Baronsmead VCT 3 plc

Investing in Private Equity generating tax-free dividends

2006

Summary report & accounts for the year ended 31 December 2006

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 establish a diverse portfolio comprising:

- Larger unquoted companies, typically as lead investor and alongside institutional investors, which do not offer the same tax benefits to their shareholders as a VCT.
- Technology-enabled companies.

Dividend policy

The Board wishes to maintain the dividend yield for ordinary shareholders but this depends primarily on the level of profitable realisations and it cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

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 albeit liquidity is limited. 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.

www.baronsmeadvct3.co.uk

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

Financial Highlights

+17.1%

NAV per ordinary share increased to 133.27p before deduction of dividends. After dividends totalling 6.5p the NAV was 126.77p.

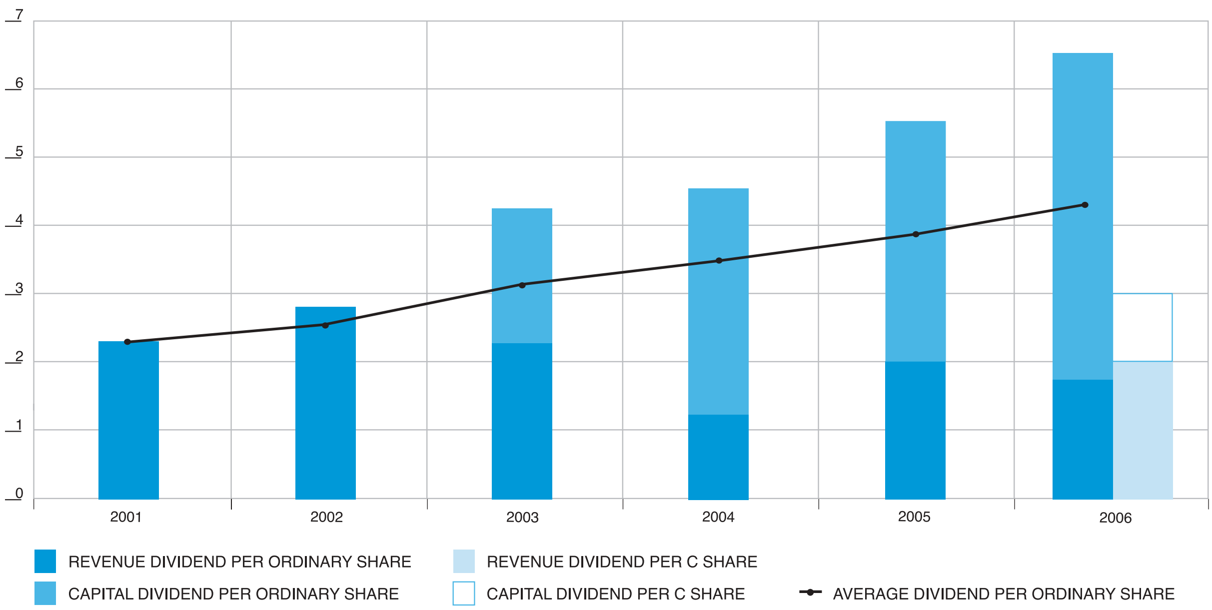
+7.2%

NAV per C share increased to 101.95p before deduction of dividends. After dividends totalling 3p the NAV was 98.95p

+69.3%

Total return to ordinary shareholders since launch in 2000, equivalent to an annualised total return of 9.3% before income tax relief and 13.5% afterwards.

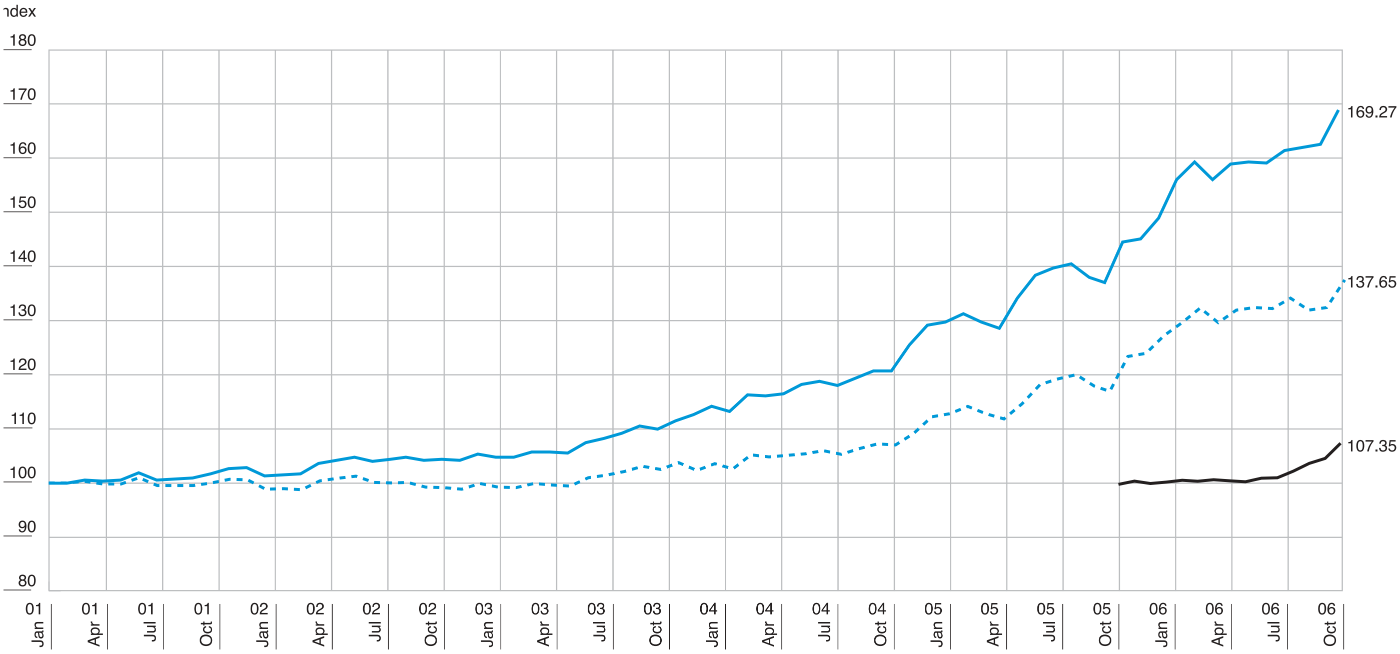
Dividend history since launch for Ordinary and C Shareholders



Six Year Summary

Baronsmead VCT 3 plc

Net asset value and total return (based on bid market prices)



Performance Record

		C Share			Ordinary Share				
Year ended 31 December	Total net assets £m	Net asset value p	Share price p	Net asset value total return* %	Net asset value p	Share price p	Net asset value total return* %	FTSE All-Share total return %	Combined total expense ratio† %
2001	31				93.85	88.0	101.21	85.14	2.9
2002	32				94.85	85.5	105.35	65.83	3.3
2003	33				97.15	90.0	112.65	79.56	3.1
2004	35				106.38	92.5	125.64	89.77	3.5
2005	56	95.13	100.0	100.14	117.31	100.5	144.77	109.56	3.5
2006	**67**	**100.95**	**89.0**	**107.35**	**130.77**	**116.5**	**169.27**	**127.91**	**3.4**

* Source: F&C Asset Management plc based on bid prices.

† As a percentage of average total shareholders' funds (excluding performance fee).

Dividends Paid Since Launch

Year ended	C Share		Ordinary Share				
	Revenue dividend p	Capital dividend p	Revenue dividend p	Capital dividend p	Total annual dividend p	Cumulative dividends p	Average total annual dividend p
2001			2.30	–	2.30	2.30	2.30
2002			2.80	–	2.80	5.10	2.55
2003			2.20	2.00	4.20	9.30	3.10
2004			1.20	3.30	4.50	13.80	3.45
2005			2.00	3.50	5.50	19.30	3.86
2006	**2.00**	**1.00**	**1.75**	**4.75**	**6.50**	**25.80**	**4.30**

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 p	Net annual yield* %	Gross yield† %
2001	100	20.0	80.0	25.8	5.4	8.0
2005	100	40.0	60.0	3.0	4.1	6.1

Note: The cash returns 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 (40 per cent income tax).

Chairman's Statement

Mark Cannon Brookes
Chairman

There has been strong valuation growth in both the unquoted and AiM parts of the portfolio. The ordinary share portfolio is now 90 per cent invested by value and good progress has been made investing the C share capital.

Dividends totalling 6.5p per ordinary share for the year, continues a progressive record since launch in January 2001. Faster growth has been experienced with the C share portfolio than might have been expected with 7.2 per cent growth in the Net Asset Value (NAV) total return, and dividends of 3p for the year.

