.0	10.2
Green Compliance plc	Business Services	882	450	246	0.4	4.0	19.8
Brady plc	TMT	176	217	244	0.4	0.4	2.1
Begbies Traynor Group plc	Financial Services	231	156	163	0.2	0.6	2.5
Ubisense Group plc	TMT	130	137	152	0.2	0.3	1.7
Cohort plc	Business Services	179	119	127	0.2	0.3	1.4

† The total investment valuation at 31 December 2011 per the table above does not agree to the audited accounts due to purchases and sales since that date.

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

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

Following a restructuring and partial redemption the funds no longer hold equity in Carnell Contractors Limited.

Appendix

Full Investment Portfolio

Company	Sector	Book cost £'000	31 December 2011 valuation £'000†	30 June 2012 valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*
AIM (continued)							
STM Group plc	Financial Services	162	52	108	0.2	0.6	4.0
Tristel plc	Healthcare & Education	217	145	107	0.2	1.0	5.4
Active Risk Group plc	TMT	159	125	93	0.1	1.1	5.6
Autoclenz Holdings plc	Business Services	400	77	86	0.1	3.1	12.3
Music Festivals plc	Consumer Markets	100	87	43	0.1	1.0	5.2
Bglobal plc	Business Services	176	67	42	0.1	0.4	2.5
Hangar8 plc	Business Services	44	31	25	0.0	0.5	2.6
Zoo Digital Group plc	TMT	584	8	7	0.0	0.2	0.6
Adventis Group plc	TMT	361	10	0	0.0	3.1	20.7
Total AIM		16,680	13,953	18,305	26.8		
Listed							
Vectura Group plc	Healthcare & Education	771	900	1,227	1.8	0.5	1.3
Chime Communications plc	TMT	369	293	269	0.4	0.2	1.3
Marwyn Management Partners plc	Financial Services	525	81	68	0.1	0.3	1.8
Marwyn Value Investors Limited	Financial Services	64	44	37	0.1	1.3	6.0
Total listed		1,729	1,318	1,601	2.4		
Listed interest bearing securities							
UK T-Bill 23/07/12		2,799	–	2,799	4.1		
UK T-Bill 17/09/12		3,598	–	3,598	5.3		
BlackRock ICS plc – Institutional Sterling Liquidity Fund		490	1,590	490	0.7		
JP Morgan Liquidity Funds – Sterling Liquidity Fund		490	1,590	490	0.7		
Total listed interest bearing securities		7,377	3,180	7,377	10.8		
Collective investment vehicle							
Wood Street Microcap Investment Fund		3,525	2,826	3,769	5.5		
Total collective investment vehicle		3,525	2,826	3,769	5.5		
Total investments		57,043	50,766	66,400	97.3		
Net current assets				1,853	2.7		
Net assets				68,253	100.0		

† The total investment valuation at 31 December 2011 per the table above does not agree to the audited accounts due to the purchases and sales since that date.

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

Contact Details

Shareholder Account Queries



The Registrar for **Baronsmead VCT 3** is Computershare Investor Services PLC ("Computershare").

The Registrar will deal with all of your queries with regard to your shareholder account, such as:

- Change of address
- Latest share price
- Your current share holding balance
- Your payment history, including any outstanding payments
- Your payment options (cheque, direct payment to your bank/building society account, reinvestment)
- Paper or electronic communications
- Request replacement cheques or share certificates (for which there may be additional administrative and other charges)

You can contact Computershare with your queries in several ways:

Telephone: 0870 889 3250 <i>(calls charged at geographical and national rates)</i>	• This is an automated self-service system • It is available 24 hours a day, 7 days a week • You should have your Shareholder Reference Number ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons • Press '0' if you wish to speak to someone • The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday
On-line: Investor Centre www.investorcentre.co.uk	• Computershare's secure website, Investor Centre, allows you to manage your own shareholding online • You will need to register to use this service on the Investor Centre web site • You should have your ("SRN") to hand, which is available on your share certificate and dividend tax voucher and which you should always keep confidential for security reasons
Email: web.queries@computershare.co.uk	
Post: Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	



The **Baronsmead VCT 3** website is **www.baronsmeadvct3.co.uk**

The Investment Manager for **Baronsmead VCT 3** plc is **ISIS EP LLP** who can be contacted as follows:

Email: **baronsmeadvcts@isisep.com**
Telephone: **020 7506 5717**
Facsimile: **020 7506 5718**

Shareholder Information

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 2012	Quarterly Fact Sheet to 30 September 2012
February 2013	Results for the year to December 2012 announced and annual report and accounts sent to shareholders
April 2013	Twelfth 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

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London EC2V 7AN

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ISIS EP LLP
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London EC2V 7AN

FPPE LLP
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London EC2V 7AN

Investor Relations

Michael Probin
020 7506 5796

Registered Number

04115341

Registrars and Transfer Office

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Saltire Court
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Edinburgh EH1 2EG

Solicitors

Norton Rose
3 More London Riverside
London SE1 2AQ

VCT Status Adviser

PricewaterhouseCoopers LLP
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Website

www.baronsmeadvct3.co.uk

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

† Senior Independent Director

* Chairman of the Audit and Risk Committee

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based “brokers” who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers for free company reports.

Please note that it is very unlikely that either the Company or the Company Registrar, Computershare, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment “advice”.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company or the Registrar at the numbers provided above.

