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Acuity VCT 3 PLC

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References in this Report to Acuity VCT 3 Plc have been abbreviated to "the Company" or "the Fund". References to the Investment Manager, Acuity Capital Management Limited, have been abbreviated to "Acuity Capital".

Annual Review Investment Strategy

Investment Objective

In accordance with the Prospectus dated 14 October 2005, the Company's objective is to achieve capital gains and maximise UK tax-free income to its shareholders from dividends and capital distributions. It is intended that this objective will be achieved by investing the majority of the Company's funds in a portfolio of Qualifying Investments as described under "Investment Strategy" below.

Investment Strategy

The Company offers investors the opportunity to gain access to the venture capital market.

The investment focus of the Investment Manager has been to seek out established companies, most of whom are cash positive, in preference to early stage opportunities.

In addition, investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided. Typically, funds managed by Acuity Capital own a significant portion of the equity of the investee company.

This investment focus, combined with a diversified sector strategy and the typical investment structure, will, in the opinion of the Directors, contribute materially to reducing the overall risk of investing in smaller companies.

As at 30 September 2008, the Company was invested in 15 qualifying companies that have been selected for their growth potential and in a further 5 qualifying companies which are preparing to trade. The Directors believe that current economic conditions favour opportunistic investment and the use of companies preparing to trade allows for the acquisition of qualifying trades on the most advantageous terms as they are permitted an additional 18 months in which to identify the trades.

As at 30 September 2008, the Company had no bank indebtedness.

The Directors do not wish the Company to be restricted by having a fixed limit on what exposure to gearing it may have, apart from the restriction in the Company's Articles, which limits borrowing to an amount equal to its adjusted capital and reserves.

Co-investment

The Company also invests alongside the other Acuity VCTs which will enable shareholders to participate in larger unquoted transactions, which tend to have a lower risk profile than smaller venture capital investments.

Qualifying Investments

The Company intends to invest in companies that it believes have a high growth potential. In the Directors' opinion, each of these companies should generally reflect the following criteria:

- A well defined business plan and ability to demonstrate strong demand for its products or services;
- Products or services that can be supplied at sustainable high margins and be cash generative;
- Objectives of management and shareholders to be similarly aligned;
- Adequate capital resources or access to further resources to achieve the targets set out in the business plan; and
- High calibre management teams.

The Company seeks to invest in a diversified portfolio of unquoted, PLUS traded and AIM quoted companies and will not specialise unduly in any particular industry sector. Unquoted investments will typically be in companies where the Company believes that there are reasonable prospects of an exit through a trade sale or flotation in the medium term.

There are no criteria set by the Directors regarding the size of the target companies, except that an investee company's gross assets must comply with current UK VCT legislation. Investments in start-up companies where, in the opinion of the Company, levels of risk are unacceptably high, in particular the technology sector, will generally be avoided.

As at 30 September 2008, the Company had invested approximately 77% of its total funds by valuation in a total of 20 qualifying companies. The average investment size at cost is £1.2 million.

Non-Qualifying Investments

Associated Funds

As at 30 September 2008, 6% of total funds by valuation of the Company was invested in cash deposits and 1% of total funds by valuation of the Company was invested in CF Acuity Real Active Management Fund, the successor fund to Electra Active Management Plc. In order to fund investments in qualifying companies and provide liquidity, it is expected that the Company's investments in Electra Private Equity Plc and in CF Acuity Real Active Management Fund will continue to be progressively reduced.

Cash Management

In addition to investments held in associated funds, as at 30 September 2008, 3% of the total funds by valuation of the Company was invested in cash deposits to provide immediate liquidity, pending suitable qualifying investments being identified. It is also intended that the investment emphasis will be on capital protection and maximising income yield.

Annual Review Investment Strategy

Risk Management

Since the Company is flexible with regard to those areas in which it invests, it aims to achieve a significant degree of diversification and to spread risk by investing in unquoted, PLUS traded and AIM quoted companies. In addition, there is no emphasis on any particular industry sector and the non-qualifying investments have a high level of in-built diversification. The Company is restricted to investing no more than 15% of the value of its total assets at the time of investment in any one individual qualifying investment or non-qualifying investment.

Investment Portfolio

The investment classification by value expressed as a percentage of the net assets of the ordinary share pool as at 30 September 2008 was as follows (including cash allocated to investments and awaiting investment, but excluding associated funds and cash assets not connected to an investment in the case of "By Sector"):

By Sector

Media	34%
Business Services	29%
Manufacturing	23%
Consumer	14%

By Asset Type

Unquoted – Loan Stock	53%
Unquoted – Ordinary and Preference shares	24%
AIM	5%
Associated Funds	15%
Cash	3%

By Time Investments Held

Less than 1 year	43%
Between 3 and 5 years	57%

Annual Review Financial Highlights

Year ended 30 September	2008	2007
Net assets	£33.6m	£35.4m
Net asset value per ordinary share	96.1p	101.0p
Dividend paid per ordinary share	2.0p	1.5p
Cumulative return to shareholders since launch		
Dividends paid per ordinary share	3.5p	1.5p
Net asset value plus dividends paid per ordinary share	99.6p	102.5p

Annual Review Chairman's Statement

Overview

Despite a very difficult year in which the FTSE All Share index fell by 25.5% and the FTSE AIM All Share index fell by 44.4%, I am pleased to present the third annual report on your Company and highlight the growing strengths of the portfolio. As at 30 September 2008 the net asset value per ordinary share was 96.1p, which, when combined with cumulative dividends paid, represented a total NAV plus dividends paid per ordinary share of 99.6p. This is an uplift of 5.4% over the starting net asset value of the Fund of 94.5p and a decrease of 2.8% over the year. Two interim dividends of 1.0p per ordinary share were paid to shareholders on 14 March 2008 and 11 July 2008, bringing total dividends paid to 3.5p from the Company's inception. The comparative resilience of the portfolio is due in part to AIM investments representing only 6% of the portfolio and to the caution with which the Company has invested over the last two years.

The level of investment activity has been impacted by the general economic circumstances with banks less willing to lend and vendors often not recognising the full implications on values and structures. Nevertheless, in addition to the existing eleven qualifying investments, your Company has made four further investments over the year in trading companies as well as having funded five companies which are preparing to trade. As a result, the Company had met the VCT qualifying status 70% investment test as at 30 September 2008. The reason for investing in companies which are preparing to trade is to take full advantage of the current conditions to invest on more favourable terms.

Taking into account investments made in companies preparing to trade, the investment portfolio comprises 20 qualifying investments. Of the portfolio, 77% by value is held in unquoted investments. Furthermore, unquoted loan stock instruments, which rank ahead of equity instruments and represent a relative de-risking of the portfolio, represent 53% by the value of the portfolio.

It is clear that the Fund benefits strongly from co-investing alongside the other two VCTs managed by Acuity Capital. In particular, by co-investing, your Fund is able to invest in larger more profitable unquoted companies where the risk profile is more attractive.

Portfolio Activity

In the period under review a further £11.5m was invested in or committed to qualifying companies. More details of these are provided in the Investment Manager's report. An analysis of the portfolio by sector, asset type and time investments are held is provided on page 3.

In addition to the qualifying investments the portfolio comprises investments in two funds associated with Acuity Capital, Electra Private Equity Plc and CF Acuity Real Active Management Fund. As at 30 September 2008 the associated funds stood at £5.1m (30 September 2007: £7.0m). The cash balance was £1.9m at the year end.

Dividend

In the year total dividends of 2p per share were paid to shareholders, bringing the total distribution to 3.5p since the commencement of the Fund. The objective of the Fund remains to achieve capital gains and to maximise tax free income for shareholders through dividend distributions. As part of this policy the Board will seek to make further distributions in 2009, market conditions and liquidity permitting.

Share buy backs

During the period the Company acquired a total of 112,975 ordinary shares for cancellation. This was in line with the Company's stated policy of buying back shares on a regular basis at a discount rate set by the Board from time to time.

However, in the light of recent exceptional market turbulence, the Board has decided to suspend the buy back programme. This will allow the Manager to better protect the value of the Fund and avoid being forced to sell assets at unfavourable prices – something that would not serve the interests of all shareholders. The Board will monitor the position closely and will restore buy backs as and when conditions allow.

The Investment Manager

Shareholders may recall that in the last year's accounts for the Company a reference was made to the ongoing negotiations concerning Acuity Capital establishing an LLP. I am pleased to be able to report that Acuity Capital LLP acquired Acuity Capital in February 2008.

The key aspect of this transaction is that the investment management team are now the majority owners of Acuity Capital LLP with Electra Partners Group maintaining a minority interest. The Board believes that this is a positive event for shareholders as it guarantees the continuity of investment management and leads to greater incentivisation for the investment management team.

VAT on Management Fees

After initially deciding that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008, the Government has now acknowledged that VCTs should be treated in the same way as investment trusts following a European Court of Justice judgment and that they should have been exempt from VAT. The amount of VAT paid by the Company of £0.3m since inception represents approximately 1.0% of net assets as at 30 September 2008.

The Board believes that the Investment Manager complied with HMRC's directives in charging the Company VAT on the Management Fee up to 30 September 2008 and should not be unduly penalised by the change of policy by the Government. The Board has therefore decided to accept in settlement that the Company will receive such VAT as can be reclaimed from and is paid by HMRC with respect to the VAT paid by the Company. The amount of such reclaim is expected to be approximately £0.2m.

Annual Review Chairman's Statement

The Board has also agreed that a maximum of £50,000 of non-recoverable VAT incurred by the Investment Manager with respect to the year ending 30 September 2009 may be recharged to the Company. In effect, the Company will benefit from a reduction of expenses by the elimination of VAT payable on management fees. The Board will review the impact of the increased non-recoverable VAT on the Investment Manager on a year to year basis.

Shareholder Communication

Should shareholders have any general queries, they should contact the Investment Manager by telephone or by email. In addition the Investment Manager's website, provides information on the Investment Manager and the Fund, together with historical information on strategy and investments as well as the Company's accounts.

The Investment Manager is keen to increase communication with shareholders and its website (www.acuitycapital.co.uk) will include regular investment updates. In order to ensure more efficient delivery of this information, shareholders are encouraged to register their email addresses with the Investment Manager if they have not already done so.

Risks

Risks associated with the Company are set out in detail in the Report of the Directors' and in note 20 of the Notes to the Accounts. The Board believes that opportunities for exiting both quoted and unquoted investments may be negatively impacted by recent events in the financial markets. In addition, the fair market value of its unquoted holdings may also be negatively impacted by reference to comparable quoted companies and publicly announced transactions. The Company believes however that it has insignificant exchange risk and minor credit or interest rate risk.

Outlook

With the economy now in recession, it has become harder to sell both quoted and unquoted investments at prices that reflect fundamental value. This makes it all the more important to ensure that the Company's portfolio remains diversified and conserves its resources.

I look forward to reporting to you at the Half Year stage.

Stuart Stradling
Chairman
12 January 2009

Annual Review Investment Manager's Review

As set out in the Investment Strategy on page 2, our aim is to concentrate our investments in unquoted companies with significant existing revenues and profits and to seek to add value through organic growth and "buy & build" strategies. Access to these types of investment is enhanced through co-investing with the other Acuity VCTs.

