

# BARONSMEAD

Baronsmead VCT 3 plc

## 2014

Half-yearly report  
for the six months ended  
30 June 2014



## 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 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.

Since 2007, the average annual tax free dividend paid to shareholders has been 7.6p per share (equivalent to a pre-tax return of 10.0p per share for a higher rate taxpayer). For shareholders who received up front tax reliefs, 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.

The Board's current policy is to seek to maintain a mid share price discount of approximately 5 per cent to net asset value, depending on market conditions at the time.

### 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.

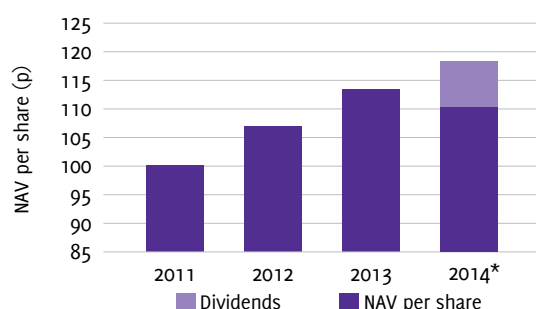
- **Fund raising** | From time to time the Company seeks to raise additional funds by issuing new shares at a premium to the latest published net asset value to account for issue costs. In February 2014, the Company's offer for subscription to raise £10 million (£9.7 million after costs) was fully subscribed.
- **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 662,000 shares were bought in this way between 31 December 2013 and 30 June 2014.
- **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 5 per cent to net asset value. In the six months to 30 June 2014, no shares were bought back in this way.
- **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 311,000 shares were bought by investors in the Company's existing shares in the six months to 30 June 2014.

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

---

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

## Financial Headlines

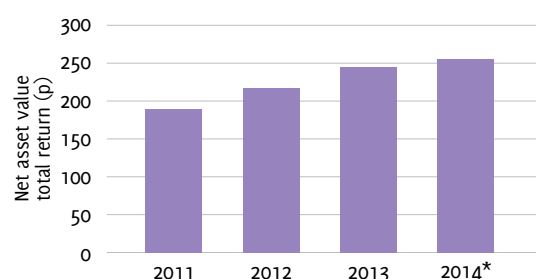


\* six months to 30 June 2014

### Net asset value per share

Net asset value ("NAV") per share increased 4.2 per cent to 118.15p in the six months to 30 June 2014, before deduction of dividends.

4.2%

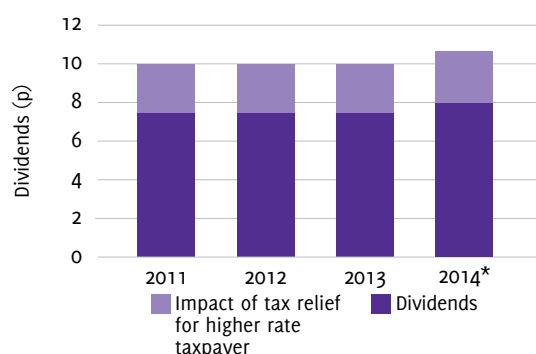


\* six months to 30 June 2014

### Net asset value total return

NAV total return to shareholders for every 100.0p invested at launch.

255.9p

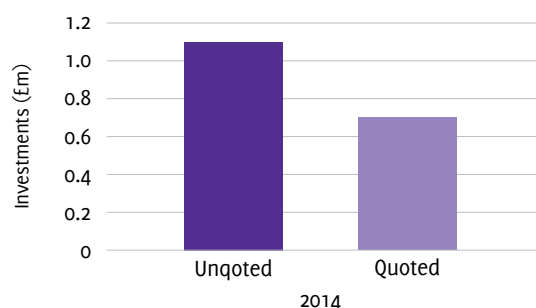


\* six months to 30 June 2014

### Dividends in the year

Dividend payments of 8.0p for the six months to 30 June 2014.

