

# BARONSMEAD

Baronsmead VCT 3 plc

# 2015

Half-yearly report for the six months ended  
30 June 2015



# About Baronsmead VCT 3

## Our Investment Objective

Baronsmead VCT 3 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

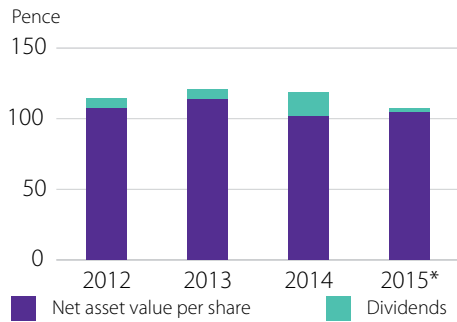
The Board of Baronsmead VCT 3 has the objective to maintain a minimum annual dividend level of around 4.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

## Shareholder choice

The Board wishes to provide 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 and 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.
- **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.
- **Buy back of shares** | From time to time the Company buys its own shares through the market in accordance with its share price discount policy. Subject to certain conditions, the Company seeks to maintain a mid market share price discount of approximately 5 per cent. to net asset value. In the six months to 30 June 2015, 1,065,000 shares were bought back representing 1.4 per cent. of the shares in issue (excluding treasury shares) at 30 June 2015 at prices which represent an average of 5.1 per cent. discount to the latest published net asset values at the time the shares were bought back.
- **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. Approximately 164,000 existing shares were bought by investors in the six months to 30 June 2015.

## Financial Headlines

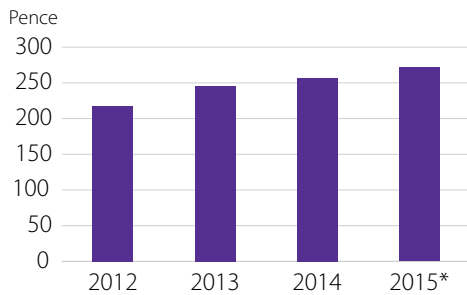


\*Six months to 30 June 2015, interim dividend payable 18 September 2015

### Net asset value per share

Net asset value ("NAV") per share increased 5.5 per cent to 107.35p in the six months to 30 June 2015, before deduction of dividends.

+ 5.5%



\*Six months to 30 June 2015

### Net asset value total return

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

271.4p

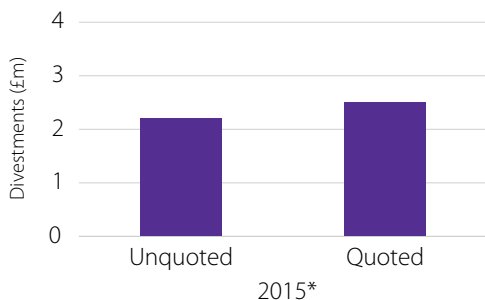


\*Six months to 30 June 2015

### Dividends in the year

Interim dividend of 3.0p for the six month period to 30 June 2015 to be paid on 18 September 2015.

3.0p



\*Six months to 30 June 2015

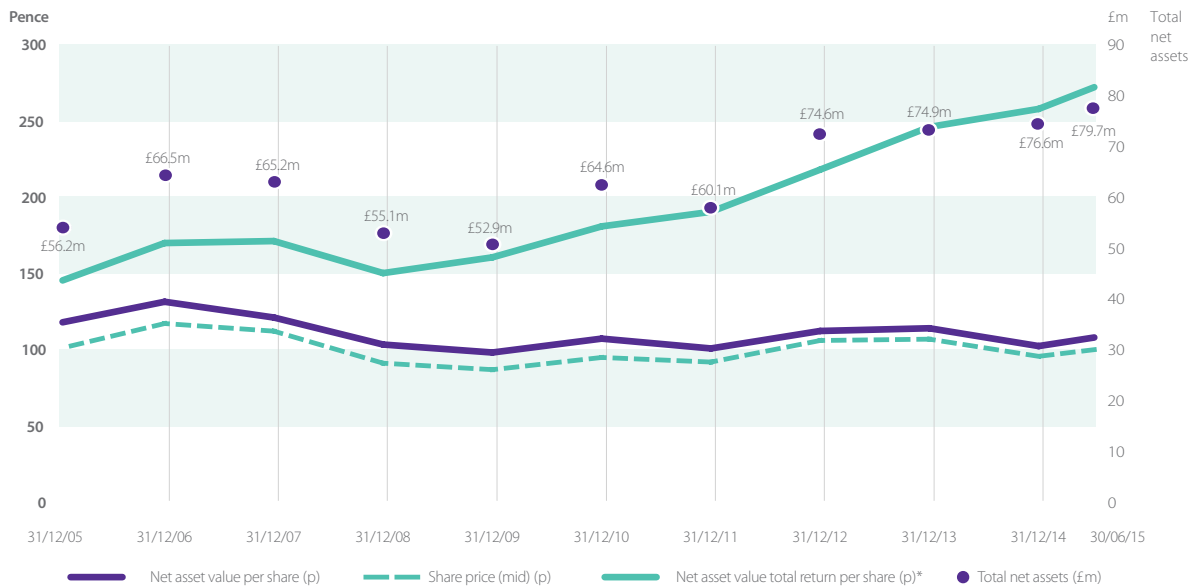
### Total divestments made

Total divestments made of £2.2m unquoted and £2.5m quoted in the six months to 30 June 2015.