During the year the main portfolio uplifts were in three unquoted companies that were increased in value. These were The Fin Machine Company, Target Entertainment Group and Factory Media. The two largest uplifts were The Fin Machine Company with an increase in value of £2.6m and Target Entertainment Group with an increase in value of £0.4 m.

A supplier of capital equipment used to manufacture heat exchangers in the automotive industry, the Fin Machine Company traded extremely well under new ownership and not only finished its financial year to 30 September 2008 surpassing its budget for the year but also reported a scheduled order book representing 51% of next year's budgeted revenues. The business is benefiting from regulatory change and the need for more fuel efficient radiators. In addition, there is considerable opportunity for the business to expand more fully into the air conditioning market.

Target Entertainment Group is one of the UK's leading television producers and distributors. In March 2008, the business acquired an independent production company, Greenlit Rights Ltd, which is best known for producing Foyle's War. Greenlit Rights Ltd recently received a commission to produce a six part drama called Collision for ITV as well as a further three feature length episodes for Foyle's War.

The most material downward movement was in Electra Private Equity which declined in value by £1.8 million. Electra Private Equity reported a net asset value per ordinary share of £18.01 as at 30 September 2008. Net cash and floating rate notes represented £4.53 per ordinary share. The downward movement is therefore principally a reflection of the increasing discount given by the market to investment trusts and with a share price of £12.35 as at 30 September 2008 it stood at a 31% discount to the net asset value per share.

In addition, the holding in Acrobat Music Group was reduced by £0.8 million to reflect an increase in the discount rate from 10% to 15% used in the valuation of its music catalogue which underpins its holding value as it continues its strategy of expanding distribution channels. The reduction in value is due to the delay experienced by the company in monetising its catalogue.

The Company's holdings in AIM listed companies also saw a decline in aggregate of £1.1m which reflects a reduction on cost of 41% as at 30 September 2008 and which is in line with the fall of the FTSE AIM All Share Index. We have closely monitored our AIM portfolio and we believe that much of the lost value will be recovered in the future.

In addition to investing in the Fin Machine Company during the period, the Fund invested in the following three trading qualifying companies:

Brand Acquisitions was established to fund Greg Tufnell, the former CEO of Marchpole Holdings Plc, in acquiring strong but underdeveloped brands. The first acquisition was Peter Werth.

Established in 1975, Peter Werth is one of the key players in the smart casual menswear market for those aged 18 to 35.

Red Reef Media is the newco established to fund the management buy in/management buy out of TNT Magazine, the leading publication aimed at Antipodean visitors to the UK and independent travellers. Reaching over 250,000 readers weekly, TNT has outstanding brand value. Key to the investment is the development and commercialisation of its website and building on its brand in its readers' home markets. In August 2008, Red Reef Media announced the acquisition of ZA Publishing and so added the SA Times to its portfolio. The SA Times fills an equivalent role for South African visitors to the UK as does TNT Magazine for Antipodeans.

Connect2Media is the platform for creating a cross-platform games publisher. In August 2008, as part of an investment round in which the Company participated, the business concluded an agreement with Hands-On Mobile, Inc. by which the business gained the bulk of Hands-On's European, Middle Eastern and African assets. Connect2Media intends to build upon the success of Hands-On's web-to-wireless gaming efforts and extensive expertise in publishing, developing and distributing mobile games to offer games across multiple platforms incorporating mobile, web and interactive TV.

The Company also made a follow on investment in Defaqto Group. Defaqto has made significant progress over the period and is an increasingly well known brand with Tesco featuring its annual ratings product on its March 2008 TV advertising campaign and Lloyds TSB Bank making its Aequos Compare product available in over 2,000 branches.

Annual Review Portfolio Summary

Qualifying Investments at 30 September 2008	Cost £'000	Valuation £'000	Valuation movement in the year £'000	% of Portfolio by Value
Acrobat Music Group	2,445	1,660	(785)	5.4
Acuity Business Services	1,000	1,000	0	3.2
Acuity Energy	1,000	1,000	0	3.2
Acuity Manufacturing	1,000	1,000	0	3.2
Acuity Rights	1,000	1,000	0	3.2
Acuity Support Services	1,000	1,000	0	3.2
Brand Acquisitions	1,800	1,800	0	5.8
Connect2Media	1,000	1,000	0	3.2
Defaqto	1,285	1,688	28	5.4
Emote Games	1,257	1,001	(256)	3.2
Factory Media	1,925	2,129	204	6.9
The Fin Machine Company	2,150	4,700	2,550	15.3
Jelf Group	250	371	(191)	1.2
Managed Support Services	888	151	(266)	0.5
Mount Engineering	759	672	(43)	2.1
Munro Global	1,615	2,092	9	6.7
Red Reef Media	588	588	0	1.9
Sports Media Group	500	107	(367)	0.3
Target Entertainment Group	2,000	2,390	390	7.7
Zamano	750	545	(243)	1.9
Sub Total	24,212	25,894	1,030	83.5
Non Qualifying Investments				
Electra Private Equity	5,151	4,879	(1,758)	15.7
CF Acuity Real Active Management Fund	273	246	(28)	0.8
Sub Total	5,424	5,125	(1,786)	16.5
Total Investments	29,636	31,019	(756)	100.00
Other Assets				
Liquidity Funds		630		
Cash		1,959		
Total		33,608		

Annual Review Investment Manager

The Fund's investments are managed by Acuity Capital. Formerly a subsidiary of Electra Partners Group, Acuity Capital, (formerly Electra Quoted Management Limited), was acquired in February 2008 by Acuity Capital LLP, a partnership owned substantially by Acuity Capital's management and in which Electra Partners Group continues as a minority partner. Acuity Capital was established in 1981 and is authorised and regulated by the Financial Services Authority.

Acuity Capital has considerable expertise in quoted and unquoted investments and has a well developed deal flow, including unquoted company proposals that originate from its own contacts and network, pre-float finance opportunities and broker led AIM flotations.

Acuity Capital is also the Investment Manager of Acuity VCT Plc, Acuity VCT 2 Plc and CF Acuity Real Active Management Fund, the successor fund to Electra Active Management Plc.

The Investment Manager has established an Investment Committee comprising three Acuity Capital executives and two independent members. In addition, the Investment Committee is chaired by Hugh Mumford, a senior executive of Electra Partners Group. The Investment Committee meets as required to consider and review investment proposals.

Annual Review Co-investment Arrangements

Co-investment Arrangements with other Acuity VCTs

The Directors welcome the fact that the Investment Manager has five VCT pools of funds, Acuity VCT Plc Ordinary Share pool, Acuity VCT Plc 'C' Share pool, Acuity VCT 2 Plc Ordinary Share pool, Acuity VCT 2 Plc 'C' Share pool and Acuity VCT 3 Plc (together "the Acuity VCTs"), it can use for co-investment. This allows each fund to spread its investment risk and gain access to larger investments than it could do on its own. Where a co-investment opportunity arises between the Company and one or more of the other funds, the Company will invest in an agreed and consistent proportion, on the same terms and in the same securities as the funds with which it co-invests. Costs associated with any such investment will be borne by each fund pro-rata to its investment.

In more detail, the Board has adopted a set of guidelines on its co-investment arrangements with the Acuity VCTs and the Investment Manager as follows:-

- Other than as set out below, investments will be allocated between the Company and the Acuity VCTs by reference to the size of each fund and to each fund's available cash resources.
- Where an opportunity arises for a second or subsequent round of investment in a company in which one of the Acuity VCTs has invested at an earlier stage, the fund holding the existing investment will have a preferential right to take up any pro-rata entitlement it may have in the new financing round. The amount it invests on this basis will not be taken into account in determining its co-investment share thereafter.
- The Company will make an investment in which one or more of the Acuity VCTs have existing investments only when the Board considers that to be in the best interests of the Company.
- Any potential conflict of interest in a proposed investment by one or more of the Acuity VCTs will be referred by the Investment Manager to the Board of the Company and the other relevant Boards.
- In the event of a possible conflict of interest between the Investment Manager and the Company, the matter will be decided by those Directors who are independent of the Investment Manager.

The Board of the Company acknowledges that the Investment Manager may occasionally recommend an allocation of investments on a different basis from the one described above. For example, an exception may be made to ensure that one or more of the Company, Acuity VCT Plc or Acuity VCT 2 Plc maintain their status as a HMRC approved VCT, or in the interests of balancing their portfolios. A different basis may also be necessary to meet the requirements of potential investee companies. In these cases the Directors may use their judgement.

Annual Review Qualifying Investments

Fin Machine Company

Cost	£2,150,000	Audited Financial Information		
Valuation	£4,700,000	Year Ended 30 September	2007 £m	2006 £m
Basis of Valuation	EV/EBITDA Multiple	Sales	17.0	15.4
Equity held	19.5%	Profit before tax	1.0	0.5
Business	Specialist Engineering	Retained Profit	0.6	0.6
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2	Net Assets	2.3	1.6

Target Entertainment Group

Cost	£2,000,000	Audited Financial Information		
Valuation	£2,390,000	Year Ended 31 December	2007 £m	2006 £m
Basis of Valuation	EV/Sales Multiple	Sales	17.1	10.3
Equity held	13.33%	Loss before tax	(0.5)	(0.3)
Business	Television Distribution Company	Retained Loss	(0.3)	(0.4)
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2	Net Liabilities	(0.5)	(1.8)

Factory Media

Cost	£1,925,000	Audited Financial Information		
Valuation	£2,129,000	Year Ended 31 December	2007 £m	2006 £m
Basis of Valuation	EV/Sales Multiple	Sales	7.5	0.6
Equity held	24.99%	Loss before tax	(0.2)	(0.1)
Business	Sports Publishing Company	Retained Loss	(0.2)	(0.1)
Other Acuity Funds Investing	Acuity VCT 2	Net Assets	0.3	0.5

Munro Global

Cost	£1,615,000	Audited Financial Information		
Valuation	£2,092,000	Year Ended 31 July (Period 1 March 2006 to 31 July 2007)	2008 £m	2007 £m
Basis of Valuation	EV/Sales Multiple	Sales	10.2	8.0
Equity held	24.79%	Profit before tax	0.2	0.1
Business	Market Research Company	Profit after tax	0.1	0.1
Other Acuity Funds Investing	Acuity VCT 2	Net Assets	0.7	0.6

Annual Review Qualifying Investments

Brand Acquisitions

Cost	£1,800,000	Audited Financial Information		
Valuation	£1,800,000	Year Ended 31 January	2008 £m	2007 £m
Basis of Valuation	Cost	Sales	13.6	15.0
Equity held	16.63%	Profit before tax	0.6	1.2
Business	Branded Menswear	Profit after tax	0.4	0.9
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2	Net Assets	3.4	3.0

Defaqto Group

Cost	£1,285,000	Audited Financial Information		
Valuation	£1,688,000	Year Ended 31 March (10 months to 31/3/07)	2008 £m	2007 £m
Basis of Valuation	Recent fundraising	Sales	7.8	4.7
Equity held	8.13%	Loss before tax	(1.8)	(6.2)
Business	Financial product data provider	Retained Loss	(1.7)	(6.2)
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2	Net Liabilities	(7.9)	(6.2)

Acrobat Music Group

Cost	£2,445,000	Audited Financial Information		
Valuation	£1,660,000	Year Ended 31 December	2007 £m	2006 £m
Basis of Valuation	Discounted cash flow	Sales	0.1	N/A
Equity held	21.2%	Loss before tax	(0.6)	N/A
Business	Music Master Rights	Retained Loss	(0.5)	N/A
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2	Net Assets	0.4	N/A

No accounts produced for 2006

Emote

Cost	£1,275,000	Audited Financial Information		
Valuation	£1,001,000	Year Ended 31 December	2007 £m	2006 £m
Basis of Valuation	EV/Sales Multiple	Sales	0.6	-
Equity held	27.4%	Loss before tax	(1.0)	-
Business	Games Publishing Company	Retained Loss	(1.0)	-
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2	Net Assets	(0.0)	-

Annual Review Qualifying Investments

Connect2Media

Cost	£1,000,000	No Audited Financial Information available		
Valuation	£1,000,000			
Basis of Valuation	Cost			
Equity held	17.6%			
Business	Mobile Games			
Other Acuity Funds Investing	Acuity VCT, Acuity VCT 2			

Note:-

In many cases, the qualifying investment is made substantially in the form of loan notes which both carry a high interest rate and are treated as debt for statutory purposes. Shareholders should therefore be advised that often the investee companies report both retained losses and net liabilities as a result.

