
OCTOPUS

APOLLO VCT 3 PLC



UNAUDITED
HALF-YEARLY REPORT
FOR THE SIX MONTHS ENDED 31 JULY 2011

FINANCIAL HEADLINES

90.0	Net Asset Value (NAV) at 31 July 2011
10.5p	Cumulative dividends paid since launch
100.5p	NAV plus cumulative dividends paid
2.0p	Interim dividend declared for the half-year to 31 July 2011

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SHAREHOLDER INFORMATION AND CONTACT DETAILS

Financial Calendar

The Company's financial calendar is as follows:

18 November 2011	– 2011 half-year dividend paid
May 2012	– Annual results for the year to 31 January 2012 announced; Annual Report and financial statements published
July 2012	– 2012 final dividend paid

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open Monday–Friday 8.30am–5.30pm), or by writing to them at:

Capita Registrars Limited
 Northern House
 Woodsome Park
 Fenay Bridge
 Huddersfield
 HD8 0GA

The table below shows the movement in NAV per share and lists the dividends that have been paid since the launch of Octopus Apollo VCT 3 plc:

	NAV	Dividends paid in period	NAV + cumulative dividends
31 January 2007	93.70p	–	93.70p
31 July 2007	94.90p	–	94.90p
31 January 2008	95.50p	–	95.50p
31 July 2008	94.20p	1.50p	95.70p
31 January 2009	92.20p	1.50p	95.20p
31 July 2009	90.20p	1.50p	94.70p
31 January 2010	90.10p	1.50p	96.10p
31 July 2010	88.30p	1.50p	95.80p
31 January 2011	89.60p	1.50p	98.60p
31 July 2011	90.00p	1.50p	100.5p

The interim dividend of 2.0p will be paid on 18 November 2011 to shareholders on the register on 21 October 2011.

Share Price

The Company's share price can be found on various financial websites with the following TIDM/EPIC code:

	Ordinary shares
TIDM/EPIC code	OAP3
Latest share price (26 September 2011)	79.5p per share

Buying and Selling Shares

The Company's Ordinary shares can be bought and sold in the same way as any other company quoted on the London Stock Exchange via a stockbroker. There may be tax implications in respect of selling all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact the Company's Corporate Broker, Matrix Corporate Capital ('Matrix').

Matrix is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Matrix can be contacted as follows:

Chris Lloyd	0203 206 7176 chris.lloyd@matrixgroup.co.uk
Paul Nolan	0203 206 7177 paul.nolan@matrixgroup.co.uk

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share

register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Capita Registrars, under the signature of the registered holder. Their contact details can be found at the end of this report.

Other Information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to Services, Investor Services, Venture Capital Trusts, Octopus Apollo VCT 3. All other statutory information will also be found there.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offer to buy shares at a discount or offer for free company reports.

Please note that it is very unlikely that either Octopus Investments or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call either Octopus Investments or the Registrar, at the numbers provided at the back of this report.

ABOUT OCTOPUS APOLLO VCT 3 PLC

Octopus Apollo VCT 3 plc (“Apollo 3”, “Company” or “Fund”) is a venture capital trust (“VCT”) and is managed by Octopus Investments Limited (“Octopus”).

The Fund was launched in July 2006 and raised over £27.1 million (£25.9 million net of expenses) through an offer for subscription by the time it closed on 5 April 2008. The objective of the Fund is to invest in a diversified portfolio of UK smaller companies in order to generate income and capital growth over the long-term.

Venture Capital Trusts (VCTs)

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unlisted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- upfront income tax relief of 30%
- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs

The Company has been approved as a VCT by HM Revenue & Customs. In order to maintain its approval, the Company must comply with certain requirements on a continuing basis. Above all, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible Ordinary shares. For this purpose, a ‘VCT qualifying holding’ consists of up to £1 million invested in any one year in new shares or securities of a UK unquoted company (which may be quoted on AIM) which is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of ‘qualifying trade’ excludes certain activities such as property investment and development, financial services and asset leasing. The Company will continue to ensure its compliance with these qualification requirements.