8.0p



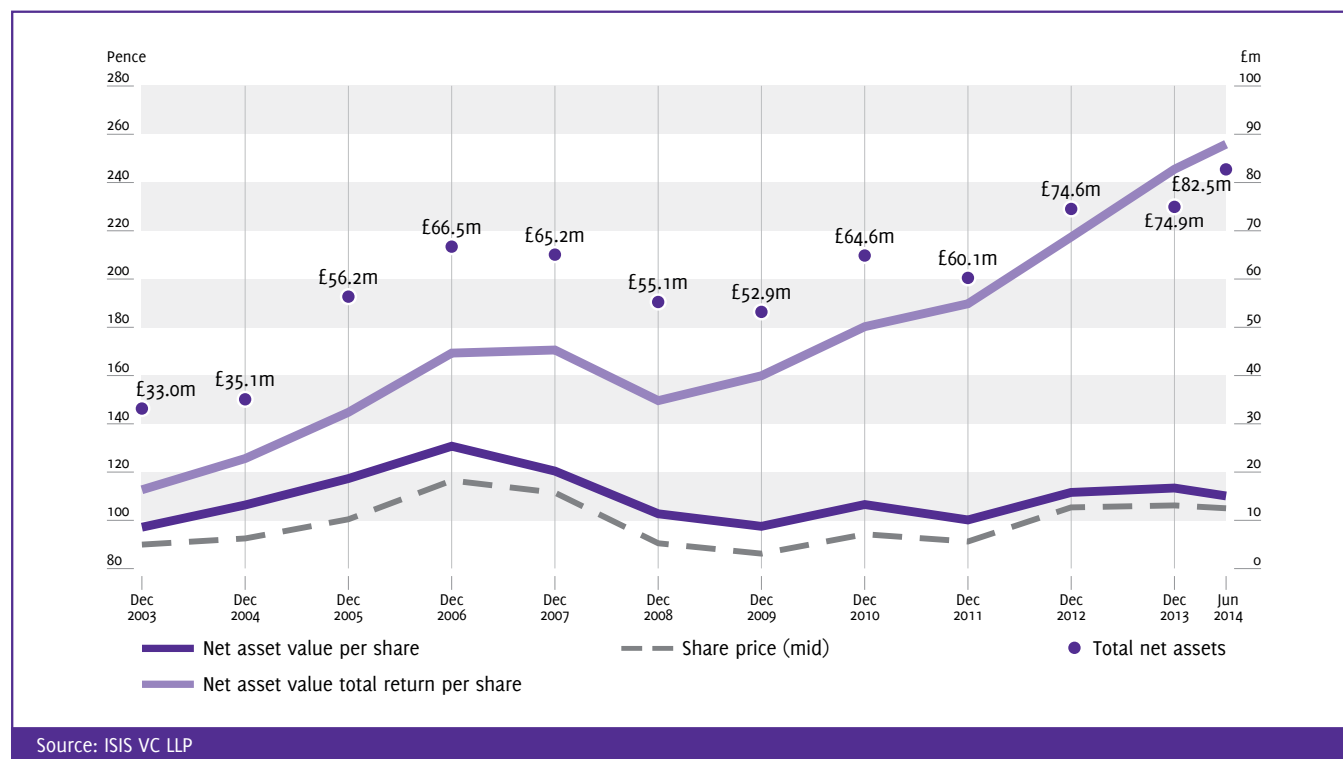
### Total investments made

£1.1m unquoted investments and £0.7m quoted investments made in the six months to 30 June 2014.