Company Information Contact Details

Acuity VCT 3 Plc

Board of Directors

Stuart Stradling (Chairman)

Kevin D'Silva

David Hurst-Brown

Nicholas Ross

Investment Manager and Administrator

Acuity Capital Management Limited

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Telephone (UK): 0871 664 0300 (calls cost 10p per minute plus network extras)

Telephone (Overseas): +44 208 639 3399

Email: shareholder.services@capitaregistrars.com

Web: www.capitaregistrars.com

Any change of address of a shareholder or other relevant amendment to shareholder details should be communicated to the Company's Registrar, Capita Registrars.

Company Information Board of Directors

Stuart Stradling, Chairman

Appointed a Director on 14 September 2005

He is a chartered accountant with 36 years experience in the City of London. He was Managing Director of investment banking and Chairman of corporate banking at Dresdner Kleinwort Wasserstein until he retired in April 2006. He previously held a similar position at SG Warburg and was partner in charge of corporate broking at Rowe and Pitman for 10 years prior to the firm's sale to SG Warburg in 1986. In addition, he holds a number of non-executive positions in small companies in several fields, including media and technology. He is Chairman of the Nomination Committee.

Kevin D'Silva*

Appointed a Director on 14 September 2005.

He is a chemical engineer who has specialised in the medical devices industry. He was formerly Group Managing Director of Ferraris Group Plc and he has managed the growth of a number of publicly quoted and unquoted companies. He is Chairman of Prosurgics, a surgical robots company, Chairman of Hallmarq Veterinary Systems Limited, a MRI scanning products business, Chairman of Ai2, antimicrobial peptides and Chairman of Surface Transforms plc, a publicly listed company specialising in carbon ceramic brakes. He is also a partner in SalusInvest LP that invests and manages a portfolio of medical products businesses. He is Chairman of the Remuneration Committee.

David Hurst-Brown*

Appointed a Director on 14 September 2005.

Having graduated as a Production Engineer he worked for over 25 years in the investment banking industry. Prior to his retirement from UBS in 2002 he had worked for 15 years as an executive in the corporate finance division of UBS Warburg. Presently he is a non-executive of Anite Plc, Imagination Technologies Plc, Ffastfill Plc, Keydata AIM VCT and Keydata Income VCT. He is Chairman of the Audit Committee and has been nominated the Senior Independent Director under the Combined Code on Corporate Governance.

Nicholas Ross

Appointed a Director on 14 September 2005.

He is a founding member of Acuity Capital LLP, prior to the Management buy-out he had been at Electra Quoted Management since 1993. Previously he had several years in investment analysis and fund management. He has been responsible for the launch of the three Acuity Capital VCT funds. He is a Managing Partner of Acuity Capital LLP and a Director of Acuity Capital and all three Acuity VCT funds. He also sits on a number of investee company boards.

* Member of the Audit, Remuneration and Nomination Committees

Accounts Report of the Directors

To the Members of Acuity VCT 3 Plc

The Directors present the audited accounts of the Company for the year ended 30 September 2008 and their Report on its affairs.

Investment Company Status

Throughout the year under review the Company was an investment company as defined under Section 833 of the Companies Act 2006.

VCT Status

HM Revenue and Customs has granted the Company approval under Section 274 of the Income Tax Act 2007 (ITA 2007) as a VCT, the approval being effective from the first day on which the Company's ordinary shares were listed on the London Stock Exchange (being 1 December 2005). The Board continues to direct the affairs of the Company to enable it to maintain approval as a VCT.

Business Review

Objective and Investment Strategy

A review of the Company's Objective and Investment Strategy is detailed on page 2.

Current and Future Development

A review of the main features of the year is contained in the Chairman's Statement and the Investment Manager's Review on pages 5 and 7 respectively.

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long-term investment return. Attention is paid to the integrity and success of an investment process and on factors which may have an impact on this approach. Due regard is given to the marketing and promotion of the Company, including effective communication with shareholders and other external parties.

Performance

A detailed review of performance during the year under review is contained in the Investment Manager's Review on page 7.

A number of performance measures are considered by the Board and Investment Manager in assessing the Company's success in achieving its objectives.

The key performance indicators ("KPIs") used to measure the progress and performance of the Company are established industry measures and are as follows:-

- The movement in net asset value per ordinary share
- The movement in share price
- The movement of net asset value and share price performance compared to the FTSE All-Share Index

Details of the KPIs are shown in the Financial Highlights on page 4 and through a graph comparing the Company's total return on a

share price and net asset value basis over the period since shares were first issued with the FTSE All-Share Index total return over the same period as set out in the Directors' Remuneration Report on page 25.

The Board recognises that it is in the long term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. As outlined in the Report of the Directors on page 18, the Board intends to seek renewal of its annual share buy-back authority at the Company's Annual General Meeting in 2009. As noted in the Chairman's Statement, due to the recent market turbulence, the Board has temporarily suspended the share buy-back programme but are monitoring the position closely and will restore share buy-backs when conditions allow.

Risk Management

Since the Company is flexible with regard to those areas in which it invests, it aims to achieve a significant degree of diversification and to spread risk by investing in unquoted, PLUS traded and AIM quoted companies. In addition, there is no emphasis on any particular industry sector and even the non-qualifying investments have quite a high level of in-built diversification. The Company is restricted to investing no more than 15% of the value of its total assets at the time of investment in any one individual qualifying investment or non-qualifying investment.

The key risks facing the Company include Market Risk, Interest Rate Risk, Credit Risk and Liquidity Risk as further detailed in Note 20 of the Notes to the Accounts.

In addition the Company is also focused on the following risks:

Macroeconomic risks

The performance of the Company's underlying investment portfolio is principally influenced by a combination of economic growth, interest rates, the availability of well-priced debt finance, the number of active trade and private equity buyers and the level of merger and acquisition activity. All of these factors have an impact on the Company's ability to invest and on the Company's ability to exit from its underlying portfolio or on the levels of profitability achieved on exit.

Long-term strategic risk

The Company is subject to the risk that its long-term strategy and its level of performance fails to meet the expectations of its shareholders. The Company constantly monitors the level of discount of its Net Asset Value to its share price and considers the most effective methodologies to keep this at a minimum including its share buy-back policy. The Company has in the last year repurchased shares within parameters set by the Board and subject to shareholder authority.

In addition the Company regularly reviews its Objectives and Investment Strategy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Accounts Report of the Directors

Government policy and regulation risk

The Company carries on business as a VCT under section 274 of the Income Tax Act 2007 (ICTA 2007). Continuation of this status is subject to the Company directing its affairs in line with the relevant requirements of the legislation. Anticipated and actual changes in government policy and related tax treatment of VCTs' are closely monitored, as are other changes which could affect results of operations or financial position.

Acuity Capital is an authorised person under the Financial Services and Markets Act 2000 and regulated by the FSA. Changes to the regulatory framework under which Acuity Capital operates are closely monitored and reported upon as necessary by Acuity Capital to the Company.

Investment risks

The Company operates in a very competitive market. Changes in the number of market participants, the availability of funds within the market, the pricing of assets, or in the ability of Acuity Capital to access deals on a proprietary basis, could have a significant effect on the Company's competitive position and on the sustainability of returns.

In order to source and execute good quality investments the Company is primarily dependent on Acuity Capital having the ability to attract and retain people with the requisite investment experience and whose compensation is in line with the Company's objectives.

Once invested, the performance of the Company's portfolio is dependent upon a range of factors. These include but are not limited to: (i) the quality of the initial investment decision described above; (ii) the ability of the portfolio company to execute its business strategy successfully; and (iii) actual outcomes against the key assumptions underlying the portfolio company's financial projections. Any one of these factors could have an impact on the valuation of a portfolio company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe.

A rigorous process is put in place by Acuity Capital for managing the relationship with each investee company for the period prior to anticipated realisation. This includes regular asset reviews and, in many cases, board representation by one of Acuity Capital's executives.

The Company reviews both the performance of Acuity Capital and its incentive arrangements on a regular basis to ensure that both are appropriate to the objectives of the Company.

Operational risks

The Company's investment management, custody of assets and all administrative systems are provided or arranged for the Company by Acuity Capital. Therefore the Company is exposed to a range of operational risks at Acuity Capital which can arise from inadequate or failed processes, people and systems or from external factors affecting these.

The Company's system of internal control mainly comprises the monitoring of the services provided by Acuity Capital, including the operating controls established by them to ensure they meet the Company's business objectives, as discussed further in the Corporate Governance Statement on page 21.

Share Capital

The current authorised share capital of the Company is £600,000 divided into 60,000,000 ordinary shares of 1p each. The ordinary shares have voting rights attached, holders are entitled to receive notice of and attend shareholder meetings and to receive dividends once declared and approved. The other rights and obligations attaching to the ordinary shares are set out in the Company's Articles of Association.

Authority to make Market Purchases of Shares

At the Annual General Meeting of the Company held on 5 March 2008 authority was given to make market purchases of up to 3,503,319 of the Company's issued ordinary share capital.

During the year under review, the Company made the following purchases of its own ordinary shares in the market:

Under the authority granted by shareholders at the Annual General Meeting held in February 2007:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of issued Capital at Time of Purchase	Buyback Price per Ordinary Share
36,450	28 January 2008	0.10%	91p

Under the authority granted by shareholders at the Annual General Meeting held in March 2008:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of issued Capital at Time of Purchase	Buyback Price per Ordinary Share
2,060	21 May 2008	0.01%	83.5p
61,200	13 June 2008	0.17%	87.5p
13,265	29 August 2008	0.04%	87.5p

The Company does not hold any shares in treasury.

Accordingly, at 30 September 2008 authority remained to purchase a further 3,426,794 ordinary shares.

At 30 September 2008, a total of 34,956,673 ordinary shares of 1p each of the Company were in issue.

A Special Resolution will be proposed at the Annual General Meeting to be held on 4 March 2009 to renew, for one year, the Board's authority to buy up to 3,495,667 of the Company's ordinary shares, or such lesser number of shares as is equal to 10% of the total number of ordinary shares in issue as at the date of the passing of the resolution, subject to the constraints set out in the Special Resolution. Should any shares be purchased under

Accounts Report of the Directors

this authority, it is the intention of the Board that such shares be cancelled.