Results

In the year to 31 December 2006, the NAV per ordinary share increased by 17.1 per cent from 113.81p to 133.27p before dividends. The proposed final dividend of 4p per ordinary share will be paid to shareholders on 25 April 2007, subject to shareholder approval. Since launch in 2001 the total return for the Ordinary Shares is 69.3 per cent.

The NAV per C share increased by 7.2 per cent from 95.13p to 101.95p before dividends. The proposed final dividend of 2p per C share will be paid to shareholders on 25 April 2007, subject to shareholder approval.

The total returns for the ordinary and C shares are stated after all running costs. Included in these costs are additional fees payable to the Manager when the total return in any year exceeds the annual performance trigger. £1.04 million is attributable to the ordinary shares and £0.37 million to the C shares, both representing 20 per cent of the return in excess of their respective hurdle rates.

Long Term Performance

The total return of 69.3 per cent since inception in 2001 represents an annual total return growth rate of 9.3 per cent. The graph on page 2 shows the build up in the total return achieved over these last six years and how there has been an accelerating trend in growth rates as the percentage in qualifying assets has increased. This is stated before the inclusion of VCT tax reliefs. These reliefs were designed to redress both the VCT constraints as well as the higher risk that pertains to investment in smaller unquoted and AiM-traded companies. If the original 20 per cent subscription relief is taken into account the return becomes 112 per cent and the annual compound growth rate increases to 13.5 per cent.

The total return compares favourably with that of the FTSE All-Share Index of 27.9 per cent as well as the five other Generalist VCTs launched in 2000/2001. The total return at 31 December 2006 is some 34 per cent in excess of the average of this peer group.

The investment performance can also be compared with those investment trusts that focus on private equity. In the last five years that the Company has been more fully invested, the total return can be compared to the 19 investment trusts that focus on Private Equity (source: Trustnet). This return places your Company behind three of these investments trusts, with the subscription relief included, and ninth on a pure investment basis. These investment trusts are not restricted by VCT legislation that limits the range of investments available to Baronsmead VCT 3.

Dividends totalling 25.8p have now been paid out to founder ordinary shareholders, with 53 per cent coming from net realised profits on the sale of investments. On a share price of 116.5p at the year end, the dividend yield equates to 5.6 per cent tax-free to qualifying investors, which compares to the FTSE All-Share yield of 2.9 per cent. The returns over 1, 3 and 5 years are detailed below:

Returns table

Ordinary shares (% growth)	1 year	3 years	5 years
NAV total return	17	50	67
Share price total return	22	47	62
FTSE All-Share total return	17	61	50

The Portfolio

The ordinary share portfolio remained substantially invested during the year moving from 83 per cent to over 90 per cent by value. There was a significant increase in investment growth in the C share portfolio, which grew from 5 per cent to 35 per cent invested by value at 31 December 2006.

13 new investments were made and 6 investments realised taking the net portfolio to 68 companies. New investments totalled £6.9 million into 4 new unquoted and 9 AiM-traded investees. The allocation policy between Ordinary and C shares is approved quarterly by the Board giving due consideration to the constraints of the VCT legislation.

The six VCT tests relating to the running of Baronsmead VCT 3 were met for each day of the year to 31 December 2006. 70 per cent of the ordinary share portfolio has to be invested in qualifying investments by the end of the third accounting period after the subscription of new capital. At the year end, approximately 89 per cent of the ordinary capital raised (net of launch costs) prior to 31 December 2004 was invested in VCT qualifying investments.

The 'direction of travel' or relative health of portfolio companies is measured quarterly in terms of profitability as well as other non-financial benchmarks. At the year end, 86 per cent of the portfolio companies were reporting higher or steady profits, which is one of the highest percentages since early 2005. Meanwhile, the portfolio has grown from 57 to 68 investees over this time. The top ten investments set out on pages 10 and 11 give more detail and five of these aspiring high growth companies are shown on pages 12 and 13 of this report.

The sale of investments totalled £4 million realising a net profit of some £1.8 million before the £866,000 write off of Spaform. The sale of our investment in Domantis in early January 2007 was unexpected but is an excellent illustration of what is possible from a portfolio of technology focused companies. The sale was at 3.7 times the 2004/2005 cost and generated a profit of £1.6 million, approximately 5p per ordinary share.

Development of the Secondary Market

A shareholder survey was completed, during the year, by over 25 per cent of both ordinary and C shareholders, some 970 shareholders in total. The responses confirmed the previous survey results from autumn 2003, in that over 70 per cent had no intention of selling in the longer term and overall 62 per cent indicated a preference toward capital growth rather than maximising income from dividend payments.

The other survey questions focused on the secondary market and 18 per cent of shareholders indicated they may wish to buy additional shares in your Company. Another 30 per cent indicated this might become a possibility. Tax reliefs on purchases of up to £200,000 per year and continuing growth in total return were indicated as the main priorities for purchasers. Buying existing shares has investment attractions for ordinary shareholders who wish to build their capital in a mature portfolio as well as receiving substantial cash dividends.

The new dividend investment plan (DRIP) has been taken up by 417 shareholders and 145,885 shares were purchased by the registrars, Computershare Investor Services PLC, in October 2006 to satisfy the DRIP. No shares have been bought back by the Company since September 2006 and there are signs that the secondary market is starting to work.

If ordinary shareholders wish to participate in the DRIP the Registrars need to receive applications no later than 2 April 2007 in order for the 4p final dividend to be satisfied by the DRIP. The DRIP is not available to C shareholders as existing shares are unlikely to be available in the market until after conversion into ordinary shares in 2008.

However, the ability of the Board to re-issue shares out of Treasury is being deferred until HM Revenue & Customs have confirmed that these shares can be issued under the pre 6 April 2006 VCT legislation. This view may not be forthcoming in which case the Board will have to reconsider its policy towards the use of Treasury shares as a means to improve shareholder liquidity, which was the original intent behind the introduction of Treasury Shares in December 2003.

Investment Management

In December 2006, the Board announced that it had agreed with the Manager that the co-investment scheme, originally introduced in November 2004, be extended so that the investment executives will now invest 12 per cent in all the unquoted investments made by the generalist Baronsmead VCTs. However, to ensure that shareholders are not disadvantaged in any way, the Board has agreed with the Manager a reduction over the two years from 1 April 2007, to the performance fee paid to the Manager from its current level of 20 per cent to 10 per cent of the excess over the hurdle rate. The Board carefully examined the combined effect of these amendments and believes that these changes are likely to lead to improved performance levels. If performance were to deteriorate, the changes would be likely to have only a neutral effect on shareholder returns.

We now have approximately 3,300 ordinary and C shareholders and our task as a Board is to ensure that we meet and understand your requirements. I look forward to welcoming as many shareholders as possible at the AGM on 17 April 2007 at 11.00 a.m. at the Barbican Centre, Level 4, Silk Street, London EC2Y 8DS. There will be a number of presentations, including a presentation by Boldon James, followed by a light buffet lunch and shareholder workshop finishing by 2.30 p.m.

Outlook

It is our intention to sustain the progress achieved in the last six years. Investors during this time period have benefited from both the investment performance and VCT tax benefits. However, we are restricted to investing in the UK where levels of debt are at all time record levels with interest rates rising as a consequence. We are hopeful that the measures taken so far to contain inflation will be successful and if so we are confident your Company will be able to maintain the progress achieved to date.

Mark Cannon Brookes
Chairman

9 February 2007

Manager's Review

David Thorp
Lead Investment Manager

Andrew Garside
Investment Manager

Prem Mohan Raj
Chief Financial Officer Funds

Rhonda Nicoll
Company Secretary

New Investment

The total portfolio grew to 68 companies after thirteen new investments and six realisations. New investments totalled £6.9 million including four sizeable unquoted investments and nine smaller AiM subscriptions.

Company	Location	Sector	Activity	Investment cost (£'000) C shares	Ord shares
Unquoted investments					
Crew Clothing	London	Consumer	Fashion retailer	873	59
Empire World Trade	Spalding	Consumer	Soft fruit supplier	1,177	120
Fisher Outdoor Leisure	St Albans	Consumer	Distribution of bicycle accessories	1,323	100
MLS	Stockport	IT	School library software	719	62
Xention Discovery*	Cambridge	Healthcare	Drug Discovery	–	273
Independent Living Services*	Alloa	Healthcare	Domiciliary care	–	178
Total Unquoted Investments				**4,092**	**792**
AiM-traded investments					
Appian Technology*	Bourne End	IT	Recognition software	102	23
Business Direct*	Rugby	Business Services	Secure remote lockers	–	208
Brainjuicer	London	Media	Market research	46	3
Brulines Holdings	Stockton on Tees	Business services	Pub management systems	273	16
Claimar Care	Birmingham	Healthcare	Domiciliary Care	306	45
Concateno	London	Healthcare	Drugs testing	306	19
Driver Group*	Rossendale	Business services	Dispute resolution	–	91
Jelf Group*	Yate	Business services	Corporate financial services	–	157
Kiotech International	New Malden	Business services	Animal food additives	188	12
Ovum	London	Media	Market research	213	38
Proactis Holdings	York	IT	Procurement software	371	29
Tasty	London	Consumer	Restaurants	36	4
Worthington Nicholls	Manchester	Business Services	Air conditioning installation	487	39
Total AiM-traded Investments				**2,328**	**684**
Total Investments				**6,420**	**1,476**

*Further round of financing

The new AiM investments are smaller in amount than unquoteds averaging £270,000. Most of these have opened strongly with five of their share prices being some 50 per cent ahead at the year end. Ovum was sold before the year end which crystallised a gain of £145,000.

