

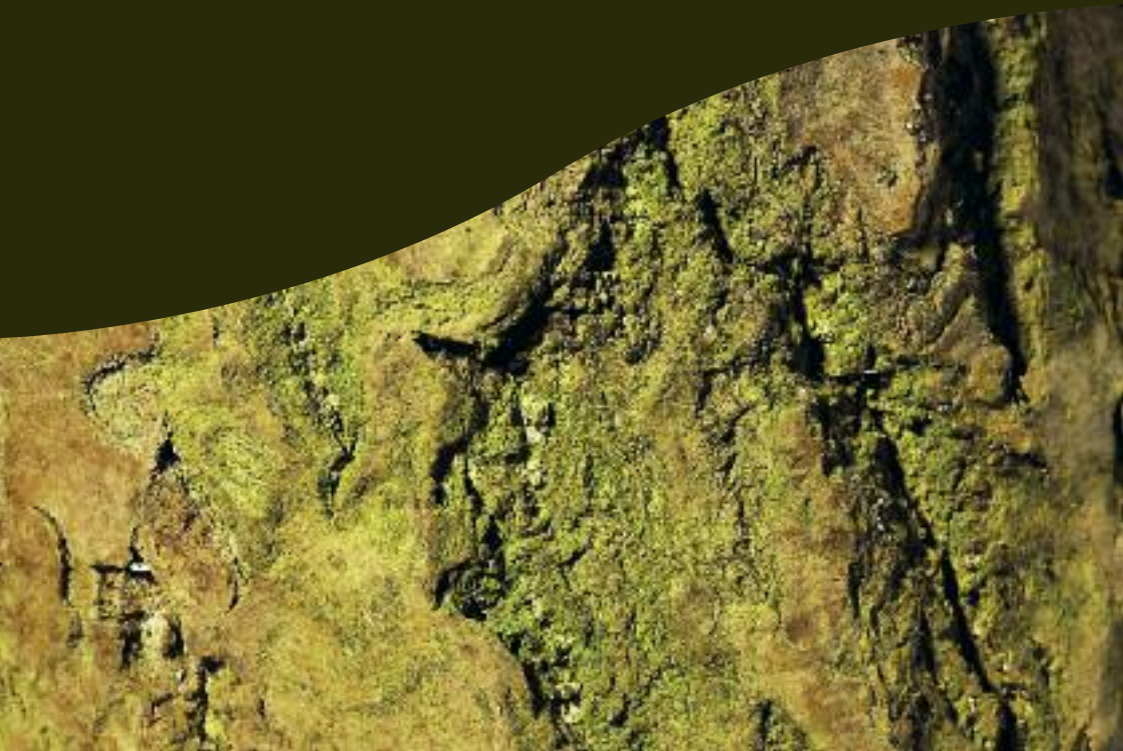
2009

Northern 3
VCT PLC

Half-yearly Financial Report
30 September 2009

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

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Financial Summary

Six months ended 30 September	2009	2008
Net assets	£26.2m	£24.9m
Net asset value per share	90.5p	86.1p
Return per share		
Revenue	1.5p	1.5p
Capital	6.9p	(11.8)p
Total	8.4p	(10.3)p
Interim dividend per share in respect of the period		
Revenue	1.4p	1.4p
Capital	0.6p	0.6p
Total	2.0p	2.0p
Cumulative return to shareholders since launch		
Net asset value per share	90.5p	86.1p
Dividends paid per share*	22.9p	18.9p
Net asset value plus dividends paid per share	113.4p	105.0p
Share price at end of period	55.5p	85.5p

*Excluding interim dividend declared but not yet paid

Key dates

Half-yearly results announced

4 November 2009

Shares quoted ex dividend

9 December 2009

Interim dividend paid (to shareholders on register on 11 December 2009)

15 January 2010

Half-yearly Management Report

We see no reason at this stage to revise our cautious view of the outlook for UK businesses in the short to medium term.

The past six months have seen a continuation of the adverse conditions in the UK economy and financial markets. Against this background we are pleased to report that our company has made good progress during the period.