The Directors do not intend to use this authority to purchase shares unless this would result in an increase in the net asset value per share and would be in the best interests of shareholders generally. The Directors recommend shareholders to vote in favour of this Special Resolution.

Renewal of Authority to Allot Shares and Disapply Pre-emption Rights

At the Annual General Meeting to be held in 2009 an Ordinary Resolution will be proposed seeking to renew the authority granted at the Annual General Meeting held on 5 March 2008 to allot additional shares, up to an aggregate nominal amount of £116,522.24, representing one third of the current issued share capital. It is standard practice for most public companies to renew this authority to allot shares annually. The Directors are seeking to renew this authority to provide them with the ability to make further small share issues if considered suitable. Otherwise, the Directors have no present intention of exercising this authority. The authority conferred on the Directors will expire at the conclusion of the Company's Annual General Meeting in 2010.

A Special Resolution will be proposed at the Annual General Meeting in 2009 seeking to renew the authority granted at the Annual General Meeting held on 5 March 2008 to issue equity securities of the Company for cash without the application of the pre-emption rights provided by the Companies Act 1985. The authority contained in this Resolution is sought in connection with a rights issue or similar issue, or otherwise in connection with an allotment of up to 5% of the nominal value of the issued ordinary share capital of the Company shown in the accounts for the year ended 30 September 2008. The Directors' authority will expire at the conclusion of the Company's Annual General Meeting in 2010.

Results and Dividend

Revenue returns attributable to shareholders amounted to £637,000 (2007: £798,000). Capital (losses)/returns attributable to shareholders amounted to £1,666,000 (2007: £1,078,000). Two interim dividends amounting to 1p per share each, were paid in the period, at a cost of £701,000 (2007: one interim dividend of 1.5p per share at a cost of £526,000). The Directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2008.

Directors

The current Directors of the Company are listed on page 15. Mr SR Stradling, Mr D Hurst-Brown, Mr KA D'Silva and Mr NRW Ross all served as Directors throughout the year ended 30 September 2008. No other person was a Director of the Company during any part of the year under review. Mr D Hurst-Brown and Mr NRW Ross will retire at the Annual General Meeting in 2009 and, being eligible, offer themselves for re-election. Short biographical details of all the Directors are provided on page 15. Following performance appraisals of all of the Directors, details of which are to be found in the Corporate Governance Statement on page 21, the Board considers that the performance of each Director retiring

at the Annual General Meeting and offering himself for re-election continues to be effective and that each Director continues to show commitment to his role. Accordingly, the Board recommends that those Directors retiring at the Annual General Meeting in 2009 and offering themselves for re-election be re-elected.

Directors' Interests

The beneficial interests of the Directors in the ordinary shares of the Company are shown below. Save as disclosed, no Director had any notifiable interest in the securities of the Company.

No Director bought or sold any ordinary shares of the Company during the year under review. There have been no changes in the interests of any of the Directors in the ordinary shares of the Company between 1 October 2008 and 12 January 2009. No options over ordinary shares in the capital of the Company have been granted to the Directors.

	30 September 2008 Ordinary Shares of 1p each	1 October 2007 Ordinary Shares of 1p each
SR Stradling	51,500	51,500
KA D'Silva	10,300	10,300
D Hurst-Brown	25,750	25,750
NRW Ross**	51,600	51,600

** NRW Ross also has an interest in £22,462 (2007: £25,575) of the 3.75% Loan Notes issued by the Company.

Directors' Remuneration Report

An Ordinary Resolution to approve the Directors' Remuneration Report will be put to the Annual General Meeting in 2009.

Contracts with Directors

No Director has a service contract with the Company. As a result of being a Partner of Acuity Capital LLP, Mr NRW Ross is deemed to have an interest in the Management Contract between the Company and Acuity Capital.

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance is maintained on behalf of the Directors in respect of their positions as Directors of the Company.

Substantial Shareholders

At 12 January 2009 the Directors had not been notified of any interests of 3% or more in the Company's issued share capital.

Independent Auditors

Following the resignation of PricewaterhouseCoopers LLP during the year under review, the Directors appointed KPMG Audit Plc as Auditors to fill the casual vacancy thereby arising. A resolution to appoint KPMG Audit Plc as Auditors to the Company will be proposed at the Annual General Meeting in 2009. A separate resolution will be proposed at the Annual General Meeting in 2009 authorising the Directors to fix the remuneration of the Auditors.

Accounts Report of the Directors

The Directors confirm that so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Creditor Payment Policy

The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment. The Company's average creditor payment period at 30 September 2008 was one day.

Investment Manager

In February 2008 Acuity Capital LLP, a limited liability partnership established by the current investment management team, acquired the Company's Investment Manager, Electra Quoted Management Limited. On acquisition Electra Quoted Management changed its name to Acuity Capital Management Limited ("Acuity Capital").

Acuity Capital was the Investment Manager of the Company during the year under review. The Board regularly reviews the performance of the Investment Manager and as a result believes the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Management Fees and Arrangements

Acuity Capital was appointed as Investment Manager under an agreement dated 14 October 2005. The agreement is for an initial period of five years and thereafter until terminated by not less than one year's notice. Fees are paid quarterly in arrears, as a percentage of net assets (less a rebate of fees suffered on investments on funds managed by Acuity Capital Management), at the following annual rates:

Period ended 30 June 2006	1.5%
Year ended 30 June 2007	2.0%
Year ended 30 June 2008 and thereafter	2.5%

Incentive Schemes

Certain persons engaged in the business of the Investment Manager will be entitled to receive a performance fee based upon returns to shareholders. The incentives are designed to encourage significant dividend payments to shareholders and a Net Asset Value performance that would equate to a historic top quartile industry ranking, before any performance fee payment is made. Therefore, if, by the end of a financial year, aggregate distributions of 30p per share have been declared and if the Performance Value, which is equal to the Net Asset Value plus distributions, at that date exceeds 130p per share, then the beneficiaries will be entitled to a performance fee equal to 20% of the excess of such Performance Value over 100p per share. If, on a subsequent financial year end, the performance of the Company falls short of the performance of the Company on the

previous financial year end, the beneficiaries will not be entitled to any incentive. If, on a subsequent financial year end, the performance of the Company exceeds the previous performance of the Company, the beneficiaries will be entitled to 20% of such excess. To give effect to this performance fee, Loan Notes have been issued by the Company to certain persons engaged in the business of the Investment Manager. No Loan Notes have been issued directly to the Investment Manager. Further details of the terms of the Loan Notes are set out in Note 13 of the Financial Statements. At 30 September 2008 there was no amount due under the Incentive Schemes.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Accounts as the Company has adequate resources to continue in operational existence for the foreseeable future.

Annual General Meeting

The Annual General Meeting of the Company will be held on 4 March 2009. In addition to the ordinary business, the following special business will be considered:-

Authority to Allot Shares: Resolution 7

At the Annual General Meeting an Ordinary Resolution will be proposed seeking to renew the authority conferred upon the Directors at the Annual General Meeting held on 5 March 2008 to allot additional shares, up to an aggregate nominal amount of £116,522.24, representing one third of the nominal value of the issued share capital of the Company at the date of this Directors' Report. The Directors have no present intention of exercising this authority. The authority conferred on the Directors will expire at the conclusion of the Company's Annual General Meeting in 2010. The Directors recommend shareholders to vote in favour of this Ordinary Resolution.

Authority to Disapply Pre-emption Rights: Resolution 8

A Special Resolution will be proposed at the Annual General Meeting seeking to renew the authority conferred upon the Directors at the Annual General Meeting held on 5 March 2008 to issue equity securities of the Company for cash without the application of the pre-emption rights provided by the Companies Act 1985. The authority contained in this Resolution is sought in connection with a rights issue or similar issue, or otherwise in connection with an allotment of up to 5% of the nominal value of the issued ordinary share capital of the Company shown in the accounts for the year ended 30 September 2008. The Directors' authority will expire at the conclusion of the Company's Annual General Meeting in 2010. The Directors recommend shareholders to vote in favour of this Special Resolution.

Authority to Make Market Purchases of Shares: Resolution 9

As set out in the Chairman's Statement, in the interest of all the Company's shareholders the Board has decided to suspend the Company's buy back programme temporarily because of the exceptional economic circumstances. Nevertheless the Board

Accounts Report of the Directors

wishes to have in place the authority to purchase the Company's own shares so that the buy back programme can be re-instated as and when conditions permit. Accordingly, a Special Resolution will be proposed to renew, for one year, the Board's authority to buy up to 3,495,667 of the Company's ordinary shares, or such lesser number of shares as is equal to 10% of the total number of ordinary shares in issue immediately prior to the passing of the resolution, subject to the constraints set out in the Special Resolution. Should any shares be purchased under this authority, it is the intention of the Board that such shares be cancelled and not held as treasury shares.

The Directors do not intend to use this authority to purchase shares unless this would result in an increase in the net asset value per share and would be in the best interests of shareholders generally. The Directors recommend shareholders to vote in favour of this Special Resolution.



By order of the Board of Directors
Acuity Capital Management Limited
Secretary
Registered Office:
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
12 January 2009

Accounts Corporate Governance

Corporate Governance

The Directors confirm that during the year under review the Company has complied with Section 1 of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in 2006.

Directors' Attendance at Scheduled Meetings of the Board and Committees of the Board

	Scheduled Board	Audit Committee
Stuart Stradling	3	n/a
Kevin D'Silva	3	2
Nicholas Ross	3	n/a
David Hurst-Brown	3	2

In addition, a number of Directors attended further Board meetings at short notice to address specific issues.

The Board of Directors

The Board, which meets regularly, comprised four Directors at 30 September 2008, all of whom were non-executive. All of the Directors who held office at 30 September 2008, apart from Mr NRW Ross, have been considered by the Board to be independent from the Investment Manager. The Board has nominated Mr David Hurst-Brown as the Senior Independent Director.

Acuity VCT Plc is also managed by Acuity Capital and Mr NRW Ross is one of its Directors. The Board has particularly considered the question of each Director in light of the Code's provisions on that subject.

The Board believes that each of the Company's Directors, apart from Mr NRW Ross, continues to be wholly independent under the Code. Independence is a state of mind and the character and judgement which accompany this are distinct from and, in the Board's opinion, are not compromised by having cross directorships with other Directors.

The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's Management Agreement with Acuity Capital, together with the monitoring of the performance thereunder. The Management Agreement sets out the matters over which Acuity Capital has authority in accordance with the policies and directions of the Board. The Board Meetings consider as appropriate such matters as overall strategy, investment performance, share price performance, share price discount and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The numbers of scheduled meetings of the Board and the Audit Committee are shown in the table above.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Each Director receives board papers several days in advance of each scheduled Board meeting and is able to consider in detail the Company's performance and any issues to be discussed at the relevant meeting.

The Directors believe that the Board has the balance, skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience can be found on page 15.

Performance Appraisal

The Board carried out a formal appraisal process of its own and of its Committees' operation and performance during the year under review. This was implemented by means of questionnaires circulated to the Directors, the results of which were then reviewed by the Board. Issues covered included board composition, meeting arrangements and communication. The process was considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and of its Committees. The Board concluded that its performance and that of its Committees was satisfactory.

