

# BARONSMEAD

Baronsmead VCT 3 plc

# 2013

Half-yearly report  
for the six months ended  
30 June 2013



## 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 7.5p 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.

In November 2012, the Company announced a change to its share price discount policy whereby the Company would seek to narrow the discount between the share price and the net asset value by buying back shares at a 5 per cent discount to net asset value instead of 10 per cent.

### 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 December 2012, the Company's offer for subscription to raise £5 million (£4.7 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 354,000 shares were bought in this way between January and June 2013.
- **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 2013, 770,000 shares were bought back representing 1 per cent of the shares in issue at 30 June 2013 at prices which represented an average discount of 5 per cent to the latest published net asset values.
- **Secondary market** | The Company's shares are listed on the London Stock Exchange and can be bought using a stockbroker or authorised share dealing service in the same way as shares of any other listed company. In addition to the shares bought by participants of the Dividend Reinvestment Plan, approximately 163,000 shares were bought by investors in the Company's existing shares in the six months to 30 June 2013.

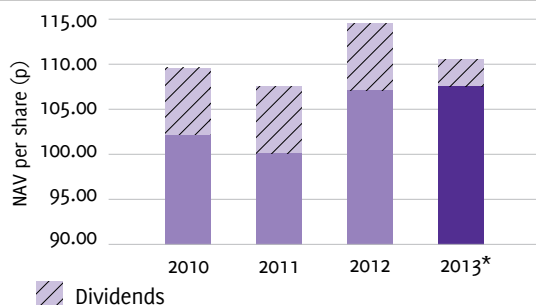
[www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk)

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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

### Net asset value per share



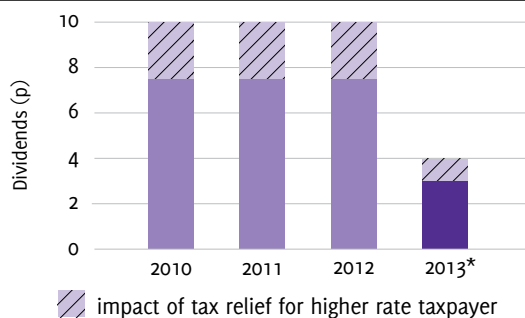
Net asset value ("NAV") per share increased 3.2 per cent to 110.55p in the six months ended 30 June 2013, before deduction of the interim dividend.

**+ 3.2%**

■ Dividends

\* six months to 30 June 2013.

### Dividends in the year



Interim dividend of 3.0p for the six month period to 30 June 2013.

**3.0p**

■ impact of tax relief for higher rate taxpayer

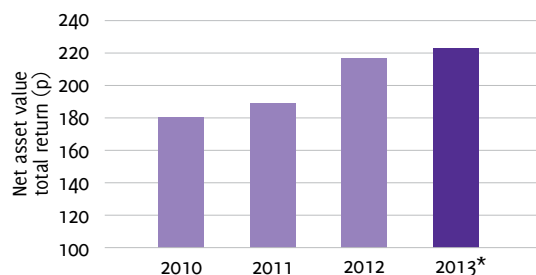
\* six months to 30 June 2013.

### Investments made

**£3.9m**

Invested in seven new and six follow on investments in the six months to 30 June 2013.

### Net asset value total return



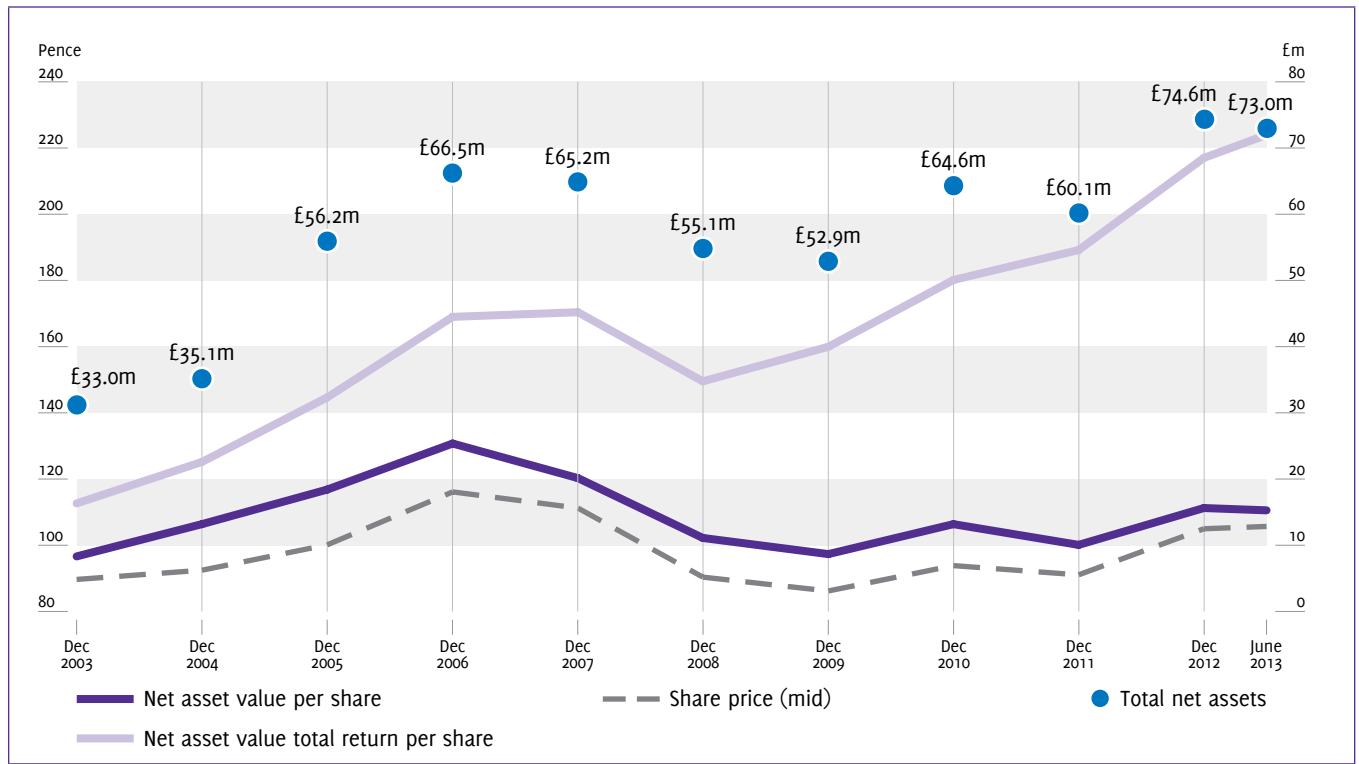
NAV total return to shareholders for every 100.0p invested at launch.