The C share portfolio now has fifteen investments valued at £8.47 million with 60 per cent invested in unquoted companies and the balance in AiM shareholdings.

At a time when public markets showed greater volatility, the values of the unquoted and AiM portfolios increased by 27 per cent and 24 per cent respectively. Steady progress was evident across most of the unquoted portfolio with good up lifts in value at a number of new investments, Independent Living Services, Reed & Mackay, Fisher and Kafévend. This last company presented at the fifth AGM and demonstrated the vitality and ambition typical of private equity backed companies. A full provision was made in the value of Country Artists offset by a write back in the value of Oxxon and the loan stock value of Hawksmere.

Two technology investments demonstrated the value that can be created when the companies are well managed and remained focused on some highly differentiated drug discovery areas. neuTec Pharma specialises in antibody remedies for hospital bugs and was sold at a multiple of 3.4 times cost yielding an aggregate profit of £775,000 on an original investment of £316,000. Domantis, which concentrates on human domain antibodies was sold to Glaxo (GSK) at 3.7 times cost and is another good illustration of portfolio spread by taking small stakes but across typically five or so such opportunities.

Several themes were evident across the AiM portfolio. On the upside, several professional service specialists prospered, notably Begbies Traynor Group (insolvency), Murgitroyd Group (patent law) and Driver Group (construction sector dispute resolution). Buy and build strategies worked well for Jelf Group and Claimar Care. Lastly, the two profitable trade sales of Ovum and Talarius (the last completed in February 2007) were at an attractive price because of the position in their market niches. The main theme in terms of value losses revolved around the IT sector where the slowing of winning major contracts threw EG solutions and IDOX off track.

Investor Relations

The annual statement for individual shareholders was sent in January and May 2006, which apart from improving shareholders records also listed whether or not shareholders had cashed their cheques. The second statement was sent to aid the completion of individual tax returns.

The Company Law Reform Bill was enacted in November 2006 and the Government's intention is to accelerate the use of electronic communication with shareholders as a default option from January 2007. This means that fully listed companies only have to send paper versions of documents such as statutory reports to shareholders who explicitly request them. As a result, the Board will be in contact with all shareholders later in 2007 to implement these revisions, working closely with the Company's registrars.

Outlook

ISIS intends to retain high standards of selectivity and this is being confirmed by the indicator of improving portfolio health. By building a sound platform of a good management team and focused strategy, there is scope to increase value through better trading and the quality of the market niche within which the individual companies can grow.

ISIS invests in the unquoted and AiM investment process each year, constantly learning how to get the best out of the investments. The new Leeds office extends the UK coverage to four locations. There is also increased emphasis on directly contacting target companies that meet our investment criteria so that we can then use our sector and local knowledge.

Both we and the management teams that we back have above average ambitions to create shareholder value and the five companies within the top ten set out on pages 12 and 13 illustrate some of the drivers necessary to achieve this.

David Thorp

Investment Manager

ISIS EP LLP

9 February 2007

Ordinary shares realisations Year to 31 December 2006		First Investment Date	Cost £'000	Proceeds £'000	Multiple Return
Unquoted					
Boldon James	Loan redemption	June 2005	125	125	–
Language Line*	Trade sale	September 2003	660	1,198	2.1
SLR Holdings	Loan redemption	September 2004	204	204	–
Spaform	Liquidation	January 2004	866	–	–
AiM					
Accuma Group	Full sale	February 2005	108	225	2.1
Begbies Traynor Group	Part sale	September 2004	131	403	3.1
Cardpoint	Part sale	May 2003	4	6	1.5
Colliers CRE	Sale of rights	September 2001	–	66	–
Debtmatters Group	Part sale	June 2005	51	267	5.2
InterQuest Group	Part sale	May 2005	14	23	1.6
Medal Entertainment and Media Group	Part sale	August 2002	72	84	1.2
neuTec pharma	Trade sale	February 2002	79	549	6.9
Ovum	Trade sale	March 2006	37	60	1.6
Scott Tod	Trade sale	May 2004	421	152	0.4
Talarius	Part sale	May 2005	63	114	1.8
Worthington Nicolls	Part sale	May 2006	12	21	1.8

* includes interest received

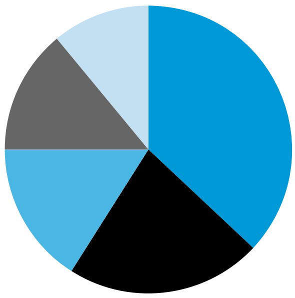
Realisation for the C shareholders came from the sale of shares in Worthington Nicolls and the trade sale of Ovum producing profits totalling £242,000.

Investment Portfolio

Investment Classification as at 31 December 2006

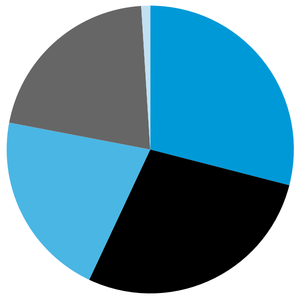
(Combined investments of both ordinary shares and C shares)

By Sector



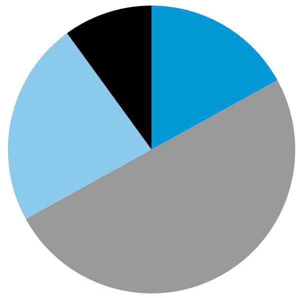
Business services	**37%**
Consumer	**22%**
Healthcare	**16%**
Media	**14%**
IT support services	**11%**

Total Assets



AiM/FTSE SmallCap	**29%**
Fixed interest	**28%**
Unquoted – loan stock	**21%**
Unquoted – ordinary and preference shares	**21%**
Net current assets	**1%**

Time Investments Held



Less than 1 year	**17%**
Between 1 and 3 years	**50%**
Between 3 and 5 years	**23%**
Greater than 5 years	**10%**

		Book cost		Valuation					
Company	Nature of business	Ordinary shares £'000	C shares £'000	Ordinary shares £'000	C shares £'000	**Total £'000**	% of Net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by other funds*
Unquoted									
Martin Audio	Business services	786	–	2,471	–	**2,471**	3.7	13.0	30.0
Domantis	Healthcare	601	–	2,230	–	**2,230**	3.4	1.1	1.4
The Art Group	Media	1,281	–	2,042	–	**2,042**	3.1	7.0	18.0
Fisher Outdoor Leisure	Consumer markets	100	1,323	136	1,789	**1,925**	2.9	10.5	33.6
Kafévend	Consumer markets	1,247	–	1,889	–	**1,889**	2.8	15.4	49.6
Reed & Mackay	Business services	1,211	–	1,845	–	**1,845**	2.8	9.5	30.5
RLA Group	Media	1,105	–	1,836	–	**1,836**	2.8	14.2	34.9
Independent Living Services	Healthcare	801	–	1,520	–	**1,520**	2.3	14.4	46.1
Boldon James	IT support services	562	–	1,428	–	**1,428**	2.1	9.0	29.0
Americana	Consumer markets	443	–	1,417	–	**1,417**	2.1	1.0	10.0
The Crucible Group	Business services	1,032	–	1,410	–	**1,410**	2.1	8.6	26.4
Empire World Trade	Consumer markets	120	1,177	120	1,177	**1,297**	1.9	7.1	22.9
kidsunlimited	Business services	481	–	976	–	**976**	1.5	4.1	46.9
Crew Clothing	Consumer markets	59	873	59	873	**932**	1.4	5.9	19.1
SLR Holdings	Business services	290	–	904	–	**904**	1.4	2.8	24.4
MLS	IT support services	62	719	62	719	**781**	1.2	5.3	17.2
Hawksmere	Business services	766	–	739	–	**739**	1.1	10.4	35.4
Green Issues	Media	99	399	138	557	**695**	1.0	9.5	30.5
Occam	Business services	420	–	673	–	**673**	1.0	3.6	31.4
Xention Discovery	Healthcare	650	–	672	–	**672**	1.0	3.0	1.9
Oxxon Pharmaccines	Healthcare	250	–	151	–	**151**	0.2	0.8	1.6
Country Artists	Consumer markets	448	–	–	–	**–**	–	5.3	54.7
Total unquoted		**12,814**	**4,491**	**22,718**	**5,115**	**27,833**	41.8		
FTSE SmallCap									
Ardana	Healthcare	619	–	600	–	**600**	0.9	0.8	0.6
Total FTSE SmallCap		**619**	**–**	**600**	**–**	**600**	0.9		