The Chairman carried out a formal appraisal of each of the Directors during the year under review and the Board, under the leadership of the Senior Independent Director, similarly appraised the Chairman. Relevant matters considered included the attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of the contribution made by the relevant Director. As a result of this process the Chairman has confirmed that the performance of each of the Directors being proposed for re-election continues to be effective and that each of them continues to show commitment to his role. The Senior Independent Director has also confirmed the continuing effectiveness and commitment of the Chairman.

Re-election of Directors

In accordance with either the Code's provisions or the Company's Articles, Mr D Hurst-Brown and Mr NRW Ross will retire at the Annual General Meeting to be held in 2009 and offer themselves for re-election.

Independent Professional Advice

Individual Directors may seek independent professional advice in furtherance of their duties at the Company's expense within certain parameters. All Directors have access to the advice and services of the Company Secretary. Any appointment or removal of the Company Secretary would be a matter for consideration by the entire Board. Board approval was given to the resignation of Mr Philip Dyke with effect from 30 September 2008 as Company Secretary and the appointment of Acuity Capital Management Limited as his successor.

The Audit Committee

The Board has an Audit Committee established in compliance with the Code. It comprises all the Directors other than the Chairman of the Board and Mr NRW Ross, with Mr David Hurst-Brown as Chairman of the Committee. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant experience and is satisfied that the Committee is properly constituted in this respect. Its authority and duties are clearly defined in its written terms of reference which are available on Acuity Capital's website.

The Committee's Responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- developing and implementing the Company's policy on the provision of non-audit services by the external auditors;
- reviewing the arrangements in place within Acuity Capital whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- considering annually whether there is a need for the Company to have its own internal audit function.

The Committee has reviewed the provision of non-audit services provided by the external auditors and believes them to be cost effective and not an impediment to the external auditors' objectivity and independence. It has been agreed that all non-audit work to be carried out by the external auditors, must be approved by the Audit Committee and that any special projects must be approved in advance.

Internal Audit

Following the review carried out by the Audit Committee as to whether there is a need for the Company to have its own internal audit function, the Board has considered and continues to believe that the internal control systems in place within Acuity Capital provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Remuneration Committee

During the year under review the Remuneration Committee comprised all the Directors of the Company other than the Chairman of the Board and Mr NRW Ross, with Mr KA D'Silva as

Chairman of the Committee. The Committee met once during the year, when it was agreed that Mr David Hurst-Brown be paid an additional £5,000 per annum in respect of further duties undertaken in relation to the portfolio valuation process and the production of the Report and Accounts. The Committee has written terms of reference which are available on Acuity Capital's website. Full details of its role are set out in the Directors' Remuneration Report.

The Nomination Committee

The Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. It comprises all the Directors apart from Mr NRW Ross, with Mr Stuart Stradling as Chairman of the Committee. It was not necessary to hold any meeting of the Committee during the course of this year. The Committee has written terms of reference which are available on Acuity Capital's website. The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies to maintain a balanced Board.

Letters of appointment, which specify the terms of appointment, are issued to new Directors.

The current Directors of the Company were appointed with regard to their independence, suitability for the position and their experience in related business areas.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee and which includes being briefed fully about the Company by the Chairman and senior executives of Acuity Capital. Following appointment, Directors continue to receive other relevant training and advice as necessary to enable them to discharge their duties.

The Company's Relationship with its Shareholders

The Company places great importance on communication with the Company's shareholders. In addition to the Annual and Half Yearly Reports shareholders will be sent regular newsletters from the Investment Manager.

At the Annual General Meeting all shareholders are welcome to attend and have the opportunity to put questions to the Board.

The notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the Meeting. A separate resolution is proposed on each substantially separate issue including the annual report and accounts.

All proxy votes are counted and, except where a poll is called, the level of proxies lodged for each resolution is announced at the Meeting and is published on Acuity Capital's website.

The Chairman and the Senior Independent Director can always be contacted either through the Company Secretary or care of the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

Internal Control

The Code requires the Directors to review the effectiveness of the Company's system of internal control and report to shareholders that they have done so. The Code extended the earlier reporting requirements and now includes financial, operational and compliance controls and risk management.

The Board confirms that it has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and has continued since the year end and up to the date of this report. It is reviewed at regular intervals by the Board and accords with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'.

The Board is responsible for the Company's system of internal control and it has reviewed its effectiveness for the year ended 30 September 2008. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided or arranged for the Company by Acuity Capital, the Company's system of internal control mainly comprises the monitoring of services provided by Acuity Capital, including the operating controls established by them, to ensure they meet the Company's business objectives. The key elements designed to provide effective internal control for the Company are as follows:

- Financial Reporting - Regular and comprehensive review by the Board of key investment and financial data including management accounts, revenue projections, analyses of transactions and performance comparisons.
- Investment Strategy - Agreement by the Board of the Company's investment strategy and monitoring of all large investments.
- Management Agreements - The Board regularly monitors the performance of Acuity Capital to ensure that the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Investment Performance - The investment transactions and performance of the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Management Systems - Acuity Capital's system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. Acuity Capital's compliance department monitors compliance with the Financial Services Authority rules.

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of key controls of Acuity Capital as follows:

- The Board reviews the terms of the Management Agreement and receives regular reports from Acuity Capital executives.
- The Board reviews the certificates provided by Acuity Capital on a six monthly basis, verifying compliance with documented controls.

Voting Policy

The Company's investee companies are principally a mixture of quoted and unquoted companies in which the Company is a significant shareholder and the Company is usually a party to all issues requiring shareholder approval. The Company has given discretionary voting power to Acuity Capital to vote on its behalf.

Acuity Capital's voting policy as agent for the Company has adopted and applies the Statement of Principles drawn up by the Institutional Shareholders Committee when it considers these in its reasonable judgement to best serve the financial interests of the Company's shareholders. Acuity Capital's voting policy has been reviewed and endorsed by the Board.

Accounts Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Management Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The accounts of the Company are published on www.acuitycapital.co.uk which is a website maintained by the Company's Investment Manager, Acuity Capital. Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

In accordance with the FSA's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge that:-

- (a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) the Report of the Directors includes a fair review of the development and performance of the business and position of the Company together with a description of the principal risks and uncertainties that it faces.

By order of the Board of Directors
Stuart Stradling, Chairman
Registered Office:
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
12 January 2009

Accounts Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Schedule 7A of the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such.

Remuneration Committee

During the year under review the Remuneration Committee comprised all the Directors of the Company other than the Chairman of the Board and Mr NRW Ross. Mr KA D'Silva was Chairman of the Remuneration Committee throughout the year.

The Committee met once during the year when it was agreed that Mr David Hurst-Brown be paid an additional £5,000 per annum in respect of further duties undertaken in relation to the portfolio valuation process and the production of the Company's Report and Accounts. The current annual fee rates are £20,000 for the Chairman and Mr David Hurst-Brown and £15,000 for the other Directors, apart from Mr NRW Ross who receives no remuneration from the Company. The Company has not been provided with advice or services by any person in respect of Directors' remuneration during the year.

Policy on Directors' Remuneration

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £100,000 per annum or such higher amount as may from time to time be determined by an Ordinary Resolution of the Company. Subject to this overall limit, the Remuneration Committee's policy is that remuneration of non-executive Directors should be sufficient to attract and retain the Directors needed to oversee the Company and reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 30 September 2009 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options and other benefits.

Directors' Service Contracts

None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors for compensation for loss of office.

Performance Graph

Pursuant to the Directors' Remuneration Report Regulations 2002, the Company is required to show a graph of total shareholder return against a suitable benchmark index in its Directors' Remuneration Report for the last five financial years.

The graph below shows the Company's performance being measured in terms of its Total Shareholder Return and its Net Asset Value per share since the date on which the shares were first issued, being 25 November 2005, against the Total Shareholder Return of the FTSE All-Share Index.

The graph has incorporated the change in net asset value per share because changes in net asset value per share relative to the FTSE All-Share Index are an important indicator of the performance of the Company's assets.

The Directors consider that since the Company invests in a broad range of commercial sectors, the FTSE All-Share Index is the most appropriate index against which to compare the Company's performance.

Acuity VCT 3 Share Price Total Return v Acuity VCT 3 Net Asset Value v FTSE All Share Index (Total Return)

Date	NAV Total Return (gross dividend re-invested)	FTSE All-Share Index Total Return	Share Price Total Return
30/11/2005	100.00	100.00	100.00
31/03/2006	94.19	112.16	100.00
30/09/2006	99.23	114.57	100.00
31/03/2007	113.03	122.42	95.00
30/09/2007	102.50	126.01	100.00
31/03/2008	98.20	113.09	94.00
30/09/2008	99.60	90.61	82.00

Directors' Remuneration for the Year (audited)

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

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
SR Stradling (Chairman & joint highest paid Director)	20	20
D Hurst-Brown (joint highest paid Director)	20	15
KA D'Silva	15	15
NRW Ross	-	-
Total	55	50

As a former executive of the Electra Partners Group and as a current executive of Acuity Capital, NRW Ross has an interest in the Management Contract between the Company and Acuity Capital (formerly Electra Quoted Management) and also holds loan notes. NRW Ross has waived his right to receive a salary in the Company.

By order of the Board of Directors

Mr KA D'Silva

Chairman of the Remuneration Committee

Registered Office: Paternoster House, 65 St Paul's Churchyard,
London, EC4M 8AB

12 January 2009

Accounts Independent Auditors' Report

To the Members of Acuity VCT 3 Plc

We have audited the financial statements of Acuity VCT 3 Plc for the year ended 30 September 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 24.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Investment Manager's Review, Investment Strategy and Financial Highlights, that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
13 January 2009

Accounts Income Statement

	Notes	For the year ended 30 September 2008			For the year ended 30 September 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised (losses)/gains on investments sold		-	(396)	(396)	-	196	196
Fair value movement on revaluation on investments		-	(755)	(755)	-	1,447	1,447
Income	1	1,324	-	1,324	1,440	-	1,440
		1,324	(1,151)	173	1,440	1,643	3,083
Investment management fees	2	(239)	(719)	(958)	(234)	(701)	(935)
Other expenses	3	(257)	63	(194)	(238)	-	(238)
		(496)	(656)	(1,152)	(472)	(701)	(1,173)
Return on Ordinary Activities before Interest and Taxation		828	(1,807)	(979)	968	942	1,910
Finance Cost	4	(50)	-	(50)	-	-	-
Return on Ordinary Activities before Taxation		778	(1,807)	(1,029)	968	942	1,910
Tax on ordinary activities	6	(141)	141	-	(170)	136	(34)
Return on Ordinary Activities after Taxation		637	(1,666)	(1,029)	798	1,078	1,876
Basic and Diluted Return to Shareholders per Ordinary Share	7	1.8p	(4.7)p	(2.9)p	2.3p	3.1p	5.4p

The total column of this statement represents the Company's Income Statement, prepared in accordance with UK GAAP. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year. A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The information on pages 31 to 45 form part of these financial statements.

