

BARONSMEAD

Baronsmead VCT 3 plc

2009

Half-yearly report
for the six months ended
30 June 2009



Investment Objective

Baronsmead VCT 3 is a tax efficient listed company which aims to achieve long-term capital growth and generate tax-free dividends for private investors.

Investment Policy

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

Dividend policy

The Board wishes 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 it cannot be guaranteed. There will be variations in the amount of dividends paid year on year. Since the Company's launch the average annual tax-free dividend paid to shareholders (including the declared interim dividend of 3.0p) has been 5.2p per ordinary share (equivalent to a pre-tax return of 7.7p per ordinary share for a higher rate taxpayer). For shareholders who received up front tax reliefs of 20 per cent, their returns would have been even higher.

Secondary market in the shares of Baronsmead VCT 3

Shares can be bought and sold using a stockbroker, just like shares in any other listed company. Qualifying purchasers (individuals over the age of 18 and UK resident for tax purposes) can receive VCT dividends (including capital distributions of realised gains on investments) that are not subject to income tax, and capital gains tax is not payable on disposal of the VCT shares.

There is no minimum time for which VCT shares bought in the secondary market need to be held, and they can be sold in the normal way. 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 Capital Gains Tax in respect of new shares acquired prior to 6 April 2004.

It is important that shareholders consult their professional adviser to ensure that using VCT investments is appropriate for their particular circumstances and that any arrangements put in place have the intended effect.

www.baronsmeadvct3.co.uk

Financial Headlines

3.0p

Interim dividend of 3.0p per share (unchanged from prior year) payable on 7 September 2009 to shareholders on the register at 21 August 2009.

+4.4%

NAV per share increased by 4.4 per cent over the six month period to 30 June 2009 from 98.22p to 102.51p before payment of the 3p interim dividend.

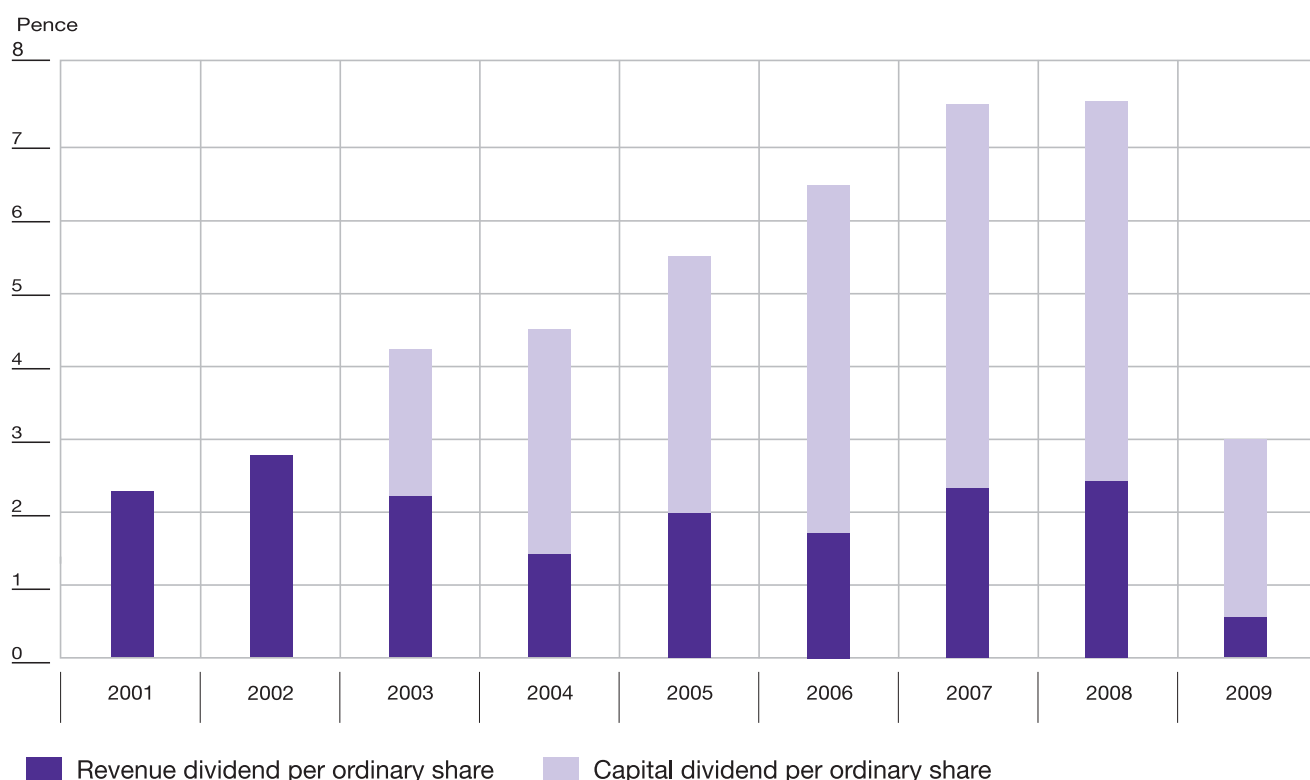
+56.0%

NAV total return to ordinary shareholders since inception in 2001, equivalent to an annualised total return of 5.4 per cent before the 20 per cent income tax relief (on subscription, at launch) and 6.8 per cent afterwards.