Results

The unaudited net asset value (NAV) per share at 30 September 2009 was 90.5p, which represents an increase of 10.1% over the audited figure of 84.0p at 31 March 2009 (after adjusting for the dividend paid during the period). Your directors consider that this is a satisfactory result given the harsh environment in which many of our investee companies are operating. The cumulative return to shareholders (latest NAV plus total dividends paid since launch) is 113.4p at 30 September 2009 compared with 105.0p a year earlier.

The revenue return per share for the half year was unchanged at 1.5p. Income from the investment portfolio was slightly higher than in the corresponding period, although we expect the income in the second half of the year to be adversely affected by the continuing low level of interest rates.

The board has declared an unchanged interim dividend of 2.0p per share, comprising a revenue dividend of 1.4p and a capital dividend of 0.6p. The interim dividend will be paid on 15 January 2010 to shareholders on the register at the close of business on 11 December 2009. We are aware of the importance which our shareholders attach to a consistent flow of tax-free dividends, especially with the prospect of higher income tax rates in the near future.

Investment portfolio

New investment activity has remained subdued. £995,000 was invested in **Phusion Healthcare**,

a company formed to acquire businesses supplying pharmaceutical medicines to the healthcare sector, and a further tranche of £104,000 was drawn down by **Wear Inns** which continues to add to its estate of managed public houses. Given the difficult economic climate our managers have taken a cautious approach to making new commitments, although there are currently some indications that the quality of potential opportunities is beginning to improve.

Encouragingly there were two successful exits during the period. **DxS**, the Manchester-based molecular diagnostics business, was sold to Qiagen NV in September 2009 on terms which enabled us to recognise sale proceeds of £3.3 million and a realised gain over original cost of £2.9 million, with the possibility of up to a further £2.5 million becoming receivable over the next three years depending on the achievement of certain milestones. Our investment in the public sector software developer **Liquidlogic** was sold to the AIM-quoted System C Healthcare for £363,000, realising a gain of £314,000. However conditions have remained very challenging for some of our companies and the engineering consultancy **Foreman Roberts Group** continued to perform poorly in a very difficult market, eventually undergoing a financial re-structuring as a result of which our investment was effectively written off. Your directors have continued to take a prudent view when valuing the portfolio of venture capital investments, and as before we are prepared to provide additional funding where there is a good business case to help our companies overcome the effects of the recession and also the difficulty of obtaining funding from the clearing banks on acceptable terms.



James Ferguson
Chairman



Ordinary shares

In the annual report six months ago, reference was made to the board's decision that the company should in principle continue to buy back its shares in the market, although in the prevailing market conditions it was not considered feasible to maintain a fixed 10% discount to NAV. In May 2009 Singer Capital Markets was appointed as the company's broker, as well as making a market in the company's shares. Subsequently the mid-market share price has risen from its low point of 45p, reaching 64p by early November. The latter figure still represents a discount to NAV of almost 30% and the directors are currently considering measures with the objective of reducing the discount further.

We are also planning to launch a further issue of ordinary shares in the first quarter of 2010, with the objective of raising approximately £10 million of new funds. This would bring about a step change in the company's size, which we believe would have a positive effect in terms of allowing a wider spread of investments, reducing the running costs per share and helping improve the market liquidity of our shares. It would also provide an additional reserve of funds giving the company greater scope to take advantage of the attractively valued investment opportunities which are now beginning to emerge. A further announcement on this subject will be made in due course.

VAT on management fees

Following the European Court decision in the JPMorgan Claverhouse case, management fees paid to NVM Private Equity have been exempt from VAT since July 2008. We have also been able to recover some VAT paid in earlier periods, in respect of which a total of £280,000 has been recognised in our financial statements to date.

Negotiations are continuing with HM Revenue & Customs over possible further repayments.

VCT qualifying status

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

Risk management

The board carries out a regular review of the risk environment in which the company operates. There has been no significant change to the key risks discussed on page 10 of the annual report for the year ended 31 March 2009, including those resulting from the size and relative illiquidity of the unquoted and AIM-quoted investments held by the company.