£4.7m

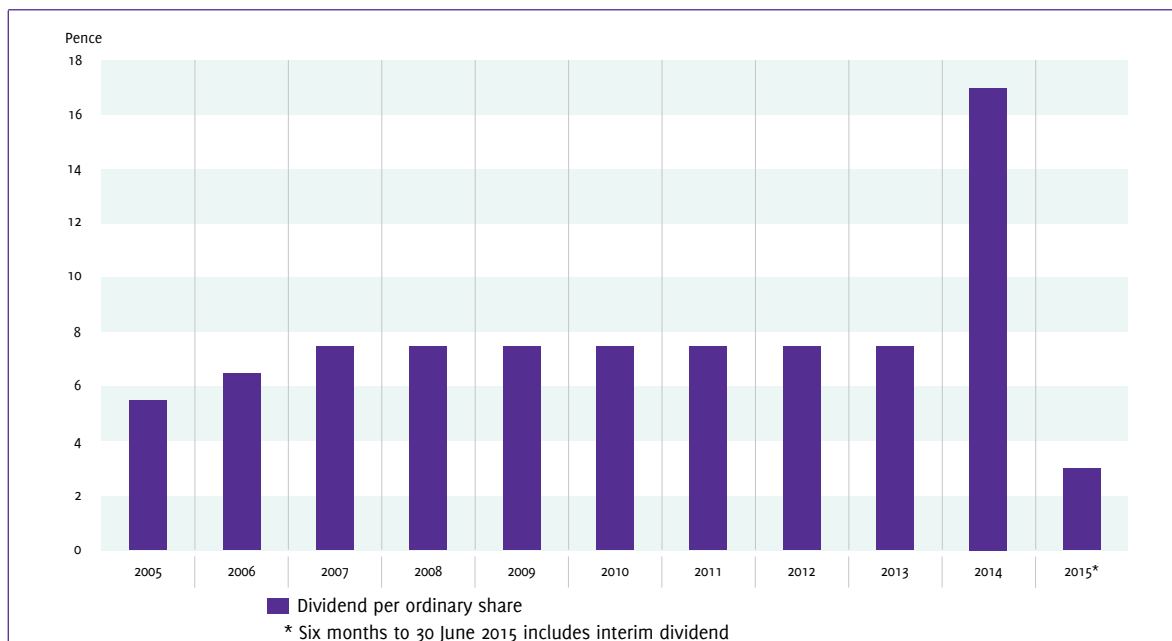
## Performance Summary

### Net Asset Value over the last ten years



\*Net asset value total return (gross dividends reinvested).  
Source: Livingbridge VC LLP

### Dividend History in the last ten years



Source: Livingbridge VC LLP

## Cash Returned to Shareholders by date of investment

The chart below shows the cash returned to shareholders based on the subscription price and the income tax reclaimed on subscription.



The table below shows the cash returned to shareholders, dependent on their subscription cost, including their income tax reclaimed on subscription.

Year subscribed	Cash invested (p)	Income tax reclaim (p)	Net cash invested (p)	Cumulative dividends paid (p)*	Return on cash invested (%)
2001 (January)	100.00	20.00	80.00	98.30	118.3
2005 (March) - C share**	100.00	40.00	60.00	62.67	102.7
2010 (March)	103.09	30.93	72.16	50.00	78.5
2012 (December)	117.40	35.22	82.18	32.00	57.3
2014 (March)	112.40	33.70	78.70	12.00	40.7

Note – The total return could be higher for those shareholders who were able to defer a capital gain on subscription and the net sum invested may be less.

\* Includes 3.0p interim dividend payable on 18 September 2015.

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



## Chairman's Statement

I am pleased to report an increase of 5.6p (5.5 per cent.) in the underlying NAV per share for the six months to 30 June 2015. This was attributable to increases in valuation of both the unquoted and quoted portfolios.

The interim dividend of 3.0p per share will be paid on 18 September 2015 to shareholders on the register as at 4 September 2015.

### Results

During the six months to 30 June 2015, the Company's NAV per share increased 5.5 per cent. from 101.72p to 107.35p before taking dividends into account.

	<b>p per ordinary share</b>
<b>NAV as at 1 January 2015</b>	<b>101.72</b>
Valuation uplift (5.5 per cent.)	<b>5.63</b>
NAV as at 30 June 2015 before dividends	<b>107.35</b>
Less: Interim dividend payable on 18 September 2015	<b>(3.00)</b>
<b>NAV as at 30 June 2015 after accounting for interim dividend</b>	<b>104.35</b>

### Portfolio Review

As shown in the table opposite, as at 30 June 2015 the Company's net assets of £79.7m were invested directly or indirectly in 107 companies. This table also shows that the main driver of the growth in the value of the NAV over the period was the 12.6 per cent. increase in the value of the unquoted portfolio along with positive contributions from the Company's quoted investments.

Asset class	NAV (£m)	% of net assets*	No. of investees	% return over the period
Unquoted companies	29.2	37	24	12.6**
AIM traded companies	24.8	31	45	3.0
Wood Street Microcap Investment Fund	8.5	11	38	10.6
Other net assets, primarily cash and fixed interest	17.2	21	N/A	-
<b>Totals</b>	<b>79.7</b>	<b>100</b>	<b>107</b>	

\* By value as at 30 June 2015.

\*\* Includes capitalised interest and redemption premium income received.

The full investment portfolio is shown in the tables on pages 18 and 19.