Company	Nature of business	Book cost: Ordinary shares £'000	Book cost: C shares £'000	Valuation: Ordinary shares £'000	Valuation: C shares £'000	**Total £'000**	% of Net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by other funds*
Quoted on AiM									
Vectura Group	Healthcare	771	–	1,487	–	**1,487**	2.2	0.5	1.3
Jelf Group	Business services	551	–	1,440	–	**1,440**	2.2	2.6	7.3
Murgitroyd Group	Business services	319	–	1,088	–	**1,088**	1.6	3.2	3.2
Begbies Traynor Group	Business services	283	–	1,077	–	**1,077**	1.6	0.9	2.6
Huveaux	Media	541	–	1,052	–	**1,052**	1.6	1.4	3.0
Worthington Nicholls	Business services	27	341	63	790	**853**	1.3	1.0	3.8
Colliers CRE	Business services	470	–	777	–	**777**	1.2	0.5	1.6
Debtmatters Group	Consumer markets	169	–	774	–	**774**	1.2	1.1	3.1
Talarius	Consumer markets	250	–	695	–	**695**	1.0	0.9	1.8
Driver Group	Business services	438	–	690	–	**690**	1.0	2.4	8.3
Interactive Prospect Targeting	Business services	253	–	643	–	**643**	1.0	0.8	2.9
Proactis Holdings	IT support services	29	371	41	535	**576**	0.9	3.1	12.3
InterQuest Group	Business services	310	–	478	–	**478**	0.7	2.0	5.8
Concateno	Healthcare	19	306	25	403	**428**	0.6	0.9	3.4
Claimar Care	Healthcare	45	306	53	361	**414**	0.6	2.2	8.8
Autoclenz Holdings	Consumer markets	80	320	79	315	**394**	0.6	3.1	9.2
Appian Technology	IT support services	46	204	68	305	**373**	0.6	2.7	8.0
Sanderson Group	IT support services	387	–	372	–	**372**	0.5	1.9	5.3
Adventis Group	Media	281	–	355	–	**355**	0.5	2.6	6.6
Eg Solutions	IT support services	375	–	353	–	**353**	0.5	3.1	11.1
Brulines Holdings	Business services	16	273	19	323	**342**	0.5	1.0	4.2
IDOX	IT support services	600	–	320	–	**320**	0.5	2.7	4.1
Quadnetics Group	Business services	296	–	319	–	**319**	0.5	0.7	1.6
Prologic	IT support services	310	–	310	–	**310**	0.5	4.1	10.9
Air Music & Media Group	Media	574	–	250	–	**250**	0.4	1.6	2.8
Stagecoach Theatre Arts	Consumer markets	419	–	248	–	**248**	0.4	4.6	4.6
Blooms of Bressingham	Consumer markets	320	–	246	–	**246**	0.4	1.0	1.0
Kiotech International	Business services	12	188	14	220	**234**	0.3	2.7	10.6
Business Direct Group	Business services	665	–	232	–	**232**	0.3	0.5	1.0
WIN	IT support services	263	–	224	–	**224**	0.3	1.4	3.8
Real Good Food Company	Consumer markets	540	–	216	–	**216**	0.3	0.6	1.7
Medal Entertainment & Media Group	Media	227	–	208	–	**208**	0.3	2.5	3.8
VI Group	IT support services	300	–	188	–	**188**	0.3	3.7	10.5
Cardpoint	Business services	89	–	157	–	**157**	0.2	0.1	0.4
Polaron	IT support services	296	–	138	–	**138**	0.2	1.3	3.0
Fishworks	Consumer markets	128	–	101	–	**101**	0.2	1.2	3.6
Universe Group	IT support services	158	–	87	–	**87**	0.1	0.9	2.4
Brainjuicer	Media	3	47	4	57	**61**	0.1	0.4	1.5
Xpertise Group	Business services	296	–	51	–	**51**	0.1	2.5	4.3
Tasty	Consumer markets	4	36	5	43	**49**	0.1	0.2	0.8
MKM Group	Business services	284	–	48	–	**48**	0.1	1.5	3.8
Zoo Digital Group	IT support services	584	–	39	–	**39**	0.1	1.3	2.2
Hamsard Group	IT support services	375	–	34	–	**34**	0.1	0.3	0.8
Micap	Healthcare	325	–	9	–	**9**	–	0.4	0.8
Capcon Holdings	Business services	137	–	3	–	**3**	–	1.7	3.4
Total AiM		**12,865**	**2,392**	**15,080**	**3,352**	**18,432**	27.7		
Interest bearing securities									
UK Treasury 4.5% 07/03/07		944	13,245	948	13,172	**14,120**	21.2		
UK Treasury 5.0% 07/03/08		800	–	798	–	**798**	1.2		
Money Market OEIC		2,243	1,710	2,243	1,710	**3,953**	6.0		
Total interest bearing securities		**3,987**	**14,955**	**3,989**	**14,882**	**18,871**	28.4		
Total investments		**30,285**	**21,838**	**42,387**	**23,349**	**65,736**	98.8		
Net current (liabilities)/assets				**(66)**	**878**	**812**	1.2		
Total net assets less current liabilities				**42,321**	**24,227**	**66,548**	100.0		

A provision of £574,000 has been made against unquoted investments as at 31 December 2006 (2005 – £1,928,000).

*Other Funds managed by the same Investment Manager, ISIS EP LLP.

Ten Largest Investments

The top ten investments by current value to 31 December 2006 illustrate the diversity and size of investee companies within the portfolio. This financial information is taken from publicly available information, which has been audited by the auditors of the investee companies.

MARTIN AUDIO LIMITED High Wycombe

Touring and theatre

First Investment: August 2003
Cost: £786,369
Valuation: £2,470,839
Valuation Basis: Discounted price earnings
Percentage of equity held: 13.0%

Martin Audio designs, assembles and markets high performance speaker systems for use in the concert and public entertainment markets, in the UK and overseas. It raised £3 million of capital to support a management buy-out. 90% of turnover is exported and in the last 5 years distribution agreements were signed covering a total of 22 countries.

Year ended 30 June	2005	2004
	£ million	£ million
Sales	12.0	10.2
Profit before tax	1.2	0.9
Retained profit	0.8	0.5
Net assets	1.8	1.0

www.martin-audio.com

DOMANTIS LIMITED Cambridge

Drug discovery company

First Investment: April 2004
Cost: £601,298
Valuation: £2,229,581
Valuation Basis: Offer
Percentage of equity held: 1.1%

Domantis is a drug discovery company developing the next generation of antibody therapies. It was set up in 2000 in conjunction with the Medical Research Council and specialist biotech investment managers, MVM.
After several rounds of financing, Domantis was sold to Glaxo (GSK) in January 2007 for $454 million. It generated a profit of £1.6 million and proceeds of 3.7 times cost for Baronsmead VCT 3.

Year ended 31 March	2005	2004
	£ million	£ million
Sales	2.3	2.6
Loss before tax	(5.0)	(3.3)
Retained (loss)	(4.2)	(2.2)
Net assets	14.2	9.2

www.domantis.com

THE ART GROUP LIMITED London

Market leader in art publishing

First Investment: October 2003
Cost: £1,280,514
Valuation: £2,041,806
Valuation Basis: Discounted price earnings
Percentage of equity held: 7.0%

The Art Group is a market leading publisher of art content on cards, posters and canvas prints sold to retailers in over 50 countries such as IKEA and Habitat. It raised £4.5 million to support a management buy-out.
Among its artists under licence is Jack Vettriano to which it has exclusive rights to market globally.

Year ended 31 December	2005	2004
	£ million	£ million
Sales	32.4	26.4
Profit before tax	2.3	1.4
Retained profit	1.3	0.6
Net assets	3.5	2.5

www.artgroup.com

FISHER OUTDOOR HOLDINGS LIMITED St. Albans

Supplying the biking industry

First Investment: June 2006
Cost: £1,423,387
Valuation: £1,924,548
Valuation Basis: Discounted price earnings
Percentage of equity held: 10.5%

Fisher has grown to be the strongest name in the supply of cycle accessories and components to the UK cycle trade. £5.6 million was invested to fund the Management buyout in June 2006. Fisher employs 80 staff distributing key branded and own label products.

Year ended 31 January	2006	2005
	£ million	£ million
Sales	15.4	12.2
Profit before tax	2.0	0.2
Retained profit	1.4	0.2
Net assets	5.3	4.0

www.fisheroutdoor.co.uk

KAFÉVEND GROUP LIMITED Crawley

SME hot drinks vending

First Investment: October 2005
Cost: £1,246,565
Valuation: £1,889,297
Valuation Basis: Discounted price earnings
Percentage of equity held: 15.4%

Kafévend is a leading drinks vending machine service provider to the SME market. £5 million was invested in October 2005 to fund a management buyout.