**224.1p**

\* six months to 30 June 2013.

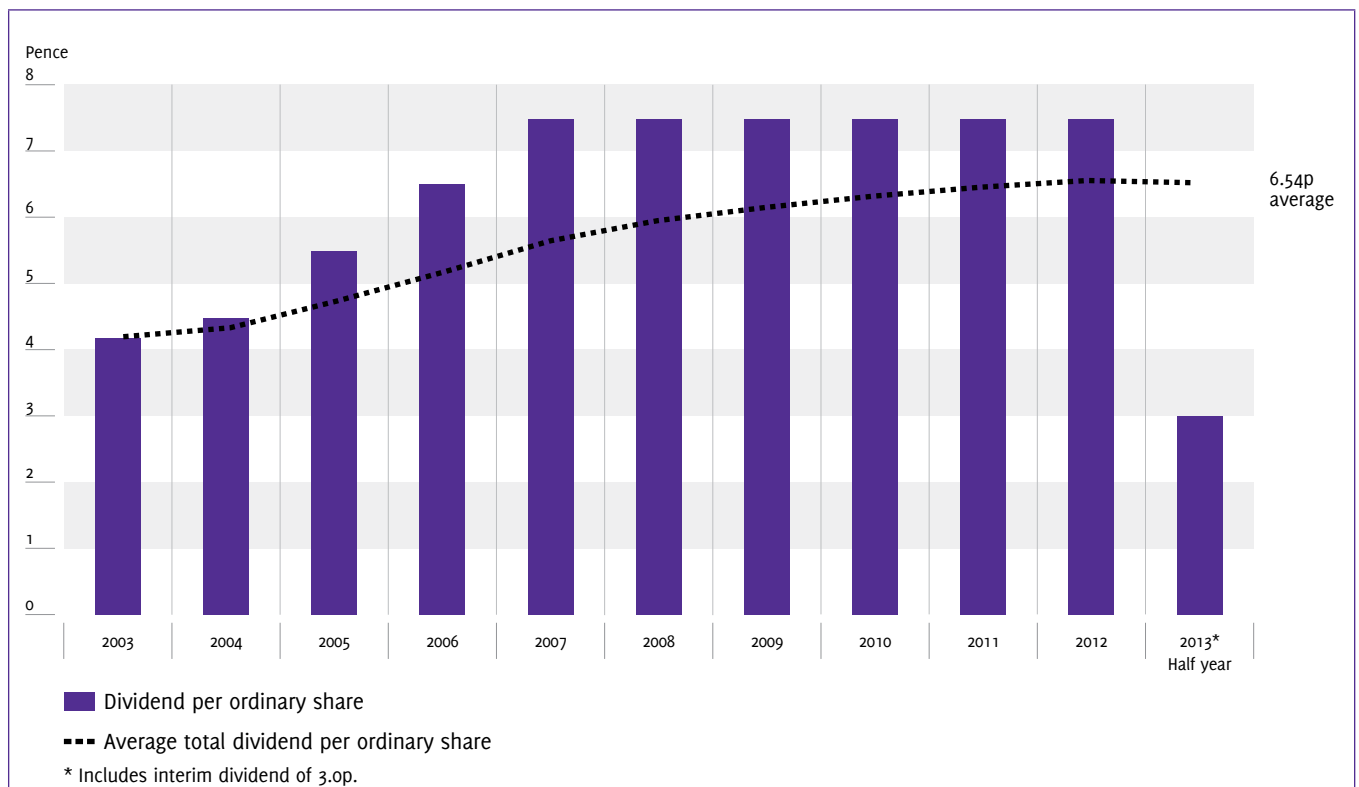
# Performance Summary

## Performance Record in the last ten years



Source: ISIS EP LLP

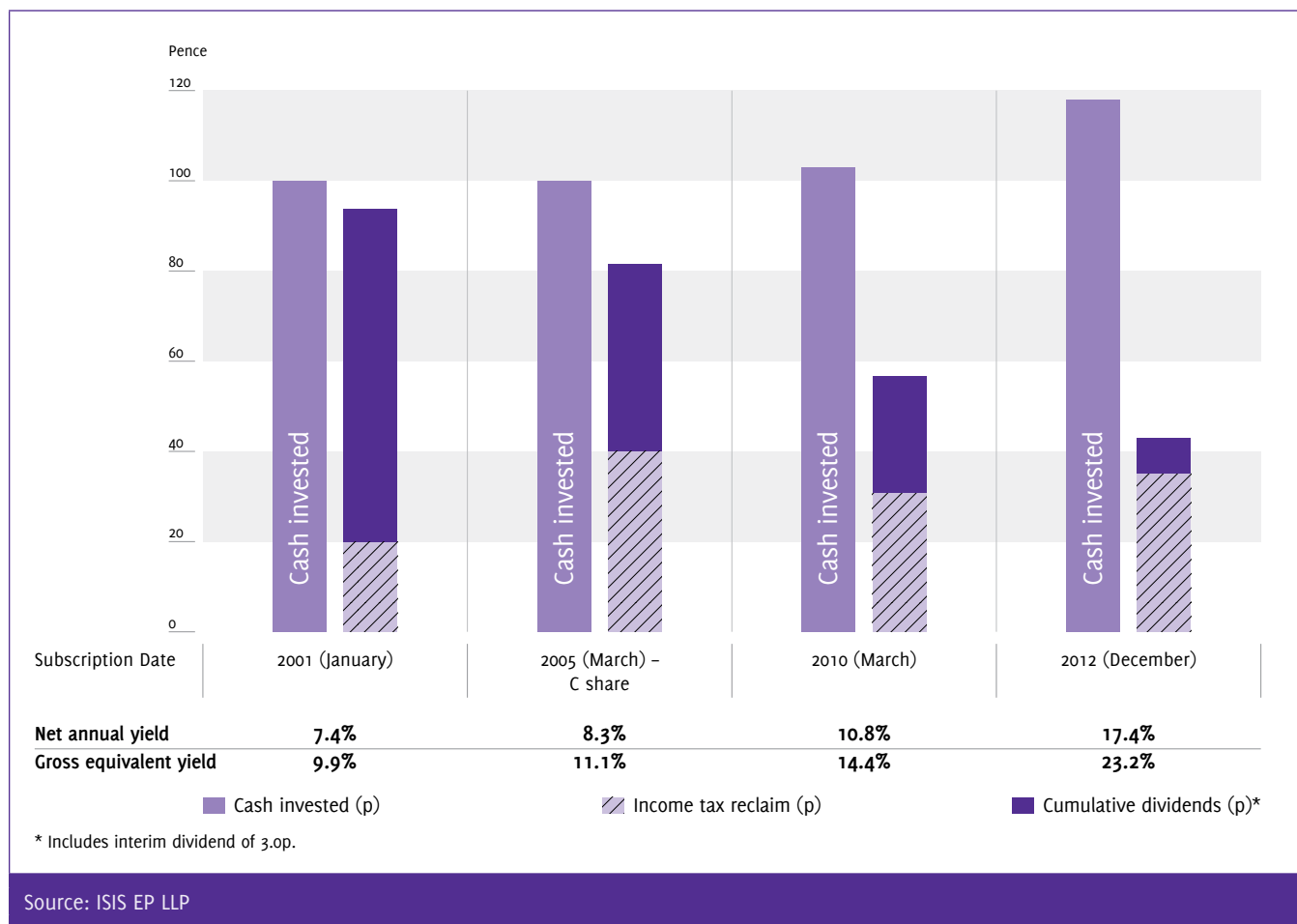
## Dividend History in the last ten years



Source: ISIS EP LLP

# Performance Summary

## Cash Returned to Shareholders by date of investment



## Chairman's Statement



Anthony Townsend Chairman

I am delighted to report an uplift of 3.43p in the Net Asset Value ("NAV") for the six months to 30 June 2013 together with a good level of new investments and realisations. An interim dividend of 3p will be paid from profits realised during the period.

### RESULTS AND DIVIDEND

The NAV increased during the period from 107.12p to 110.55p per share before taking account of the interim dividend of 3p.

	Pence per ordinary share
<b>NAV as at 1 January 2013</b> (after the final dividend of 4.5p is deducted) Valuation uplift (3.2 per cent)	<b>107.12</b>  3.43
<b>NAV as at 30 June 2013</b>	<b>110.55</b>
Less interim dividend payable on 20 September to shareholders on the register on 6 September 2013	(3.00)
<b>NAV as at 30 June 2013</b> (after deduction of the interim dividend)	<b>107.55</b>

The Company has paid a consistent annual dividend of 7.5p for 6 years which equates to a dividend yield of 7.1 per cent based on the 28 June 2013 mid share price of 105.88p (equivalent to 9.5 per cent for a higher rate tax payer).

### LONG TERM PERFORMANCE

Since inception in 2001, the Company's objective has been to generate consistent returns over the long-term through investing in a diverse portfolio of established and profitable unquoted and AIM traded companies. The Directors are pleased that this objective continues to be achieved as demonstrated by the NAV total return of 224.1p for every 100p invested since inception before taking account of the tax reliefs on both the initial investment and on the 73.8p of dividends paid (including the declared interim dividend). This compares favourably with an equivalent return of 165.8p for the FTSE All-Share during the same period.

The full record of performance is set out on our website, [www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk).

