

# MATRIX INCOME & GROWTH VCT PLC **3**

A VENTURE CAPITAL TRUST

## REPORT & ACCOUNTS



Unaudited Half-Yearly Report  
for the six months ended 30 June 2009

MATRIX

## Investment Objective

Matrix Income & Growth VCT 3 plc ("MIG3 VCT" or the "VCT") is a Venture Capital Trust ("VCT") listed on the London Stock Exchange. Its investment portfolio, which invests primarily in established and profitable unquoted companies, is managed by Matrix Private Equity Partners LLP ("MPEP" or "the Investment Manager").

The Company's objective is to provide investors with a regular income stream, by way of tax-free dividends, and to generate capital growth through portfolio realisations, which can be distributed by way of additional tax-free dividends.

## Financial Highlights

Half-Yearly results for the six months ended 30 June 2009

Initial net asset value (NAV) per share	94.5p
Initial net assets	£18,907,738

	30 June 2009	30 June 2008	31 December 2008
Net assets	£17,384,986	£18,610,249	£17,757,415
Net asset value (NAV) per share	88.4p	93.2p	88.9p
Net cumulative dividends paid*	5.55p	3.75p	4.75p
Total return per share to shareholders since launch (NAV basis)**	94.0p	96.9p	93.7p
Share price (mid-market price)	59.75p	86.50p	80.00p

\* For a breakdown of recent dividends paid, please see Note 7 of the Notes to the Unaudited Financial Statements on page 19 of this Half-Yearly Report.

\*\* Net asset value per share plus cumulative dividends per share. This compares with an original investment cost of 60 pence per share after allowing for income tax relief of 40 pence per share.

# Chairman's Statement

I am pleased to present this Half-Yearly Report covering the six month period ended 30 June 2009.

## Results and dividend

The continuing difficulties in the UK and world economies have remained over the six month period covered by this report and your Company has not been immune from their impact. The recession is affecting many of the companies in the portfolio, particularly those exposed to the support services and construction and materials sectors. However, the well-diversified nature of your portfolio including, in particular, its strong underlying cash position, has helped to limit the impact of this generally poor background on the overall value of the Company's investments. Accordingly, the total return to Shareholders, based on NAV plus dividends paid, rose marginally by 0.3% in the period from 93.7 pence per share to 94.0 pence per share.

Very disappointingly, in contrast to this steady total return performance, income from the Company's investments has come under considerable pressure. The revenue account generated a net loss (after tax) for the period of £13,021 (2008: profit of £291,308). This significant fall in revenue has been as a result of a large fall in the loan stock interest received from investee companies and a substantial decline in interest received from money market funds which reflects the fall in interest rates from an average of 5.6% in the same period last year to 0.5% this year. The Board will not be declaring an interim dividend and unless the trend in

interest income reverses quickly and markedly the payment of an income dividend for 2009 appears very unlikely.

## Net asset value (NAV)

The NAV at 30 June 2009 was 88.4 pence per share compared with a NAV of 88.9 pence per share at the beginning of the period (after dividends). This represents a slight decline of 0.6%.

## Investment portfolio

MPEP has continued to pursue a very selective approach to investing in new businesses. Investment activity has generally been quieter than in previous periods, the reasons for which are explained in the Investment Manager's Review. In June 2009, the Company participated in the management buy-out of Westway Cooling, a company that specialises in the installation and servicing of air conditioning systems. In January, we also made one small follow-on investment into Monsal Holdings.

For further information on the investment portfolio please see the Investment Manager's Review on pages 5 - 7 of this Half-Yearly Report.

## Liquidity

The Company was holding £4.3 million in cash and liquidity fund balances as at 30 June 2009 in addition to the £7 million invested in the Operating Partner acquisition vehicles. It is therefore very well positioned both to make follow-on investments to support the existing portfolio through this period of economic uncertainty and take advantage of more favourable opportunities for new investment that the Investment Manager believes will emerge in 2010.

The Board has been very conscious of the need to spread risk in the current environment and is therefore continuing to hold the Company's cash deposits across a range of the leading money market funds.

### Investment in qualifying holdings

The Company is required to meet the target set by HM Revenue & Customs of investing 70% of the funds raised in qualifying unquoted and AiM quoted companies, which it has achieved throughout the period. The Company was 77.84% invested in qualifying companies (based on VCT cost as defined in tax legislation which differs from actual cost in the Investment Portfolio Summary on pages 8 - 9) at the period-end, with the balance of the portfolio invested in a selection of readily realisable, money market funds with AAA credit ratings.

### Share buy-backs

During the six months to 30 June 2009, the Company bought back 305,059 of the Company's own shares at an average price of 59.86 pence per share, which represented a discount of approximately 30% to the published NAV at the time of the buy-back adjusted for dividends payable.