8.2%

Dividend yield of 8.2 per cent tax free to qualifying shareholders (gross equivalent yield for a higher rate taxpayer is 12.1 per cent). This is based on the 3.0p interim dividend payable in September 2009 plus the 4.5p dividend paid in March 2009 divided by the mid ordinary share price of 91.3p at 30 June 2009.

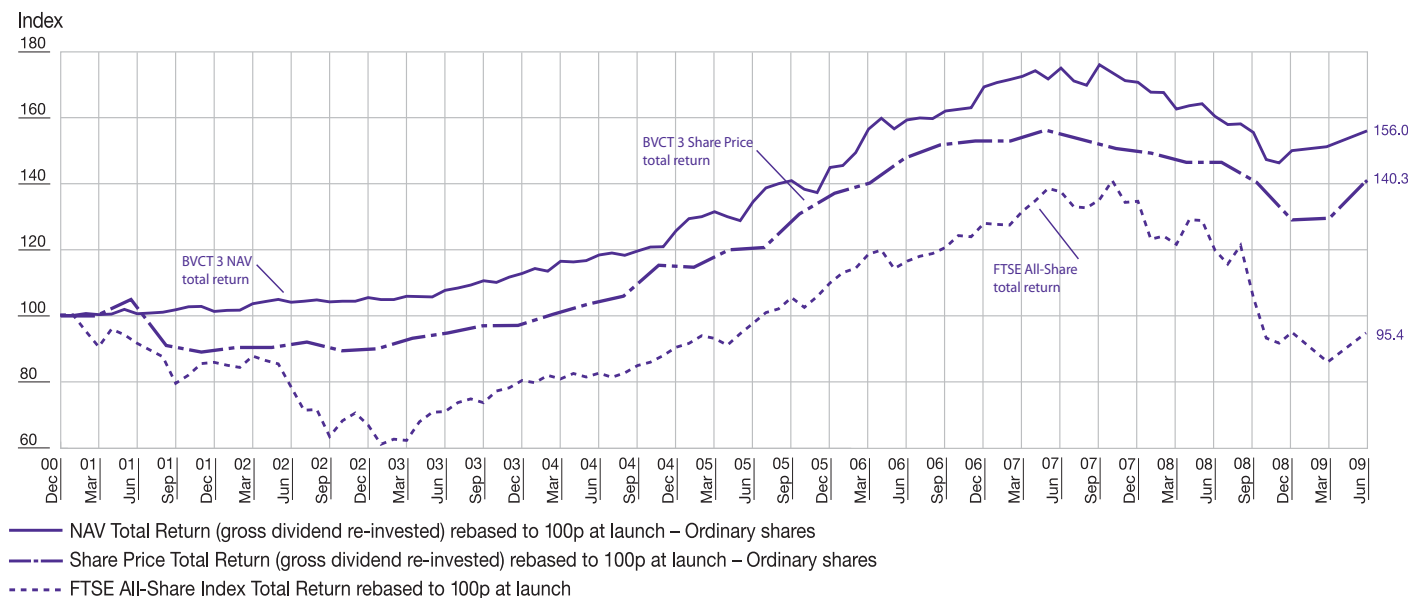
Dividend history since launch



Summary Since Launch

Baronsmead VCT 3 plc

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



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

Performance Summary to 30 June 2009

Total return and share price*	1 year %	3 year %	5 Year %	Since launch%
Net asset value†	(2.7)	(2.0)	32.0	56.0
Share price†	(3.1)	3.6	41.4	40.3
FTSE All-share	(20.5)	(18.2)	16.3	(4.6)

*Source: ISIS EP LLP and AIC.

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

Cash Returned to Shareholders

The Board is also aware that shareholders are concerned that the original capital subscribed into Baronsmead VCT 3 has been maintained. 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/declared p	Net annual yield* %	Gross yield† %
2001 (January)	100	20.0	80.0	43.8	6.5	9.6
2005 (March) – C Share	100	40.0	60.0	16.0	6.2	9.1

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.

*Net annual yield represents the cumulative dividends paid expressed as a percentage of the net cash invested.

†The gross equivalent yield if the dividends had been subject to higher rate (32.5 per cent income tax).

Chairman's Statement

The Net Asset Value per share increased by 4.4 per cent in the last six months, mainly because the value of AIM shares in the portfolio has shown a degree of recovery from 2008 lows.

The 3p interim dividend reflects this positive total return in the period and is payable largely out of capital reserves accumulated from successful unquoted exits in prior years. The 68 strong portfolio is showing reasonable resilience in a difficult trading environment and the Company is well positioned to make new investments at an advantageous point in the cycle.

Results

In the six months to 30 June 2009, the Net Asset Value (NAV) per share increased by 4.4 per cent from 98.22p to 102.51p before payment (due on 7 September 2009) of a 3.0p per share interim dividend. This dividend comprises 2.5p per share of undistributed capital profits and 0.5p per share of net revenue. The capital dividend is paid from the reserves accumulated from net profits realised in previous years.