### Investment and Divestment Activity

The Company invested £4.7m in four new unquoted and four new quoted companies. Smaller follow-on investments in four quoted companies totalled £0.8m. Three of the new unquoted investments were in "acquisition" companies formed to enable investments into established trading entities over the next two years. The other new unquoted investment was in Centre4 Testing which is a specialist provider of software testing services that helps its clients to manage software implementations, upgrades and integration.

A total of £4.7m was realised from the five full and several partial sales of investments and loan note redemptions. From the unquoted portfolio, the sale of the Company's investment in Luxury For Less generated a return 2.0 times its original cost within a relatively short investment period of 20 months. From the quoted portfolio, a longer term investment in Accumuli generated a return 4.4 times its original cost over 4.5 years.

Against these successes, losses were realised on other investments; notably, Impetus Holdings and Surgi C. While it is disappointing to have poor realisations, it is in the nature of private equity investment that some investments will fail to achieve their full potential. However, these realisations had no impact on the NAV at 30 June 2015 as the Board had made full provisions against the value of these investments in earlier periods. More positively, the Investment Manager has continued to consolidate the gains achieved in the quoted portfolio with the Accumuli realisation referred to above being the most notable.

The tables on pages 7 and 8 provide further information concerning the Company's investments and divestments during the period.

### Long Term Performance

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

Baronsmead VCT 3 has been investing funds for shareholders since 2001 and, despite the inherent risk of investing in small companies, the trust has delivered consistently good returns for investors. While VCT tax reliefs do not change the underlying risks associated with investing in smaller companies, the upfront tax relief and the payment of tax free dividends helps to lessen the amount of shareholders original investment cost which remains "at risk".

As shown in the table on page 4, those shareholders who subscribed for shares in the Company's fundraisings in January 2001 and March 2005 have had their entire investment returned in dividends and reliefs. For instance, since investing 100p in 2001, founder shareholders have received cash payments totalling 118.3p (being 20p VCT income tax relief and 98.3p in dividends) and they still have an investment in the trust with a NAV of 104.35p per share (after accounting for the interim dividend).

While this analysis does not take account of the on-going value of the tax free nature of VCT dividends, it serves as a useful indicator of investment performance over the long term and the cumulative cash that has been returned to shareholders.

The ten year record of performance is set out on page 3 of this half-yearly report and the full record is set out on our website [www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk).

### VCT LEGISLATION

In the successive March and Summer Budgets 2015, the Chancellor announced legislative changes that are designed to ensure that VCTs continue to be approved by the European Union ("EU") and remain effective in giving small and growing businesses access to finance. In order to meet EU requirements the UK Government has proposed introducing new criteria regarding the age of companies that will be eligible as investments, a lifetime cap on the total amount of state aided investment that an investee company can receive and rules that require that the investment be used for the "organic" growth of the investee company. The legislation is subject to EU State aid approval and is expected to take effect from the date of Royal Assent later this year.

The objective of these changes is to direct VCT investments into younger companies that will use the investment to grow their businesses "organically" rather than acquiring another business or trade. The Manager believes that if the proposed legislation is enacted by the UK as drafted it will present a number of challenges for the VCT industry. However, the Manager, with its long track record of successful investing and experienced team, should be well placed to adapt to these new rules. As the draft legislation is complex it is not yet entirely clear how the rules will affect the VCT industry but we expect to be able to provide an update in the next quarter.

### Outlook

The improvement in the UK economy now appears to be more firmly established. However, the UK economy does not operate in isolation and the external environment remains uncertain with concerns over the on-going issues related to Greece and the Eurozone countries, growth and stock market valuations in China and continued political instability in various regions.

The unquoted portfolio contains a higher proportion of newer investments following recent sales. As a result, growth in the value of the unquoted portfolio is likely to be more modest until these investments mature, although some increase in value has begun to take place. The progress made by our newer investments and the Company's portfolio diversity and asset mix should help to continue to deliver consistent returns for shareholders.

### Anthony Townsend

Chairman  
18 August 2015



## Investments in the period

Company	Location	Sector	Activity	Book cost £'000
<b>Unquoted investments</b>				
<i>New</i>				
Ingleby (1973) Ltd	London	Business Services	Company seeking to acquire businesses in the Business Services sector	956
Ingleby (1974) Ltd	London	Business Services	Company seeking to acquire businesses in the Business Services sector	956
Ingleby (1975) Ltd	London	Consumer Markets	Company seeking to acquire businesses in the Consumer Markets sector	956
Centre4 Testing Ltd	Sussex	Business Services	Provider of software testing services, primarily through use of contractors	954
<b>Total unquoted investments</b>				<b>3,822</b>
<b>AIM traded investments</b>				
<i>New</i>				
CentralNic Group plc	London	TMT*	Provider of domain name & registry services	396
Venn Life Sciences Holdings plc	London	Healthcare & Education	Clinical Research organisation providing consulting and clinical trial services	225
Plant Impact plc	Hertfordshire	Business Services	Crop enhancing products	189
MXC Capital Ltd	Guernsey	Business Services	Tech focused investor & advisory business	112
<i>Follow on</i>				
Ideagen plc	Derbyshire	TMT*	Compliance software solutions	450
EG Solutions plc#	Staffordshire	TMT*	Back office optimisation software	228
Pinnacle Technology Group plc	Stirlingshire	TMT*	B2B telecoms and IT reseller	50
Castleton Technology plc	Cambridge	TMT*	Public sector IT managed services and software	33
<b>Total AIM traded investments</b>				<b>1,683</b>
<b>Total investments in the period</b>				<b>5,505</b>