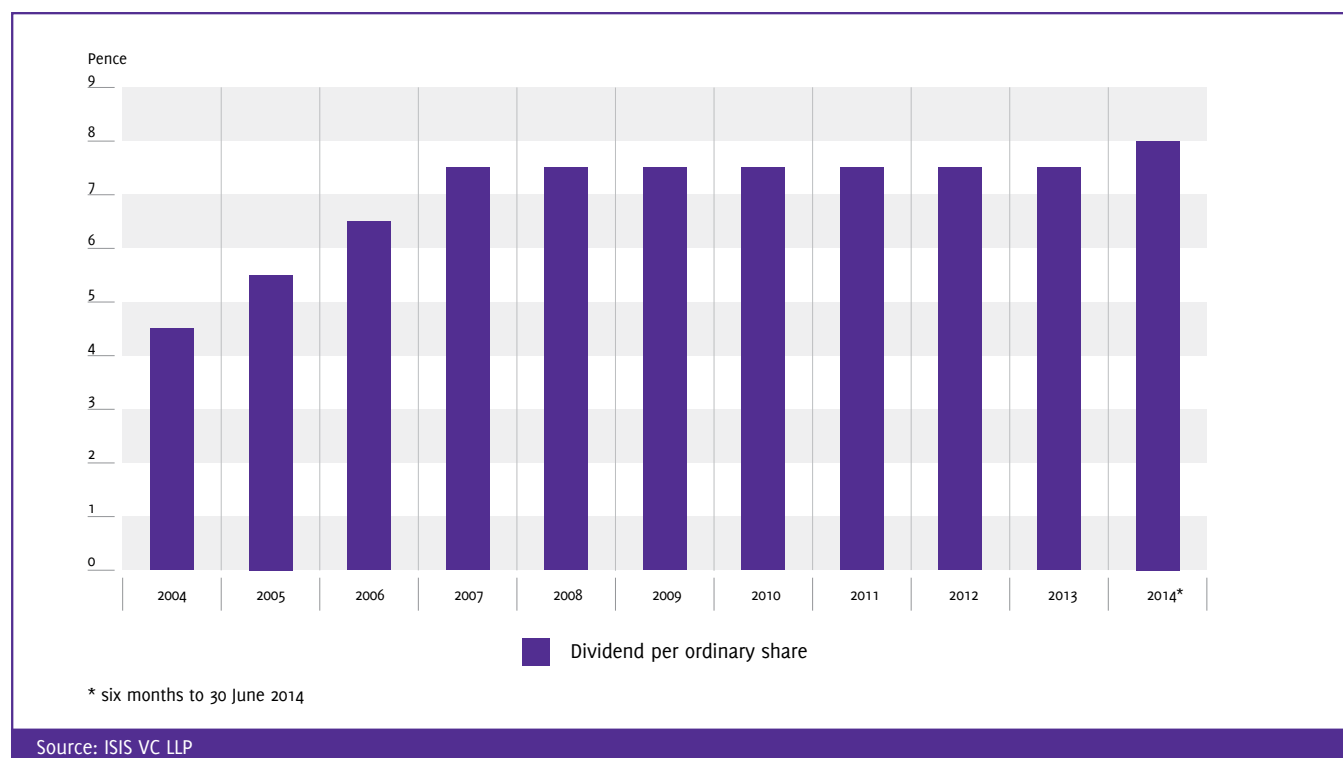
£1.8m

# Performance Summary

## Performance Record in the last ten years

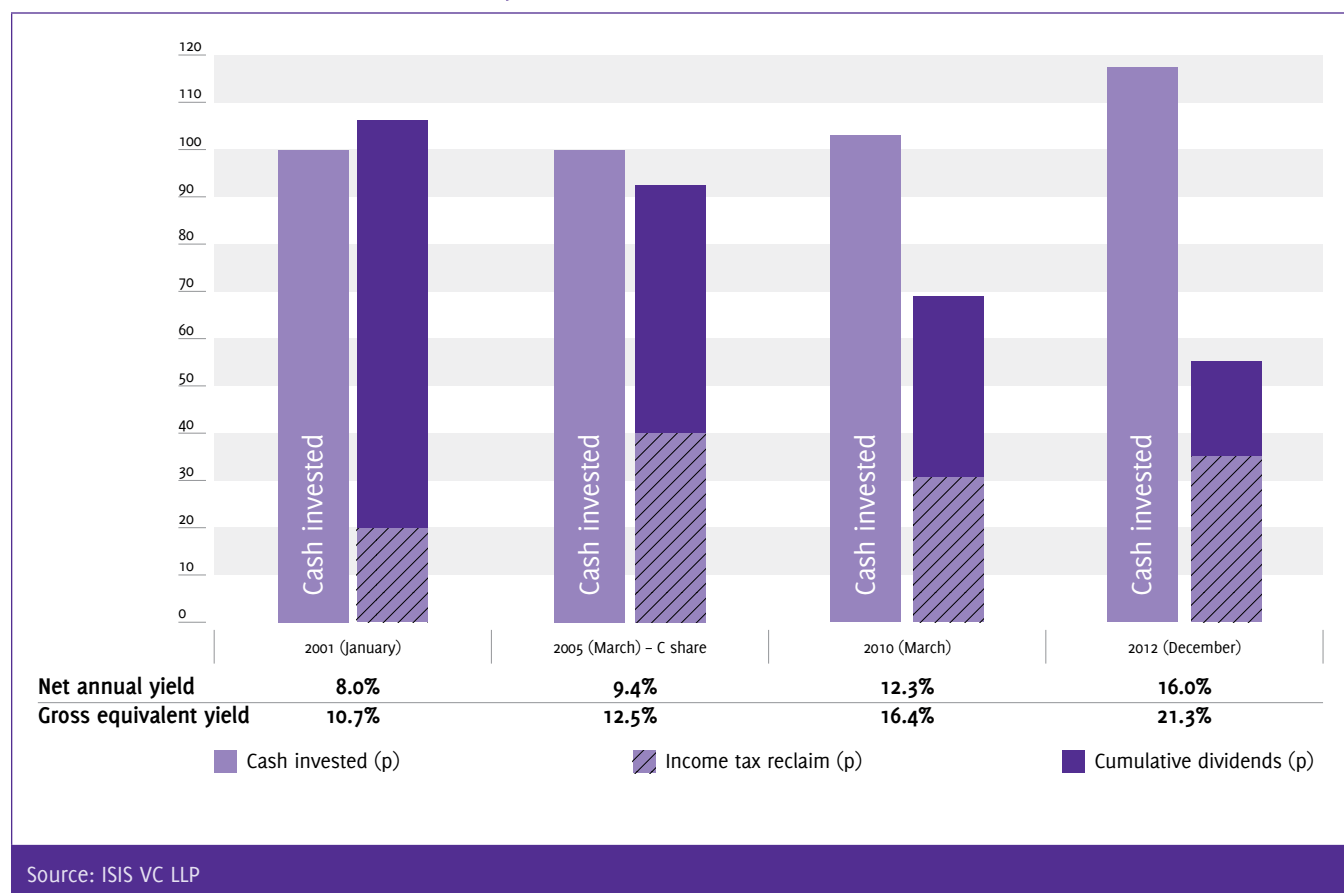


## Dividend History in the last ten years



# Performance Summary

## Cash Returned to Shareholders by date of investment



The table below shows the cash returned to shareholders, dependent on their subscription cost, including their income tax reclaimed on subscription in respect of the various prospectuses issued by the Company between 2001 and 2012.

Year subscribed	Cash invested p	Income tax reclaim p	Net cash invested p	Cumulative dividends paid p	Net annual yield <sup>‡</sup> %	Gross equivalent yield <sup>†</sup> %
2001 (January)	100.00	20.00	80.00	86.30	8.0	10.7
2005 (March) – C share	100.00	40.00	60.00	52.39	9.4	12.5
2010 (March)	103.09	30.93	72.16	38.00	12.3	16.4
2012 (December)	117.40	35.22	82.18	20.00	16.0	21.3

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.

<sup>‡</sup> Net annual yield represents the cumulative dividends paid expressed as an annualised percentage of the net cash invested.

<sup>†</sup> The gross equivalent yield if the dividends had been subject to the higher rate of tax on dividends (currently 32.5 per cent.). For those shareholders who earn over £150,000 per tax year and who would otherwise pay this additional rate of tax on dividends, the gross equivalent yield will be higher than the figures stated above.

Dividends paid to C shareholders post conversion have been adjusted by the conversion ratio (0.85642528).

## Chairman's Statement



Anthony Townsend Chairman

I am delighted to report an uplift of 4.75p in the underlying Net Asset Value per share for the six months to 30 June 2014. This was largely attributable to an increase in valuation of the quoted portfolio. Following the profitable realisation of several older investments in the latter half of 2013, an interim dividend of 8p a share was paid on 7 March 2014.

### RESULTS AND DIVIDEND

The NAV increased during the period from 113.40p to 118.15p per share before taking account of the interim dividend of 8p paid in on 7 March 2014.

	Pence per ordinary share
<b>NAV as at 1 January 2014</b>	<b>113.40</b>
Valuation uplift (4.2 per cent)	4.75
<b>NAV as at 30 June 2014 before dividends</b>	<b>118.15</b>
Less: Interim dividend paid on 7 March 2014	(8.00)
<b>NAV as at 30 June 2014 after paying dividends</b>	<b>110.15</b>

This growth was largely driven by the quoted portfolio which increased by approximately 8 per cent (including the investment in Wood Street Microcap Fund). This is a welcome reward for patience through the uncertain market conditions in recent years and it helps to confirm the investment style of the Company which concentrates on the fundamentals of management quality and business innovation.

The Company has paid annual dividends of 7.5p per share for the last seven years: typically 3.0p per share at the half year and further dividend of 4.5p per share at the full year. The interim dividend of 8.0p per share paid in March 2014 by itself exceeds the usual annual dividend. However, in the absence of unforeseen circumstances, it is anticipated that a second interim dividend will be paid during September 2014.

### LONG TERM PERFORMANCE

The Company's objective continues to be focused on generating consistent returns over the long-term through investing in a portfolio of small unquoted and AIM traded companies with strong growth prospects.

Investment performance over the past six months has built on that achieved in recent years. The NAV total return for each 100p invested in Baronsmead VCT 3 has increased to 216.4p over ten years (255.9p since launch in 2001) before taking VCT tax reliefs into account. Cumulative tax free dividends in the past ten years have been 77p per share (86.3p per share for founder shareholders since launch).

### PORTFOLIO REVIEW

At 30 June 2014, the Company had investments in 69 unquoted and AIM-traded companies. In addition, the investment in Wood Street Microcap Fund gives investment exposure to a further 40 AIM-traded and fully listed companies, making a total of 109 companies. The full investment portfolio is shown in the tables on pages 16 and 17.