The increase in NAV per share of 4.4 per cent is nearly all represented by a rise in the AIM portion of the portfolio, up 20 per cent since the year end. The FTSE All-Share Index fell 2 per cent over the same period.

There have inevitably been challenges for some of the unquoted investee companies as a result of the difficult economic climate. In this context the performance of this portfolio has been good and its valuation as a whole has remained stable over the period. The Manager has worked with the management of the investee companies to weather the harder trading conditions and this is reflected in the overall performance and valuation of the portfolio.

The Company continued to meet the six VCT operational tests during the period. At the period end, over 70 per cent of the ordinary capital raised (net of launch costs) prior to 31 December 2006 was invested in VCT qualifying investments.

Long term performance

The interim dividend will take the cumulative dividends paid, tax free to qualifying shareholders, for founder shareholders to 43.8p per share and compares to their original £1 investment (before tax relief).

There have been two prospectus fund raisings by Baronsmead VCT 3. All shareholders from these prior offers

have to date achieved positive absolute total returns. The returns are also ahead of the FTSE All-Share Index over 1, 3 and 5 years as well as in the period since inception. The results compare favourably with other VCTs and fuller comparisons have recently been facilitated by the Association of Investment Companies (AIC) who publish monthly data on their website, www.theaic.co.uk.

The returns to shareholders are even better once the tax benefits available to VCT investors are taken into account. The VCT tax reliefs are designed to address both the VCT constraints as well as the higher risks that relate to investing in smaller unquoted and AIM-traded companies. At a time of lower and sometimes negative investment returns, the proportional benefit from these reliefs is greater. For instance the tax free nature of dividends for qualifying shareholders is significant when deposit rates on cash are presently at a historic low.

These tax benefits to the shareholders can be balanced against the ultimate economic benefit for the UK of supporting entrepreneurial growth businesses. This can be observed by measuring the increased employment and consequent increase in tax revenue to the Treasury from investee companies that have benefited from VCT investment. For example the top ten investee companies in BVCT 3 have shown over 50 per cent growth in employment numbers over an average duration of 3 years after investment based on their last audited annual reports.

Portfolio review

The Board reviews the relative health of portfolio companies quarterly, in terms of profitability as well as other non-financial benchmarks. At the period-end, 75 per cent of the portfolio companies were reporting better or steady progress.

Following the write off of four AIM investments, the total portfolio was 68 companies (these four investments had a

Chairman's Statement

combined market value of £70k at 31 December 2008). 50 per cent of the portfolio by value was invested in unquoted companies, 22 per cent in AIM investees and the balance of 28 per cent remained in cash or government securities. The mix of AIM and unquoted companies helps to create a more diversified portfolio whose constituent parts perform better at different points in the cycle.

The Manager has endeavoured to prepare for the current downturn over the last two years by selecting new investments in sub-sectors that are less cyclical and with growth strategies that are intended to be less reliant on general economic growth. The charts on page 7 of the interim report show the proportion of the portfolio by value (including AIM-traded companies). Healthcare & Education has almost doubled to 21 per cent and IT & Media has increased by around a third to 27 per cent whilst the level invested in Consumer Markets has remained relatively low at around 14 per cent.

Unquoted Portfolio

The chart below shows that, on average, the portfolio of the current unquoted investments is valued at some 30 per cent higher than original cost. Fourteen companies are valued at a level greater than cost and whilst six are valued below cost only two of these have a provision against cost of greater than 25 per cent.

In addition, in the unquoted portfolio financial structures have been designed to be prudent wherever possible with relatively low levels of external debt. There are several ways of measuring borrowings but the most common relates to the level of net borrowings divided by annual operating profits defined as EBITDA – earnings before interest, tax,

depreciation and amortisation. At an average ratio of 1.8 times across the unquoted portfolio, the level of debt within the portfolio as a whole is relatively low and considerably less than those typically used in larger private equity transactions.

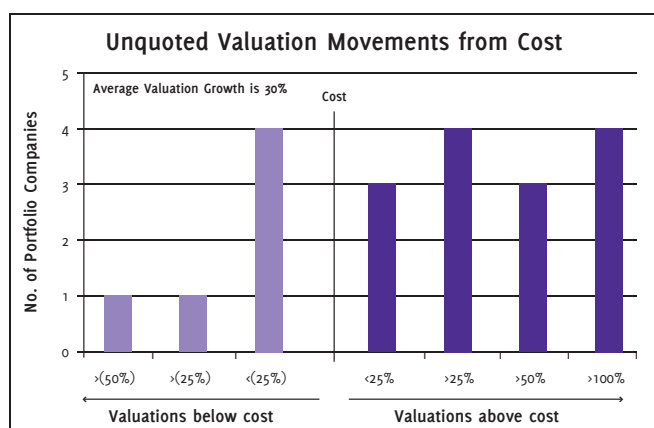
The Manager is actively involved in its private equity investments. Tight control of overheads, a focus on efficient working capital management and early communication with each investee company's banks have all helped to manage risk and minimise issues. Presentations by investee companies at each AGM have illustrated the close relationship between the executive management of unquoted companies and the Manager. The CEO of Nexus, Neil McCrossan, based in Leeds, presented to the AGM held in March 2009 to some 50 shareholders. Since first investment in early 2008, this vehicle rental business has deployed its highly advanced web based software platform to obtain good growth both by acquisition and organically.