Kafévend employs over 70 people and operates from six sites across the UK.

Year ended 30 September	2005	2004
	£ million	£ million
Sales	10.8	10.7
Profit before tax	1.7	1.7
Retained (loss)/profit	(9.9)	1.6
Net assets	1.3	11.2

www.kafevend.co.uk

REED & MACKAY LIMITED London

Taking customers around the world

First Investment: November 2005
Cost: £1,211,413
Valuation: £1,844,588
Valuation Basis: Discounted price earnings
Percentage of equity held: 9.5%

Reed & Mackay is a provider of business travel management services to professional services firms and corporates. £5.0 million was raised in November 2005 to fund a replacement capital deal.

Year ended 31 March	2005	2004
	£ million	£ million
Sales	**8.9**	8.5
Profit before tax	**2.6**	2.0
Retained profit	**1.6**	1.3
Net assets	**6.4**	4.8

Following the acquisition, period end accounts were filed to November 2005 for 6 months only. 2006 full year information not yet available.

www.reedmac.com

RLA GROUP LIMITED Bournemouth

Integrated marketing communications company

First Investment: December 2002
Initial investment: £681,000
Residual cost: £1,105,085
Valuation: £1,836,359
Valuation basis: Discounted price earnings
Percentage of equity held: 14.2%

RLA is a regional marketing services agency, predominantly servicing national and multinational brands. £2.4 million was raised in December 2002 to fund a replacement capital deal.

Year ended 31 May	2006	2005
	£ million	£ million
Sales	**11.2**	11.2
Profit before tax	**1.2**	1.5
Retained profit	**0.5**	0.4
Net assets	**3.1**	2.6

The original investment was in RLA Media Limited. The business RLA Media was transferred entirely into RLA Group Limited on 27 April 2005. Amongst its clients RLA includes the VAG Group.

www.rlagroup.co.uk

INDEPENDENT LIVING SERVICES LIMITED Alloa

Flexible, responsive and accountable domiciliary care

First Investment: September 2005
Cost: £800,538
Valuation: £1,520,400
Valuation Basis: Discounted price earnings
Percentage of equity held: 14.4%

Independent Living Services (ILS) is one of the leading providers of acute domiciliary care to its local authority customers, mainly based in east Scotland.

ISIS first invested in ILS in September 2005 and, in November 2006, supported its first acquisition, giving the enlarged group a strong presence in the west of Scotland.

Year ended 30 September	2005	2004
	£ million	£ million
Sales	**6.3**	5.7
Profit before tax	**0.7**	0.7
Retained profit	**0.2**	0.4
Net assets	**1.2**	0.9

www.ilsscotland.com

VECTURA GROUP PLC Chippenham

Creating pulmonary products

First Investment: April 2001
Cost: £771,291
Valuation: £1,487,220
Valuation Basis: Bid
Percentage of equity held: 0.5%

Vectura is a small, but rapidly growing drug formulation and drug delivery company. The role of drug delivery is to encapsulate a drug into an appropriate system that is acceptable for human use. The Company raised three rounds of capital between April 2001 and November 2002. Vectura floated on AiM in July 2004.

Year ended 31 March	2006	2005
	£ million	£ million
Sales	**8.4**	4.5
Loss before tax	**(7.4)**	(8.8)
Retained loss	**(6.5)**	(7.7)
Net assets	**16.6**	21.7

www.vectura.com

JELF GROUP PLC Yate

Financial services consultancy provider

First Investment: October 2004
Cost: £550,809
Valuation: £1,439,614
Valuation Basis: Bid price
Percentage of equity held: 2.6%

The Jelf Group specialises in general insurance, healthcare and financial services to both business and personal clients. £2.5 million was raised on floatation on AiM in October 2004. 500 people are employed across 18 locations in the UK.

Year ended 30 September	2006	2005
	£ million	£ million
Sales	**25.1**	11.5
Profit before tax	**2.1**	1.0
Retained profit	**1.2**	0.7
Net assets	**16.3**	4.4

www.jelfgroup.co.uk

Creating Shareholder Value

HOW ISIS REALISES VALUE FOR THE SHAREHOLDERS OF BARONSMEAD VCT 3 PLC

Baronsmead VCT 3 plc invests in a diverse portfolio, primarily in established and profitable UK unquoted and AiM-traded companies but also in technology enabled companies.

It is the growth aspiration of these companies and their track record that make them above average and out of the ordinary. Their management teams must have the ambition to succeed as ISIS invests in companies that plan to double in size every three or four years.

The following examples show how this approach has led to an increase in the value of the investments held by Baronsmead VCT 3. In four of these companies ISIS has been actively involved at Board level while in the fifth, Domantis, Baronsmead VCT 3 followed the lead investor, MVM, who had specialist knowledge in venture capital and the biotechnology sector.

ISIS key selection criteria are that:

- There is the ability to become market leader in their chosen niche
- The management team and operations can deliver sustainable growth
- The Company becomes a premium asset that can be attractive to multiple bidders on exit.

ISIS seeks to find suitable opportunities from across its four offices mainly through local corporate finance advisers as well as from the ISIS dedicated origination team.

One or more of the ISIS team normally join the Board of each unquoted investee and actively participates in the major decisions setting the business plan or evolving the company's senior management team. The intention is to build on the current platform and grow the business so that it can become an attractive target either for a trade/financial buyer or floatation on the London Stock markets in a minority of situations.

REED & MACKAY Business Travel is the only strategic UK travel management company that focuses on the needs of the professional service firms. Their clients, until recently, have all come through recommendation and are primarily law firms and companies within the Financial and Insurance sector.

The existing management team has built a 'High Touch' service by investing in leading edge systems and recruited the best people in the industry to deliver a service which has been recognised by third parties as 'Best in Class' travel programmes. (source: www.reedmac.com)

The strategy for the future is to strengthen the management team and Board to provide greater scope to deliver on new growth opportunities such as complimentary on line provision, professional business development and client diversification. Since investment in November 2005, a new chairman from the travel industry and one ISIS executive have already joined the Board. The Directors believe that Reed & Mackay has a unique proposition and brand as a base from which to grow their business significantly.

Exploiting the market opportunity

KAFÉVEND supplies 4,000 companies in the UK with food and beverage vending solutions. It is one of the largest independent suppliers in the industry with offices in Crawley, Enfield, Leeds, Sunderland, Bristol and now Birmingham. The vending machines use the latest 'in cup' brewing technology that guarantees 'sealed in' freshness for maximum flavour. Brand leading drinks include Nescafé Gold Blend, Kenco Coffees and PG Tips.

ISIS approached the former Canadian parent of the business recognising that Kafévend was a strong business platform from which to service the regional SME market (Small-Medium Enterprises). Since the buy out in October 2005, two new regional offices have opened and there has been a significant increase in the sales force to extend market penetration, particularly for new users to drinks vending.

The strong sales and service culture are ably led by the Chief Executive supported by a new independent Chairman and an ISIS non-executive director. (source: www.kafevend.co.uk)

BOLDON JAMES provides messaging and connectivity software solutions tailored to key vertical markets including, Defence, Aviation and Government. In the UK, Boldon James assists organisations to manage IT and operational risks through a portfolio of services. The utilisation of commercial off-the-shelf (COTS) software at the core of our messaging and directory solutions meets the requirements of high grade formal messaging environments.

Following the buy out of the Crewe based company in May 2005, the customer base has been extended to use their consultancy skills to win a wider range of work. Some significant contract wins from the Ministry of Defence and the Foreign and Commonwealth Office provide important initial revenues and also maintenance contracts that can improve the quality of earnings. This broader range of customers enables the company to eventually consider an extended range of exit options.

As the company's website states 'Boldon James is proud of its reputation which is built on the competence of our staff, many of whom can be categorised as world class performers in their field.

(source: boldonjames.com)

MARTIN AUDIO LIMITED has an international reputation for supplying high quality loudspeaker and amplification systems for the professional audio markets. The portfolio of products, now highly developed, meet customer requirements for every market sector. Renowned for integrity in design, technical excellence and the longevity of its products, Martin Audio takes system creation into a further dimension. The aim is for every member of an audience to enjoy an exceptional sonic experience.

Since the buy out in 2003 backed by ISIS, Martin Audio has had the freedom to extend its sales network around the globe so that today 90% of sales come from overseas. The UK headquarters at High Wycombe houses dedicated research & development facilities, manufacturing processes and a demonstration suite. More than 40 dedicated distributors, backed by on-going training and support, serve individual countries throughout Europe, the Far East, USA, Australia and other growing markets around the world.

Martin Audio has been selected by leading artists and venues such as Kylie Minogue, Take That, Ministry of Sound, Amsterdam Arena, Eurovision Song Contest and the US Presidential Campaign and Inauguration. (source: www.martin-audio.com)

Bespoke involvement

Building the right strategy

DOMANTIS is a leader in developing the next generation of antibody therapies (www.domantis.com). Its domain antibodies are protein engineered to contain only the binding tips of naturally-occurring antibodies which are expected to have significant advantages over conventional antibodies in terms of cost of production, format flexibility and biological properties. Antibodies form a significant therapeutic class with annual revenue worldwide of several billion dollars.

