



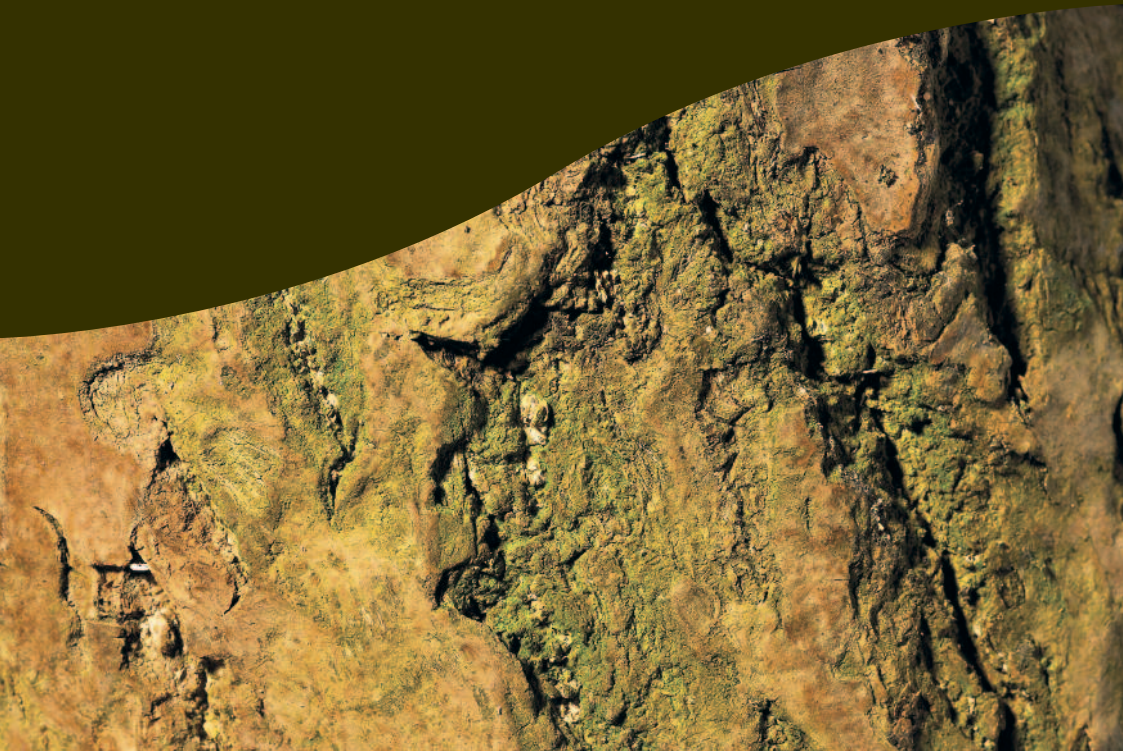
# 2010

## Northern 3 VCT PLC

Half-yearly Financial Report  
30 September 2010

Northern 3 VCT PLC is a Venture Capital Trust (VCT) managed by NVM Private Equity. It invests mainly in unquoted venture capital holdings and aims to provide high long-term tax-free returns to shareholders through a combination of dividend yield and capital growth.

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# Financial Summary

Six months ended 30 September	2010	2009
Net assets	£34.7m	£26.2m
Net asset value per share	89.3p	90.5p
Return per share		
Revenue	0.7p	1.5p
Capital	0.3p	6.9p
Total	1.0p	8.4p
Interim dividend per share in respect of the period		
Revenue	0.7p	1.4p
Capital	1.3p	0.6p
Total	2.0p	2.0p
Cumulative return to shareholders since launch		
Net asset value per share	89.3p	90.5p
Dividends paid per share*	26.9p	22.9p
Net asset value plus dividends paid per share	116.2p	113.4p
Share price at end of period	75.0p	55.5p

\*Excluding proposed interim dividend

## Key dates

Half-yearly results announced

9 November 2010

Shares quoted ex dividend

8 December 2010

Interim dividend paid (to shareholders on register on 10 December 2010)

14 January 2011

# Half-yearly Management Report to Shareholders

for the six months ended 30 September 2010

The UK economy is slowly emerging from a period of great difficulty and there is considerable potential for further setbacks.