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

# During the period, the EG Solutions plc Loan note and capitalised interest was converted into Ordinary shares.



## Realisations in the period

Company		First investment date	Book cost £'000	Proceeds‡ £'000	Overall multiple return*
<b>Unquoted realisations</b>					
Luxury For Less Ltd	Full trade sale	Jul 13	955	1,787	2.0
Create Health Ltd	Loan repayment	Mar 13	112	213	1.9
Eque2 Ltd	Loan repayment	Apr 13	111	123	1.1
Kingsbridge Ltd	Loan repayment	Jan 14	48	76	1.6
Impetus Holdings Ltd	Full trade sale	Apr 12	1,305	0	0.0
Surgi C Ltd	Full trade sale	Apr 10	853	0	0.3
<b>Total unquoted realisations</b>			<b>3,384</b>	<b>2,199</b>	
<b>AIM traded realisations</b>					
Accumuli plc	Recommended offer	Nov 10	505	2,140	4.4
Anpario plc	Market sale	Nov 06	54	235	4.3
Cohort plc	Full market sale	Oct 07	48	76	1.7
<b>Total AIM traded realisations</b>			<b>607</b>	<b>2,451</b>	
<b>Total realisations in the period</b>			<b>3,991</b>	<b>4,650†</b>	

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

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

† Proceeds of £39,000 were also received in respect of MLS Ltd and £5,000 in respect of Playforce Holdings Ltd, both of which had been sold in prior periods. Deferred consideration of £88,000 was also received in respect of CSC (World) Ltd.

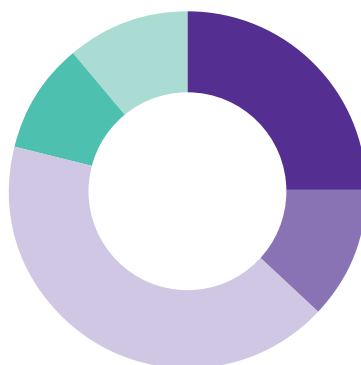
## Investment Diversification at 30 June 2015

### Sector by value



Business Services	<b>41%</b>
Consumer Markets	<b>17%</b>
Healthcare & Education	<b>10%</b>
Technology, Media & Telecommunications ("TMT")	<b>32%</b>

### Total assets by value



Unquoted – loan note	<b>25%</b>
Unquoted – equity	<b>12%</b>
AIM & collective investment vehicle	<b>42%</b>
Listed interest bearing securities	<b>10%</b>
Net current assets (principally cash)	<b>11%</b>

### Time investments held by value



Less than 1 year	<b>17%</b>
Between 1 and 3 years	<b>26%</b>
Between 3 and 5 years	<b>20%</b>
Greater than 5 years	<b>37%</b>

# Independent Review Report to Baronsmead VCT 3 plc

Baronsmead VCT 3 plc

Half-yearly report for the six  
months ended 30 June 2015

## 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 2015 which comprises the Income Statement, Statement of Changes in Equity, Balance Sheet and Statement of Cash Flows 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 will be prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with FRS 104 Interim Financial Reporting.

## 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 2015 is not prepared, in all material respects, in accordance with FRS 104 *Interim Financial Reporting* and the DTR of the UK FCA.

## Catherine Burnet

for and on behalf of KPMG LLP

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG

18 August 2015

# Responsibility statement of the Directors in respect of the half-yearly financial report

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We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the FRS104 '*Interim Financial Reporting*';
- 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 17 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

18 August 2015

# Unaudited Income Statement

For the six months to 30 June 2015

	Notes	Six months to 30 June 2015			Six months to 30 June 2014			Year to 31 December 2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Unrealised gains on movement in fair value of investments	7	-	4,142	4,142	-	3,285	3,285	-	2,443	2,443
Realised gains on disposal of investments	7	-	473	473	-	323	323	-	957	957
Income		711	-	711	790	-	790	2,591	-	2,591
Investment management fee		(233)	(700)	(933)	(232)	(697)	(929)	(461)	(1,381)	(1,842)
Other expenses		(246)	-	(246)	(232)	-	(232)	(455)	-	(455)
<b>Profit on ordinary activities before taxation</b>		<b>232</b>	<b>3,915</b>	<b>4,147</b>	326	2,911	3,237	1,675	2,019	3,694
Taxation on ordinary activities		-	-	-	(11)	11	-	(250)	250	-
<b>Profit for the period, being total comprehensive income for the period</b>		<b>232</b>	<b>3,915</b>	<b>4,147</b>	315	2,922	3,237	1,425	2,269	3,694
<b>Return per ordinary share:</b>										
Basic	2	<b>0.31p</b>	<b>5.21p</b>	<b>5.52p</b>	0.44p	4.09p	4.53p	1.95p	3.10p	5.05p

All items in the above statement derive from continuing operations.

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the realised and unrealised profit or loss on investments and the proportion of the management fee charged to capital.