### PORTFOLIO REVIEW

#### Portfolio performance

The unquoted portfolio valuation has remained steady during the period partly reflecting the number of newer investments still held at cost. The largest valuation movement in the unquoted portfolio has been an uplift of £1.0 million in the value of CableCom. The quoted portfolio continued to make good progress with a 4 per cent overall increase in value. This was achieved despite a fall of £0.97 million in the value of IDOX following a market correction after a strong increase during the previous twelve months. However, the Company sold one third of its holding in IDOX earlier in the year, realising a profit of £1.4 million.

#### New investments

This has been a busy six months for new investment activity with a total of seven new investments completed as well as a number of follow on funding rounds. The Company invested £2.6 million in 3 new unquoted companies, £1.0 million in Create Health, a fertility clinic, £0.9 million in Eque2, which delivers software expertise to the construction and contracting sector and £0.7 million in Armstrong Craven, a provider of research services to Human Resource departments of leading global corporates.

## Chairman's Statement

In addition, immediately following the period end an unquoted investment was made in Luxury for Less, an online bathroom products retailing business using an existing acquisition vehicle. Also after the period end an investment of £0.95 million was made in Key Travel, a travel management company focused on the not-for-profit sector. A total investment of £0.7 million was made in four new quoted companies during the period.

These above new investments operate in four of the five sectors on which the Investment Manager ISIS focuses and in which it has built strong experience and a consistent track record.

Full details regarding the investments during the period are set out in the table on page 8.

### Growth Fund

The Company's unquoted strategy has always been to invest in larger, established companies in the VCT sector alongside other funds managed by ISIS. Since 2004, the Company has co-invested with the other Baronsmead VCTs (BVCTs) however prior to that date the BVCTs also invested alongside funds managed by the Manager for its Institutional clients. In the March 2012 Budget the Government announced a restriction of £5 million to the amount of investment a company could accept from state aided funds in any 12 month period. Since VCTs are categorised as state aided funds this placed a restriction on the level of investment the BVCTs on a combined basis could make annually in any company.