Prospects

We see no reason at this stage to revise our cautious view of the outlook for UK businesses in the short to medium term. The recent buoyancy of the financial markets cannot disguise the fundamental challenges facing the UK economy, which will inevitably have an impact on the type of small private company in which venture capital trusts invest. This means that careful selection and screening of new investments will remain crucial. However, our company has the benefit of a robust balance sheet and an experienced management team, as well as a maturing portfolio of investments which should be well placed to take advantage of any upturn in the economy.

On behalf of the Board

James Ferguson
Chairman

Income Statement

(unaudited) for the six months ended 30 September 2009

	Six months ended 30 September 2009		
	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	–	787	787
Movements in fair value of investments	–	1,365	1,365
	–	2,152	2,152
Income	732	–	732
Investment management fee	(63)	(207)	(270)
Recoverable VAT	–	–	–
Other expenses	(100)	–	(100)
Return on ordinary activities before tax	569	1,945	2,514
Tax on return on ordinary activities	(129)	60	(69)
Return on ordinary activities after tax	440	2,005	2,445
Return per share	1.5p	6.9p	8.4p
Dividends paid/proposed in respect of the year	1.4p	0.6p	2.0p

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

Reconciliation of Movements in Shareholders' Funds

(unaudited) for the six months ended 30 September 2009

	Six months ended 30 September 2009 £000
Equity shareholders' funds at 1 April 2009	24,323
Return on ordinary activities after tax	2,445
Dividends recognised in the period	(580)
Net proceeds of share issues	55
Shares purchased for cancellation	(41)
Equity shareholders' funds at 30 September 2009	26,202

Six months ended 30 September 2008			Year ended 31 March 2009		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
-	458	458	-	814	814
-	(3,917)	(3,917)	-	(4,460)	(4,460)
-	(3,459)	(3,459)	-	(3,646)	(3,646)
686	-	686	1,249	-	1,249
(78)	(234)	(312)	(140)	(420)	(560)
72	228	300	67	213	280
(109)	-	(109)	(213)	-	(213)
571	(3,465)	(2,894)	963	(3,853)	(2,890)
(128)	-	(128)	(208)	61	(147)
443	(3,465)	(3,022)	755	(3,792)	(3,037)
1.5p	(11.8)p	(10.3)p	2.6p	(13.0)p	(10.4)p
1.4p	0.6p	2.0p	2.5p	1.5p	4.0p

Six months ended 30 September 2008 £000	Year ended 31 March 2009 £000
28,645	28,645
(3,022)	(3,037)
3	(575)
-	63
(772)	(773)
24,854	24,323

Balance Sheet

(unaudited) as at 30 September 2009

	30 September 2009 £000	30 September 2008 £000	31 March 2009 £000
Fixed asset investments			
Venture capital investments			
Unquoted	11,933	13,778	13,606
Quoted	2,468	1,910	1,603
Total venture capital investments	14,401	15,688	15,209
Listed fixed-interest investments	3,971	7,423	5,700
Total fixed asset investments	18,372	23,111	20,909
Current assets			
Debtors	843	566	848
Cash and deposits	7,282	1,385	2,785
	8,125	1,951	3,633
Creditors (amounts falling due within one year)	(295)	(208)	(219)
Net current assets	7,830	1,743	3,414
Net assets	26,202	24,854	24,323
Capital and reserves			
Called-up equity share capital	1,447	1,443	1,447
Share premium	8,140	8,031	8,089
Capital redemption reserve	192	188	188
Capital reserve	18,232	15,779	16,432
Revaluation reserve	(2,522)	(1,270)	(2,424)
Revenue reserve	713	683	591
Total equity shareholders' funds	26,202	24,854	24,323
Net asset value per share	90.5p	86.1p	84.0p