The unquoted portfolio valuation increased by 2.8 per cent during the period as a result of steady progress and increases in value of some investees being partly offset by the reduction in value of others. This is also a reflection of the shorter periods that some of these investments have been held, following the disposals of several of our more mature holdings in the latter half of 2013. As a result, the 8.1 per cent increase in the value of the quoted portfolio was the main driver of the growth in the value of the NAV.

# Chairman's Statement

## Investment and Divestment Activity

Following a busy period of investment activity in the six months to 31 December 2013, the six months under review was more muted. A total of £1.8 million was invested in 3 new and 5 follow-on investments. The Manager has been focussed on developing new investment opportunities and we look forward to seeing a number of these becoming new portfolio companies over the next six to twelve months.

Divestment activity has remained steady with £5.2 million of realised proceeds from sales during the period under review. From the unquoted portfolio, the gains realised from the successful sale of Inspired Thinking Group Limited were largely offset by the loss realised from the sale of Empire World Trade Limited. It is pleasing to note that the Manager has begun the process of consolidating the gains achieved in the quoted portfolio with partial realisations from a number of quoted companies, with the realised profits representing a return of approximately 1.9 times cost.

The tables on pages 8 and 9 provide further information concerning the Company's investments and divestments during the period.

## SHAREHOLDER MATTERS

### Fundraising

An offer for subscription to raise gross proceeds of up to £10 million before expenses was launched on 22 January 2014. I am very pleased to report that the Company's offer was fully subscribed by 19 February 2014, raising £9.7 million net of expenses. On behalf of the Board of Directors, I would like to thank the 482 existing shareholders and extend a very warm welcome to the 576 new shareholders who subscribed to this fundraising.

### VCT legislation & regulation

New legislation, effective from 6 April 2014, prevents the use of "Enhanced Share Buy Backs" by VCTs and restricts the availability of upfront VCT income tax relief if a shareholder sells and re-invests in new shares within a six month period in the same VCT. Rather than using Enhanced Share Buy Back arrangements, the Board has always preferred to create an orderly market for all shareholders through maintaining a narrow share price discount. As a result, this legislation will not have an impact on the Company.

In addition, legislation has been introduced to prevent VCTs from paying dividends out of distributable reserves created by cancelling the share premium account within three years of the date of allotment of new shares and is intended to prevent the return of capital to shareholders before profits are generated from investments. As the Company already has significant distributable reserves, these new rules are not expected to affect future dividend distributions.

The European Commission has undertaken a review of the state aid regulations and the risk capital guidelines under which VCTs are approved at the European level. The new guidelines support the provision of investment incentives for small and medium enterprises. HM Treasury and HMRC have recently published a consultation to ensure the VCT scheme continues to work well and maintains approval from the European Commission. We welcome the UK government's commitment to ensuring that the VCTs continue to channel investment into smaller companies that are an essential part of the UK's future prosperity. Our trade association, the AIC and the Manager is engaged in the consultation process and will provide data and case studies in response to the questions raised in the consultation.

### Management Arrangements

Having considered the impact on your Company of the Alternative Investment Fund Managers Directive, an EU Directive that came into force in July 2013 and, having taken professional advice, the Board applied for the Company to become authorised as an Alternative Investment Fund Manager (AIFM) on 1 June 2014. The legislation provides that AIFMs that manage assets under €500 million can take advantage of a light touch regime which only imposes minimal additional reporting requirements on the AIFM, thereby minimising the cost of compliance with this Directive. The Company is able to take advantage of this regime and was authorised as an AIFM on 22 July 2014. This development will not impact on the day to day investment activities, although the Investment Management Agreement has been transferred to ISIS VC LLP, which is controlled and managed by the same individuals as the previous manager ISIS EP LLP.

# Chairman's Statement

## OUTLOOK

The recovery of the UK economy now appears to be more firmly established. This improvement in the economic environment in which our investee companies operate is to be welcomed. However, our focus is on the strengths of the businesses in which the Company has invested and using our investment and the skills of the Manager to help them to deliver increasing profits, employment and rewarding exits over the medium to longer term.

The unquoted portfolio has undergone a phase of refreshment as a result of the realisation of some of the older portfolio companies and investment in new ones. Consequently, growth in the value of the unquoted portfolio might be expected to be more modest in the next year or two as the recent acquisitions utilise our recent investment to expand their capacity to grow and achieve their potential. The recent growth in the value of the quoted portfolio does, though, present an opportunity to realise profits from those investments. The diversity of the Company's investments and the mix of unquoted and AIM-traded investments should help to deliver consistent returns.