The Directors are therefore pleased to report that ISIS has succeeded in raising a fund from non state aided sources, ISIS Growth I LP ("the Growth Fund"), with £50 million of commitments from leading UK and international institutional investors, specifically for the purpose of investing alongside the BVCTs in unquoted companies. This will enable the Company to participate in unquoted investments where the initial commitment exceeds £5 million. This is a considerable benefit for the VCTs as companies of this size, whilst still small and developing, tend to be more stable and it will give the Baronsmead VCTs a valuable competitive advantage in this sector of the unquoted market. Investments alongside the Growth Fund will be made in accordance with an agreed allocation basis and on the same terms. The Board would like to congratulate ISIS on this innovative solution.

The Growth Fund commenced on 31 May 2013 and three of the unquoted investments mentioned above, Armstrong Craven, Luxury for Less and Key Travel were companies in which both the BVCTs and the Growth Fund invested.

### Investment realisations

A total of £7.2 million was realised from the total sale of three investments and one partial realisation detailed in the table on page 9 all achieving sizeable uplifts in valuation. The sale of unquoted investments in MLS and Independent Living Services generated multiples of 2.8 and 2.5 times original cost respectively. The sale of a quoted investment, FFastFill plc, realised a multiple of 2.8 and the partial realisation of the Company's holding in IDOX realised a multiple of 5.7 times the original cost of the shares sold.

## SHAREHOLDER MATTERS

### Fundraising

The Board is currently considering raising further funds in the current tax year. It is currently anticipated that the subscription documentation, which will contain the full terms and conditions, will be available in early 2014. Shareholders will be sent the subscription documentation as soon as it is published.

### Share price discount policy

Progress has been made in reducing the difference between the share price and the net asset value of the Company's shares. The mid share price discount to NAV averaged 5 per cent in the six months to 30 June 2013 compared to the previous policy of 10 per cent. The Company bought back 770,000 shares during this period (1.0 per cent of the shares in issue at the end of the period) at a discount to NAV of approximately 5 per cent.

The new share price discount policy will be kept under continuous review and may be subject to revision. Shares will be bought back depending on market conditions at the time and only where the Directors believe it to be in the best interests of all shareholders.

# Chairman's Statement

## OUTLOOK

There appears to be a growing consensus that the outlook for the UK economy is improving although it is still considered to be fragile and a recovery is not certain. Nevertheless there is a greater degree of optimism than has existed for many years which is reflected in the investment opportunities being presented to the Manager. The Company's portfolio has demonstrated a high degree of resilience throughout the downturn which is a testament to the expertise and skill of the Investment Manager which has steered its investments through the difficult times, increasing profits and employment and achieving some successful exits.

The current portfolio remains widely diversified, well resourced and adequately funded. There are also encouraging signs that the number of available investment opportunities is increasing with five unquoted investments completed so far in 2013. We believe that the Company is well placed to take advantage of any upturn should it occur.