AIM-traded portfolio

The AIM market was oversold towards the end of 2008 and during the period, this portion of the portfolio has bounced back with 20 per cent growth in value over the last six months. Quoted share prices tend to move ahead of announced earnings and the valuation movement in the AIM part of the portfolio anticipated the recession. While returns from AIM investments were poor throughout 2008, it is now making a positive contribution.

Prospects for new investment

The market for new unquoted deals remains relatively depressed at present with overall M&A volumes significantly down. Hence, no new investments have been completed recently although this does not reflect any lack of appetite. The Manager is rightly focused on ensuring only high quality businesses with good management teams are added to the portfolio. The M&A market will turn as confidence starts to return and we will benefit from asset prices lower than the recent peak. In the meantime, the Manager has an active programme of directly approaching prospective investee companies in selected sectors, and this is building a strong pipeline of entrepreneurs that would like to work with the Manager when timing is right. This continues to be a significant investment for the future.



Chairman's Statement

The volume of qualifying AIM opportunities has increased from very low levels earlier in the year. However, conversion rates have so far remained low as the Manager seeks to maintain a high quality threshold for new investments. With capital still scarce for smaller AIM companies and support from the recent recovery in equity markets, prospects for new AIM investment during the remainder of the year are improving.

Shareholder issues

The top up offer in March/April 2009 raised gross proceeds of £1.5 million. Of the 166 individual subscribers, we welcome 55 new shareholders to those 111 shareholders that invested again. The Directors continue to believe that it is an advantageous time in the UK economic cycle to be investing in smaller companies and that it is appropriate for the Company to raise further funds in order to fund future investments. The Board's current intention is that there will be a significant fund raising in the current tax year under the existing shareholder authorities and it is considering making such an offer on a joint basis with Baronsmead VCT 4.

During the six months to 30 June 2009 0.9 million shares were bought back at an average discount to NAV of 10 per cent. This compares against the rest of the VCT sector where discounts to NAV were generally much higher at the period end.

The Company's former broker, Teathers, ceased to operate as a market maker during March 2009. However, several other firms became market makers during that month thereby minimising the impact this could have had on the discount to NAV at which the Company's shares were traded at. Currently there are three market makers, namely Matrix Corporate Capital, Winterflood and Singer Capital Markets. Following a review of brokers the Board agreed to appoint Matrix Corporate Capital as the new broker to the Company from the beginning of August 2009.

In the April 2009 Budget there were only minor changes to the VCT rules and regulations. However, the proposed 50 per

cent income tax rate and restriction of tax relief on pension contributions may mean that VCTs become increasingly attractive. In the autumn, the Manager will seek to articulate these changes as a follow up to the letter on utilising VCTs in retirement and estate planning sent to shareholders in March 2009.

Again it is important to stress the need to consult professional advisers as so much depends on the circumstances of individual shareholders. Please email Michael.probin@isisep.com if you wish to contribute to these topics and state what is important from your perspective as an interested shareholder.

Appointment of new Director

I am delighted to welcome Anthony Townsend who joined the Board with effect from 4 August 2009. Anthony brings a wealth of experience from working in investment banking and fund management. He currently chairs several investment trusts and this appointment further strengthens your Board.

Outlook

The extreme volatility in the UK economy during 2008 may now have passed and there is higher confidence that many of the portfolio companies are trading more steadily. Balance sheets are a little stronger and so investees should be able to anticipate and benefit from the upswing when it comes.

The Board and Manager share the belief that we are entering one of the better environments for making new investments now that a degree of stability has returned to UK financial and industrial markets.

Mark Cannon Brookes

Chairman

11 August 2009

Table of Investments and Realisations

New investments in the six months to 30 June 2009

Number	Company	Location	Sector	Activity	Investment cost (£'000)
Unquoted investments follow on					
1	Occam DM Ltd	Bath	IT & Media	Integrated data services	8
2	Xention Discovery Ltd	Cambridge	Healthcare & education	Developer of ion channel modulating drugs	91
Total Unquoted investments					99
AIM-traded investments follow on					
1	Ffastfill plc	London	IT & Media	Trading platform software providers	106
2	IDOX plc	London	IT & Media	Document management software	118
Total AIM-traded investments					224
Total Investments					323