Domantis is based in Cambridge, UK and Waltham, Massachusetts and was established in 2000 by the Medical Research Council and MVM Ltd. It raised several rounds of capital including £601,000 from Baronsmead VCT 3 in both 2004 and 2005. Investment also came from major biotechnology companies including Peptech and Novo Nordisk. It developed a broad portfolio of technologies and strong intellectual property with a series of products in pre-clinical trials.

In January 2007, GlaxoSmithKline acquired Domantis for $454 million which generated a profit of £1.6 million for Baronsmead VCT 3 and a multiple on cost of 3.7 times. In its press release announcing the transaction, GSK said ''Domantis has pioneered the extension of antibody therapies to potentially far wider applications than has been possible with conventional antibodies. Its talent and world-leading technology will complement the work we are already taking forward to put GSK at the forefront of biotechnology.''

Board of Directors

as at 31 December 2006

Mark Cannon Brookes (Chairman)

(age 67) is a director of Smith & Williamson Investment Management. The Smith and Williamson Group has £8 billion of investments under management. He is chairman of CG Asset Management Limited and is also a director of F&C UK Select Trust plc and a number of other companies, mostly overseas.

Andrew Karney
(age 64) was deputy chairman and a shareholder of Language Line Limited in which Baronsmead VCT 3, was an investor. He is chairman of Tiri an anti-corruption NGO. He was previously a director of The Guardian Media Group plc, Guardian News and Media Limited, Integrated Micro Products plc and a number of unquoted companies. He was a founder director of Cable London plc and an executive director of Logica plc.

Gillian Nott
(age 61) was until March 1999 chief executive of ProShare (UK) Limited. She was a director of the Financial Services Authority for 6 years to November 2004 and is on the board of Merrill Lynch British Smaller Companies Trust, Martin Currie Portfolio Trust and is Chairman of Witan Pacific Investment Trust plc. Previously she worked for the BP Group where she managed their venture capital portfolio. She is also chairman of Baronsmead VCT plc and a director of Baronsmead VCT 2 plc. She is also deputy chairman of the AIC.

Robert Owen
(age 61) is a business consultant to developing companies and a director of Baronsmead VCT 4 plc. Previously he was a senior manager at Coutts and Co, responsible for the overall running of the venture capital investment portfolio.

As a fully listed Company, Baronsmead VCT 3 is required to comply with the Combined Code relating to its Corporate Governance. This Code requires the Company to be headed by an effective Board of Directors who lead and control the Company’s affairs.

The Directors of a VCT and investment managers are required under the listing and continuing obligations of the London Stock Exchange to have sufficient and satisfactory experience in the management of a portfolio of unquoted investments of the size and type in which the VCT proposes to invest.

Summary Financial Statement

This Summary Financial Statement has been prepared voluntarily by the Directors in accordance with the relevant requirements of section 251 of the Companies Act 1985. It does not contain sufficient information to allow a full understanding of the results and state of affairs of the Company. For further information, the full Annual Financial Statements, the Auditor's Report on those financial statements and the Directors' Report should be consulted. A copy of the Annual Report, which may be obtained free of charge from the Company Secretary, will be delivered to the Registrar of Companies after the Annual General Meeting. Shareholders wishing to receive the full Annual Report in future years may opt to do so by sending signed, written notice to the Company Secretary. KPMG Audit Plc have reported on the Company's Annual Report for the year ended 31 December 2006; this report was unqualified and contained no statement under section 237(2) and (3) of the Companies Act 1985.

Summary Directors' Report

Results and Dividends

The Directors submit the Sixth Report and Accounts of the Company for the year ended 31 December 2006.

Ordinary Shares	£'000
Profit on ordinary activities after taxation	6,217
Interim capital dividend of 2.0p per ordinary share paid on 20 October 2006	(650)
Interim revenue dividend of 0.5p per ordinary share paid on 20 October 2006	(163)
Proposed final capital dividend of 2.75p per ordinary share payable on 25 April 2007*	(890)
Proposed final revenue dividend of 1.25p per ordinary share payable on 25 April 2007*	(405)

C Shares	£'000
Profit on ordinary activities after taxation	1,647
Interim revenue dividend of 1.0p per C share paid on 20 October 2006	(240)
Proposed final revenue dividend of 1.0p per C Share payable on 25 April 2007*	(240)
Proposed final capital dividend of 1.0p per C share payable on 25 April 2007*	(240)

*In accordance with the requirements of UK GAAP, proposed dividends are not accrued in the accounts.

Principal Activity and Status

The Company is registered as a Public Limited Company under the Companies Act 1985. The Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with Section 842AA of the Income and Corporation Taxes Act and the Company has received full approval as a Venture Capital Trust from HM Revenue & Customs for the year to 31 December 2005.

Issue and Buy-Back of Shares

Ordinary shares

During the year the Company issued 313,708 Ordinary Shares and raised net proceeds of £365,000. The Company bought back 1,390,000 Ordinary Shares during the year at a cost of £1,504,000 to be held in Treasury. These shares will not be sold at a discount wider than the discount prevailing at the time the shares were initially bought back by the Company. The Company holds 2,730,000 Ordinary Shares in Treasury, representing 8.4% of the issued share capital as at 9 February 2007.

C share issue

Pursuant to the C share offer issued during September 2005, the Company issued a further 6,105,708 C shares and raised net proceeds of £5,804,000. This offer closed on 6 January 2006.

On 26 July 2006, the Company received court approval to transfer £10,815,000 being the amount standing to the credit of the share premium account regarding the C shares to a special distributable reserve. Shareholder approval allows distributions to be made from that reserve and accordingly the reserve has been amalgamated with the profit and loss account of the Company.

Directors

Biographies of the Directors are shown on page 14.

Andrew Karney whose biography appears on page 14 retires by rotation at the sixth Annual General Meeting of the Company and, being eligible, offers himself for re-election.

The Board confirms that following performance evaluations, the performance of Andrew Karney continues to be effective and demonstrates commitment to his role; the Board believes that it is therefore in the best interest of shareholders that he is re-elected.

The Directors who held office during the year, and their interests in the Ordinary Shares of the Company, were:

	31 December 2006		31 December 2005	
	Ordinary 10p shares	**C 50p shares**	Ordinary 10p shares	C
Mark Cannon Brookes	**123,144**	**20,700**	116,983	20,700
Andrew Karney	**35,049**	**41,200**	33,295	41,200
Gillian Nott	**16,597**	**10,350**	16,118	10,350
Robert Owen	**10,709**	**–**	10,709	–
Total shares held	**185,499**	**72,250**	177,105	72,250

There have been no changes in the holdings of the Directors between 31 December 2006 and 9 February 2007.

No Director has a service contract with the Company.

Summary Financial Statement

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Corporate Governance

The full Corporate Governance Statement is set out in the Annual Report for the year ended 31 December 2006, which is available on the Company's website www.baronsmeadvct3.co.uk.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. Details of the resolutions to be proposed at the Annual General Meeting on 17 April 2007 can be found in the Notice of Meeting on pages 23 and 24.

Management

ISIS EP LLP ('the Manager') manages the investments for the Company. From 1 January 2007, the liquid assets within the portfolio (being cash, gilts and other assets, which are not categorised as venture capital investments for the purpose of the FSA's rules) will be managed by FPPE LLP. This is a new limited partnership. which is authorised and regulated by the FSA and which has the same controlling members as the Manager. The Manager will continue to act as the manager of the Company and as the Investment Manager of the Company's illiquid assets (being all AiM-traded and other venture capital investments).

The personnel involved in providing management and investment management services to the Company will not change as a result of the implementation of the new arrangements.

The Manager will also provide or procure the provision of secretarial, administrative and custodian services to the Company. The management agreement may be terminated at any date by either party giving twelve months' notice of termination. Under the management agreement, the Manager receives a fee of 2.5 per cent per annum of the net assets relating to the Ordinary Shares and 2.0 per cent per annum of the net assets relating to the C Shares. In addition, the Manager receives an annual administration fee subject to a maximum of £100,000 excluding VAT (adjusted for the movement in RPI). Annual running costs are capped at 3.5 per cent of the net assets of the Company (excluding any performance fee payable to the Manager and irrecoverable VAT), any excess being refunded by the Manager by way of an adjustment to its management fee.

It is the Board's opinion that the continuing appointment of ISIS EP LLP on the terms agreed is in the best interests of shareholders as a whole.

Performance Incentive

A performance fee is payable to the Manager when the Total Return on net proceeds of the Offers exceeds 8 per cent per annum (simple) on net funds raised.