These shares, representing 1.53% of the issued share capital at the beginning of the period, were subsequently cancelled by the Company. The Board regularly reviews its share buy-back policy.

### VAT on management fees

As reported in the Annual Report for the year

ended 31 December 2008 the Company is no longer liable to pay VAT on investment management fees. The Investment Manager has been able to reclaim VAT previously paid on fees and the Company has received a refund of £131,413, plus interest of £8,365, in the period. These accounts recognise this interest together with £6,413 being the additional VAT recovered to date, not anticipated as a debtor at 31 December 2008.

The Board is continuing to seek to recover additional amounts of VAT paid by the Company together with compensation for loss of interest.

### Communicating with Shareholders

The Company maintains a programme of regular communication with Shareholders through newsletters and a dedicated website [www.mig3vct.co.uk](http://www.mig3vct.co.uk), supplementing the Half-Yearly and Annual Reports. The Board welcomes the opportunity to meet Shareholders at the Company's General Meetings during which representatives of the Investment Manager are present to discuss the progress of the portfolio. The next AGM of the Company will be held in May 2010.

### Outlook

Notwithstanding the very poor economic background, portfolio companies as a whole are trading reasonably well. Almost all of the investee companies are still forecast to be profitable before taking into account interest and goodwill amortisation and several companies are showing real potential for future development when the economy ultimately

recovers. The Board remains confident that the total return to Shareholders should recover as and when economic and financial conditions allow, although income generation will remain under pressure for the foreseeable future.

The Investment Manager also expects that by 2010 business owners will return to the market to raise risk capital or to sell their companies. This should provide sound investment opportunities for cash rich investors and investment companies. The substantial liquid resources held by the Company should ensure that the Investment Manager has the means to invest at attractive valuations as these arise.

Finally, I would like to thank all of our Shareholders for their continuing support.

**Keith Niven**

Chairman

31 July 2009

# Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the 2009 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts", give a true and fair view of the assets, liabilities, financial position and profit of the Company, as required by DTR 4.2.4; and
- (b) the interim management report included within the Chairman's Statement and the Investment Manager's Review includes a fair review of the information required by DTR 4.2.7 and in accordance with DTR 4.2.10.

## Related Party Transactions

Details of related party transactions in accordance with DTR 4.2.8 can be found in Note 12 to the Unaudited Financial Statements on page 21.

## Principal Risks and Uncertainties

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not

materially changed since the publication of the Annual Report and Accounts for the year ended 31 December 2008. The Board acknowledges that there is regulatory risk and continues to manage the Company's affairs in such a manner as to comply with section 274 Income Tax Act 2007. Other risks relate to credit risk, market price risk, liquidity risk, interest rate risk and currency risk. A more detailed explanation of these can be found in Note 20 on pages 44 - 48 of the 2008 Annual Report, copies of which are available on the VCT's website, [www.mig3vct.co.uk](http://www.mig3vct.co.uk).

## Cautionary Statement

This Report may contain forward looking statements with regards to the financial condition and results of the Company which are made in the light of current economic and business circumstances. Nothing in this announcement should be construed as a profit forecast.

On behalf of the Board

**Keith Niven**  
Chairman  
31 July 2009

# Investment Manager's Review

## Overview

We have continued to adopt a cautious approach to new investment and believe that this remains the best path to take in the current market whilst vendors' price expectations appear to us to be generally too high. The low level of market activity which has persisted throughout the period is producing only limited opportunities for deals where willing vendors are selling to strategic buyers.

## Investment portfolio

During the period, one new investment of £286,855 was completed to support the MBO of Westway Cooling in June 2009. Based in Greenford, Middlesex, Westway has been specialising in installing, servicing and maintaining high quality air-conditioning systems and associated building services plant in the refurbishment and maintenance market since 2001. With a turnover of £10 million and a record order book, the company is well placed to grow, even in challenging market conditions.

To date the investment portfolio has required very little additional funding despite the worsening economic environment. One follow-on investment was completed in January 2009 into Monsal Holdings of £61,817 to provide working capital and headroom. The company is now doing well following a difficult year in 2008. It has recently won a number of major contracts and is establishing a reputation for its expertise in anaerobic technology.

At 30 June 2009, the portfolio comprised investments in nineteen companies at a total current cost of £14.0 million and valued in accordance with International Private Equity and Venture Capital Valuation (IPEVCV) Guidelines at £13.2 million. After adjusting for new investments and repayments during the period, this now represents 94.5% of cost compared to 93.6% of cost at 31 December 2008.