Accounts Reconciliation of Movements in Shareholders' Funds

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Total Return on Ordinary Activities after Taxation	(1,029)	1,876
Repurchase of ordinary shares	(100)	(19)
Dividend payment on ordinary shares	(701)	(526)
Deferred share issue expense	-	(714)
Movements in Total Shareholders' Funds	(1,830)	617
Total Shareholders' Funds at start of year	35,436	34,819
Total Shareholders' Funds at the end of the Year	33,606	35,436

Accounts Balance Sheet

		As at 30 September 2008		As at 30 September 2007 (Re-stated)	
	Notes	£'000	£'000	£'000	£'000
Fixed Assets					
Investments held at fair value	9		31,019		20,705
Current Assets					
Debtors	10	723		258	
Other investments	11	630		14,075	
Cash at bank		2,404		1,557	
			3,757		15,890
Current Liabilities					
Creditors: amounts falling due within one year	12	566		458	
			566		458
Net Current Assets			3,191		15,432
Total assets less current liabilities			34,210		36,137
Creditors: amounts falling due after more than one year	13		604		701
Net Assets			33,606		35,436
Capital and Reserves					
Called-up share capital	15		350		351
Special Reserve	16		31,907		32,007
Realised capital reserve	16		(830)		(668)
Unrealised capital reserve	16		1,657		3,160
Revenue reserve	16		522		586
Total Equity Shareholders' Funds			33,606		35,436
Net Asset Value per Ordinary Share			96.1p		101.0p
		As at 30 September 2008		As at 30 September 2007	
Number of Ordinary Shares in issue at end of year		34,956,673		35,069,648	

The information on pages 31 to 45 forms part of these Financial Statements.

The Financial Statements on pages 27 to 45 were approved and authorised for issue by the Board of Directors on 12 January 2009 and were signed on their behalf by:

Stuart Stradling
Chairman

S-R Stradling

Accounts Cash Flow Statement

		For the year ended 30 September 2008		For the year ended 30 September 2007	
	Notes	£'000	£'000	£'000	£'000
Operating Activities					
Investment income received		814		1,274	
Bank deposit interest received		35		41	
Investment management fees paid		(1,224)		(871)	
Other cash payments		(354)		(233)	
Net Cash (Outflow)/Inflow from Operating Activities	18		(729)		211
Taxation					
Corporation Tax Paid			(34)		-
Investing Activities					
Purchase of investments		(14,192)		(8,731)	
Sale of investments	9	2,727		352	
Receipt of funds from related parties for Co-investment		445		-	
Net Cash Outflow from Investing Activities			(11,020)		(8,379)
Equity Dividends Paid	8		(701)		(526)
Cash Outflow before Financing and Management of Liquid Resources			(12,484)		(8,694)
Management of Liquid Resources					
Sales of current asset investments		13,445		10,200	
Net Cash Inflow from Management of Liquid Resources			13,445		10,200
Financing					
Expenses of the issue of shares			-		(88)
Repurchase of shares			(114)		(5)
Net Cash Outflow from Financing			(114)		(93)
Increase in Cash for the Period	19		847		1,413

Accounts Statement of Accounting Policies

Basis of Accounting

The accounts are prepared on a going concern basis and on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, and in accordance with the Companies Act 1985 and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In order to reflect the activities of an investment company, supplementary information which analyses the financial statements between items of a revenue and capital nature has been presented alongside the financial statements. In analysing total income between capital and revenue returns, the Directors have followed the guidance contained in the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in December 2005 (the "SORP"), where it is consistent with the requirements of UK GAAP.

The recommendations of the SORP which have been followed include:

- Gains and losses arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the income statement. Realised gains are taken to the realised reserves and unrealised gains are transferred to the unrealised reserves. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.
- Returns on any share or debt security for a fixed amount (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement. The total of the revenue column of the income statement is taken to the revenue reserve.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the income statement.

If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated.

In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, net capital return may not be distributed by way of dividend.

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year, follows:

Investments

Purchases and sales of quoted investments are recognised on the trade date where a contract exists whose terms require delivery

within a timeframe determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. Investments are designated at fair value through profit or loss (described in the Accounts as investments held at fair value) and are subsequently measured at reporting dates at fair value. The fair value of direct unquoted investments is calculated in accordance with the Principles of Valuation of Investments below. Changes in the fair value of investments are recognised in the income statement through the capital account.

Quoted Investments

Quoted investments are stated at the bid market prices on the balance sheet date without discount.

Unquoted Investments

Unquoted investments are held at fair value as fixed asset investments. The fair value is calculated in accordance with International Private Equity and Venture Capital Valuation Guidelines issued in March 2005 following the methodology outlined below.

Principles of Valuation of Investments

General

In valuing investments, the Directors follow the principles recommended in the International Private Equity and Venture Capital Valuation Guidelines issued in March 2005. Investments are valued at fair value at the reporting date.

Fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In estimating fair value, the Directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from one period to another except where a change results in a better estimate of fair value. Because of the inherent uncertainties in estimating the value of private equity investments, the Directors exercise due caution in applying the various methodologies. The Directors are, however, wary of applying excessive caution.

Unquoted Investments

The principal methodologies applied in valuing unquoted investments, including PLUS investments (a UK market focussed on small and medium companies which the Directors do not regard as an active market with sufficient liquidity), include the following:

- Earnings multiple
- Price of recent investment
- Net assets

Accounts Statement of Accounting Policies

In applying the Earnings Multiple methodology, the Directors apply a market based multiple that is appropriate and reasonable to the maintainable earnings of the company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an Earnings Before Interest, Tax and Depreciation multiple applied to current year's earnings where these can be forecast with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. Where this is not the case, historic earnings will generally be used in their place. Unquoted investments are carried at cost subject to provision for impairment where necessary.

Where a recent investment has been made, either by the Company or by a third party in one of Company's investments, this price will be used as the estimate of fair value for a period of up to one year from the date on which the investment was made. One of the principal methodologies, as above, may be used at any time if this is deemed to provide a better assessment of the fair value of the investment.

The fair value of an investment in a company will be arrived at through the following process:

- The Enterprise Value of the underlying business will be calculated using one of the above methodologies;
- The Enterprise Value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an Enterprise Value for the company; and
- The valuation of the Company's investment will be calculated from the Enterprise Value for the company after deduction of prior ranking debt and other financial instruments and an appropriate marketability discount.

In terms of the marketability discount, this will normally be in the range of 10-30% (in steps of 5%) applied to the Enterprise Value of the company after deducting prior ranking debt and other financial instruments.

The amount of the marketability discount is a question of judgement and will reflect several factors including the ability of the Company to influence the timing and nature of any realisation. Where the Company has the ability to influence an exit, or is part of a syndicate of like-minded investors who initiate the exit, a marketability discount will be applied. This may vary according to market and investee company circumstances. Where the likelihood of an exit is high, the discount is likely to be lower. Where there is no ability to initiate an exit and exit is not under discussion, the discount is likely to be higher. In cases where no exit is contemplated by controlling shareholders, the investment may be valued by discounting the cash flow from the investment itself.

Although the Company holds more than 20% of the equity of certain companies, it is considered that the investments are held as part of the 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 represent investments in associated undertakings.

Under FRS 2 'Accounting for subsidiary undertakings' control is presumed to exist when the parent owns, directly or indirectly more than half of the voting power by a number of means. The Company does not hold more than 50% of the equity of any of the companies within the portfolio. In addition, it does not control any of the companies held as part of the investment portfolio. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Income

Dividends receivable from equity investments are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity investments and on debt securities are recognised on a time apportionment basis, which reflects the effective interest rate. Where there is reasonable doubt that a return, which falls within the accounting period, will actually be received by the Company, the recognition of the return is deferred until the reasonable doubt has been removed.

Interest receivable on cash deposits is accounted for on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except for expenses in connection with the disposal of fixed asset investments, which are deducted from the disposal proceeds of the investment and investment management and incentive fees which are dealt with below.

Investment Management and Incentive Fees

The investment management fees for the Investment Manager's services are charged 25% to the revenue account and 75% to the capital account. This is in line with the Board's long-term expected split of returns from the investment portfolio of the Company. Incentive fees are fully charged to the capital account. The incentive fee on realisations in the period is charged to the realised capital reserve and the incentive fee provision in respect of unrealised value growth in the portfolio is charged to the unrealised capital reserve.

Revenue and Capital Reserves

The revenue return in the Income Statement is taken to the revenue reserve.

Gains and losses on the realisation of investments are taken to the realised capital reserve.

Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date. Otherwise, gains and losses are treated as unrealised.

Accounts Statement of Accounting Policies

Taxation

The tax effects of different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period. Due to the Company's status as a venture capital trust and the continued intention to meet the conditions required to comply with Section 274 of the Income Tax Act 2007 (ITA 2007), no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are recoverable.

Dividends Payable

Dividend distributions to shareholders are recognised as a liability in the period in which they are paid in respect of interim dividends or when approved by members in respect of final dividends.

Trail Commission

The fair value of trail commission payable on new shares issues is estimated on the date the new shares are issued based on the net asset value of the trust at that time, annualised growth in NAV of 5% per annum over the life of the contract and a discount rate of 8%. Subsequent to initial recognition, changes in the value of the creditor arising through the unwinding of the discount rate are recognised in the revenue column of the Income Statement and movements in the value of the creditor resulting from changes in assumptions are recognised in the capital column of the Income Statement.

Accounts Notes to the Accounts

1. Income

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Franked investment income*	174	79
Income from liquidity funds#	539	1,032
Unfranked investment income*	576	288
Interest from bank deposits#	35	41
	1,324	1,440

*Denotes income arising from investments designated as fair value through profit or loss on initial recognition.

#Denotes Income arising on financial assets not designated as fair value through profit or loss.

2. Investment Manager's Fees

	For the year ended 30 September 2008			For the year ended 30 September 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Acuity Capital Management	239	719	958	234	701	935

The Management Fee includes irrecoverable VAT of £145,000 (2007: £139,000).

Acuity Capital also received an administration fee of £65,000 (2007: £62,000), net of VAT, which increases each year in line with RPI. The administration fee is included in the administration expenses of £140,000 (2007: £120,000) in Note 3.

Management Fees and Arrangements

Acuity Capital was appointed as Investment Manager under an agreement dated 14 October 2005. The agreement is for an initial period of five years and thereafter until terminated by not less than one year's notice to expire at any time after the initial period. Fees are paid quarterly in arrears, as a percentage of net assets (less a rebate of fees suffered in the investment in CF Acuity Real Active Fund which is managed by Acuity Capital), at the following annual rates:

Period ended 30 June 2006	1.5%
Year ended 30 June 2007	2.0%
Year ended 30 June 2008 and thereafter	2.5%

Running expenses of the Fund are capped at 3.6% of the Net Asset Value at 30 September 2008. Any excess will be redeemed against the Management Fee payable to the Investment Manager.

Incentive Schemes

Certain employees of, and persons engaged in, the business of the Investment Manager, will be entitled to receive a performance fee based upon returns to shareholders. The incentives are designed to encourage significant dividend payments to shareholders and a NAV performance that would equate to a historic top decile industry ranking, before any performance fee payment is made. Therefore, if by the end of a financial year, aggregate distributions of 30p per share have been declared and if the Performance Value, which is equal to the Net Asset Value plus distributions, at that date exceeds 130p per share, then the beneficiaries will be entitled to an incentive equal to 20% of the excess of such Performance Value over 100p per share. If, on a subsequent financial year end, the performance of the Company falls

Accounts Notes to the Accounts

short of the performance of the Company on the previous financial year end, the beneficiaries will not be entitled to any incentive. If, on a subsequent financial year end, the performance of the Company exceeds the previous performance of the Company, the beneficiaries will be entitled to 20% of such excess. To give effect to this performance fee, Loan Notes have been issued by the Company to certain employees of, and persons engaged in, the business of the Investment Manager. No Loan Notes have been issued directly to the Investment Manager. Further details of the terms of the Loan Notes are set out in Note 13 of the Financial Statements. At 30 September 2008 there was no amount due under the Incentive Schemes.