**Anthony Townsend**

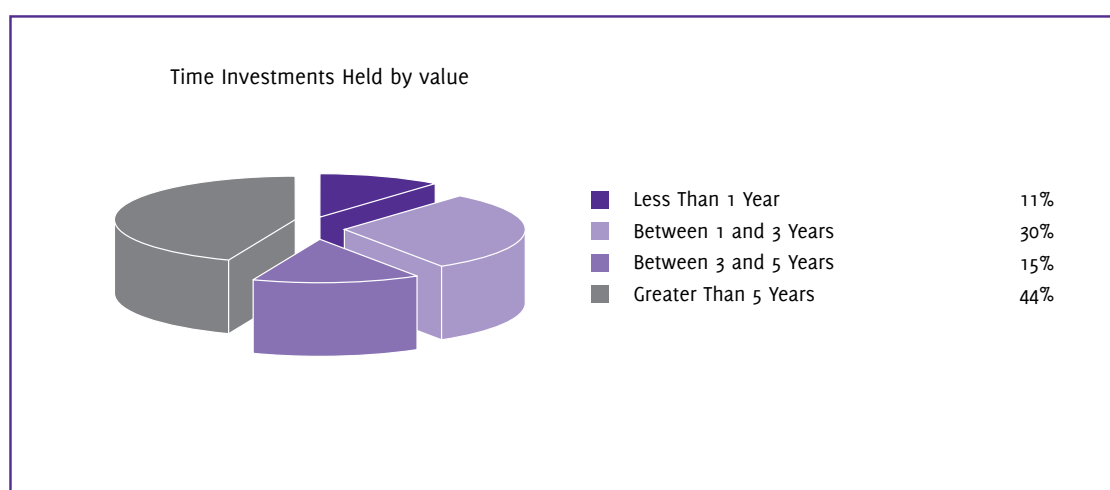
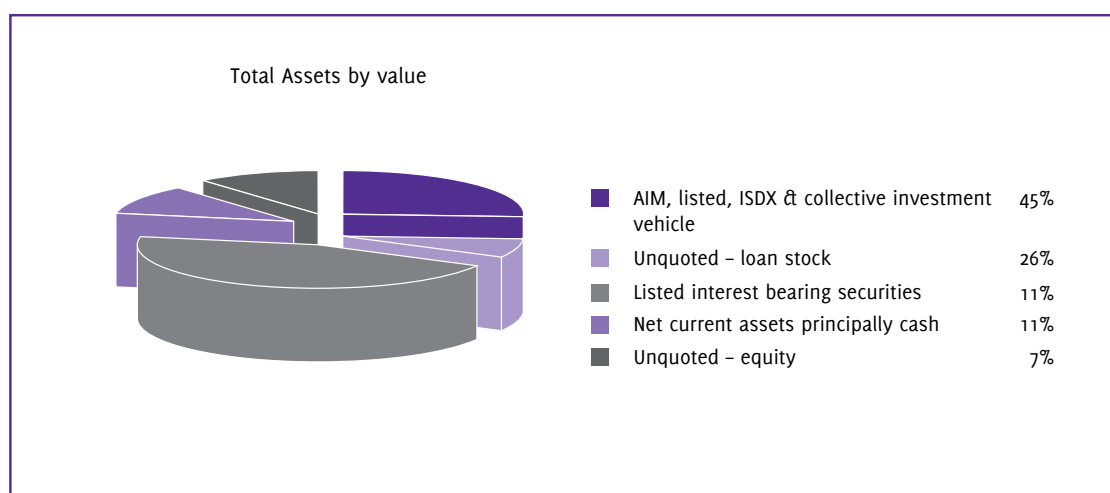
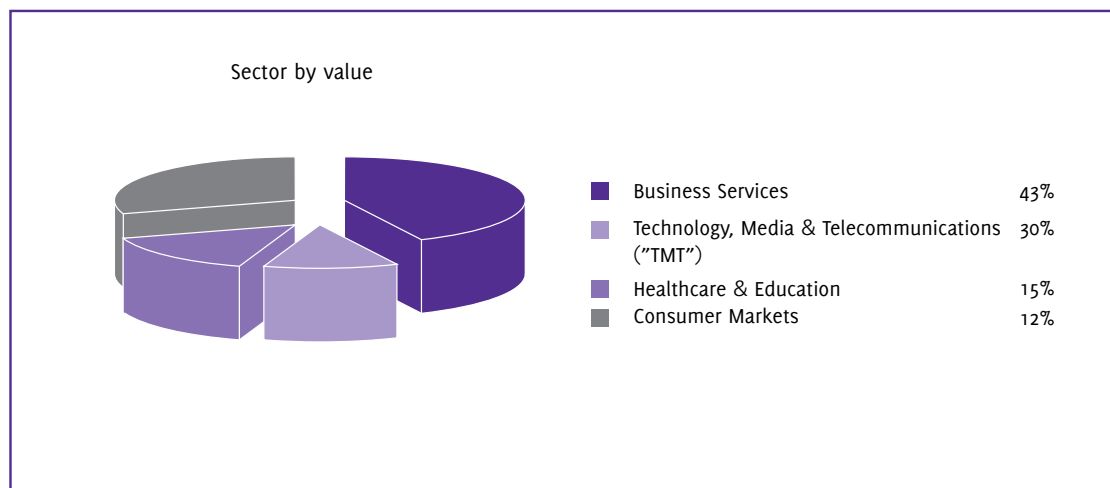
Chairman

15 August 2014



# Summary Investment Portfolio

## Investment Classification at 30 June 2014



# Table of Investments and Realisations

## Investments in the six months to 30 June 2014

Company	Location	Sector	Activity	Book cost £'000
<b>Unquoted investments</b>				
<i>New</i>				
Kingsbridge Risk Solutions Limited	Gloucestershire	Business Services	Independent insurance broker	952
<i>Follow on</i>				
Happy Days Consultancy Limited	Newquay	Healthcare & Education	Provider of nursery based childcare in Cornwall & Plymouth across 16 settings	180
Nexus Vehicle Holdings Limited	West Yorkshire	Business Services	Vehicle rental broker	7
<b>Total unquoted investments</b>				<b>1,139</b>
<b>AIM-traded investments</b>				
<i>New</i>				
Scholium Group plc	London	Consumer Markets	Rare book and collectibles dealer	450
Synety Group plc	Leicester	TMT*	Cloud based telephony platform	113
<i>Follow on</i>				
One Media iP Group plc	Buckinghamshire	TMT*	Content acquisition and distribution	57
EG Solutions plc Loan note	Staffordshire	TMT*	Back office optimisation software	33
Daily Internet plc	Stockport	TMT*	SME Domain registration & hosting	25
<b>Total AIM-traded investments</b>				<b>678</b>
<b>Total investments in the period</b>				<b>1,817</b>

\* Technology, Media & Telecommunications ("TMT").

# Table of Investments and Realisations

## Realisations in the six months to 30 June 2014

Company		First investment date	31 December 2013 valuation £'000	Proceeds† £'000	Overall multiple return*
<b>Unquoted realisations</b>					
Inspired Thinking Group Limited	Full trade sale	May 10	2,056	2,315	3.4
Arcas Investments Limited	Dissolved	Sep 11	1,000	998	1.0
Empire World Trade Limited	Full trade sale	Aug 06	25	25	0.0
<b>Total unquoted realisations</b>			<b>3,081</b>	<b>3,338</b>	
<b>AIM-traded realisations</b>					
Murgitroyd Group plc	Market sale	Nov 01	613	708	5.4
Sinclair IS Pharma plc	Full market sale	Mar 08	511	546	1.0
Anpario plc	Market sale	Nov 06	330	284	4.1
Tristel plc	Full market sale	Nov 10	171	281	1.3
<b>Total AIM-traded realisations</b>			<b>1,625</b>	<b>1,819</b>	
<b>Total realisations in the period</b>			<b>4,706</b>	<b>5,157†</b>	

‡ Proceeds at time of realisation including redemption premium and interest.