£7 million of the investment cost is held in cash in the seven acquisition companies in the Operating Partner Programme (for the full list, please see the Investment Portfolio Summary on pages 8 - 9). These companies are individually actively seeking to acquire investments in the construction, food manufacturing, healthcare, retailing, data management and market services sectors but so far have not found investment transactions at the right price.

The majority of companies in the portfolio are servicing their loan stock commitments to the Company. However, due to banking covenant breaches, four companies were not currently servicing their VCT loan stocks at 30 June 2009.

With the exception of Plastic Surgeon, which is forecasting a modest loss, we expect all of the companies in the portfolio to deliver operating profits (ie prior to goodwill amortisation and servicing debt) in their current financial year. The profitability of Plastic Surgeon and PXP has been particularly affected by their direct exposure to the downturn in the construction and house-building sector.

# Investment Manager's Review

Pressure on capital and maintenance expenditure in the UK retail sector has also significantly affected Blaze Signs, although there is guarded optimism that its clients are now beginning to invest again in signage. PastaKing continues to make good levels of profits which could be enhanced if sterling were to strengthen against the euro, reducing the prices of its ingredients and raw materials. Although the advertising revenue of ATG Media has fallen, it remains on forecast to meet its budgeted profits due to the higher than expected revenue arising from its on-line auctions. British International reported reduced profits due to a combination of poor operating conditions on the Penzance-Isles of Scilly route and unscheduled maintenance costs.

DiGiCo continues to trade strongly, is well ahead of budget and is improving on its performance to date. It has also repaid £205,022 of its loan stock in May 2009, earlier than anticipated. VSI is making steady progress after a year of record profits in 2008.

Focus Pharma enjoyed solid progress in 2008 and has begun the current year well. Racoon is finding trading conditions difficult but remains profitable, before interest and goodwill amortisation.

Over the past months we have been working even more closely with management of a number of companies in the portfolio which have been most affected by the more challenging

trading environment. Significant redundancies and other cost savings have been implemented in recent months as businesses seek to reduce their breakeven levels. The need for further cost reductions is kept under continuous review.

In summary, the portfolio is being affected by the wider environment in terms of a slow down in trading resulting in a number of reduced valuations. However, it is encouraging that there has been a modest increase in overall value and the measured approach of the Operating Partner acquisition vehicle programme has also been very helpful in preserving value. It is important to note that the valuations reflect no realised investment losses and we remain confident that values will therefore recover in the future.

## Outlook for new investments

The financial performance of many smaller companies has, as yet, been better than many commentators had forecast and owners are generally preferring to trade through challenging conditions rather than sell their businesses or raise capital at what they perceive to be a low point in the business cycle. Many companies' revenue lines have benefitted from relative strength in consumer expenditure due to low interest rates and therefore low mortgage costs. Favourable exchange rates, particularly sterling's weakness against the euro, are providing a degree of stimulus to certain UK business sectors, notably tourism.

We believe that in seeking to help small companies through measures such as reducing VAT and intervening through support from the state-owned banks, the Government may turn out to be simply deferring future corporate failures. The worst effects of recession do not yet appear to have significantly filtered through to the real economy. However, the two main factors that could change this picture are future cuts in unsustainable levels of public sector expenditure and rising unemployment which could feed through to reduced domestic retail demand. Many more companies will need to take action to cut their cost base and in some cases the available padding has already been cut away. As a consequence of this analysis we do not expect to complete many investments in 2009. However, we believe that during 2010, business owners will become much clearer as to their

position and future prospects. They will then be far better informed as to their need for capital or an outright sale and the terms on which such a transaction can be completed. We therefore expect many more vendors to come forward. The Company is a well-positioned buyer with strong cash reserves and this should enable us to acquire good businesses, at attractive valuations.

We are also mindful that there are an increasing number of distressed competitors to several of our portfolio companies and these may represent good acquisition opportunities for some investee companies. We continue to review these opportunities with investee company management teams.