Cash Flow Statement

(unaudited) for the six months ended 30 September 2009

	Six months ended 30 September 2009 £000	Six months ended 30 September 2008 £000	Year ended 31 March 2009 £000
Net cash inflow from operating activities	374	113	42
Taxation			
Corporation tax paid	–	(115)	(143)
Financial investment			
Purchase of investments	(1,237)	(4,246)	(2,234)
Sale/repayment of investments	5,926	4,876	4,879
Net cash inflow from financial investment	4,689	630	2,645
Equity dividends paid	(580)	3	(575)
Net cash inflow before financing	4,483	631	1,969
Financing			
Issue of ordinary shares	70	–	72
Share issue expenses	(15)	–	(9)
Purchase of ordinary shares for cancellation	(41)	(772)	(773)
Net cash inflow/(outflow) from financing	14	(772)	(710)
Increase/(decrease) in cash and deposits	4,497	(141)	1,259
Reconciliation of return before tax to net cash flow from operating activities			
Return on ordinary activities before tax	2,514	(2,894)	(2,890)
Gain on disposal of investments	(787)	(458)	(814)
Movements in fair value of investments	(1,365)	3,917	4,460
(Increase)/decrease in debtors	5	(301)	(583)
Increase/(decrease) in creditors	7	(151)	(131)
Net cash inflow from operating activities	374	113	42
Analysis of movement in net funds	1 April 2009 £000	Cash flows £000	30 September 2009 £000
Cash and deposits	2,785	4,497	7,282

Notes to the Financial Statements

(unaudited) for the six months ended 30 September 2009

- 1 The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Where presentational guidance set out in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies", revised in January 2009, is consistent with the requirements of UK GAAP, the directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP.
- 2 The calculation of return per share is based on the return on ordinary activities after tax for the six months ended 30 September 2009 and on 28,936,373 (2008 29,376,116) ordinary shares, being the weighted average number of shares in issue during the period.
- 3 The calculation of net asset value per share is based on the net assets at 30 September 2009 divided by the 28,940,287 (2008 28,854,122) ordinary shares in issue at that date.
- 4 The proposed interim dividend of 2.0p per share for the year ending 31 March 2010 will be paid on 15 January 2010 to shareholders on the register at the close of business on 11 December 2009.
- 5 The unaudited half-yearly financial statements for the six months ended 30 September 2009 do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 March 2009 have been extracted from the financial statements for that period, which have been delivered to the Registrar of Companies; the independent auditors' report on those financial statements under Section 235 of the Companies Act 1985 was unqualified. The half-yearly financial statements have been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 March 2009.
- 6 The directors confirm that to the best of their knowledge the half-yearly financial statements have been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
- 7 Copies of this half-yearly report have been mailed to shareholders and are available to the public at the company's registered office and on the NVM Private Equity website, www.nvm.co.uk.

Investment Portfolio Summary

(unaudited) as at 30 September 2009

	Cost £000	Valuation £000	% of net assets by value
Axial Systems Holdings	1,004	1,215	4.6
Paladin Group	861	1,190	4.5
Phusion Healthcare	995	995	3.8
Advanced Computer Software*	429	947	3.6
Optilan Group	1,000	821	3.1
Envirotec	456	818	3.1
Promanex Group Holdings	1,000	750	2.9
CloserStill Holdings	743	743	2.8
Britspace Holdings	1,201	735	2.8
Crantock Bakery	442	656	2.5
Abermed	375	642	2.5
Arleigh International	210	437	1.7
Promatic Group	568	426	1.6
Wear Inns	490	414	1.6
IDOX*	298	387	1.5
Fifteen largest venture capital investments	10,072	11,176	42.6
Other venture capital investments	6,820	3,225	12.3
Total venture capital investments	16,892	14,401	54.9
Listed fixed-interest investments	4,001	3,971	15.2
Total fixed asset investments	20,893	18,372	70.1
Net current assets		7,830	29.9
Net assets		26,202	100.0

*Quoted on AIM

Company Information

Directors

James Ferguson (Chairman)
John Hustler
Chris Fleetwood
Tim Levett
John Waddell

Secretary

Christopher Mellor FCA MSI

Registered Office

Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER
Telephone: 0191 244 6000
E-mail: n3vct@nvm.co.uk
Website: www.nvm.co.uk

Investment Manager

NVM Private Equity Limited
Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER

Fixed-interest Investment Advisers

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing BN99 6DA
Shareholder helpline: 0871 384 2030

Stockbrokers

Singer Capital Markets Limited
1 Hanover Street
London W1S 1YZ

Northern 3 VCT PLC

Northumberland House
Princess Square
Newcastle upon Tyne NE1 8ER
Tel: 0191 244 6000
Fax: 0191 244 6001
E-mail: n3vct@nvm.co.uk
www.nvm.co.uk