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

# Unaudited Statement of Changes in Equity

For the six months to 30 June 2015

Notes	Non-distributable reserves				Distributable reserves		Total £'000
	Called-up share capital £'000	Share premium £'000	Other reserve £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	
<b>At 1 January 2015</b>	<b>8,463</b>	<b>8,813</b>	<b>33,716<sup>#</sup></b>	<b>12,521</b>	<b>12,410</b>	<b>694</b>	<b>76,617</b>
Movement between reserves	–	–	(33,716)	–	33,716	–	–
Profit/(loss) on ordinary activities after taxation	–	–	–	4,114	(199)	232	4,147
Buyback of shares to be held in treasury	–	–	–	–	(1,052)	–	(1,052)
<b>At 30 June 2015</b>	<b>8,463</b>	<b>8,813</b>	<b>–</b>	<b>16,635</b>	<b>44,875</b>	<b>926</b>	<b>79,712</b>

<sup>#</sup> On 18 December 2013 the court granted orders allowing the Company to cancel its share premium account and capital redemption reserve. The amounts of £22,866,000 (share premium) and £10,862,000 (capital redemption reserve) less costs paid became distributable during 2015.

For the six months to 30 June 2014

Notes	Non-distributable reserves				Distributable reserves		Total £'000
	Called-up share capital £'000	Share premium £'000	Other reserve £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	
<b>At 1 January 2014</b>	7,573	–	33,718	12,992	19,906	690	74,879
Profit on ordinary activities after taxation	–	–	–	2,612	310	315	3,237
Net proceeds of share issue	890	8,810	–	–	–	–	9,700
Other costs charged to capital	–	–	(2)	–	–	–	(2)
Dividends paid	–	–	–	–	(4,972)	(311)	(5,283)
<b>At 30 June 2014</b>	<b>8,463</b>	<b>8,810</b>	<b>33,716</b>	<b>15,604</b>	<b>15,244</b>	<b>694</b>	<b>82,531</b>

For the year to 31 December 2014

Notes	Non-distributable reserves				Distributable reserves		Total £'000
	Called-up share capital £'000	Share premium £'000	Other reserve £'000	Revaluation reserve £'000	Capital reserve £'000	Revenue reserve £'000	
<b>At 1 January 2014</b>	7,573	–	33,718	12,992	19,906	690	74,879
(Loss)/profit on ordinary activities after taxation	–	–	–	(471)	2,740	1,425	3,694
Net proceeds of share issue & sale of shares from treasury	890	8,813	–	–	378	–	10,081
Other costs charged to capital	–	–	(2)	–	–	–	(2)
Dividends paid	–	–	–	–	(10,614)	(1,421)	(12,035)
<b>At 31 December 2014</b>	<b>8,463</b>	<b>8,813</b>	<b>33,716</b>	<b>12,521</b>	<b>12,410</b>	<b>694</b>	<b>76,617</b>

# Unaudited Balance Sheet

Baronsmead VCT 3 plc

Half-yearly report for the six months ended 30 June 2015

As at 30 June 2015

	Notes	As at 30 June 2015 £'000	As at 30 June 2014 £'000	As at 31 December 2014 £'000
<b>Fixed assets</b>				
Unquoted investments	7	29,210	27,068	24,302
Traded on AIM	7	24,841	26,748	24,938
Collective investment vehicle	7	8,493	7,537	7,676
Listed interest bearing securities	7	7,992	8,996	9,494
Listed on LSE		–	2,770	–
Traded on ISDX		–	502	–
<b>Investments</b>	7	<b>70,536</b>	73,621	66,410
<b>Current assets</b>				
Debtors		272	280	485
Cash at bank and on deposit		9,516	9,254	10,323
		<b>9,788</b>	9,534	10,808
<b>Creditors</b> (amounts falling due within one year)		<b>(612)</b>	(624)	(601)
<b>Net current assets</b>		<b>9,176</b>	8,910	10,207
<b>Net assets</b>		<b>79,712</b>	82,531	76,617
<b>Capital and reserves</b>				
Called-up share capital		8,463	8,463	8,463
Share premium		8,813	8,810	8,813
Other reserve		–	33,716	33,716
Capital reserve		44,875	15,244	12,410
Revaluation reserve	7	16,635	15,604	12,521
Revenue reserve		926	694	694
<b>Equity shareholders' funds</b>		<b>79,712</b>	82,531	76,617
<b>Net asset value per share</b>				
		<b>107.35p</b>	110.15p	101.72p
Number of ordinary shares in circulation		<b>74,253,966</b>	74,928,966	75,318,966
<b>Treasury net asset value per share</b>				
		<b>106.37p</b>	109.56p	100.98p
Number of ordinary shares in circulation		<b>74,253,966</b>	74,928,966	75,318,966
Number of ordinary shares held in treasury		<b>10,374,214</b>	9,699,214	9,309,214
Number of listed ordinary shares in issue		<b>84,628,180</b>	84,628,180	84,628,180



# Unaudited Statement of Cash Flows

For the six months to 30 June 2015

	<b>Six months to 30 June 2015 £'000</b>	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Net cash (outflow)/inflow from operating activities	<b>(407)</b>	(402)	161
Net cash inflow/(outflow) from investing activities	<b>648</b>	(2,316)	4,561
Equity dividends paid	–	(5,283)	(12,035)
Net cash inflow/(outflow) before financing activities	<b>241</b>	(8,001)	(7,313)
Net cash (outflow)/inflow from financing activities	<b>(1,048)</b>	9,691	10,072
<b>(Decrease)/increase in cash</b>	<b>(807)</b>	1,690	2,759
<b>Reconciliation of net cash inflow to movement in net cash</b>			
(Decrease)/increase in cash	<b>(807)</b>	1,690	2,759
Opening cash position	<b>10,323</b>	7,564	7,564
<b>Closing cash at bank and on deposit</b>	<b>9,516</b>	9,254	10,323
<b>Reconciliation of profit on ordinary activities before taxation to net cash (outflow)/inflow from operating activities</b>			
Profit on ordinary activities before taxation	<b>4,147</b>	3,237	3,694
Gains on investments	<b>(4,615)</b>	(3,608)	(3,400)
Changes in working capital and other non-cash items	<b>61</b>	(31)	(133)
Net cash (outflow)/inflow from operating activities	<b>(407)</b>	(402)	161