**Matrix Private Equity Partners LLP**

31 July 2009

# Investment Portfolio Summary

as at 30 June 2009

	Date of initial investment	Total book cost £'000	Valuation £'000	% of net assets by value
<b>Qualifying investments</b>				
<b>Unquoted investments</b>				
<b>DiGiCo Europe Limited</b> Designer and manufacturer of audio mixing desks	Jul-07	738	1,475	8.48%
<b>PastaKing Holdings Limited</b> Supplier to the educational and food service market	Jun-06	419	1,118	6.43%
<b>Apricot Trading Limited</b> Company seeking to acquire businesses in the market services and media sector	Mar-08	1,000	1,000	5.75%
<b>Aust Construction Investors Limited</b> Company seeking to acquire business in the construction sector	Jul-08	1,000	1,000	5.75%
<b>Barnfield Management Investments Limited</b> Company seeking to acquire businesses in the food sector	Jul-08	1,000	1,000	5.75%
<b>Calisamo Management Limited</b> Company seeking to acquire businesses in the healthcare sector	Jul-08	1,000	1,000	5.75%
<b>Vanir Consulting Limited</b> Company seeking to invest in data management, data mapping and management services	Oct-08	1,000	1,000	5.75%
<b>Bladon Castle Management Limited</b> Company seeking to acquire businesses in the retailing, health and brand management sector	Dec-08	1,000	1,000	5.75%
<b>Fullfield Limited</b> Company seeking to acquire businesses in the food sector	Dec-08	1,000	1,000	5.75%
<b>ATG Media Holdings Limited</b> Publisher and on-line auction platform operator	Oct-08	776	776	4.46%
<b>British International Holdings Limited</b> Supplier of helicopter services	Jun-06	750	736	4.23%
<b>Focus Pharma Holdings Limited</b> Licensor and distributor of generic pharmaceuticals	Oct-07	594	631	3.63%
<b>VSI Limited</b> Developer and marketer of 3D software	Apr-06	143	468	2.69%
<b>Monsal Holdings Limited</b> Supplier of engineering services to water and waste sectors	Dec-07	618	464	2.67%
<b>MC 440 Limited (Westway Cooling)</b> Installation, maintenance and servicing of air-conditioning systems	Jun-09	287	287	1.65%

	<b>Date of initial investment</b>	<b>Total book cost £'000</b>	<b>Valuation £'000</b>	<b>% of net assets by value</b>
<b>Unquoted investments (continued)</b>				
<b>Blaze Signs Holdings Limited</b> Manufacturer and installer of signs	Apr-06	379	144	0.83%
<b>Plastic Surgeon Holdings Limited (The)</b> Snagging and finishing of domestic and commercial properties	Apr-08	353	88	0.51%
<b>PXP Holdings Limited (Pinewood Structures)</b> Designer, manufacturer, supplier and installer of timber-frames for buildings	Dec-06	1,163	31	0.18%
<b>Racoon International Holdings Limited</b> Supplier of hair extensions, hair care products and training	Dec-06	790	0	0.00%
<b>Total qualifying investments</b>		<b>14,010</b>	<b>13,218</b>	<b>76.01%</b>
<b>Non-qualifying investments</b>				
Barclays Global Investors Cash Selection Funds plc*		953	953	5.48%
Fidelity Institutional Cash Fund plc*		904	904	5.20%
Insight Liquidity Funds plc (HBOS)*		841	841	4.84%
SWIP Global Liquidity Fund plc (Scottish Widows)*		521	521	3.00%
Institutional Cash Series plc (BlackRock)*		516	516	2.97%
GS Funds plc (Goldman Sachs)*		301	301	1.73%
Global Treasury Funds plc (Royal Bank of Scotland)*		227	227	1.32%
<b>Total non-qualifying investments</b>		<b>4,263</b>	<b>4,263</b>	<b>24.54%</b>
<b>Total investments</b>		<b>18,273</b>	<b>17,481</b>	<b>100.55%</b>
Other assets		85	85	0.49%
Current liabilities		(181)	(181)	(1.04)%
<b>Net assets</b>		<b>18,177</b>	<b>17,385</b>	<b>100.00%</b>

\*Disclosed as Investments at fair value within Current assets in the Balance Sheet.

# Unaudited Income Statement

for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (unaudited)		
		Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments	9	–	96,179	96,179
Realised gains on investments	9	–	15,268	15,268
Income	2	164,569	–	164,569
Recoverable VAT	3	1,603	4,810	6,413
Investment management expense	4	(43,862)	(131,584)	(175,446)
Other expenses		(136,965)	–	(136,965)
<b>(Loss)/profit on ordinary activities before taxation</b>		(14,655)	(15,327)	(29,982)
Tax on (loss)/profit on ordinary activities	5	1,634	–	1,634
<b>(Loss)/profit attributable to equity shareholders</b>		(13,021)	(15,327)	(28,348)
<b>Basic and diluted (loss)/earnings per ordinary share</b>	6	(0.06)p	(0.08)p	(0.14)p

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

There were no other recognised gains or losses in the period.

Other than revaluation movements arising on investments held at fair value through profit and loss, there were no differences between the profit/(loss) as stated above and at historical cost.

The notes on pages 16 to 21 form part of these Half-Yearly financial statements.