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

† Proceeds of £14,000 were also received in respect of Quantix Limited, £57,000 in respect of CSC (World) Limited and £27,000 in respect of Reed & Mackay Limited, all of which had been sold in a prior period.

# 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 2014 which comprises the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and Cash Flow Statement 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2014 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 FCA.

**Catherine Burnet**

for and on behalf of

KPMG LLP

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG

15 August 2014

## 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 15 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

15 August 2014

# Unaudited Income Statement

For the six months to 30 June 2014

	Six months to 30 June 2014			Six months to 30 June 2013			Year to 31 December 2013*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on movement in fair value of investments	-	3,285	3,285	-	2,090	2,090	-	8,624	8,624
Realised gains/(losses) on disposal of investments	-	323	323	-	(443)	(443)	-	(1,069)	(1,069)
Income	790	-	790	1,716	-	1,716	3,763	-	3,763
Investment management fee	(232)	(697)	(929)	(221)	(662)	(883)	(443)	(1,329)	(1,772)
Other expenses	(232)	-	(232)	(212)	-	(212)	(438)	-	(438)
<b>Profit on ordinary activities before taxation</b>	<b>326</b>	<b>2,911</b>	<b>3,237</b>	<b>1,283</b>	<b>985</b>	<b>2,268</b>	<b>2,882</b>	<b>6,226</b>	<b>9,108</b>
Taxation on ordinary activities	(11)	11	-	(240)	240	-	(560)	560	-
<b>Profit on ordinary activities after taxation</b>	<b>315</b>	<b>2,922</b>	<b>3,237</b>	<b>1,043</b>	<b>1,225</b>	<b>2,268</b>	<b>2,322</b>	<b>6,786</b>	<b>9,108</b>
<b>Return per ordinary share:</b>									
Basic	<b>0.44p</b>	<b>4.09p</b>	<b>4.53p</b>	<b>1.57p</b>	<b>1.84p</b>	<b>3.41p</b>	<b>3.50p</b>	<b>10.23p</b>	<b>13.73p</b>

\* Figures as at 31 December 2013 are audited.

# Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 30 June 2014

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013* £'000
<b>Opening shareholders' funds</b>	<b>74,879</b>	74,562	74,562
Profit on ordinary activities after taxation	3,237	2,268	9,108
Net proceeds of share issues & costs of buybacks	9,700	(817)	(817)
Other costs charged to capital	(2)	(5)	(15)
Dividends paid	(5,283)	(3,006)	(7,959)
<b>Closing shareholders' funds</b>	<b>82,531</b>	73,002	74,879

\* Figures as at 31 December 2013 are audited.

## Notes

1. The unaudited interim results which cover the six months to 30 June 2014 have been prepared in accordance with applicable accounting standards and adopted the accounting policies set out in the statutory accounts of the Company for the year to 31 December 2013.
2. Return per share is based on a weighted average of 71,390,122 ordinary shares in issue (30 June 2013 – 66,588,782 ordinary shares; 31 December 2013 – 66,308,458 ordinary shares).
3. Earnings for the first six months to 30 June 2014 should not be taken as a guide to the results of the full financial year to 31 December 2014.
4. During the six months to 30 June 2014 the Company did not purchase any shares. At 30 June 2014, the Company holds 9,699,214 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.
5. On 14 March 2014, the Company issued 8,896,261 ordinary shares.  
Excluding treasury shares, there were 74,928,966 ordinary shares in issue at 30 June 2014 (30 June 2013 – 66,032,705 ordinary shares; 31 December 2013 – 66,032,705 ordinary shares).
6. The interim dividend of 8p per ordinary share (0.47p revenue and 7.53p capital) was paid on 7 March 2014 to shareholders on the register on 21 February 2014. The ex-dividend date was 19 February 2014.
7. 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 2013 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2013, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2013 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
8. 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 2014

	As at 30 June 2014 £'000	As at 30 June 2013 £'000	As at 31 December 2013* £'000
<b>Fixed assets</b>			
Unquoted investments	27,068	36,590	28,299
Traded on AIM	26,748	19,784	25,722
Listed on LSE	2,770	1,787	2,850
Traded on ISDX	502	264	346
Collective investment vehicle	7,537	5,131	7,012
Listed interest bearing securities	8,996	4,997	3,498
<b>Investments</b>	<b>73,621</b>	<b>68,553</b>	<b>67,727</b>
<b>Current assets</b>			
Debtors	280	347	178
Cash at bank and on deposit	9,254	4,883	7,564
	<b>9,534</b>	<b>5,230</b>	<b>7,742</b>
<b>Creditors</b> (amounts falling due within one year)	<b>(624)</b>	<b>(781)</b>	<b>(590)</b>
<b>Net current assets</b>	<b>8,910</b>	<b>4,449</b>	<b>7,152</b>
<b>Net assets</b>	<b>82,531</b>	<b>73,002</b>	<b>74,879</b>
<b>Capital and reserves</b>			
Called-up share capital	8,463	7,573	7,573
Share premium	8,810	22,866	–
Other reserve	33,716	–	33,718
Capital redemption reserve	–	10,862	–
Capital reserve	15,244	18,874	19,906
Revaluation reserve	15,604	11,434	12,992
Revenue reserve	694	1,393	690
<b>Equity shareholders' funds</b>	<b>82,531</b>	<b>73,002</b>	<b>74,879</b>

\* Figures as at 31 December 2013 are audited.

	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013*
<b>Net asset value per share</b>	<b>110.15p</b>	<b>110.55p</b>	<b>113.40p</b>
Number of ordinary shares in circulation	74,928,966	66,032,705	66,032,705
<b>Treasury net asset value per share</b>	<b>109.56p</b>	<b>109.96p</b>	<b>112.48p</b>
Number of ordinary shares in circulation	74,928,966	66,032,705	66,032,705
Number of ordinary shares held in treasury	9,699,214	9,699,214	9,699,214
Number of listed ordinary shares in issue	84,628,180	75,731,919	75,731,919

\* Figures as at 31 December 2013 are audited.