**Anthony Townsend**

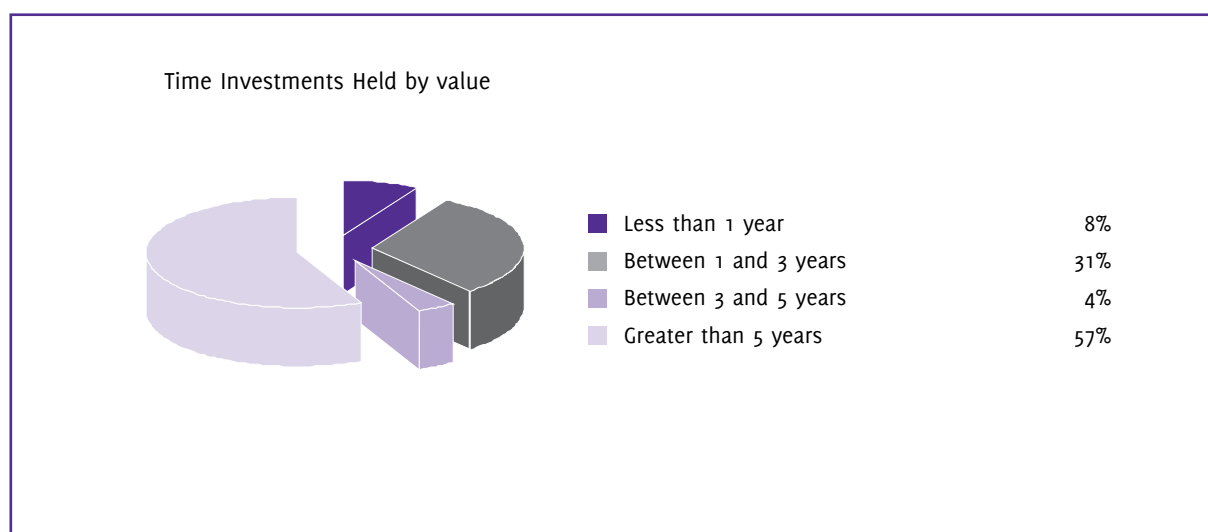
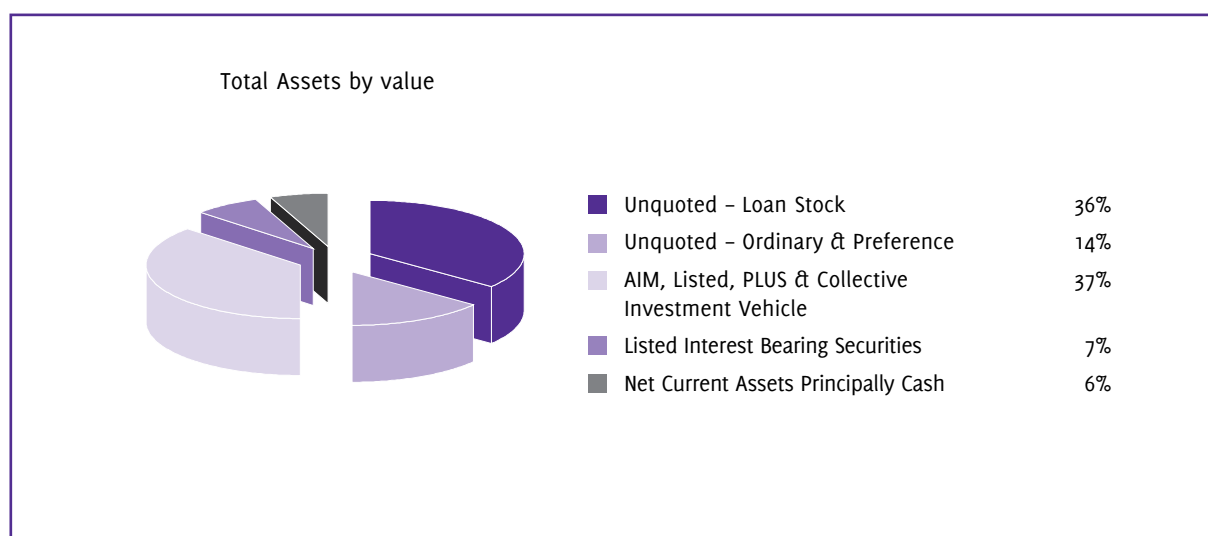
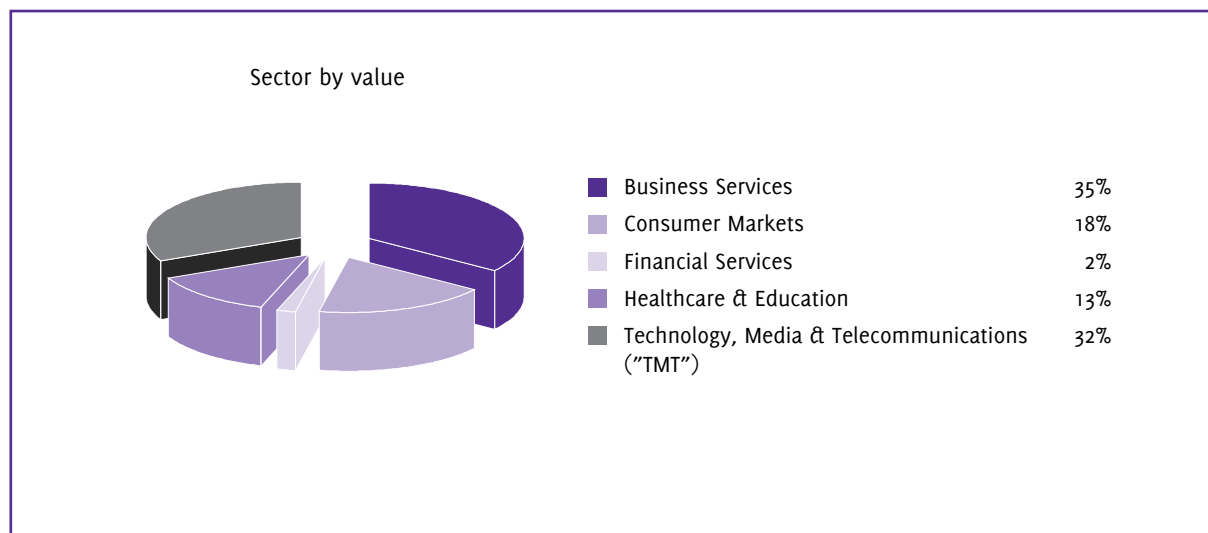
Chairman

16 August 2013



# Summary Investment Portfolio

## Investment Classification at 30 June 2013



## Table of Investments and Realisations

### Investments in the six month period

Company	Location	Sector	Activity	Book cost £'000
<b>Unquoted investments</b>				
<i>New</i>				
Create Health Limited	London	Healthcare & Education	Provider of fertility services	1,065
Eque2 Limited	Manchester	TMT*	Enterprise resource planning (ERP) solutions provider to the construction industry	877
Armstrong Craven Limited	Manchester	Business Services	Provider of executive search and business intelligence services	673
<i>Follow on</i>				
Impetus Holdings Limited	London	Business Services	Automotive consultancy and outsourced service provider	248
Playforce Holdings Limited	Melksham	Business Services	Design and installation of playground equipment	163
<b>Total unquoted investments</b>				<b>3,026</b>
<b>AIM-traded, listed &amp; PLUS investments</b>				
<i>New</i>				
Bioventix plc	Farnham, Surrey	Healthcare & Education	Develops sheep monoclonal antibodies	227
Ideagen plc	Matlock	TMT*	Compliance software solutions	225
Pinnacle Technology Group plc	Stirlingshire	TMT*	B2B telecoms and IT reseller	169
One Media iP Group plc	Buckinghamshire	TMT*	Content acquisition and distribution	56
<i>Follow on</i>				
TLA Worldwide plc	London	Business Services	Baseball sports management and marketing business	113
Green Compliance plc	Worcester	Business Services	Small business compliance	50
Accumuli plc	Salford	TMT*	Managed IT security	40
Tangent Communications plc	London	Business Services	Digital direct marketing	40
<b>Total AIM-traded, listed &amp; PLUS investments</b>				<b>920</b>
<b>Total investments in the period</b>				<b>3,946</b>

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

## Table of Investments and Realisations

### Realisations in the six month period

Company		First investment date	31 December 2012 valuation £'000	Proceeds† £'000	Overall multiple return*
<b>Unquoted realisations</b>					
MLS Limited	Full trade sale	Jul 06	956	984	2.8
Kidsunlimited Group Limited	Loan note redemption	Jun 01	113	176	†
Independent Living Services Limited	Full trade sale	Sep 05	3,322	3,426	2.5
<b>Total unquoted realisations</b>			<b>4,391</b>	<b>4,586</b>	
<b>AIM-traded &amp; listed realisations</b>					
FFastFill plc	Full trade sale	Jun 07	612	874	2.8
IDOX plc	Market sale	Jan 09	1,725	1,752	5.7
<b>Total AIM-traded &amp; listed realisations</b>			<b>2,337</b>	<b>2,626</b>	
<b>Total realisations in the period</b>			<b>6,728</b>	<b>7,212</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.