## Results

The unaudited net asset value (NAV) per share at 30 September 2010, after deducting the 2009/10 final dividend of 2.0p per share paid during the period, was 89.3p – a fall of 1.2p, or 1.3%, from the corresponding figure of 90.5p a year earlier.

The valuation of the portfolio of unquoted venture capital investments has held up relatively well despite the harsh economic climate for smaller companies. The cumulative return to shareholders (latest NAV plus total dividends paid since launch) is 116.2p at 30 September 2010, compared with 113.4p a year earlier.

Investment income fell from £732,000 in the corresponding period last year to £575,000 this time. Interest rates remained depressed and although the new funds subscribed in the recent share issue generated additional income, the corresponding period figure included a substantial non-recurring income receipt from DxS prior to the sale of that investment in September 2009. The revenue return per share for the half year fell from 1.5p to 0.7p.

In line with our objective of maintaining an annual dividend of 4.0p per share, the board has declared an unchanged interim dividend of 2.0p per share. This will be paid on 14 January 2011 to shareholders on the register at the close of business on 10 December 2010.

## Investment portfolio

There were relatively few movements in the unquoted portfolio during the half year. The process of converting potential new opportunities into completed investments has been unusually protracted, due in large part to the difficult market conditions and the reluctance of UK clearing banks to lend money to smaller companies. There were no significant disposals in the period, although a further £332,000 was received and credited to the capital column of the income statement in respect of deferred proceeds from the sale of DxS. In the AIM-quoted portfolio half of the holding in Andor Technology was sold, realising a gain of £198,000, but there were no other substantial changes.

The funds awaiting investment in venture capital holdings have largely been deployed in the listed fixed-interest market, but following the change in investment policy approved by shareholders at the annual general meeting in July 2010, approximately £4 million has been invested in higher-yielding UK blue chip listed equities – so far with satisfactory results.

## Ordinary shares

As previously reported, the company's latest public offer of new ordinary shares closed in May 2010 having attracted subscriptions of £12.7 million.

We welcome our new investors and thank them and our longer-standing shareholders for their support.





**James Ferguson**  
Chairman



The share price has stabilised markedly following the announcement a year ago that the company would buy back its shares in the market at a 15% discount to NAV. During the half year 500,000 shares were purchased for cancellation at a cost of £380,000. Your directors will continue to keep the buy-back policy under regular review.

Our managers continue to work with their colleagues in the VCT sector, supported by the Association of Investment Companies, to promote the merits of investing in VCT shares via secondary market purchases.

### **VCT qualifying status**

The company has continued to comply with the conditions laid down by HM Revenue & Customs for the maintenance of approved venture capital trust status. Our managers continue to monitor the position closely, assisted by our taxation advisers at PricewaterhouseCoopers LLP.

### **Risk management**

The board carries out a regular review of the risk environment in which the company operates. There has been no significant change to the key risks discussed on page 10 of the annual report for the year ended 31 March 2010, including those resulting from the size and relative illiquidity of the unquoted and AIM-quoted investments held by the company.

### **Board of directors**

John Hustler retired from the board in September 2010 in order to avoid a deemed conflict with his role as chairman of Northern Venture Trust PLC. This follows the introduction of new FSA rules relating to the independence of listed company chairmen. We are very grateful to John for his contribution to the company's development over the past nine years.

### **Prospects**

The UK economy is slowly emerging from a period of great difficulty and there is considerable potential for further setbacks, especially when the effects of the Government's public sector spending review are felt in the private sector. Nevertheless history shows that excellent growth opportunities can be available in the aftermath of recession and we hope to see an upturn in the rate of new investment. We have a well-balanced and maturing portfolio of venture capital investments which are carefully monitored by our managers and which should be capable of responding positively to any improvement in the economic environment.