# Unaudited Cash Flow Statement

For the six months to 30 June 2014

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013* £'000
Net cash (outflow)/inflow from operating activities	(402)	665	1,795
Net cash (outflow)/inflow from financial investment	(2,316)	61	6,568
Equity dividends paid	(5,283)	(3,006)	(7,959)
Net cash (outflow)/inflow before financing	(8,001)	(2,280)	404
Net cash inflow from financing	9,691	3,925	3,922
<b>Increase in cash</b>	<b>1,690</b>	<b>1,645</b>	<b>4,326</b>
<b>Reconciliation of net cash inflow to movement in net cash</b>			
Increase in cash	1,690	1,645	4,326
Opening cash at bank and on deposit	7,564	3,238	3,238
<b>Closing cash position</b>	<b>9,254</b>	<b>4,883</b>	<b>7,564</b>
<b>Reconciliation of profit on ordinary activities before taxation to net cash (outflow)/inflow from operating activities</b>			
Profit on ordinary activities before taxation	3,237	2,268	9,108
Gains on investments	(3,608)	(1,647)	(7,555)
Changes in working capital and other non-cash items	(31)	44	242
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(402)</b>	<b>665</b>	<b>1,795</b>

\* Figures as at 31 December 2013 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 Strategic Report, in the Company's Annual Report and Accounts for the year to 31 December 2013. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

ISIS VC 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 2013. During the period, the Company has incurred management fees of £929,000 and secretarial and accounting fees of £69,000 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 2014, the Company held cash balances & investments in UK Gilts with a combined value of £18,250,000. 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

## Full Investment Portfolio

Company	Sector	Book cost £'000	30 June 2014 Valuation £'000	31 December 2013 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds <sup>#</sup>
<b>Unquoted</b>							
Nexus Vehicle Holdings Limited	Business Services	2,375	5,301	4,621	6.4	13.7	62.1
Crew Clothing Holdings Limited	Consumer Markets	1,453	2,412	2,336	2.9	6.1	25.5
Valldata Group Limited	Business Services	1,220	1,801	1,701	2.2	†	†
Independent Community Care Management Limited	Healthcare & Education	1,346	1,564	1,583	1.9	10.9	55.0
Create Health Limited	Healthcare & Education	1,065	1,517	1,384	1.9	5.7	29.0
Eque2 Limited	TMT*	877	1,333	1,131	1.6	7.6	38.5
CableCom II Networking Holdings Limited	TMT*	1,250	1,250	1,250	1.5	2.5	11.2
Pho Holdings Limited	Consumer Markets	987	1,172	1,090	1.4	5.5	28.0
Carousel Logistics Limited	Business Services	955	1,163	955	1.4	6.0	40.0
Key Travel Limited	Business Services	954	1,082	954	1.3	4.7	48.0
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.2	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.2	9.6	48.6
Riccal Investments Limited	Business Services	1,000	1,000	1,000	1.2	9.6	48.6
Happy Days Consultancy Limited	Healthcare & Education	1,013	984	833	1.2	12.9	65.0
Kingsbridge Risk Solutions Limited	Business Services	952	952	–	1.2	5.7	34.0
Impetus Holdings Limited	Business Services	1,305	880	1,174	1.1	8.9	45.6
Armstrong Craven Limited	Business Services	673	816	673	1.0	7.7	46.0
CableCom Networking Holdings Limited**	TMT*	0	741	741	0.9	N/A	N/A
Luxury For Less Limited	Consumer Markets	955	429	429	0.5	4.0	40.0
Playforce Holdings Limited	Business Services	1,196	402	402	0.5	16.5	75.0
Surgi C Limited	Healthcare & Education	1,102	269	0	0.3	13.3	57.5
Carnell Contractors Limited	Business Services	941	0	0	0.0	##	##
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	0	961	0.0	10.5	44.0
Music Festivals plc Loan note	Consumer Markets	400	0	0	0.0	N/A	N/A
Xention Discovery Limited	Healthcare & Education	893	0	0	0.0	1.7	2.3
<b>Total unquoted</b>		<b>26,335</b>	<b>27,068</b>		<b>32.8</b>		
<b>AIM</b>							
Netcall plc	TMT*	869	2,971	2,847	3.6	3.6	18.0
IDOX plc	TMT*	614	2,770	2,081	3.4	1.8	4.9
Accumuli plc	TMT*	505	1,745	1,309	2.1	4.2	23.2
Jelf Group plc	Business Services	761	1,426	1,036	1.7	1.4	5.6
TLA Worldwide plc	Business Services	733	1,418	1,091	1.7	3.0	14.6
Tasty plc	Consumer Markets	594	1,299	1,634	1.6	2.5	14.5
Inspired Energy plc	Business Services	300	1,143	810	1.4	2.3	11.4
Driver Group plc	Business Services	563	1,113	1,332	1.3	4.0	18.9
Escher Group Holdings plc	TMT*	614	1,066	867	1.3	1.9	9.7
Murgitroyd Group plc	Business Services	189	928	1,502	1.1	1.7	3.5
Plastics Capital plc	Business Services	662	893	820	1.1	2.2	11.7
Sanderson Group plc	TMT*	612	816	793	1.0	2.2	8.9
Electric Word plc	TMT*	696	795	575	1.0	5.1	27.7
Anpario plc	Healthcare & Education	206	761	1,315	0.9	1.5	9.6
InterQuest Group plc	Business Services	310	647	506	0.8	1.6	6.6
Tangent Communications plc	Business Services	523	596	580	0.7	2.3	11.3
GB Group plc	TMT*	150	581	544	0.7	0.3	1.6
Hangar8 plc	Business Services	388	579	533	0.7	2.4	11.2
Everyman Media Group plc	Consumer Markets	391	472	391	0.6	1.3	5.8
Ideagen plc	TMT*	225	438	329	0.5	1.0	4.3
MartinCo plc	Consumer Markets	343	429	436	0.5	1.6	6.9
Vianet Group plc	Business Services	646	414	388	0.5	1.9	9.7
Scholium Group plc	Consumer Markets	450	383	–	0.5	3.4	15.2
Synectics plc	Business Services	296	380	626	0.5	0.6	2.1
Dods (Group) plc	TMT*	1,219	361	469	0.4	4.2	20.1
Daily Internet plc	TMT*	250	289	225	0.3	3.9	17.2
Begbies Traynor Group plc	Business Services	231	275	239	0.3	0.6	2.5
EG Solutions plc	TMT*	453	270	378	0.3	3.3	15.0

<sup>#</sup> All funds managed by the same investment manager, ISIS VC LLP and ISIS EP LLP, including Baronsmead VCT 3 plc.