† Kidsunlimited Group Limited was realised in April 2008. As part of the consideration, Baronsmead VCT 3 received £113,000 in loan stock, which was redeemed in April 2013. The overall multiple return for the investment in Kidsunlimited was 4.9 times original cost.

# 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 2013 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 2013 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 Audit Plc  
Chartered Accountants  
Edinburgh  
16 August 2013

## 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

16 August 2013

# Unaudited Income Statement

For the six months to 30 June 2013

	Six months to 30 June 2013			Six months to 30 June 2012			Year to 31 December 2012*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	-	2,090	2,090	-	5,206	5,206	-	9,373	9,373
Realised (losses)/gains on investments	-	(443)	(443)	-	285	285	-	426	426
Income	1,716	-	1,716	343	-	343	1,187	-	1,187
Investment management fee	(221)	(662)	(883)	(202)	(606)	(808)	(409)	(1,228)	(1,637)
Other expenses	(212)	-	(212)	(188)	-	(188)	(390)	-	(390)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>1,283</b>	<b>985</b>	<b>2,268</b>	<b>(47)</b>	<b>4,885</b>	<b>4,838</b>	<b>388</b>	<b>8,571</b>	<b>8,959</b>
Taxation on ordinary activities	(240)	240	-	-	-	-	(25)	25	-
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>1,043</b>	<b>1,225</b>	<b>2,268</b>	<b>(47)</b>	<b>4,885</b>	<b>4,838</b>	<b>363</b>	<b>8,596</b>	<b>8,959</b>
<b>Return per ordinary share:</b>									
Basic	1.57p	1.84p	3.41p	(0.08)p	7.82p	7.74p	0.58p	13.67p	14.25p

\* Figures as at 31 December 2012 are audited.

# Unaudited Reconciliation of Movement in Shareholders' Funds

For the six months to 30 June 2013

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012* £'000
<b>Opening shareholders' funds</b>	<b>74,562</b>	60,095	60,095
Profit for the period	<b>2,268</b>	4,838	8,959
Gross proceeds of share issues	-	4,135	9,135
Purchase of shares for treasury	<b>(812)</b>	(616)	(1,260)
Expenses of share issue and buybacks	<b>(5)</b>	(199)	(474)
Other costs charged to capital	<b>(5)</b>	-	-
Dividends paid	<b>(3,006)</b>	-	(1,893)
<b>Closing shareholders' funds</b>	<b>73,002</b>	68,253	74,562

\* Figures as at 31 December 2012 are audited.

## Notes

- The unaudited interim results which cover the six months to 30 June 2013 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year to 31 December 2012.
- Return per share is based on a weighted average of 66,588,782 ordinary shares in issue (30 June 2012 – 62,481,892 ordinary shares; 31 December 2012 – 62,863,845 ordinary shares).
- Earnings for the first six months to 30 June 2013 should not be taken as a guide to the results of the full financial year to 31 December 2013.
- During the six months to 30 June 2013 the Company purchased 770,000 ordinary shares to be held in treasury at a cost of £812,000. At 30 June 2013, 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.  
Excluding treasury shares, there were 66,032,705 ordinary shares in issue at 30 June 2013 (30 June 2012 – 63,194,037 ordinary shares; 31 December 2012 – 66,802,705 ordinary shares).
- The interim dividend of 3p per ordinary share (1.5p revenue and 1.5p capital) will be paid on 20 September 2013 to shareholders on the register on 6 September 2013. The ex-dividend date is 4 September 2013.
- 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 2012 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2012, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2012 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
- Copies of the half-yearly financial report have been 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 2013

	As at 30 June 2013 £'000	As at 30 June 2012 £'000	As at 31 December 2012* £'000
<b>Fixed assets</b>			
Unquoted investments	36,590	35,348	37,084
Traded on AIM	19,784	18,305	20,833
Listed on LSE	1,787	1,601	1,808
Traded on PLUS	264	-	-
Collective investment vehicle – Wood Street Microcap Investment Fund	5,131	3,769	4,525
Listed interest bearing securities	4,997	7,377	2,490
<b>Investments</b>	<b>68,553</b>	66,400	66,740
<b>Current assets</b>			
Debtors	347	305	5,261
Cash at bank	2,883	2,052	1,438
Cash on deposit	2,000	-	1,800
	<b>5,230</b>	2,357	8,499
<b>Creditors</b> (amounts falling due within one year)	<b>(781)</b>	(504)	(677)
<b>Net current assets</b>	<b>4,449</b>	1,853	7,822
<b>Net assets</b>	<b>73,002</b>	68,253	74,562
<b>Capital and reserves</b>			
Called-up share capital	7,573	7,147	7,573
Share premium account	22,866	18,566	22,866
Capital redemption reserve	10,862	10,862	10,862
Capital reserve	18,874	22,047	18,928
Revaluation reserve	11,434	9,357	13,649
Revenue reserve	1,393	274	684
<b>Equity shareholders' funds</b>	<b>73,002</b>	68,253	74,562

\* Figures as at 31 December 2012 are audited.

	As at 30 June 2013	As at 30 June 2012	As at 31 December 2012*
<b>Net asset value per share</b>	<b>110.55p</b>	108.01p	111.62p
Number of ordinary shares in circulation	66,032,705	63,194,037	66,802,705
<b>Treasury net asset value per share</b>	<b>109.96p</b>	106.56p	110.88p
Number of ordinary shares in circulation	66,032,705	63,194,037	66,802,705
Number of ordinary shares held in treasury	9,699,214	8,279,214	8,929,214
Number of listed ordinary shares in issue	75,731,919	71,473,251	75,731,919

\* Figures as at 31 December 2012 are audited.