3. Other Expenses

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Directors' remuneration	55	50
Employer's NIC	4	4
Auditors' fees		
Audit:-		
KPMG	19	-
PwC	8	27
Non audit:-		
PwC – Taxation Services	17	6
KPMG – Other services pursuant to legislation	1	-
Legal fees	13	31
Re-estimation of Trail Commission creditor	(63)	-
Administration expenses	140	120
	194	238

4. Finance Cost

	As at 30 September 2008		As at 30 September 2007	
	Ordinary Shares £'000	Total £'000	Ordinary Shares £'000	Total £'000
Share issue expense amortisation	50	50	-	-
	50	50	-	-

5. Directors' Remuneration

Details of Directors' remuneration are shown in the table in the "Directors Remuneration for the Year" section of the Directors' Remuneration Report on page 25

The Company had no employees or employee costs in 2008 (2007: Nil).

Accounts Notes to the Accounts

6. Taxation of Ordinary Activities

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Analysis of charge in the period		
Current tax:		
UK Corporation tax at 20.5% (2007: 19.5%)	-	34
Total Current Tax	-	34
Factors affecting tax charge for the period		
Revenue return on ordinary activities before tax	778	968
Revenue return multiplied by corporate tax rate	159	189
Effects of:		
Dividend income not subject to tax	(36)	(17)
Use of tax losses brought forward	-	(2)
Tax losses carried forward	18	-
Total Revenue Tax	141	170

In light of the Company's status as a venture capital trust and the Directors' intention to continue to meet the conditions necessary to obtain such approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments. There is no unprovided deferred tax liability at 30 September 2008. There has been no recognition of a deferred tax asset of £13,000 (2007: £nil) as the Directors do not anticipate these being used.

7. Return per Ordinary Share

The revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £637,000 (2007: £798,000) and on 35,024,962 (2007: 35,086,245) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The capital return per ordinary share is based on net capital losses of £1,666,000 (2007: Net capital gains of £1,078,000) and on 35,024,962 (2007: 35,086,245) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The total return per ordinary share is based on the net (deficit)/revenue from ordinary activities after taxation of (£1,029,000) (2007: £1,876,000) and on 35,024,962 (2007: 35,086,245) ordinary shares, being the weighted average number of shares in issue during the year.

There is no difference between the basic and diluted return per ordinary share because the Company has no potentially dilutive shares in issue.

Accounts Notes to the Accounts

8. Dividend

	For the year ended 30 September 2008			For the year ended 30 September 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
a)						
Recognised as distribution in the financial statements for the year						
First interim paid of 1.0p (2007 1.5p) per share	88	263	351	131	395	526
Second interim dividend of 1.0p (2007: £Nil) per share	87	263	350	-	-	-
Total	175	526	701	131	395	526

	For the year ended 30 September 2008			For the year ended 30 September 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
b)						
Paid and proposed in respect for the period						
First interim paid of 1.0p (2007 1.5p) per share	88	263	351	131	395	526
Second interim dividend of 1.0p (2007: £Nil) per share	87	263	350	-	-	-
Total	175	526	701	131	395	526

Accounts Notes to the Accounts

9. Investments

	Qualifying Investments		Non-qualifying Investments		Total £'000
	Traded on AIM £'000	Unlisted £'000	Open-ended Investment Company £'000	Closed-ended Investment Company £'000	
Costs at 1 October 2007	3,147	8,747	500	5,151	17,545
Unrealised gains/(losses) at 1 October 2007	(191)	1,923	(58)	1,486	3,160
Valuation at 1 October 2007	2,956	10,670	442	6,637	20,705
Purchases at cost	-	13,918	274	-	14,192
Proceeds	-	(2,453)	(274)	-	(2,727)
Realised losses in year	-	(228)	(168)	-	(396)
Fair value movement in year	(1,109)	2,140	(28)	(1,758)	(755)
Valuation at 30 September 2008	1,847	24,047	246	4,879	31,019
Cost at 30 September 2008	3,147	21,064	273	5,151	29,635
Fair value movement at 30 September 2008	(1,300)	2,983	(27)	(272)	1,384
Valuation at 30 September 2008	1,847	24,047	246	4,879	31,019

The purchases and sales proceeds figures above include transaction costs of £nil (2007: £1,000) and £nil (2007: £nil) respectively.

All investments are designated as fair value through profit or loss on initial recognition; therefore all gains and losses arise on investments designated as fair value through profit or loss. The changes in fair value of the unlisted, AIM listed, Open-ended Investment Company investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised. Changes in fair value of closed-ended investment company investments are treated as realised as these holdings are considered to be readily convertible into cash.

Accounts Notes to the Accounts

10. Debtors

	2008 £'000	2007 £'000
Amounts due within one year:		
Other debtors	35	32
Accrued income	688	226
	723	258

11. Other Investments

	2008 £'000	2007 £'000
Liquidity Funds:		
JP Morgan	5	7,000
Scottish Widows	625	7,075
	630	14,075

The market value of the Liquidity Funds is £630,000 (2007: £14,075,000). The funds earn a floating rate of interest.

12. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Other creditors	37	55
Due to Acuity Capital	-	266
Outstanding settlements on share repurchases	-	14
UK corporation tax	-	34
Trail Commission Payable	84	89
Related Party Liability	445	-
	566	458

The related party liability relates to cash received from Acuity VCT (£278,000) and Acuity VCT 2 (£167,000) for co-investment.

Accounts Notes to the Accounts

13. Creditors: amounts falling due after one year

	2008 £'000	2007 £'000
Trail Commission Payable	528	625
Unsecured 3.75% Loan Notes	76	76
Issued at 30 September 2008	604	701

The Loan Notes are redeemable in certain circumstances at par including the termination of the Investment Management Agreement with the Investment Manager. They carry a 3.75% interest coupon and also the right to additional interest payments under the terms of the incentive schemes set out in Note 2 to the Financial Statements.

14. Significant Interests

At 30 September 2008 the Company held significant investments, amounting to 3% or more of the equity capital in the following companies:-

	Equity Investment (Ordinary Shares) £'000	Investments Loan Stock and Preference Shares £'000	Total Investments £'000	Percentage of Investee Company's Total Equity %
Acuity Support Services	100	900	1,000	33.33
Acuity Business Services	100	900	1,000	33.33
Acuity Energy	100	900	1,000	33.33
Acuity Rights	100	900	1,000	33.33
Acuity Manufacturing	100	900	1,000	33.33
Emote Games	229	1,028	1,257	27.37
Factory Media	193	1,732	1,925	24.99
Munro Global	162	1,453	1,615	24.79
Acrobat Music Group	382	2,063	2,445	21.20
The Fin Machine Company	215	1,935	2,150	19.50
Connect2Media	1,000	-	1,000	17.56
Brand Acquisitions	200	1,600	1,800	16.63
Red Reef Media	309	279	588	14.41
Target Entertainment Group	533	1,467	2,000	13.33
Defaqto Group	129	1,156	1,285	8.13
Mount Engineering	759	-	759	4.44
Zamano	750	-	750	3.85

It is considered that, as permitted by FRS 9 "Associates and Joint Ventures", the above investments are held as part of an investment portfolio and that, accordingly, their value to the Company lies in their marketable value as part of its portfolio.

In view of this, it is not considered that the above represent investments in associated undertakings. The above companies are incorporated in the United Kingdom.

Accounts Notes to the Accounts

15. Called Up Share Capital

	Number	2008 £'000	Number	2007 £'000
Authorised Ordinary Shares of 1p each	60,000,000	600	60,000,000	600
Issued:				
At 1 October 2007	35,069,648	351	35,088,835	351
Ordinary Shares of 1p each repurchased during the year	(112,975)	(1)	(19,187)	-
As at 30 September 2008	34,956,673	350	35,069,648	351

The current authorised share capital of the Company is £600,000 divided into 60,000,000 ordinary shares of 1p each.

During the year under review, the Company made the following purchase of its own ordinary shares in the market under the authority granted by shareholders at the Annual General Meeting held in February 2007:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buyback Price per Ordinary Share
36,450	28 January 2008	0.10%	91.0p

During the year under review, the Company made the following purchases of its own ordinary shares in the market under the authority granted by shareholders at the Annual General Meeting held in March 2008:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buyback Price per Ordinary Share
2,060	21 May 2008	0.01%	83.5p
61,200	13 June 2008	0.17%	87.5p
13,265	29 August 2008	0.04%	87.5p

The Company does not hold any shares in treasury. At 30 September 2008, a total of 34,956,673 (2007: 35,069,648) ordinary shares of 1p each of the Company were in issue.

Management of Capital

The Capital of the Company is managed in accordance with the Company's investment objective, detailed in the Investment Strategy detailed on page 2.

The Company does not have any externally imposed capital requirements.

Accounts Notes to the Accounts

16. Reserves

As at 30 September 2007	Share Premium Account £'000	Special Reserve £'000	Realised Capital Reserve (Non distributable) £'000	Unrealised Capital Reserve (Non distributable) £'000	Revenue Reserve (Distributable) £'000
At 1 October 2007	32,007	-	(668)	3,160	586
Adjustment for cancellation of share premium in the year ended 30 September 2007	(32,007)	32,007	-	-	-
At 1 October 2007 (Restated)	-	32,007	(668)	3,160	586
Transfer between reserves*	-	-	1,486	(1,486)	-
(Decrease)/Increase in unrealised appreciation	-	-	(1,758)	1,004	-
Transfer of prior years revaluation to realised capital reserve	-	-	1,021	(1,021)	-
Loss on disposal of investments	-	-	(396)	-	-
Investment management fees charged to capital account (net of tax)	-	-	(578)	-	-
Shares repurchased in year	-	(100)	-	-	-
Re-estimation of trail commission creditor charged to capital account	-	-	63	-	-
Retained revenue for the year	-	-	-	-	637
Dividend distribution	-	-	-	-	(701)
At 30 September 2008	-	31,907	(830)	1,657	522

*With effect from 1 October 2007, changes in the fair value of investments which are readily convertible to cash at the balance sheet date are included in the realised, rather than the unrealised, capital reserve. The balances on both reserves at 1 October 2007 have been amended by a reserve transfer to reflect this change.

During the year ended 30 September 2007, the Fund received Court approval to set up a Special Reserve which is treated as a distributable reserve out of which repurchases of ordinary shares can be made. It can also be used to eliminate losses on the Realised Capital Reserve and the Revenue Reserve. The special reserve was incorrectly classified as the share premium account in the 2007 report and accounts.

17. Net Asset Value per Ordinary Share

Net asset value per ordinary share is based on net assets at 30 September 2008 of £33,606,000 (2007: £35,436,000) and on 34,956,673 (2007: 35,069,648) ordinary shares, being the number of ordinary shares in issue on that date.

There is no difference between the basic and diluted net asset value per ordinary share because the Company has no potentially dilutive shares in issue.