Six months ended 30 June 2008 (unaudited)			Year ended 31 December 2008 (audited)		
Revenue	Capital	Total	Revenue	Capital	Total
£	£	£	£	£	£
–	(713,338)	(713,338)	–	(1,569,263)	(1,569,263)
–	–	–	–	–	–
535,179	–	535,179	827,044	162,375	989,419
–	–	–	20,037	60,111	80,148
(56,965)	(170,894)	(227,859)	(94,381)	(283,144)	(377,525)
(136,416)	–	(136,416)	(279,379)	–	(279,379)
341,798	(884,232)	(542,434)	473,321	(1,629,921)	(1,156,600)
(50,490)	30,810	(19,680)	(114,744)	56,108	(58,636)
291,308	(853,422)	(562,114)	358,577	(1,573,813)	(1,215,236)
1.46p	(4.27)p	(2.81)p	1.80p	(7.88)p	(6.08)p

# Unaudited Balance Sheet

as at 30 June 2009

	Notes	As at 30 June 2009 (unaudited) £	As at 30 June 2008 (restated) (unaudited) £	As at 31 December 2008 (restated) (audited) £
<b>Non-current assets</b>				
Investments at fair value	1c, 9	13,217,837	6,894,032	12,978,008
<b>Current assets</b>				
Debtors and prepayments		35,255	126,956	200,701
Investments at fair value	10	4,263,465	11,805,255	4,751,577
Cash at bank		49,802	28,356	28,354
<b>Creditors: amounts falling due within one year</b>		4,348,522	11,960,567	4,980,632
		(181,373)	(244,350)	(201,225)
<b>Net current assets</b>		4,167,149	11,716,217	4,779,407
<b>Net assets</b>		<b>17,384,986</b>	<b>18,610,249</b>	<b>17,757,415</b>
<b>Capital and reserves</b>	11			
Called up share capital		196,662	199,713	199,713
Capital redemption reserve		3,323	272	272
Revaluation reserve		(792,627)	(32,881)	(888,806)
Special distributable reserve		17,764,132	18,683,635	18,683,635
Profit and loss account		213,496	(240,490)	(237,399)
<b>Equity Shareholders' funds</b>		<b>17,384,986</b>	<b>18,610,249</b>	<b>17,757,415</b>
<b>Net asset value per Ordinary Share</b>	8	<b>88.40p</b>	<b>93.18p</b>	<b>88.91p</b>

The notes on pages 16 to 21 form part of these Half-Yearly financial statements.

# Unaudited Reconciliation of Movements in Shareholders' Funds

for the six months ended 30 June 2009

	Notes	As at 30 June 2009 (unaudited) £	As at 30 June 2008 (unaudited) £	As at 31 December 2008 (audited) £
Opening Shareholders' funds	11	17,757,415	19,471,932	19,471,932
Buyback of shares	11	(184,311)	–	–
Loss for the period before dividends		(28,348)	(562,114)	(1,215,236)
Dividends paid in period	7	(159,770)	(299,569)	(499,281)
<b>Closing Shareholders' funds</b>	11	<b>17,384,986</b>	<b>18,610,249</b>	<b>17,757,415</b>

The notes on pages 16 to 21 form part of these Half-Yearly financial statements.

# Unaudited Summarised Cash Flow Statement

for the six months ended 30 June 2009

	Six months ended 30 June 2009 (unaudited) £	Six months ended 30 June 2008 (unaudited) £	Year ended 31 December 2008 (audited) £
<b>Operating activities</b>			
Investment income received	202,936	520,556	1,024,309
VAT recovered	131,413	–	–
Investment management fees paid	(186,362)	(227,859)	(411,462)
Other cash payments	(142,188)	(112,409)	(274,847)
<b>Net cash inflow from operating activities</b>	<b>5,799</b>	<b>180,288</b>	<b>338,000</b>
<b>Investing activities</b>			
Acquisitions of investments	(348,672)	(1,352,528)	(8,516,827)
Disposals of investments	220,290	92,089	316,487
<b>Net cash outflow from investing activities</b>	<b>(128,382)</b>	<b>(1,260,439)</b>	<b>(8,200,340)</b>
<b>Taxation</b>			
Taxation paid	–	(28)	(71,807)
<b>Dividends</b>			
Equity dividends paid	(159,770)	(299,569)	(499,281)
<b>Cash outflow before financing and liquid resource management</b>	<b>(282,353)</b>	<b>(1,379,748)</b>	<b>(8,433,428)</b>
<b>Financing</b>			
Ordinary shares bought back	(184,311)	–	–
<b>Management of liquid resources</b>			
Decrease in current investments	488,112	1,390,491	8,444,169
<b>Increase in cash for the period</b>	<b>21,448</b>	<b>10,743</b>	<b>10,741</b>

The notes on pages 16 to 21 form part of these Half-Yearly financial statements.