## Notes

1. The condensed financial statements for the six months to 30 June 2015 comprise the statements set out on pages 12 to 15 together with the related notes on pages 15 to 17. The Company applies UK Generally Accepted Accounting Principles in its annual financial statements, and is intending to adopt FRS 102 and the AIC's Statement of Recommended Practice issued in November 2014 for its financial year ending 31 December 2015. The condensed financial statements for the six months to 30 June 2015 have therefore been prepared in accordance with FRS 104 'Interim Financial Reporting'. The directors do not expect any significant changes to the Company's accounting policies as a result of the adoption of FRS 102. The accounts have therefore been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2014.

The comparative figures for the financial year ended 31 December 2014 are not the Company's statutory accounts for that financial year, but are based on those accounts, represented as necessary to comply with FRS 102. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

- Return per share is based on a weighted average of 75,135,817 ordinary shares in issue (30 June 2014 – 71,390,122 ordinary shares; 31 December 2014 – 73,235,895 ordinary shares).
- Earnings for the first six months to 30 June 2015 should not be taken as a guide to the results of the full financial year to 31 December 2015.
- During the six months to 30 June 2015 the Company purchased 1,065,000 shares to be held in treasury. At 30 June 2015, the Company holds 10,374,214 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 74,253,966 ordinary shares in issue at 30 June 2015 (30 June 2014 - 74,928,966 ordinary shares; 31 December 2014 - 75,318,966 ordinary shares).

## Notes (continued)

6. The interim dividend of 3.0p per share (2.7p capital, 0.3p revenue) will be paid on 18 September 2015 to shareholders on the register on 4 September 2015. The ex-dividend date is 3 September 2015.

During the year to 31 December 2014, the Company paid a first interim dividend on 7 March 2014 of 8.0p per share (7.53p capital, 0.47p revenue), a second interim dividend on 19 September 2014 of 4.5p per share (3.76p capital, 0.74p revenue) and a third interim dividend on 19 December 2014 of 4.5p per share (3.76p capital, 0.74p revenue).

7. All investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in the Income Statement.

The methods of fair value measurement are classified into a hierarchy based on reliability of the information used to determine the valuation.

- Level a – Fair value is measured based on quoted prices in an active market.
- Level b – Fair value is measured based on directly observable current market prices or indirectly being derived from market prices.
- Level c – i) Fair value is measured using a valuation technique that is based on data from an observable market or;  
ii) Fair value is measured using a valuation technique that is not based on data from an observable market.

	Level a		Level b	Level c (ii)	
	Listed interest bearing securities £'000	Traded on AIM £'000	Collective investment vehicle £'000	Unquoted £'000	Total £'000
Opening book cost	9,494	17,697	3,525	23,173	53,889
Opening unrealised appreciation	–	7,241	4,151	1,129	12,521
Opening valuation	9,494	24,938	7,676	24,302	66,410
Movements in the period:					
Purchases at cost	23,485	2,052	–	3,822	29,359
Sales – proceeds	(24,987)	(2,820)	–	(2,041)	(29,848)
– realised gains on sales	–	324	–	149	473
Unrealised gains/(losses) realised during the period	–	1,520	–	(1,492)	28
(Decrease)/increase in unrealised appreciation	–	(1,173)	817	4,470	4,114
<b>Closing valuation</b>	<b>7,992</b>	<b>24,841</b>	<b>8,493</b>	<b>29,210</b>	<b>70,536</b>
Closing book cost	7,992	18,773	3,525	23,611	53,901
Closing unrealised appreciation	–	6,068	4,968	5,599	16,635
<b>Closing valuation</b>	<b>7,992</b>	<b>24,841</b>	<b>8,493</b>	<b>29,210</b>	<b>70,536</b>
Equity shares	–	24,841	8,493	9,246	42,580
Loan notes	–	–	–	19,964	19,964
Fixed income securities	7,992	–	–	–	7,992
<b>Closing valuation</b>	<b>7,992</b>	<b>24,841</b>	<b>8,493</b>	<b>29,210</b>	<b>70,536</b>

There has been no significant change in the risk analysis as disclosed in the Company's annual accounts.

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## Notes (continued)

8. 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 2014 has been extracted from the latest published audited financial statements. The audited financial statements for the year to 31 December 2014, which were unqualified, have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2014 have been reported on by the Company's auditors or delivered to the Registrar of Companies.
9. The Company has one reportable segment being investing in primarily a portfolio of UK growth businesses, whether unquoted or traded on AIM.
10. 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.

## 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 loss of approval as a Venture Capital Trust, investment performance, regulatory and compliance, legislation, economic, political and external factors and operational risks. These risks, and the way in which they are managed, are described in more detail in the Risk Matrix within the Strategic Report in the Company's Annual Report and Accounts for the year to 31 December 2014. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

Livingbridge VC LLP ('the Manager') manages the investments of the Company. The Manager also provides or procures the provision of secretarial, accounting, administrative and custodian services to the Company. Under the management agreement, the Manager receives a fee of 2.5 per cent per annum of the net assets of the Company. This is described in more detail under the heading the investment management agreement within the Strategic Report in the Company's Annual Report and Accounts for the year to 31 December 2014. During the period, the Company has incurred management fees of £933,000 (30 June 2014 - £929,000; 31 December 2014 - £1,842,000) and secretarial and accounting fees of £69,000 (30 June 2014 - £69,000; 31 December 2014 - £133,000) 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 2015, the Company held cash and readily realisable securities totalling £17,508,000. 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.