On behalf of the Board

**James Ferguson**  
Chairman

9 November 2010

# Income Statement

(unaudited) for the six months ended 30 September 2010

	Six months ended 30 September 2010		
	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	–	477	477
Movements in fair value of investments	–	(181)	(181)
	–	296	296
Income	575	–	575
Investment management fee	(84)	(251)	(335)
Other expenses	(137)	–	(137)
Return on ordinary activities before tax	354	45	399
Tax on return on ordinary activities	(69)	58	(11)
Return on ordinary activities after tax	285	103	388
Return per share	0.7p	0.3p	1.0p
Dividends paid/proposed in respect of the period	0.7p	1.3p	2.0p

- The total column of this statement is the profit and loss account of the company. The supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- There are no recognised gains or losses other than those disclosed in the income statement.
- All items in the above statement derive from continuing operations.

## Reconciliation of Movements in Shareholders' Funds

(unaudited) for the six months ended 30 September 2010

	Six months ended 30 September 2010 £000
Equity shareholders' funds at 1 April 2010	32,412
Return on ordinary activities after tax	388
Dividends recognised in the period	(780)
Net proceeds of share issues	3,018
Shares purchased for cancellation	(380)
Equity shareholders' funds at 30 September 2010	34,658

Six months ended 30 September 2009			Year ended 31 March 2010		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
–	787	787	–	1,651	1,651
–	1,365	1,365	–	1,058	1,058
–	2,152	2,152	–	2,709	2,709
732	–	732	926	–	926
(63)	(207)	(270)	(130)	(390)	(520)
(100)	–	(100)	(217)	–	(217)
569	1,945	2,514	579	2,319	2,898
(129)	60	(69)	(93)	93	–
440	2,005	2,445	486	2,412	2,898
1.5p	6.9p	8.4p	1.7p	8.2p	9.9p
1.4p	0.6p	2.0p	1.5p	2.5p	4.0p

Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
24,323	24,323
2,445	2,898
(580)	(1,157)
55	9,073
(41)	(2,725)
26,202	32,412

# Balance Sheet

(unaudited) as at 30 September 2010

	30 September 2010 £000	30 September 2009 £000	31 March 2010 £000
<b>Fixed asset investments</b>			
Venture capital investments			
Unquoted	15,668	11,933	15,414
Quoted	2,113	2,468	2,362
Total venture capital investments	17,781	14,401	17,776
Listed fixed-interest and equity investments	10,812	3,971	5,002
<b>Total fixed asset investments</b>	<b>28,593</b>	<b>18,372</b>	<b>22,778</b>
<b>Current assets</b>			
Debtors	251	843	317
Cash and deposits	6,020	7,282	9,510
	6,271	8,125	9,827
Creditors (amounts falling due within one year)	(206)	(295)	(193)
<b>Net current assets</b>	<b>6,065</b>	<b>7,830</b>	<b>9,634</b>
<b>Net assets</b>	<b>34,658</b>	<b>26,202</b>	<b>32,412</b>
<b>Capital and reserves</b>			
Called-up equity share capital	1,940	1,447	1,796
Share premium	19,505	8,140	16,656
Capital redemption reserve	370	192	345
Capital reserve	13,564	18,232	14,488
Revaluation reserve	(1,321)	(2,522)	(1,227)
Revenue reserve	600	713	354
<b>Total equity shareholders' funds</b>	<b>34,658</b>	<b>26,202</b>	<b>32,412</b>
<b>Net asset value per share</b>	<b>89.3p</b>	<b>90.5p</b>	<b>90.2p</b>