Accounts Notes to the Accounts

18. Reconciliation of Net Revenue Before Taxation to Net Cash (Outflow)/Inflow from Operating Activities

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net revenue on ordinary activities before finance costs and taxation	828	968
Investment management fees charged to capital	(719)	(701)
Increase in debtors	(465)	(136)
(Decrease)/Increase in creditors and accruals	(373)	80
Net cash (Outflow)/Inflow from operating activities	(729)	211

19. Analysis of Changes in Cash

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
At beginning of the period	1,557	144
Net cash inflow	847	1,413
At 30 September	2,404	1,557

Included within the cash balance there is a restricted cash balance of £2,000,000 (2007: £1,400,000). £1,000,000 has been allocated to Connect2Media and awaits investment. £1,000,000 has been allocated to Acrobat Media Group and awaits investment.

20. Financial Instruments

Market Risk: Market Risk incorporates the possibility for losses and gains from Investments and encompasses interest risk and price risk.

Investment risk management is governed by the Investment Strategy detailed on page 2 of these accounts and Market Risk is within that process. On a regular basis the Investment Manager monitors the Fund's Market Risk, in accordance with policies and procedures documented in the Report of the Directors. The Board meets regularly to review the Fund's market position.

Details of the nature of the Fund's investment portfolio at the balance sheet date can be found on page 8 within the Portfolio Summary. The constituent parts of those investments can be found on page 44 in note 20 Financial Instruments.

The investment note, note 9, details the split between listed and unlisted investments, which shows that at the balance sheet date 22% was invested in quoted investments (2007:48%). A 5% increase in the bid price of the quoted investments as at the balance sheet date would have increased net assets and the total return for the year by £348,000 (2007: £502,000), an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount. A 5% increase in the value of unquoted investments held at the Balance Sheet date would have increased net assets and the total return for the year by £1,202,000 (2007:£533,000); an equivalent change in the opposite direction would have reduced net asset and the total return for the year by the same amount.

Accounts Notes to the Accounts

Interest Rate Risk: A proportion of the Fund's financial assets are interest bearing, earning a fixed or a variable rate. Therefore, the Fund has exposure to fair value Interest Rate risk due to fluctuations in the market interest rates.

The interest rate profile of the Company's financial assets as at 30 September 2008 was:

	Financial Assets on which no Interest Paid £'000	Fixed Rate Financial Assets £'000	Variable Rate Financial Assets £'000	Total £'000	Weighted Average Interest Rates %	Weighted Average Period for which rate is fixed (Years)
Equity shares	14,235	-	-	14,235	-	-
Non-Equity shares	-	1,061	-	1,061	8.0	-
Loan stock	-	15,670	53	15,723	8.1	3.7
Liquidity Funds	-	-	630	630	5.5	-
Cash	-	-	2,404	2,404	4.9	-
Debtors	723	-	-	723	-	-
Total	14,958	16,731	3,087	34,776	-	-

The only financial liabilities are the unsecured Loan Notes of £76,000 which carry a 3.75% coupon and trail commission creditor of £612,000.

The interest rate profile of the Company's financial assets as at 30 September 2007 was:

	Financial Assets on which no Interest Paid £'000	Fixed Rate Financial Assets £'000	Variable Rate Financial Assets £'000	Total £'000	Weighted Average Interest Rates %	Weighted Average Period for which rate is fixed (Years)
Equity shares	14,471	-	-	14,471	-	-
Non-Equity shares	-	229	-	229	-	-
Loan stock	-	6,005	-	6,005	8.0	4.3
Liquidity Funds	-	-	14,075	14,075	5.9	-
Cash	-	-	1,557	1,557	-	-
Debtors	258	-	-	258	-	-
Total	14,729	6,234	15,632	36,595	-	-

The only financial liabilities are the unsecured Loan Notes of £76,000 which carry a 3.75% coupon and trail commission creditor of £714,000.

Fixed Rate Assets: Represent investments with predetermined yield targets. The fixed rate investments are held for the medium term and have a predetermined interest rate, in-line with their risk profile. Therefore a change of 25 basis points in the interest rate at the balance sheet date would not have a significant impact on the company's net assets.

Variable Rate Assets: Represent investments with interest rates linked, by formula, to utilisation of funds by investee companies and cash held in interest-bearing deposit accounts.

Credit Risk: Credit risk is the risk that a counterparty to a financial instrument is unable to discharge an obligation or commitment entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is monitored on an ongoing basis. As part of this process during the Financial Year the Board approved a change of bankers from NatWest PLC to HSBC Bank PLC after analysis of their Tier 1 capital positions. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to the credit risk amounted to the following:

Credit Risk	2008 £'000	2007 £'000
Investments in fixed interest instruments	16,731	6,234
Investments in variable interest instruments	683	14,075
Cash	2,404	1,557
Interest, dividends and other receivables	723	258

Accounts Notes to the Accounts

Credit risk on fixed interest instruments which are solely comprised of loan stock is part of the Fund's venture capital procedures and are managed within the main investment management procedures.

Credit risk arising on floating rate instruments is mitigated by investing in money market funds managed by JP Morgan and Scottish Widows. The Board regularly reviews this strategy and in accordance with that review has decided to transfer those funds to HSBC Bank Plc.

All the assets of the Company which are traded on a recognised exchange are held in a secured facility on site. This mitigates the risk of a third party custodian going into liquidation or becoming bankrupt.

The cash of the Company was held by Natwest for much of the year. However, upon review of the Natwest's risk profile as a subsidiary of RBS Plc, the Board decided to transfer the funds to HSBC Bank Plc post year end.

Liquidity risk: The liquidity risk is the risk that the Company might encounter difficulty in meeting its obligations arising from holding financial instruments.

The Company's fixed assets include unquoted equity securities which are not listed on a recognised stock exchange and which generally are illiquid. As a result, the Company may not be able to realise some of its investments in these securities quickly at an amount close to their fair value.

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager as presented in the Report of the Directors.

The Company maintains sufficient investments in cash to pay all accounts payable and accrued expenses as they become due.

21. Post Balance Sheet Events

There were no significant post balance sheet events.

22. Geographical Analysis

The operations of the Company are wholly in the United Kingdom.

23. Contingencies, Guarantees and Financial Commitments

The Board has requested that the Investment Manager arrange for its former parent Electra Partners to make a claim to HMRC in respect of VAT charged for the last three years and that the Investment Manager make such a claim for the period from the completion of the Management Buy-out in February 2008. It is expected that approximately £0.2m of the £0.3m of such VAT paid will be recovered from HMRC. As the net amount of approximately £0.2m is deemed to be immaterial and the timing of the claim and payment cannot be specified, the Company has not recognised the expected payment as an asset as at 30 September 2008.

24. Transactions with the Investment Manager

During the year ended 30 September 2008 the Company paid £1,302,000 (2007: £922,000) to Acuity Capital, the Investment Manager. At 30 September 2007, the Company owed £Nil (2007: £266,000) to the Investment Manager. Details of the Investment Manager's fee arrangements are included in Note 2.

Annual General Meeting Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting of Acuity VCT 3 Plc will be held on 4 March 2009 at 1.00pm at Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions):

Ordinary Resolutions

- 1 To receive, consider and adopt the Reports of the Directors and Auditors and the Company's Accounts for the year ended 30 September 2008.
- 2 To approve the Directors' Remuneration Report for the year ended 30 September 2008.
- 3 To re-elect Mr D Hurst-Brown as a Director of the Company.
- 4 To re-elect Mr NRW Ross as a Director of the Company.
- 5 To appoint KPMG Audit Plc as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
- 6 To authorise the Directors to fix the remuneration of the Auditors.
- 7 THAT for the purposes of section 80 of the Companies Act 1985 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):
 - (a) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £116,522.24 to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the Company's Annual General Meeting in 2010; and
 - (b) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution, so that all previous authorities of the Directors pursuant to the said section 80 be and are hereby revoked.

Special Resolutions

- 8 THAT, subject to the passing of Resolution 7, the Directors be and are empowered in accordance with section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution, as if section 89(1) of the Act did not apply to the allotment,

provided that the power conferred by this resolution shall be limited to:

- (a) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems arising in connection with the laws of, or requirements of any recognised regulatory body or stock exchange in, any territory; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value not exceeding £17,478.34 and this power, unless renewed, shall expire at the conclusion of the Company's Annual General Meeting in 2010 but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
- 9 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 1 penny each, provided that:
 - (a) the maximum number of ordinary shares of 1 penny each hereby authorised to be purchased is 3,495,667 or such lesser number of shares as is equal to 10% of the total number of ordinary shares in issue as at the date of the passing of this resolution;
 - (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 1 penny;
 - (c) the maximum price (excluding expenses) which the Company may pay for each ordinary share cannot be more than the higher of:
 - (i) 105% of the average market value of an ordinary share for the five business days prior to the day the purchase is made;
 - (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; or (b) the highest current independent bid for, any number of the ordinary shares on the trading venue where the purchase is carried out;

Annual General Meeting Notice of Annual General Meeting

- (d) unless renewed, the authority hereby conferred shall expire on the earlier of 4 June 2010 and the conclusion of the Company's Annual General Meeting in 2010 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board of Directors
Acuity Capital Management Limited
Secretary
Registered Office:
Paternoster House,
65 St Paul's Churchyard,
London EC4M 8AB
12 January 2009

Notes

- A Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the Annual General Meeting (the "Meeting" or the "AGM"). Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the Meeting. A shareholder can appoint the Chairman of the Meeting or anyone else to be his/her proxy at the Meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. Please also indicate if the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with Capita as described in Note B below.
- B A Form of Proxy is provided. To be effective, the Form of Proxy and any power of attorney under which it is executed (or a duly certified copy of such power) must reach the Company's Registrars, Capita Registrars, P.O. Box 25, Beckenham, Kent BR3 4BR, not less than 48 hours before the time of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used. Completion and return of the Form of Proxy will not prevent a member from attending and voting at the Meeting. You can also deliver by hand during normal business hours to The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- C In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares entered on the register of members of the Company as at 6.00pm on 2 March 2009 (the "Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- D If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members at a time which is not more than 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- E If you are a person nominated to enjoy information rights in respect of the Company pursuant to section 146 of the Companies Act 2006, you should be aware that you may have a right under an agreement between yourself and the member who nominated you to be appointed, or to have someone else appointed, as a proxy entitled to attend and speak and vote at the Meeting. You are advised to contact the member who nominated you for further information on this and the procedure for appointing any such proxy. If you have no right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or you do not wish to exercise such right, you may still have the right under an agreement between yourself and the member who nominated you to give instructions to the member as to the exercise of voting rights at the Meeting. You are advised to contact the member who nominated you for further information on this.
- F In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that: (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered

Annual General Meeting Notice of Annual General Meeting

Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

- G The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and Public Holidays excepted) from the date of this notice until the close of the Annual General Meeting, and will be available at the place of the Annual General Meeting from 12.45pm until the conclusion of the Meeting.
- (a) the Memorandum and Articles of Association of the Company; and
 - (b) the terms and conditions of appointment of all Directors.
- H The total number of issued Ordinary Shares in the Company on 12 January 2009, which is the latest practicable date before the publication of this document, is 34,956,673 ordinary shares carrying one vote each.
- I Short biographical details of all of the Directors are contained in the Report & Accounts for the year to 30 September 2008 on page 15.

If you have sold or otherwise transferred all your Shares in Acuity VCT 3 Plc, you should pass this document and other relevant accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was made, for transmission to the purchaser or transferee.