Realisations for the six months to 30 June 2009

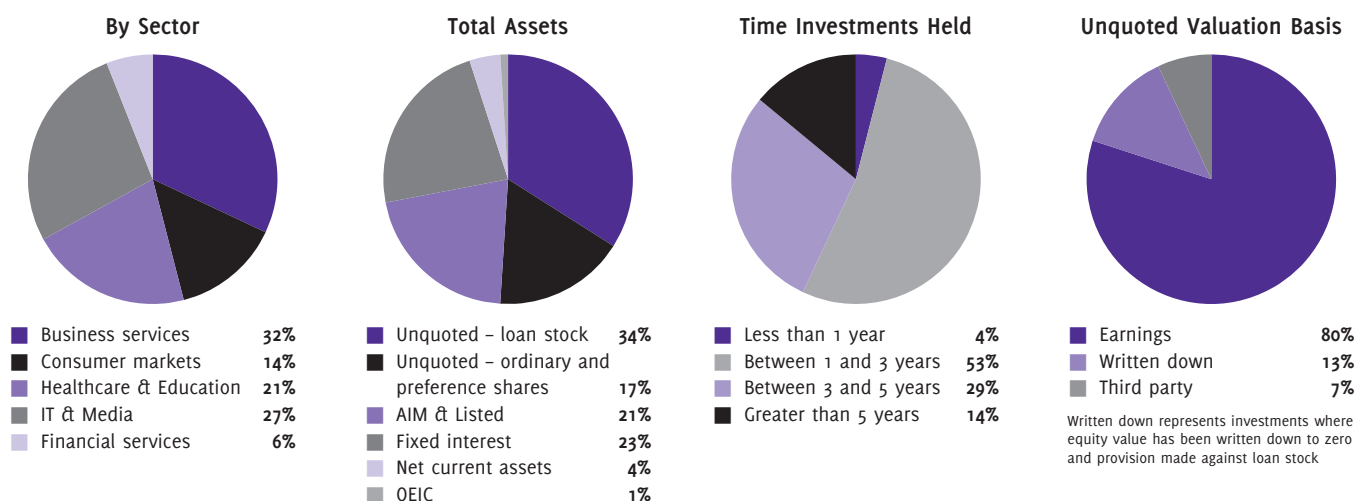
Number	Company		First investment date	Value at 31 December 2008 £'000	Realised profit/(loss) this period £'000	Overall Multiple return*
Unquoted realisations						
1	Scriptswitch	Partial loan note redemption	May 07	361	-	1.3
Written off						
2	Green Issues		Dec 05	-	-	0.2
Total Unquoted realisations				361	-	
AIM-traded realisations						
1	Craneware plc	Part sale	Sep 07	174	11	1.7
2	Electric Word Plc	Market sale	Mar 08	9	3	0.7
3	Independent Media Distribution Plc	Market sale	Mar 08	9	4	0.8
4	MBL Group Plc	Part sale	Jan 03	13	11	0.6
				205	29	
Written off						
1	EBTM plc		May 07	51	(51)	
2	FishWorks plc		Jun 05	15	(15)	
3	IPT Holdings plc		Nov 04	4	(4)	
				70	(70)	
Total AIM-traded realisations				275	(41)	
Total Realisations				636	(41)	

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

Deferred proceeds were received for Language Line £26,000.

Investment Portfolio

Investment Classification at 30 June 2009



Company	Nature of business	Book cost £'000	Valuation £'000	% of Total assets less current liabilities	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*	Total valuation*
Unquoted							
Reed & Mackay	Business Services	1,211	2,921	5.25	9.3	39.2	12,002
Scriptswitch	Healthcare & Education	384	2,702	4.86	7.1	32.5	12,072
Carnell Contractors	Business Services	1,499	2,447	4.40	8.2	37.5	10,146
Nexus Vehicle Holdings Ltd	Business Services	1,868	2,375	4.27	12.6	57.4	9,553
Independent Living Services	Healthcare & Education	801	1,800	3.24	14.4	60.4	7,514
CableCom Networking Holdings Ltd	IT & Media	1,381	1,740	3.13	10.6	48.0	6,982
Quantix Limited	IT & Media	1,194	1,714	3.08	11.4	48.0	6,911
Fisher Outdoor Leisure Holdings Ltd	Consumer markets	1,423	1,433	2.58	10.4	44.0	5,733
Kafvend Holdings Ltd	Consumer markets	1,252	1,426	2.56	15.8	66.5	5,750
Crew Clothing Company Ltd	Consumer markets	933	1,299	2.34	5.9	25.0	5,247
Credit Solutions	Financial Services	1,032	1,283	2.31	8.6	35.0	4,979
CSC (World) Limited	IT & Media	1,606	1,250	2.25	8.8	40.0	4,999
MLS	IT & Media	781	1,200	2.16	5.3	22.5	4,811
Active Assistance	Healthcare & Education	679	1,023	1.84	7.4	33.5	4,254
Playforce Holdings Limited	Business Services	1,033	1,023	1.84	9.7	44.0	4,148
Empire World Trade Limited	Business Services	1,297	765	1.38	7.1	30.0	3,059
Xention Discovery	Healthcare & Education	893	733	1.32	3.0	5.6	1,238
Occam DM Ltd	IT & Media	517	482	0.87	5.8	55.2	4,724
TVC Group Limited	IT & Media	1,233	293	0.53	9.6	43.5	1,173
Kidsunlimited Group Ltd	Business Services	113	113	0.20	0.0	0.0	339
Total Unquoted		21,130	28,021	50.4			
AIM							
IDOX plc	IT & Media	1,038	1,386	2.5	3.2	9.7	4,142
Advanced Computer Software plc	IT & Media	525	988	1.8	1.6	9.2	5,647
Murgitroyd Group plc	Business Services	319	659	1.2	3.1	6.2	1,317
Begbies Traynor Group plc	Financial Services	231	590	1.1	0.6	2.5	2,314
Concateno plc	Healthcare & Education	397	522	0.9	0.5	2.5	2,814
Brulines Holdings plc	Business Services	646	487	0.9	1.9	9.7	2,532
Ffastfill plc	IT & Media	443	402	0.7	1.7	10.1	2,401
MBL Group plc	Consumer markets	536	342	0.6	1.5	4.1	924
Relax Group plc	Consumer markets	263	327	0.6	2.1	12.3	1,867
Driver Group plc	Business Services	438	318	0.6	2.4	11.1	1,459
Praesepe plc	Consumer markets	525	310	0.6	1.4	8.1	1,773
Jelf Group plc	Financial Services	551	304	0.5	1.3	5.2	1,242
Research Now plc	Business Services	263	280	0.5	0.5	2.4	1,360
Mount Engineering plc	Business Services	385	264	0.5	2.3	12.9	1,509
IS Pharma plc	Healthcare & Education	246	258	0.5	1.0	5.9	1,476
InterQuest Group plc	Business Services	310	242	0.4	1.8	7.4	968
Adventis Group plc	IT & Media	281	236	0.4	2.3	8.2	842
Proactis Holdings plc	IT & Media	400	233	0.4	3.0	15.1	1,163