## Full Investment Portfolio

Company	Sector	Book cost £'000	30 June 2015 Valuation £'000	31 December 2014 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*
<b>Unquoted</b>							
Nexus Vehicle Holdings Ltd	Business Services	245	4,630	2,502	5.8	13.7	62.1
Crew Clothing Holdings Ltd	Consumer Markets	1,453	2,657	2,464	3.3	6.1	25.5
Create Health Ltd	Healthcare & Education	953	1,711	1,775	2.1	5.7	29.0
Pho Holdings Ltd	Consumer Markets	991	1,504	1,375	1.9	5.5	28.0
Valldata Group Ltd	Business Services	1,220	1,474	1,090	1.8	‡	‡
Carousel Logistics Ltd	Business Services	955	1,426	1,338	1.8	6.0	40.0
CableCom II Networking Holdings Ltd	TMT*	1,250	1,405	1,331	1.8	2.5	11.2
Key Travel Ltd	Business Services	954	1,308	1,176	1.6	4.7	48.0
Equ2 Ltd	TMT*	766	1,272	1,333	1.6	7.6	38.5
Kingsbridge Ltd	Business Services	851	1,245	1,144	1.6	5.7	34.0
Happy Days Consultancy Ltd	Healthcare & Education	1,052	1,072	1,053	1.3	12.9	65.0
Ingleby (1973) Ltd	Business Services	956	956	–	1.2	9.6	48.6
Ingleby (1974) Ltd	Business Services	956	956	–	1.2	9.6	48.6
Ingleby (1975) Ltd	Consumer Markets	956	956	–	1.2	9.6	48.6
Kirona Ltd	TMT*	955	955	955	1.2	3.8	37.5
Centre4 Testing Ltd	Business Services	954	954	–	1.2	6.9	45.0
IP Solutions Ltd	TMT*	954	954	954	1.2	4.4	30.0
Upper Street Events Ltd	Consumer Markets	953	953	953	1.2	8.0	70.1
CR7 Services Ltd	TMT*	949	949	949	1.2	4.4	52.1
Independent Community Care Management Ltd	Healthcare & Education	1,358	918	1,344	1.2	13.9	70.0
Armstrong Craven Ltd	Business Services	673	855	845	1.1	7.7	46.0
Playforce Holdings Ltd	Business Services	0	100	100	0.1	N/A	N/A
Carnell Contractors Ltd	Business Services	941	0	0	0.0	##	##
Fisher Outdoor Leisure Holdings Ltd	Consumer Markets	1,423	0	0	0.0	11.1	46.8
Xention Discovery Ltd	Healthcare & Education	893	0	0	0.0	1.7	2.9
<b>Total unquoted</b>		<b>23,611</b>	<b>29,210</b>		<b>36.6</b>		
<b>AIM</b>							
Netcall plc	TMT*	869	2,674	3,318	3.4	3.6	18.0
IDOX plc	TMT*	614	2,402	2,530	3.0	1.8	4.9
Tasty plc	Consumer Markets	594	1,768	1,500	2.2	2.5	14.4
TLA Worldwide plc	Business Services	733	1,618	1,309	2.0	2.7	13.1
Jelf Group plc	Business Services	551	1,256	1,015	1.6	0.7	2.8
Dods (Group) plc	TMT*	1,219	1,118	938	1.4	4.2	20.1
Ideagen plc	TMT*	675	1,053	450	1.3	1.4	6.3
Inspired Energy plc	Business Services	287	958	844	1.2	2.1	10.6
Sanderson Group plc	TMT*	612	769	781	1.0	2.2	8.8
Plastics Capital plc	Business Services	793	764	860	1.0	2.3	11.7
Bioventix plc	Healthcare & Education	227	749	614	0.9	1.7	7.6
Driver Group plc	Business Services	563	742	950	0.9	3.5	16.4
Electric Word plc	TMT*	696	732	575	0.9	5.1	27.6
Anpario plc	Healthcare & Education	152	715	851	0.9	1.0	6.5
EG Solutions plc	TMT*	714	699	397	0.9	4.2	19.2
Gama Aviation plc	Business Services	388	695	846	0.9	0.5	2.5
Escher Group Holdings plc	TMT*	614	687	831	0.9	1.9	9.7