# Cash Flow Statement

(unaudited) for the six months ended 30 September 2010

	Six months ended 30 September 2010 £000	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
<b>Net cash inflow from operating activities</b>	171	374	868
<b>Taxation</b>			
Corporation tax paid	–	–	(174)
<b>Financial investment</b>			
Purchase of investments	(7,108)	(1,237)	(9,818)
Sale/repayment of investments	1,589	5,926	10,658
<b>Net cash inflow/(outflow) from financial investment</b>	(5,519)	4,689	840
<b>Equity dividends paid</b>	(780)	(580)	(1,157)
<b>Net cash inflow/(outflow) before financing</b>	(6,128)	4,483	377
<b>Financing</b>			
Issue of ordinary shares	3,202	70	9,602
Share issue expenses	(184)	(15)	(529)
Purchase of ordinary shares for cancellation	(380)	(41)	(2,725)
<b>Net cash inflow from financing</b>	2,638	14	6,348
<b>Increase/(decrease) in cash and deposits</b>	(3,490)	4,497	6,725
<b>Reconciliation of return before tax to net cash flow from operating activities</b>			
Return on ordinary activities before tax	399	2,514	2,898
Gain on disposal of investments	(477)	(787)	(1,651)
Movements in fair value of investments	181	(1,365)	(1,058)
Decrease in debtors	66	5	531
Increase in creditors	2	7	148
<b>Net cash inflow from operating activities</b>	171	374	868
<b>Analysis of movement in net funds</b>	<b>1 April 2010 £000</b>	<b>Cash flows £000</b>	<b>30 September 2010 £000</b>
Cash and deposits	9,510	(3,490)	6,020

# Notes to the Financial Statements

(unaudited) for the six months ended 30 September 2010

- 1 The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Where presentational guidance set out in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies", revised in January 2009, is consistent with the requirements of UK GAAP, the directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP.
- 2 The calculation of return per share is based on the return on ordinary activities after tax for the six months ended 30 September 2010 and on 38,793,750 (2009 28,936,373) ordinary shares, being the weighted average number of shares in issue during the period.
- 3 The calculation of net asset value per share is based on the net assets at 30 September 2010 divided by the 38,790,760 (2009 28,940,287) ordinary shares in issue at that date.
- 4 The proposed interim dividend of 2.0p per share for the year ending 31 March 2011 will be paid on 14 January 2011 to shareholders on the register at the close of business on 10 December 2010.
- 5 The unaudited half-yearly financial statements for the six months ended 30 September 2010 do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 March 2010 have been extracted from the financial statements for that period, which have been delivered to the Registrar of Companies; the independent auditors' report on those financial statements under Sections 495, 496 and 497 of the Companies Act 2006 was unqualified. The half-yearly financial statements have been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 March 2010.
- 6 The directors confirm that to the best of their knowledge the half-yearly financial statements have been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by (a) 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, and a description of the principal risks and uncertainties for the remaining six months of the year, and (b) 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 entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
- 7 Copies of this half-yearly report have been mailed to shareholders and are available to the public at the company's registered office and on the NVM Private Equity website, [www.nvm.co.uk](http://www.nvm.co.uk).

# Investment Portfolio Summary

as at 30 September 2010

	Cost £000	Valuation £000	% of net assets by value
Promanex Group Holdings	1,695	1,851	5.3
Kerridge Commercial Systems	1,244	1,244	3.6
Axial Systems Holdings	1,004	1,146	3.3
CloserStill Holdings	743	1,012	2.9
RCC Lifesciences	995	995	2.9
Evolve Investments	995	995	2.9
Wear Inns	839	839	2.4
Advanced Computer Software Group*	381	716	2.1
Paladin Group	861	693	2.0
Crantock Bakery	442	686	2.0
Arleigh International	452	683	2.0
Envirotec	456	664	1.9
IG Doors	404	561	1.6
Promatic Group	701	526	1.5
Optilan Group	1,000	500	1.4
<b>Fifteen largest venture capital investments</b>	<b>12,212</b>	<b>13,111</b>	<b>37.8</b>
Other venture capital investments	6,997	4,670	13.5
<b>Total venture capital investments</b>	<b>19,209</b>	<b>17,781</b>	<b>51.3</b>
Listed fixed-interest and equity investments	10,705	10,812	31.2
<b>Total fixed asset investments</b>	<b>29,914</b>	<b>28,593</b>	<b>82.5</b>
Net current assets		6,065	17.5
<b>Net assets</b>		<b>34,658</b>	<b>100.0</b>

\*Quoted on AIM

# Company Information

## Directors

James Ferguson (Chairman)  
Chris Fleetwood  
Tim Levett  
John Waddell

## Secretary

Christopher Mellor FCA MCSI

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## Investment Manager

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## Registrars

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Shareholder helpline: 0800 028 2349

## Stockbrokers

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