# Unaudited Cash Flow Statement

For the six months to 30 June 2013

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012* £'000
Net cash inflow/(outflow) from operating activities	665	(383)	(606)
Capital expenditure and financial investment	61	(1,568)	2,400
Equity dividends paid	(3,006)	-	(1,893)
Net cash outflow before financing	(2,280)	(1,951)	(99)
Net cash inflow from financing	3,925	3,320	2,654
<b>Increase in cash at bank and on deposit</b>	<b>1,645</b>	<b>1,369</b>	<b>2,555</b>
<b>Reconciliation of net cash inflow to movement in net cash at bank and on deposit</b>			
Increase in cash at bank and on deposit	1,645	1,369	2,555
Opening cash position	3,238	683	683
<b>Closing cash position</b>	<b>4,883</b>	<b>2,052</b>	<b>3,238</b>
<b>Reconciliation of profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities</b>			
Profit on ordinary activities before taxation	2,268	4,838	8,959
Gains on investments	(1,647)	(5,491)	(9,799)
Changes in working capital and other non-cash items	44	270	234
<b>Net cash inflow/(outflow) from operating activities</b>	<b>665</b>	<b>(383)</b>	<b>(606)</b>

\* Figures as at 31 December 2012 are audited.

## Principal Risks and Uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal risks, risk management and regulatory environment within the Business Review and Notes in the Company's Annual Report and Accounts for the year to 31 December 2012. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

ISIS EP LLP ('the Manager') manages the investments of the Company. The Manager also provides or procures the provision of secretarial, accounting, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2.5 per cent per annum of the net assets of the Company. This is described in more detail under the heading Management within the Report of the Directors in the Company's Annual Report and Accounts for the year to 31 December 2012. During the period, the Company has incurred management fees of £883,000 and secretarial and accounting fees of £65,000 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 2013, the Company held cash balances & investments in UK Gilts with a combined value of £9,880,000. 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 2013 Valuation £'000	31 December 2012 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds <sup>#</sup>
<b>Unquoted</b>							
CableCom Networking Holdings Limited	TMT*	1,381	5,361	4,328	7.3	10.6	48.0
Nexus Vehicle Holdings Limited	Business Services	2,368	4,616	4,768	6.3	12.3	56.0
CSC (World) Limited	TMT*	1,606	2,826	2,410	3.9	8.8	40.0
Kafevend Holdings Limited	Consumer Markets	1,252	2,683	2,956	3.7	15.8	66.5
Crew Clothing Holdings Limited	Consumer Markets	1,344	2,485	3,020	3.4	6.1	25.5
Valldata Group Limited	Business Services	1,616	2,168	1,754	3.0	8.8	39.8
Inspired Thinking Group Limited	Business Services	796	1,825	1,571	2.5	5.0	22.5
Fisher Outdoor Leisure Holdings Limited	Consumer Markets	1,423	1,682	1,656	2.3	10.5	44.0
Independent Community Care Management Limited	Healthcare & Education	1,346	1,569	1,491	2.1	10.9	55.0
Impetus Holdings Limited	Business Services	1,305	1,174	1,057	1.6	7.8	39.3
Pho Holdings Limited	Consumer Markets	987	1,095	987	1.5	5.5	28.0
Create Health Limited	Healthcare & Education	1,065	1,065	-	1.4	5.7	29.0
Arcas Investments Limited	Business Services	1,000	1,000	1,000	1.4	9.6	48.6
Consumer Investment Partners Limited	Consumer Markets	1,000	1,000	1,000	1.4	9.6	48.6
HealthTech Innovation Partners Limited	Healthcare & Education	1,000	1,000	1,000	1.4	9.6	48.6
Quest Venture Partners Limited	Business Services	1,000	1,000	1,000	1.4	9.6	48.6
Riccal Investments Limited	Business Services	1,000	1,000	1,000	1.4	9.6	48.6
Equez Limited	TMT*	877	877	-	1.2	7.6	38.5
Happy Days Consultancy Limited	Healthcare & Education	833	833	833	1.1	8.4	42.5
Armstrong Craven Limited	Business Services	673	673	-	0.9	7.7	46.0
Playforce Holdings Limited	Business Services	1,196	658	512	0.9	16.5	75.0
Carnell Contractors Limited	Business Services	941	0	0	0.0	##	##
Empire World Trade Limited	Business Services	1,297	0	0	0.0	‡	‡
Music Festivals plc Loan note	Consumer Markets	400	0	0	0.0	N/A	N/A
Surgi C Limited	Healthcare & Education	1,102	0	350	0.0	13.3	57.5
Xention Discovery Limited	Healthcare & Education	893	0	0	0.0	0.4	3.0
<b>Total unquoted</b>		<b>29,701</b>	<b>36,590</b>		<b>50.1</b>		
<b>AIM</b>							
IDOX plc	TMT*	614	2,466	5,184	3.4	1.8	5.0
Netcall plc	TMT*	869	1,931	1,337	2.6	4.1	20.5
Murgitroyd Group plc	Business Services	319	1,265	1,173	1.7	3.0	5.9
Jelf Group plc	Financial Services	761	1,072	1,024	1.5	1.5	5.8
Driver Group plc	Business Services	563	1,059	786	1.4	4.1	19.4
Tasty plc	Consumer Markets	469	1,008	595	1.4	2.5	17.1
Accumuli plc	TMT*	505	990	636	1.4	4.5	24.7
TLA Worldwide plc	Business Services	733	927	589	1.3	4.2	20.4
Escher Group Holdings plc	TMT*	614	802	885	1.1	1.9	9.7
Anpario plc	Healthcare & Education	275	690	506	0.9	2.0	14.7
Dods (Group) plc	TMT*	1,219	577	649	0.8	4.2	20.1
Inspired Energy plc	Business Services	300	476	405	0.7	2.4	11.8
Sinclair IS Pharma plc	Healthcare & Education	524	475	490	0.7	0.4	2.2
Plastics Capital plc	Business Services	473	449	317	0.6	1.7	9.8
Synectics plc	Business Services	296	442	352	0.6	0.6	2.1
Tangent Communications plc	Business Services	523	439	495	0.6	2.2	11.3
Hangar8 plc	Business Services	388	406	456	0.6	3.0	14.0
Electric Word plc	TMT*	696	387	366	0.5	5.1	27.7
Vianet Group plc	Business Services	646	378	508	0.5	1.9	9.7
Sanderson Group plc	TMT*	387	364	379	0.5	1.8	6.8
GB Group plc	TMT*	150	360	341	0.5	0.3	1.7
EG Solutions plc	TMT*	375	331	379	0.5	2.8	12.7
InterQuest Group plc	Business Services	310	324	265	0.4	1.7	6.7
PROACTIS Holdings plc	TMT*	619	290	426	0.4	5.4	26.3
Paragon Entertainment Limited	Consumer Markets	200	263	300	0.4	3.1	17.3
Ideagen plc	TMT*	225	222	-	0.3	1.0	4.3
Brady plc	TMT*	176	208	292	0.3	0.4	2.1