To take account of the proceeds from the 'C' Share Offer which will be held initially in cash and fixed interest securities, an annual threshold of only 2 per cent for the period to 31 December 2007 (simple) will apply to the funds raised under the Offer after which the existing arrangement described above will be applied. The performance fee will be capped at 4.99 per cent of both pool of assets.

To the extent that the Total Return exceeds these thresholds, a performance fee (plus VAT) will be paid to the Manager of 20 per cent of the excess. From 1 April 2007, the rate of 20 per cent will be reduced to 10 per cent over a two year period.

Co-investment Scheme

The Co-investment Scheme requires that executive members of the Manager invest their own personal capital into five per cent of the ordinary shares of each and every unquoted investment excepting those life science transactions where ISIS is not the lead investor. From 1 April 2007, the rate will increase to 12 per cent. By 31 December 2006, a total of £150,072 had been invested in ordinary shares of 11 unquoted investments by 27 executives.

Shares under the Scheme cannot be sold until each investment held by the four Baronsmead VCTs is sold contemporaneously. Gains for the executives will only be achieved if the Baronsmead VCTs make gains from the underlying investment. If the executive leaves before the sale of the investment, they may miss out on much of the potential value inherent in their Co-investment shares. In this way the Scheme can continue to attract, recruit, retain and incentivise members of the Manager.

Procedures are in place whereby the Board receives regular updates from the Managers regarding applicants of the Co-investment Scheme and the amounts committed by ISIS EP to each new unquoted investment. The Board will also review the Co-investment Scheme arrangements at each quarterly valuation meeting. An open dialogue is maintained between the Board and the Managers regarding the Scheme.

Directors' Authority to Allot Shares and to Disapply Pre-emption Rights

The authority proposed under Resolution 6 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer to potential shareholders an opportunity to invest in the Company in a tax efficient manner

Summary Financial Statement

without the Company having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. The issue proceeds would be available for investments in line with the Company's investment policy and may be used, in part, to purchase ordinary shares and C shares in the market. Resolution 6 renews the Directors' authority to allot ordinary shares and C shares. This would enable the Directors until 16 April 2012, to allot up to 3,236,230 ordinary shares and 2,399,970 C shares (representing approximately 10 per cent of the Company's issued share capital as at 9 February 2007).

Resolution No. 7 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company to issue Shares for cash without pre-emption rights applying by way of offer to existing shareholders, or re-issuing shares out of Treasury up to a maximum of 3,236,230 ordinary shares or 2,399,970 C shares (representing approximately 10 per cent of the Company's issued share capital as at 9 February 2007). This power will be exercised only if, in the opinion of the Directors, it would be in the best interest of shareholders as a whole.

Treasury Shares

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (''the Regulations'') came into force on 1 December 2003. The Regulation allows companies (such as the Company) to hold shares acquired by way of market purchase as Treasury Shares, other than having to cancel them. Up to 10 per cent of each class of share of a Company's shares may be held in this way.

The Company currently holds 2,730,000 ordinary shares in Treasury. The Board is seeking shareholder approval, Resolution No 7, to sell Treasury Shares at a discount to the prevailing NAV if the Board considers it in the best interest of the Company to do so. However, Treasury Shares will not be sold at a discount wider than the discount prevailing at the time the shares were initially bought back by the Company.

Teather & Greenwood, the Company's brokers, currently provide a two way secondary market in the Company's shares. It is the Board's intention only to use the mechanism of re-issuing Treasury Shares when demand for the Company's shares is greater than the supply available in the market place. Although shares re-issued from Treasury will not attract the 30 per cent initial income tax relief, all further dividends will be tax-free and if these shares are subsequently sold no CGT is payable by qualifying shareholders.

Directors' Authority to Purchase Shares

The current authority of the Company to make purchases of up to approximately 14.99 per cent of its issued share capital expires at the end of the Annual General Meeting and Resolution Nos. 8 and 9 seek renewal of such authority until the Annual General Meeting in 2008 (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount determined by the rules of the UK Listing Authority at the time of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in treasury for future re-sale in appropriate market conditions.

New Articles of Association

Electronic communications with Shareholders

The authority proposed under Resolution 10 relates to the approval of a general power to allow the Company to provide shareholders with notices, documents and information in electronic form (such as by email or fax) and by means of publication on a website in accordance with the Companies Act 2006 (the '2006 Act'). This resolution also seeks approval for the existing Articles of Association of the Company to be updated with corresponding electronic communication provisions and certain other technical amendments required by the 2006 Act. The proposed amendments to the Articles of Association principally update the definitions used in the Articles to reflect the definitions used in the 2006 Act and also amend the provisions relating to the use and delivery of forms of proxy, the publication of the Company's financial information and the despatch of notices to shareholders, in each case to reflect the provisions concerning electronic communications contained in the 2006 Act. Shareholders should note that the terms of the new Articles of Association with all the proposed changes highlighted are available for inspection at the offices of ISIS EP LLP, 100 Wood Street, London until the close of the Annual General Meeting on 17 April 2007.

The Company will write to shareholders in due course to request individual consent to receive communications in electronic form or by means of publication on a website. Those shareholders that either expressly agree to such form of communication or fail to respond within a specified period (in which case they will be deemed to have given their consent) may be supplied notices, documents and other information (such as annual reports) by the Company electronically, including by means of publication on a website. Any shareholder that expressly disagrees to receiving communications electronically will continue to receive communications from the Company in hard copy form. In any event, even if a shareholder consents (or is deemed to have consented) to receive electronic communications that shareholder will remain entitled, at any time, to request a hard copy of any information that the Company has provided by email or by publication on a website.

Summary Directors' Remuneration Report

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant venture capital trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to properly oversee the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 31 December 2007 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £100,000 per annum. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the 'Report of the Directors'. The graph below compares from 29 January 2001 (the date the Company commenced trading) to 31 December 2006, the percentage change over each period in the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the percentage change over each period in total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes, as it represents a comparable broad equity market index against which investors can measure the relative performance of the fund. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price and FTSE All-Share Index Performance Graph

Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees 2006 £	Fees 2005 £
Mark Cannon Brookes	**21,000**	16,500
Andrew Karney	**14,000**	11,000
Gillian Nott	**14,000**	11,000
Robert Owen	**14,000**	11,000
Total	**63,000**	49,500

On behalf of the Board,

Mark Cannon Brookes

Chairman

9 February 2007

Independent Auditors’ Statement

Independent Auditors’ Statement to the Shareholders of Baronsmead VCT 3 plc

We have examined the summary financial statement which comprises the Summary Directors’ Remuneration Report, Income Statement, Balance sheet and Reconciliation of Movements in Shareholders’ Funds set out on pages 18, 20, 21 and 22.

This statement is made solely to the Company’s members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in such a statement 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 and the Company’s members as a body, for our work, for this statement, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Summary Report in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Report with the full annual financial statements, the Directors’ Report and the Directors’ Remuneration Report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Summary Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 ’The auditor’s statement on the summary financial statement’ issued by the Auditing Practices Board. Our report on the Company’s full annual financial statements describes the basis of our audit opinion on those financial statements and the Directors’ Remuneration Report.

Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements, the Directors’ Report and the Directors’ Remuneration Report of Baronsmead VCT 3 plc for the year ended 31 December 2006 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

9 February 2007

Income Statement

For the Year ended 31 December 2006

	Ordinary shares			C shares			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gain on investments	–	6,884	6,884	–	1,509	1,509	–	8,393	8,393
Realised gain on investments	–	779	779	–	241	241	–	1,020	1,020
Income	1,170	–	1,170	950	–	950	2,120	–	2,120
Investment management fee	(309)	(2,077)	(2,386)	(139)	(775)	(914)	(448)	(2,852)	(3,300)
Other expenses	(230)	–	(230)	(139)	–	(139)	(369)	–	(369)
Profit on ordinary activities before taxation	631	5,586	6,217	672	975	1,647	1,303	6,561	7,864
Tax on ordinary activities	(65)	65	–	(199)	199	–	(264)	264	–
Profit on ordinary activities after taxation	566	5,651	6,217	473	1,174	1,647	1,039	6,825	7,864
Return per ordinary share/C share:									
Basic	1.73p	17.24p	18.97p	1.97p	4.90p	6.87p	1.83p	12.03p	13.86p

Reconciliation of Movements in Shareholders' Funds

For the Year ended 31 December 2006

	2006 Ordinary shares £'000	2006 C shares £'000	2006 Total £'000
Opening shareholders' funds	39,226	17,022	56,248
Profit for the year	6,217	1,647	7,864
Increase in share capital	365	5,804	6,169
Cost of share premium conversion	–	(6)	(6)
Purchase of shares for Treasury	(1,504)	–	(1,504)
Dividends paid	(1,983)	(240)	(2,223)
Closing shareholders' funds	42,321	24,227	66,548

Income Statement

For the Year ended 31 December 2005

	Ordinary shares			C shares*			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gain on investments	–	3,793	3,793	–	2	2	–	3,795	3,795
Realised gain on investments	–	1,295	1,295	–	–	–	–	1,295	1,295
Income	1,461	–	1,461	92	–	92	1,553	–	1,553
Investment management fee	(278)	(1,026)	(1,304)	(14)	(42)	(56)	(292)	(1,068)	(1,360)
Other expenses	(251)	–	(251)	(27)	–	(27)	(278)	–	(278)
Profit /(loss) on ordinary activities before taxation	932	4,062	4,994	51	(40)	11	983	4,022	5,005
Tax on ordinary activities	(226)	226	–	(10)	10	–	(236)	236	–
Profit on ordinary activities after taxation	706	4,288	4,994	41	(30)	11	747	4,258	5,005
Return per ordinary share/C share:									
Basic	2.09p	12.73p	14.82p	0.37p	(0.27)p	0.10p	2.06p	11.75p	13.81p

*The C shares launched on 10 October 2006.