# Reconciliation of Loss on Ordinary Activities before Taxation to Net Cash Inflow from Operating Activities

for the six months ended 30 June 2009

	Six months ended 30 June 2009 (unaudited) £	Six months ended 30 June 2008 (unaudited) £	Year ended 31 December 2008 (audited) £
Loss on ordinary activities before taxation	(29,982)	(542,434)	(1,156,600)
Net unrealised (gains)/losses on investments	(96,179)	713,338	1,569,263
Net gains on realisations of investments	(15,268)	–	–
Decrease/(increase) in debtors	165,446	(13,727)	(87,472)
(Decrease)/increase in creditors	(18,218)	23,111	12,809
<b>Net cash inflow from operating activities</b>	<b>5,799</b>	<b>180,288</b>	<b>338,000</b>

The notes on pages 16 to 21 form part of these Half-Yearly financial statements.

# Notes to the Unaudited Financial Statements

## 1. Principal accounting policies

The following accounting policies have been applied consistently throughout the period. Full details of principal accounting policies will be disclosed in the Annual Report.

### a) Basis of accounting

The unaudited results cover the six months to 30 June 2009 and have been prepared under UK Generally Accepted Accounting Practice (UK GAAP), consistent with the accounting policies set out in the Company's statutory accounts for the year ended 31 December 2008 and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP").

The Half-Yearly report has not been audited, nor has it been reviewed by the auditors pursuant to the Auditing Practices Board (APB)'s guidance on Review of Interim Financial Information.

As a result of the Directors' decision to distribute capital profits by way of a dividend, the Company revoked its investment company status as defined under section 833 of the Companies Act 2006 on 22 June 2009.

These statements differ from those previously presented in that unrealised gains on investments are now reported within the revaluation reserve in the balance sheet, rather than included in a separate unrealised capital reserve and realised gains are included within the profit and loss reserve rather than a separate realised capital reserve.

### b) Presentation of the Income Statement

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

### c) Investments

All investments held by the Company are classified as "fair value through profit and loss", in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

The fair value of quoted investments is the bid price value of those investments at the close of business on 30 June 2009.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV guidelines:

- (i) Investments which have been made in the last twelve months are at fair value which, unless another methodology gives a better indication of fair value, will be at cost;
- (ii) Investments in companies at an early stage of their development are valued at fair value which, unless another methodology gives a better indication of fair value, will be at cost;
- (iii) Where investments have been held for more than twelve months or have gone beyond the stage in their development in (i) or (ii) above, the shares may be valued by applying a suitable price-earnings

ratio to that company's historic, current or forecast earnings (the ratio used being based on a comparable listed company or sector but the resulting value being adjusted to reflect points of difference identified by the Investment Manager, as well as lack of marketability). Where overriding factors apply, alternative methods of valuation will be used. These will include the application of a material arms-length transaction by an independent third party, cost less provision for impairment, discounted cash flow, or a net asset basis;

- (iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of a company, this value will be used;
- (v) Unquoted investments will not normally be re-valued upwards for a period of at least twelve months from the date of acquisition. Where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has become permanently impaired below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments, and after agreement with the Investment Manager, will agree the values that represent the extent to which an investment has become permanently impaired. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value;
- (vi) Premium on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable;

Although the Company holds more than 20% of the equity of certain companies, it is considered that the investments are held as part of an investment portfolio. Accordingly, and as permitted by FRS 9 'Associates and Joint Ventures', their value to the Company lies in their marketable value as part of that portfolio. It is not considered that any of the holdings represents investments in associated companies.

## 2. Income

	Six months ended 30 June 2009 (unaudited) £	Six months ended 30 June 2008 (unaudited) £	Year ended 31 December 2008 (audited) £
Dividends	7,565	69,297	166,722
Money-market funds	29,108	344,795	533,840
Loan stock interest	119,277	119,249	284,376
Bank deposits	254	1,838	4,481
Interest on VAT recovered	8,365	–	–
<b>Total income</b>	<b>164,569</b>	<b>535,179</b>	<b>989,419</b>

## 3. Recoverable VAT

At 31 December 2008, the Directors considered it reasonably certain that the Company would obtain a repayment of VAT of not less than £125,000. This estimate was based upon information supplied by the Company's Investment Manager and discussions with the Company's professional

## Notes to the Unaudited Financial Statements (continued)

advisors as a result of the European Court of Justice ruling and subsequent HMRC briefing that management fees be exempt for VAT purposes. During this period £131,413 of recoverable VAT was actually received. The excess of £6,413 has been credited to the Income Statement, allocated 25% to revenue and 75% to capital return and is in the same proportion as that in which the irrecoverable VAT was originally charged.