Investment Portfolio

Company	Nature of business	Book cost £'000	Valuation £'000	% of Total assets less current liabilities	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*	Total valuation*
AIM (continued)							
Stagecoach Theatre Arts plc	Consumer markets	419	225	0.4	4.6	9.1	451
Cohort plc	Business Services	179	209	0.4	0.3	1.4	1,017
Kiotech International plc	Healthcare & Education	200	183	0.3	1.3	6.6	917
Tasty plc	Consumer markets	356	181	0.3	1.7	13.0	1,382
Huveaux plc	IT & Media	541	179	0.3	1.4	4.4	572
Vero Software plc	IT & Media	300	160	0.3	3.7	14.3	612
Quadnetics Group plc	Business Services	296	157	0.3	0.7	2.2	528
Prologic plc	IT & Media	310	145	0.3	4.1	15.0	525
Essentially Group Ltd	Business Services	495	142	0.3	1.9	12.1	889
Craneware plc	IT & Media	71	128	0.2	0.2	1.1	660
Plastics Capital plc	Business Services	473	128	0.2	1.8	10.1	729
EG Solutions plc	IT & Media	375	110	0.2	3.1	14.2	509
Autoclenz Holdings plc	Business Services	400	106	0.2	3.1	12.3	422
Claimar Care Group plc	Healthcare & Education	569	94	0.2	1.4	6.9	465
STM Group plc	Financial Services	140	93	0.2	0.5	3.8	651
Colliers CRE plc	Financial Services	470	90	0.2	0.9	2.6	270
Sanderson Group plc	IT & Media	387	70	0.1	1.8	7.1	270
WIN plc	IT & Media	263	65	0.1	1.3	4.9	248
Tangent Communications plc	Business Services	180	59	0.1	0.8	4.7	337
Brainjuicer Group plc	IT & Media	50	58	0.1	0.4	1.8	289
Mission Marketing Group (The) plc	IT & Media	190	45	0.1	0.4	1.5	154
Character Group plc	Consumer markets	144	43	0.1	0.3	2.1	299
Real Good Food Company (The) plc	Consumer markets	540	16	0.0	0.6	2.3	59
Optimisa plc	IT & Media	298	14	0.0	1.5	8.8	79
Zoo Digital Group plc	IT & Media	584	9	0.0	0.3	1.0	24
MKM Group plc	Business Services	284	5	0.0	0.7	2.5	17
INVU plc	IT & Media	35	3	0.0	0.1	1.8	45
Payzone plc	Consumer markets	88	2	0.0	0.0	0.1	9
Silverdell plc	Energy & Environmental	14	1	0.0	0.0	0.2	5
Total AIM		16,446	10,866	19.5			
Listed							
Vectura Group plc	Healthcare & Education	771	1,087	2.0	0.5	1.4	2,948
Total Listed		771	1,087	2.0			
Collective investment vehicles							
Wood Street Microcap Investment Fund		525	516	0.9			
Total collective investment vehicles		525	516	0.9			
Interest bearing securities							
UK Treasury Bill 27/07/09		3,733	3,735	6.7			
UK Treasury 5.75% 07/12/09		3,136	3,122	5.6			
UK Treasury Bill 28/09/09		2,996	2,996	5.4			
UK Treasury Bill 07/09/09		2,493	2,493	4.5			
UK Treasury 4.75% 07/06/10		493	518	0.9			
Total interest bearing securities		12,852	12,864	24.1			
Total investments		51,724	53,354	96.0			
Net current assets less creditors due after 1 year			2,242	4.0			
Net assets			55,596	100.0			

AIM and Listed Portfolio Concentration Analysis at 30 June 2009			
Investment ranking by valuation	Book cost £'000	Valuation £'000	% of AIM and Listed Portfolio
Top Ten	5,169	6,790	56.8
11-20	3,816	2,671	22.3
21-30	3,221	1,612	13.5
30+	5,011	881	7.4
Total	17,217	11,953	100

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

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 interim financial report for the six months ended 30 June 2009 which comprises the Condensed Income Statement, Condensed Balance Sheet, Condensed Reconciliation of Movement in Shareholders' Funds, Condensed Cash Flow Statement and the related explanatory notes. We have read the other information contained in the interim 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 interim financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group 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 interim 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 interim financial report for the six months ended 30 June 2009 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.