\* Technology, Media & Telecommunications ("TMT").

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

\*\* Residual valuation represents loan stock received as partial proceeds following the sale of CableCom in October 2013.

## 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	30 June 2014 Valuation £'000	31 December 2013 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds <sup>#</sup>
<b>AIM (continued)</b>							
Paragon Entertainment Limited	Consumer Markets	245	244	293	0.3	3.5	18.5
Cohort plc	Business Services	179	242	248	0.3	0.3	1.4
Brady plc	TMT*	176	226	214	0.3	0.4	2.1
One Media iP Group plc	TMT*	113	166	93	0.2	1.6	7.0
Ubisense Group plc	TMT*	130	134	175	0.2	0.3	1.4
Synety Group plc	TMT*	113	119	–	0.1	0.5	2.4
Mi-Pay Group plc	Business Services	400	112	102	0.1	0.9	3.8
Bglobal plc	Business Services	176	57	35	0.1	0.4	2.5
STM Group plc	Business Services	162	57	77	0.1	0.6	4.0
Pinnacle Technology Group plc	TMT*	169	52	96	0.1	1.5	6.7
Green Compliance plc	Business Services	932	44	42	0.1	0.8	4.1
EG Solutions plc Loan note	TMT*	33	33	–	0.0	N/A	N/A
Zoo Digital Group plc	TMT*	584	4	9	0.0	0.2	0.6
<b>Total AIM</b>		<b>17,205</b>	<b>26,748</b>		<b>32.4</b>		
<b>Listed</b>							
Vectura Group plc	Healthcare & Education	771	2,127	2,239	2.6	0.4	1.1
Chime Communications plc	TMT*	369	617	578	0.8	0.2	0.7
Marwyn Value Investors Limited	Business Services	64	19	18	0.0	1.3	6.0
Marwyn Management Partners plc	Business Services	525	7	15	0.0	0.3	1.6
<b>Total listed</b>		<b>1,729</b>	<b>2,770</b>		<b>3.4</b>		
<b>ISDX</b>							
Bioventix plc	Healthcare & Education	227	502	346	0.6	1.7	7.6
<b>Total ISDX</b>		<b>227</b>	<b>502</b>		<b>0.6</b>		
<b>Listed interest bearing securities</b>							
UK T-Bill 18/08/14		8,996	8,996	–	10.9		
<b>Total listed interest bearing securities</b>		<b>8,996</b>	<b>8,996</b>		<b>10.9</b>		
<b>Collective investment vehicle</b>							
Wood Street Microcap Investment Fund		3,525	7,537	7,012	9.1		
<b>Total collective investment vehicle</b>		<b>3,525</b>	<b>7,537</b>		<b>9.1</b>		
<b>Total investments</b>		<b>58,017</b>	<b>73,621</b>		<b>89.2</b>		
<b>Net current assets</b>			<b>8,910</b>		<b>10.8</b>		
<b>Net assets</b>			<b>82,531</b>		<b>100.0</b>		

<sup>#</sup> All funds managed by the same investment manager, ISIS VC LLP and ISIS EP LLP, including Baronsmead VCT 3 plc.

\* Technology, Media & Telecommunications ("TMT").

# Shareholder Information and 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:

<b>Telephone:</b>	<b>0800 923 1534</b>	<ul style="list-style-type: none"><li>• This is an automated self-service system</li><li>• It is available 24 hours a day, 7 days a week</li><li>• 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</li><li>• Press '0' if you wish to speak to someone</li><li>• The Contact Centre in Bristol is available on UK business days between 8.30am – 5.00pm Monday to Friday</li></ul>
<b>On-line:</b>	<b>Investor Centre</b> <b><a href="http://www.investorcentre.co.uk">www.investorcentre.co.uk</a></b>	<ul style="list-style-type: none"><li>• Computershare's secure website, Investor Centre, allows you to manage your own shareholding online</li><li>• You will need to register to use this service on the Investor Centre website</li><li>• 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</li></ul>
<b>Email:</b>	<b><a href="mailto:web.queries@computershare.co.uk">web.queries@computershare.co.uk</a></b>	
<b>Post:</b>	<b>Computershare Investor Services PLC</b> <b>The Pavilions</b> <b>Bridgwater Road</b> <b>Bristol BS99 6ZZ</b>	



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

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

**Email:** **[baronsmeadvcts@isisep.com](mailto:baronsmeadvcts@isisep.com)**  
**Telephone:** **020 7506 5717**  
**Facsimile:** **020 7506 5718**

# 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:

Panmure Gordon & Co	020 7886 2500 (the Company's broker)
Winterflood Securities Limited	020 3400 0251

## Financial Calendar

November 2014	Quarterly Fact Sheet to 30 September 2014
February 2015	Results for the year to December 2014 announced and annual report and accounts sent to shareholders
April 2015	Fourteenth 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 VC 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 VC LLP which is authorised and regulated by the FCA. 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.

## Secondary market in the shares of Baronsmead VCT 3 plc

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 are not subject to capital gains tax (although any realised losses are not allowable);
- No minimum holding period; and
- 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.

## Corporate Information

### Directors

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

### Secretary

ISIS VC LLP

### Registered Office

100 Wood Street  
London EC2V 7AN

### Investment Manager

ISIS VC LLP  
100 Wood Street  
London EC2V 7AN

### Registered Number

04115341

### Website

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

### Registrars and Transfer Office

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Tel: 0870 889 3250

### Brokers

Panmure Gordon & Co  
One New Change  
London EC4M 9AF

### Auditor

KPMG LLP  
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

‡ 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.