#### 4. Investment management expense

In accordance with the policy statement published under "Management and Administration" in the Company's prospectus dated 8 September 2005, the Directors have charged 75% of the investment management expenses to the capital reserve.

#### 5. Taxation

There is no tax charge for the period as the Company has incurred taxable losses. A small credit arises from a write-back of deferred tax.

#### 6. Basic and diluted earnings per share

The basic and diluted earnings, revenue earnings and capital earnings per share shown below for each period are respectively based on numerators i)-iii), each divided by the weighted average number of shares in issue in the period - see iv) below.

	Six months ended 30 June 2009 (unaudited) £	Six months ended 30 June 2008 (unaudited) £	Year ended 31 December 2008 (audited) £
i) Total earnings after taxation	(28,348)	(562,114)	(1,215,236)
<b>Basis and diluted loss per Ordinary share (pence)</b>	<b>(0.14)p</b>	<b>(2.81)p</b>	<b>(6.08)p</b>
ii) Net revenue from ordinary activities after taxation	(13,021)	291,308	358,577
<b>Basic and diluted revenue (loss)/earnings per Ordinary share (pence)</b>	<b>(0.06)p</b>	<b>1.46p</b>	<b>1.80p</b>
Net unrealised capital gains/(losses)	96,179	(713,338)	(1,569,263)
Net realised capital gains	15,268	-	-
Capital element of VAT recoverable	4,810	-	60,111
Dividends received treated as capital	-	-	162,375
Capital expenses (net of taxation)	(131,584)	(140,084)	(227,036)
iii) Total capital return	(15,327)	(853,422)	(1,573,813)
<b>Basic and diluted capital loss per Ordinary share (pence)</b>	<b>(0.08)p</b>	<b>(4.27)p</b>	<b>(7.88)p</b>
iv) Weighted average number of shares in issue in the period	19,871,910	19,971,254	19,971,254

## 7. Dividends paid

	Six months ended 30 June 2009 (unaudited) £	Six months ended 30 June 2008 (unaudited) £	Year ended 31 December 2008 (audited) £
Final income dividend paid for year ended 31 December 2007 of 1.5p per share	–	299,569	299,569
Interim income dividend for the year ended 31 December 2008 of 1.0p per share	–	–	199,712
Final income dividend paid for year ended 31 December 2008 of 0.8p per share	159,770	–	–
	<b>159,770</b>	<b>299,569</b>	<b>499,281</b>

## 8. Net asset value per ordinary share

	As at 30 June 2009 (unaudited) £	As at 30 June 2008 (unaudited) £	As at 31 December 2008 (audited) £
Net assets	17,384,986	18,610,249	17,757,415
Number of shares in issue as at 30 June 2009	19,666,195	19,971,254	19,971,254
<b>Net asset value per share (pence)</b>	<b>88.40p</b>	<b>93.18p</b>	<b>88.91p</b>

## Notes to the Unaudited Financial Statements (continued)

### 9. Summary of non-current investments at fair value during the period

	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Valuation at 1 January 2009	4,866,551	10,066	8,101,391	12,978,008
Purchases at cost	29,723	69	318,880	348,672
Sales – proceeds	–	–	(220,290)	(220,290)
– realised gains	–	–	15,268	15,268
Unrealised gains/(losses)	573,304	(4,740)	(472,385)	96,179
<b>Valuation at 30 June 2009</b>	<b>5,469,578</b>	<b>5,395</b>	<b>7,742,864</b>	<b>13,217,837</b>
Book cost at 30 June 2009	4,899,309	13,266	9,097,889	14,010,464
Unrealised gains/(losses) at 30 June 2009	570,269	(7,871)	(1,355,025)	(792,627)
<b>Valuation at 30 June 2009</b>	<b>5,469,578</b>	<b>5,395</b>	<b>7,742,864</b>	<b>13,217,837</b>
<b>Gains/(losses) on investments</b>				
Realised gains based on carrying value at 31 December 2008	–	–	15,268	15,268
Net movement in unrealised appreciation/(depreciation) in the period	573,304	(4,740)	(472,385)	96,179
<b>Gains/(losses) on investments at 30 June 2009</b>	<b>573,304</b>	<b>(4,740)</b>	<b>(457,117)</b>	<b>111,447</b>

### 10. Current investments at fair value

These comprise investments in seven Dublin based OEIC money market funds managed by Royal Bank of Scotland, Blackrock, Goldman Sachs, Insight Investment Management, Barclays Global Investors, Scottish Widows Investment Management and Fidelity Investment Management.