Alastair W S Barbour
for and on behalf of KPMG Audit Plc
Chartered Accountants, Edinburgh
11 August 2009

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 12 is a fair review of the information required by DTR 4.2.7R; 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 entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board,
M Cannon Brookes
Chairman
11 August 2009

Unaudited Income Statement

For the six months to 30 June 2009

	Six months to 30 June 2009			Six months to 30 June 2008			Year to 31 December 2008*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains/(losses) on investments	-	2,438	2,438	-	(7,785)	(7,785)	-	(8,894)	(8,894)
Realised (losses)/gains on investments	-	(15)	(15)	-	3,393	3,393	-	(808)	(808)
Income	678	-	678	1,400	-	1,400	2,255	-	2,255
Recoverable VAT	(2)	(6)	(8)	-	-	-	266	1,038	1,304
Investment management fee	(170)	(510)	(680)	(227)	(679)	(906)	(405)	(1,215)	(1,620)
Other expenses	(166)	-	(166)	(153)	-	(153)	(362)	-	(362)
Profit/(loss) on ordinary activities before taxation	340	1,907	2,247	1,020	(5,071)	(4,051)	1,754	(9,879)	(8,125)
Taxation on ordinary activities	(54)	54	-	(238)	238	-	(433)	433	-
Profit/(loss) on ordinary activities after taxation	286	1,961	2,247	782	(4,833)	(4,051)	1,321	(9,446)	(8,125)
Return per share:									
Basic	0.53p	3.65p	4.18p	1.44p	(8.89)p	(7.45)p	2.44p	(17.43)p	(14.99)p

*These figures are audited.

Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 30 June 2009

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000*
Opening shareholders' funds	55,136	65,221	65,221
Profit/(loss) for the period	2,247	(4,051)	(8,125)
Increase/(decrease) in share capital in issue	1,524	(1,011)	1,118
Purchase of shares for treasury	(816)	(51)	(1,398)
Expenses of share issue and conversion of share premium	(80)	1,118	(1,629)
Dividends paid	(2,415)	-	(51)
Closing shareholders' funds	55,596	61,226	55,136

*These figures are audited.

Notes

- The unaudited interim results which cover the six months to 30 June 2009 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 period ended 31 December 2008.
- Return per share is based on a weighted average of 53,697,653 ordinary shares in issue (31 December 2008 - 54,385,064 ordinary shares).
- Earnings for the first six months to 30 June 2009 should not be taken as a guide to the results of the full financial year.
- During the six months ended 30 June 2009 the Company issued 1,472,556 ordinary shares pursuant to the offer for subscription at an offer price of 103.5p per share which raised £1,524,095, before costs. During this period the Company purchased 915,166 ordinary shares to be held in Treasury at a cost of £816,926. At 30 June 2009 the Company holds 5,467,317 ordinary shares in Treasury. Excluding Treasury shares, there were 54,232,236 ordinary shares in issue at 30 June 2009 (31 December 2008 - 53,674,846 ordinary shares and 30 June 2008 - 54,091,997 ordinary shares).
- The interim dividend of 3 pence per ordinary share (0.5 pence revenue and 2.5 pence capital) will be paid on 7 September 2009 to shareholders on the register on 21 August 2009. The ex-dividend date is 19 August 2009.
- The financial information contained in this half year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The information for the year ended 31 December 2008 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2008, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2008 have been reported on by the Companies auditors or delivered to the Registrar of Companies.
- Copies of the Interim Report have been mailed to shareholders and are available from the Registered Office of the Company at 100 Wood Street, London EC2V 7AN.

Unaudited Balance Sheet

	As at 30 June 2009 Total £'000	As at 30 June 2008 Total £'000	As at 31 December 2008 Total £'000*
Fixed assets			
Unquoted investments	28,021	26,145	27,821
Traded on AIM	10,866	13,758	9,128
Quoted on FTSE SmallCap	1,087	720	804
Collective investment vehicles	516	-	-
Interest bearing securities	12,864	19,128	14,203
	53,354	59,751	51,956
Current assets			
Debtors	236	539	2,000
Cash at bank and on deposit	2,490	1,556	1,732
	2,726	2,095	3,732
Creditors (amounts falling due within one year)	(484)	(620)	(493)
Net current assets	2,242	1,475	3,239
Net assets	55,596	61,226	55,136
Capital and reserves			
Called-up share capital	5,970	5,823	5,822
Share premium account	8,065	6,768	6,768
Capital redemption reserve	10,862	10,862	10,862
Revaluation reserve	1,630	791	(1,765)
Profit and loss account	29,069	36,982	33,449
Equity shareholders' funds	55,596	61,226	55,136