Reconciliation of Movements in Shareholders' Funds

For the Year ended 31 December 2005

	2005 Ordinary shares £'000	2005 C shares £'000	2005 Total £'000
Opening shareholders' funds	35,488	–	35,488
Profit for the year	4,994	11	5,005
Deferred consideration	13	–	13
Increase in share capital in issue	303	17,011	17,314
Dividends paid	(1,572)	–	(1,572)
Closing shareholders' funds	**39,226**	**17,022**	**56,248**

Balance Sheet

As at 31 December 2006

	Notes	2006 Ordinary Shares £'000	2006 C Shares £'000	2006 Total £'000	2005 Ordinary Shares £'000	2005 C Shares £'000	2005 Total £'000
Fixed assets							
Investments		**42,387**	**23,349**	**65,736**	37,545	9,854	47,399
Current assets							
Debtors		**317**	**338**	**655**	414	1,828	2,242
Cash at bank and on deposit		**1,251**	**1,081**	**2,332**	1,933	5,815	7,748
		1,568	**1,419**	**2,987**	2,347	7,643	9,990
Creditors (amounts falling due within one year)		**(1,634)**	**(541)**	**(2,175)**	(666)	(475)	(1,141)
Net current (liabilities)/assets		**(66)**	**878**	**812**	1,681	7,168	8,849
Net assets		**42,321**	**24,227**	**66,548**	39,226	17,022	56,248
Capital and reserves							
Called-up share capital		**3,509**	**12,000**	**15,509**	3,477	8,947	12,424
Share premium account		**4,253**	**–**	**4,253**	3,920	8,064	11,984
Capital redemption reserve		**247**	**–**	**247**	247	–	247
Revaluation reserve		**12,102**	**1,511**	**13,613**	5,093	2	5,095
Profit and loss account		**22,210**	**10,716**	**32,926**	26,489	9	26,498
Equity shareholders' funds		**42,321**	**24,227**	**66,548**	39,226	17,022	56,248
Net asset value per share							
– Basic		**130.77p**	**100.95p**	**–**	117.31p	95.13p	–
– Treasury		**129.66p**	**–**	**–**	117.31p	–	–

The financial statements on pages 20 to 22 were approved by the Board of Directors on 9 February 2007 and were signed on its behalf by:

MARK CANNON BROOKES (Chairman)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Baronsmead VCT 3 plc will be held at the Barbican Centre, Level 4, Silk Street, London EC2Y 8DS on 17 April 2007 at 11.00 am for the following purposes:

To consider and, if thought fit, pass the following Resolutions:

Ordinary Business

1. That the Report and Accounts for the year to 31 December 2006 be received.
2. To approve payment of a final dividend of 4.0 pence per Ordinary Share and 2.0 pence per C Share.
3. That Andrew Karney, who retires by rotation, be re-elected as a Director.
4. That the Directors' Remuneration Report for the year to 31 December 2006 be approved.
5. That KPMG Audit Plc, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

Special Business

Ordinary Resolution

6. That:

   (a) the Directors of the Company (the ''Directors'') be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the ''Act''), to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,523,608 during the period commencing on the passing of this resolution and expiring on 16 April 2012 (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry; and

   (b) all previous authorities given to the Directors in accordance with section 80 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

7. That subject to the passing of resolution 6 set out in the notice of this meeting:

   (a) the Directors of the Company (the ''Directors'') be and are hereby empowered, pursuant to section 95 of the Companies Act 1985 (the ''Act''), to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority given in accordance with section 80 of the Act by that resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with:

      (i) an offer of securities, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares of 10p each and C Shares of 50p each in the Company and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);

      (ii) (otherwise than pursuant to sub-paragraphs (i) above) up to an aggregate amount of £1,523,608; provided that the maximum number of Ordinary Shares of 10p each in the Company which may be allotted pursuant to this sub-paragraph (ii) shall be 3,236,230 Ordinary Shares and the maximum number of C Shares of 50p each in the Company which may be allotted pursuant to this sub-paragraph (ii) shall be 2,399,970 C Shares;

   and shall expire on the date falling 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry; and in this resolution ''allot'' and ''allotment'' shall be construed in accordance with section 94(3A) of the act.

   (b) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.

Notice of Annual General Meeting

8. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of Ordinary Shares of 10p each in the Company (''Ordinary Shares''), provided that:
   (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 4,851,120;
   (b) the minimum price which may be paid for each Ordinary Share is 10p;
   (c) the maximum price which may be paid for an Ordinary Share shall be equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
   (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
   (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.

9. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of C shares of 50p each in the Company (''C shares''), provided that:
   (a) the maximum number of C share capital hereby authorised to be purchased shall be 3,597,560;
   (b) the minimum price which may be paid for each C share is 50p;
   (c) the maximum price which may be paid for an C share shall be equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
   (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
   (e) the Company may make a contract to purchase C shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.

10. That:
   (a) the Company is hereby generally and unconditionally authorised, subject to and in accordance with the provisions of the Companies Act 2006 and the Articles of Association of the Company, to send or supply all types of notices, documents or information to members by means of electronic equipment for the processing (including digital compression), storage and transmission of data by wires, radio, optical technologies or any other electromagnetic means, including by making such notices, documents or information available on a website; and
   (b) that the new Articles of Association, a copy of which was presented to the meeting and signed by the Chairman for the purposes of identification, be hereby approved and adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association with effect from the end of this meeting.

By Order of the Board

Rhonda Nicoll
for F&C Asset Management plc
Secretary
80 George Street
Edinburgh EH2 3BU

9 February 2007

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company as at 6.00 pm on 15 April 2007, or in the event that the meeting is adjourned, on the register of members 48 hours before the time of the meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that relevant time. Changes to entries on the register of members after 6.00 pm on 15 April 2007, or in the event that the meeting is adjourned to a later time, on the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company.

To be valid, a Proxy Card must be lodged with the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB at least 48 hours before the meeting. A Proxy Card for use by shareholders is enclosed with this Report. Completion of the Proxy Card will not prevent a shareholder from attending the meeting and voting in person.

No Director has a contract of service with the Company.

Shareholder Information

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.computershare.com/investor

Shareholder Helpline

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

Information on DRIP mechanism, share price movements, the share price discount and selling shares:

F&C Asset Management plc (Company Secretary)
www.baronsmeadvct3.co.uk
e-mail: rhonda.nicoll@fandc.com
Tel: 0131 718 1074. Fax: 0131 225 2375.

Any other points, i.e. valuations of underlying companies, asset allocations, dividend policies and the investment process:

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

Contains details of the team and some case studies of historical investments.

e-mail: david.thorp@isisep.com; prem.mohan-raj@isisep.com; margaret.barff@isisep.com
Tel: David Thorp 0207 506 5631; Prem Mohan Raj 0207 506 5640;
Margaret Barff 0207 506 5630.

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 for Baronsmead VCT 3 plc are:

- Teather & Greenwood (020 7426 9000)
- UBS (020 7567 8000)
- Winterfloods (020 7621 0004)

Please call the Company Secretary if you or your adviser have any questions about this process.

Financial Calendar

2 April 2007	DRIP election forms to be received at the Registrars – Ordinary Shareholders only
17 April 2007	Sixth Annual General Meeting
25 April 2007	Final dividend payment
August 2007	Announcement of interim results
August 2007	Posting of interim report
February 2008	Announcement of final results for year to 31 December 2007

Corporate Information

Directors
Mark Cannon Brookes (Chairman)*
Andrew Lumsdaine Karney†
Gillian Nott OBE
Robert Richardson Owen

Secretary
F&C Asset Management plc
80 George Street
Edinburgh EH2 3BU

Registered Office and Investment Managers
ISIS EP LLP
100 Wood Street
London EC2V 7AN

Baronsmead VCT 3 plc
Registration Number: 04115341

VCT Status Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrars and Transfer Office
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: 0870 703 0137

Brokers
Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

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

Solicitors
Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

*Chairman of the Audit Committee
†Senior Independent Director

Additional Information
The information provided in this report has been produced 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.

Summerhall Corporate 31869