## 11. Capital and reserves

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve £	Profit and loss account £	Total £
At 1 January 2009	199,713	272	(888,806)	18,683,635	(237,399)	17,757,415
Shares bought back	(3,051)	3,051	–	(184,311)	–	(184,311)
Written off to special reserve	–	–	–	(735,192)	735,192	–
Dividend – final for year ended 31 December 2008	–	–	–	–	(159,770)	(159,770)
Profit/(loss) for the period	–	–	96,179	–	(124,527)	(28,348)
At 30 June 2009	196,662	3,323	(792,627)	17,764,132	213,496	17,384,986

## 12. Related party transactions

Bridget Guérin is a director and shareholder (2.0%) of Matrix Group Limited, which owns 100% of the equity of MPE Partners Limited. MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP ('MPEP'), the Company's Investment Manager. Bridget Guérin is also a Director of Matrix-Securities Limited, who also provided Company Secretarial and Accountancy Services to the Company under agreements dated 8 September 2005 for a fee of £37,476 (30 June 2008: £38,236, 31 December 2008: £77,240) in the period. The agreements with MPEP and with Matrix-Securities Limited became effective from 24 January 2006.

13. The information for the year ended 31 December 2008 does not comprise full financial statements within the meaning of Section 435 of the Companies Act 2006. The financial statements for the year ended 31 December 2008 have been filed with the Registrar of Companies. The auditors have reported on these financial statements and that report was unqualified and did not contain a statement under section 498(2) of the Companies Act 2006.
14. This Half-Yearly Report will shortly be made available on our website: [www.mig3vct.co.uk](http://www.mig3vct.co.uk) and will be circulated by post to those shareholders who have requested copies of the Report. Further copies are available free of charge from the Company's registered office, One Vine Street, London W1J 0AH or can be downloaded via the website.

## Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Company's website at [www.mig3vct.co.uk](http://www.mig3vct.co.uk) which contains publicly available information or links to information about our largest investments, the latest NAV and the share price. The London Stock Exchange's website at <http://www.londonstockexchange.com/prices-and-news/stocks/stocks-and-prices.htm> provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as Allenbridge at <http://www.taxshelterreport.co.uk> provide comparative performance figures for the VCT sector as a whole. The share price is also quoted in the Financial Times.

The Company circulates a bi-annual newsletter to Shareholders in the quarters in which it does not publish Annual or Half-Yearly Accounts. The next edition will be distributed in December 2009. The Board intends to announce the Company's Annual Financial Results in respect of the year ended 31 December 2009 in mid-March 2010 and the Annual Report will be circulated to Shareholders in early April.

### Net asset value per share

The Company's NAV per share as at 30 June 2009 was 88.4 pence per share. The Company announces its unaudited NAV on a quarterly basis.

### Dividend

Shareholders who wish to have future dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Computershare Investor Services at the address below.

### Shareholder enquires:

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form please contact the Company's Registrars, Computershare Investor Services, on 0870 702 0010 or write to them at PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH or, should you prefer, visit their website at [www-uk.computershare.com](http://www-uk.computershare.com).

# Corporate Information

## Directors

Keith Niven (Chairman)  
Bridget Guérin  
Christopher Moore  
Tom Sooke

## *All of whom are non-executive and of:*

One Vine Street  
London W1J 0AH

## Secretary and administrator

Matrix-Securities Limited  
One Vine Street  
London W1J 0AH

## Investment Manager

Matrix Private Equity Partners LLP  
One Vine Street  
London W1J 0AH

## VCT Tax Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Bankers

National Westminster Bank plc  
Financial Institutions Team  
First Floor  
Mayfair Commercial Banking Centre  
Piccadilly  
London W1A 2PP

## Promoter

Matrix-Securities Limited  
One Vine Street  
London W1J 0AH

## Solicitors

CMS Cameron McKenna LLP  
Mitre House  
160 Aldersgate Street  
London EC1A 4DD

## Auditors

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP

## Receiving Agent

Matrix Registrars Limited  
One Vine Street  
London W1J 0AH

## Corporate Broker

Matrix Corporate Capital LLP  
One Vine Street  
London W1J 0AH

## Registrar

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

## Company No : 5537979

Email: [mig3@matrixgroup.co.uk](mailto:mig3@matrixgroup.co.uk)  
Website: [www.mig3vct.co.uk](http://www.mig3vct.co.uk)

# Notes



**Mixed Sources**

Product group from well-managed  
forests and other controlled sources

---

Cert no. SA-COC-001811  
[www.fsc.org](http://www.fsc.org)

© 1996 Forest Stewardship Council

*Designed and printed by*  
**Fraser Hamilton Associates**  
Tel: 0208 493 0123