Continued on page 19

## Full Investment Portfolio (continued)

Company	Sector	Book cost £'000	30 June 2015 Valuation £'000	31 December 2014 Valuation £'000	% of net assets	% of Equity held by Baronsmead VCT 3 plc	% of Equity held by all funds*
<b>AIM (continued)</b>							
InterQuest Group plc	Business Services	310	506	580	0.6	1.6	6.3
MartinCo plc	Consumer Markets	343	456	353	0.6	1.6	6.9
Vianet Group plc	Business Services	646	435	373	0.5	1.9	9.7
Everyman Media Group plc	Consumer Markets	391	424	392	0.5	0.8	3.5
CentralNic Group plc	TMT*	396	356	–	0.5	1.5	6.6
Daily Internet plc	TMT*	340	316	263	0.4	4.4	19.5
Brady plc	TMT*	176	309	232	0.4	0.4	2.0
Crawshaw Group plc	Consumer Markets	200	276	252	0.3	0.6	9.1
Begbies Traynor Group plc	Business Services	231	255	250	0.3	0.6	2.2
Plant Impact plc	Business Services	189	237	–	0.3	0.6	2.5
Venn Life Sciences Holdings plc	Healthcare & education	225	225	–	0.3	3.0	13.4
Castleton Technology plc	TMT*	101	206	126	0.3	0.5	2.3
Synectics plc	Business Services	296	185	129	0.2	0.6	2.1
Scholium Group plc	Consumer Markets	450	176	369	0.2	3.3	14.7
Tangent Communications plc	Business Services	523	157	376	0.2	2.3	11.3
MXC Capital Ltd	Business Services	112	153	–	0.2	0.2	0.8
STM Group plc	Business Services	162	145	67	0.2	0.6	3.6
Paragon Entertainment Ltd	Consumer Markets	258	125	135	0.2	3.6	19.1
Mi-Pay Group plc	Business Services	400	90	102	0.1	0.8	3.1
Pinnacle Technology Group plc	TMT*	219	90	35	0.1	2.3	10.0
One Media iP Group plc	TMT*	113	89	116	0.1	1.6	7.0
Ubisense Group plc	TMT*	130	78	87	0.1	0.2	1.0
Gresham House plc	TMT*	56	53	56	0.1	0.2	0.9
Synety Group plc	TMT*	113	38	83	0.1	0.4	1.6
Fulcrum Utility Services Ltd	Business Services	51	32	17	0.0	0.1	2.6
APC Technology Group plc	Business Services	932	20	22	0.0	0.1	0.6
Marwyn Management Partners plc	Business Services	525	5	7	0.0	0.0	0.1
Zoo Digital Group plc	TMT*	584	5	4	0.0	0.2	0.6
<b>Total AIM</b>		<b>18,773</b>	<b>24,841</b>		<b>31.2</b>		
<b>Listed interest bearing securities</b>							
UK Treasury Bill 10/08/15		3,996	3,996	–	5.0		
UK Treasury Bill 14/09/15		3,996	3,996	–	5.0		
<b>Total listed interest bearing securities</b>		<b>7,992</b>	<b>7,992</b>		<b>10.0</b>		
<b>Collective investment vehicle</b>							
Wood Street Microcap Investment Fund		3,525	8,493	7,676	10.7		
<b>Total collective investment vehicle</b>		<b>3,525</b>	<b>8,493</b>		<b>10.7</b>		
<b>Total investments</b>		<b>53,901</b>	<b>70,536</b>		<b>88.5</b>		
<b>Net current assets</b>			<b>9,176</b>		<b>11.5</b>		
<b>Net assets</b>			<b>79,712</b>		<b>100.0</b>		

# All funds managed by the same investment manager, Livingbridge VC LLP and Livingbridge EP LLP, including Baronsmead VCT 3 plc.

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

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

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

# Shareholder Information and Contact Details

Baronsmead VCT 3 plc  
Half-yearly report for the six months ended 30 June 2015

## 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:

**Telephone:** 0800 923 1534

- This is an automated self-service system
- It is available 24 hours a day, 7 days a week
- 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
- Press '0' if you wish to speak to someone
- The Contact Centre in Bristol is available on UK business days between 8.30am - 5.00pm Monday to Friday

**On-line:** Investor Centre  
[www.investorcentre.co.uk](http://www.investorcentre.co.uk)

- Computershare's secure website, Investor Centre, allows you to manage your own shareholding online
- You will need to register to use this service on the Investor Centre web site
- 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

**Email:** [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

**Post:** Computershare Investor Services PLC  
The Pavilions Bridgwater Road  
Bristol BS99 6ZZ

## Warning to Shareholders - Investment Fraud

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.

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## 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 the link on the Company's website and many financial websites.

## Trading Shares

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker.

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

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

## Financial Calendar

November 2015 Quarterly factsheet to 30 September 2015

February 2016 Announcement of final results for year to 31 December 2015

April 2016 Fifteenth 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. Livingbridge VC LLP does not give investment advice and the naming of companies in this report is not a recommendation to deal in them.

Baronsmead VCT 3 plc is managed by Livingbridge VC LLP which is Authorised and regulated by the FCA. 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.

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



## Directors

Anthony Townsend<sup>‡</sup>  
Gill Nott OBE<sup>^</sup>  
Andrew Karney\*  
Ian Orrock

## Secretary

Livingbridge VC LLP

## Registered Office

100 Wood Street  
London EC2V 7AN

## Investment Manager

Livingbridge VC LLP  
100 Wood Street  
London EC2V 7AN  
020 7506 5717

## Registered Number

04115341

<sup>‡</sup> Chairman

<sup>^</sup> Audit and Risk Chairman

\* Senior Independent Director

## Registrars and Transfer Office

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
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Tel: 0800 923 1532

## Brokers

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One New Change  
London EC4M 9AF  
Tel: 020 7886 2500

## Auditor

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20 Castle Terrace  
Edinburgh EH1 2EG

## Solicitors

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Broadgate Tower  
20 Primrose Street  
London EC2A 2EW

## VCT Status Adviser

Robertson Hare LLP  
4-6 Staple Inn  
London WC1V 7QH

## Website

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

# Notes

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