	As at 30 June 2009 Ordinary Shares	As at 30 June 2008 Ordinary Shares	As at 31 December 2008 Ordinary Shares*
Net asset value per share	102.51p	113.19p	102.72p
Number of ordinary shares in issue	54,232,236	54,091,997	53,674,846
Treasury net asset value per share	101.49p	112.57p	101.77p
Number of ordinary shares in issue	54,232,236	54,091,997	53,674,846
Number of ordinary shares held in Treasury	5,467,317	4,135,000	4,552,151
Number of listed ordinary shares	59,699,553	58,226,997	58,226,997

*These figures are audited.

Unaudited Statement of Cash Flows

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000*
Net cash inflow from operating activities	1,123	452	951
Capital expenditure and financial investment	1,423	(3,528)	(1,830)
Equity dividends paid	(2,415)	5	(1,629)
Net cash inflow/(outflow) before financing	131	(3,071)	(2,508)
Net cash inflow/(outflow) from financing	627	56	(331)
Increase/(decrease) in cash	758	(3,015)	(2,839)
Reconciliation of net cash flow to movement in cash			
Increase/(decrease) in cash	758	(3,015)	(2,839)
Opening net cash	1,732	4,571	4,571
Net cash at 30 June/31 December	2,490	1,556	1,732
Reconciliation of operating profit before taxation to net cash flow from operating activities			
Profit/(loss) on ordinary activities before taxation	2,247	(4,051)	(8,125)
Unrealised (gains)/losses on investments	(2,438)	7,785	8,894
Loss/(profit) on realisation of investments	15	(3,393)	808
Changes in working capital and other non-cash items	1,299	111	(626)
Net cash (outflow)/inflow from operating activities	1,123	452	951

*These figures are audited.

Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal risks, risk management and regulatory environment within the Business Review in the Company's Annual Report and Accounts for the year ended 31 December 2008. 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 ended 31 December 2008. During the period the Company has incurred management fees of £680,000 and secretarial and accounting fees of £48,000 payable to the Manager.

Shareholder Information and Contact Details

Enquiries

Shareholders should contact the following regarding queries:

Basic contact details, ie change of address, joining the DRIP queries re: share and tax certificates and bank mandate forms:
Computershare (Company Registrar)

www-uk.computershare.com/investor

Investors who hold ordinary shares in their own name can check their holdings on our Registrar's website www-uk.computershare.com. Please note that to access this facility investors will need to quote the reference number shown on their share certificate.

Alternatively, by registering for the Investors' Centre facility on Computershare's website, investors can view details of all their holdings for which Computershare is Registrar, as well as access additional facilities and documentation. Please see www.investorcentre.co.uk for further information.

Shareholder Helpline

Tel: 0870 703 0137 (Calls charged at national rate).

The Shareholder Helpline is available on UK business days between Monday and Friday, 8.30 am to 5 pm. The helpline contains automated self-service functionality which is available 24 hours a day, 7 days a week. Using your Shareholder Reference Number which is available on your share certificate or dividend tax voucher, our self-service functionality will enable you achieve the following things:

Automated Functions

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

e-mail: web.queries@computershare.co.uk



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

ISIS EP LLP (the Investment Manager) at www.isisep.com

e-mail: michael.probin@isisep.com; paul.forster@isisep.com; margaret.barff@isisep.com

Tel: Michael Probin 020 7506 5796; Paul Forster 020 7506 5652; Margaret Barff 020 7506 5630.



The Baronsmead website (www.baronsmeadvcts.co.uk) links to helpful sites, contains details of the team and some case studies of investments.

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.

The market makers in the shares of Baronsmead VCT 3 plc are:

Matrix Corporate Capital 020 3206 7000

Singer Capital Markets 020 3205 7500

Winterflood 020 3400 0251

Financial Calendar

November 2009 Quarterly fact sheet to 30 September 2009

February 2010 Results for year to 31 December 2009 announced and annual report and accounts sent to shareholders

May 2010 Annual General Meeting

Corporate Information

Directors

Mark Cannon Brookes (Chairman)*
Andrew Karney†
Gillian Nott OBE
Robert Owen
Anthony Townsend

Secretary

Paul Forster, FCIS

Registered Office

100 Wood Street
London EC2V 7AN

Investment Manager

ISIS EP LLP
100 Wood Street
London EC2V 7AN

Investor Relations

Michael Probin
020 7506 5796

Registered Number

04115341

*Chairman of the Audit Committee

†Senior Independent Director

Registrars and Transfer Office

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PO Box 82
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Auditors

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Edinburgh EH1 2EG

Brokers

Matrix Corporate Capital LLP
One Vine Street
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Solicitors

Norton Rose
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London SE1 2AQ

VCT Status Adviser

PricewaterhouseCoopers LLP
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London WC2N 6RH

Website

www.baronsmeadvct3.co.uk

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. Stock markets 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.