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

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

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

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

# Appendix

## Full Investment Portfolio

Company	Sector	Book cost £'000	30 June 2013 Valuation £'000	31 December 2012 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>							
Begbies Traynor Group plc	Financial Services	231	176	203	0.2	0.6	2.5
Cohort plc	Business Services	179	176	144	0.2	0.3	1.4
Ubisense Group plc	TMT*	130	130	165	0.2	0.3	1.6
Pinnacle Technology Group plc	TMT*	169	129	–	0.2	1.8	7.8
AimShell Acquisitions plc	Business Services	400	90	96	0.1	3.1	12.3
Zattikka plc	TMT*	316	89	136	0.1	1.4	7.1
STM Group plc	Financial Services	162	84	84	0.1	0.6	4.0
Tristel plc	Healthcare & Education	217	76	114	0.1	1.0	5.4
Active Risk Group plc	TMT*	159	75	54	0.1	1.1	5.6
Green Compliance plc	Business Services	932	71	29	0.1	3.2	15.7
One Media iP Group plc	TMT*	56	63	–	0.1	1.1	4.9
Bglobal plc	Business Services	176	19	50	0.0	0.4	2.5
Zoo Digital Group plc	TMT*	584	5	11	0.0	0.2	0.6
<b>Total AIM</b>		<b>16,940</b>	<b>19,784</b>		<b>27.1</b>		
<b>Listed</b>							
Vectura Group plc	Healthcare & Education	771	1,295	1,343	1.8	0.5	1.3
Chime Communications plc	TMT*	369	441	396	0.6	0.2	0.8
Marwyn Value Investors Limited	Financial Services	64	27	33	0.0	1.3	6.0
Marwyn Management Partners plc	Financial Services	525	24	36	0.0	0.3	1.6
<b>Total listed</b>		<b>1,729</b>	<b>1,787</b>		<b>2.4</b>		
<b>PLUS</b>							
Bioventix plc	Healthcare & Education	227	264	–	0.4	1.7	7.7
<b>Total PLUS</b>		<b>227</b>	<b>264</b>		<b>0.4</b>		
<b>Listed interest bearing securities</b>							
UK T-Bill 02/09/13		2,998	2,998	–	4.1		
UK T-Bill 29/07/13		1,999	1,999	–	2.8		
<b>Total listed interest bearing securities</b>		<b>4,997</b>	<b>4,997</b>		<b>6.9</b>		
<b>Collective investment vehicle</b>							
Wood Street Microcap Investment Fund		3,525	5,131	4,525	7.0		
<b>Total collective investment vehicle</b>		<b>3,525</b>	<b>5,131</b>		<b>7.0</b>		
<b>Total investments</b>		<b>57,119</b>	<b>68,553</b>		<b>93.9</b>		
<b>Net current assets</b>			<b>4,449</b>		<b>6.1</b>		
<b>Net assets</b>			<b>73,002</b>		<b>100.0</b>		

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

\* 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:

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<b>Telephone:</b> <a href="tel:08708893250">0870 889 3250</a> <i>(calls charged at geographical and national rates)</i>	<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> <a href="http://www.investorcentre.co.uk">Investor Centre</a> <a href="http://www.investorcentre.co.uk">www.investorcentre.co.uk</a>	<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> <a href="mailto:web.queries@computershare.co.uk">web.queries@computershare.co.uk</a>	
<b>Post:</b> <a href="#">Computershare Investor Services PLC</a> The Pavilions Bridgwater Road Bristol BS99 6ZZ	

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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 EP LLP** who can be contacted as follows:

**Email:** [baronsmeadvcts@isisep.com](mailto:baronsmeadvcts@isisep.com)  
**Telephone:** [020 7506 5717](tel:02075065717)  
**Facsimile:** [020 7506 5718](tel:02075065718)

# 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)
Singer Capital Markets Limited	020 3205 7500
Winterflood Securities Limited	020 3400 0251

## Financial Calendar

November 2013	Quarterly Fact Sheet to 30 September 2013
February 2014	Results for the year to December 2013 announced and annual report and accounts sent to shareholders
April 2014	Thirteenth Annual General Meeting

## Additional Information

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

Baronsmead VCT 3 plc is managed by ISIS EP LLP which is authorised and regulated by the 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 EP LLP

### Registered Office

100 Wood Street  
London EC2V 7AN

### Investment Manager

ISIS EP LLP  
100 Wood Street  
London EC2V 7AN  
FPPE LLP  
(liquid assets only)  
100 Wood Street  
London EC2V 7AN

### Registered Number

04115341

### 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

### Auditors

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

### Solicitors

Norton Rose  
3 More London Riverside  
London SE1 2AQ

### VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### Website

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

‡ 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.