FINANCIAL SUMMARY

	Six months to 31 July 2011	Six months to 31 July 2010	Year to 31 January 2011
Net assets (£'000s)	24,418	24,015	24,332
Net profit/(loss) after tax (£'000s)	514	(89)	677
Net asset value per share ("NAV")	90.0p	88.3p	89.6p
Cumulative dividends since launch – paid and proposed	12.5p	9.0p	10.5p

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the half-yearly report of Octopus Apollo VCT 3 plc for the period ended 31 July 2011.

Performance

Against a backdrop of uncertainty and low economic growth, the Fund has performed very well in the first 6 months of the year, with the NAV increasing from 89.6 pence per share to 90.0 pence per share and when adding back the 1.5 pence dividend that was paid in the period, this amounts to an increase of 2.1% for the half year. This is testament to the success the Investment Manager has had by following traditional wisdom in order to achieve the lower risk mandate that was originally pursued by this Fund.

The NAV appreciation is partly due to an uplift in portfolio valuations of £290,000, but also due to the increased levels of interest income that the Fund now generates, over and above the running costs of the Fund.

Investment Portfolio

Follow on qualifying investments were made into Clifford Thames, CSL DualCom and Autologic where in each case the Investment Manager has managed to negotiate a higher yield as a result of the high level of support and resources the Manager provides to the companies.

In the case of Autologic, the deal was structured whereby the Fund was able to acquire equity at a discounted rate, allowing for an immediate gain in value to be recognised. This has accounted for the majority of the uplift in portfolio valuations recognised in the period.

New investments have been made into Aashman Power; Kala Power and Tonatiuh Trading. These are all companies that construct solar power units to be connected to the National Grid. These investments were made as your Board and Investment Manager believe that solar represents a significant investment opportunity as it is a well-established, reliable form of technology that offers consistent and more predictable returns in exchange for minimal risk due to the government administered Feed-in-tariff (FiT) scheme.

The UK government introduced a 25 year FiT in April 2010 to encourage greater investment into renewable energy. FiT is a form of cashback, with guaranteed payments (the rates of FiTs go up along with inflation) made to households, organisations or companies that produce electricity from renewable sources, either for themselves or to be exported back to the National Grid.

Investment Strategy

As is highlighted from the financial results, the Fund continues to be managed in line with the mandate that was set out in the prospectus whereby investments are made on the basis of taking less risk than a typical VCT. Generally the Fund receives its return from interest paid on secured loan notes as well as an exposure to the value of the shares of investee companies. The investment strategy is to derive sufficient return from the secured loan notes to achieve the Fund's investment aims and to use the equity exposure to boost returns.

The Manager of the Fund has reduced risk by investing in well managed and profitable businesses with strong recurring cash-flows. Furthermore with the majority of the investment

CHAIRMAN'S STATEMENT (continued)

being made in the form of a secured loan, in the event of a business failing, the Fund will rank ahead of unsecured creditors and equity investors.

Dividend and Dividend Policy

Dividends paid out of a VCT are attractive as are received by shareholders free of tax. It is for that reason your Board makes every effort to maintain a consistent dividend flow when possible. Given the increased levels of interest the Fund is now generating, your Board has decided to increase the dividend distribution for the current half year and has declared a 2.0 pence per share dividend (payable from revenue reserves) in respect of the half year end. This will be paid on 18 November 2011 to shareholders on the register on 21 October 2011.

This follows the 1.5 pence dividend that was paid to shareholders on 15 July 2011 in relation to the year ended 31 January 2011.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice concerning ongoing compliance with Her Majesty's Revenue & Customs (HMRC) rules and regulations concerning VCTs. The Board is pleased to announce it has been advised that Octopus Apollo VCT 3 plc is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

A key requirement is to maintain at least the 70% qualifying investment level. As at 31 July 2011, 92.5% of the portfolio, as measured by HMRC rules, was invested in VCT qualifying investments.

Principal Risks and Uncertainties

The principal risks and uncertainties are set out in note 6 of the Notes to the Half-Yearly Report on page 17.

Outlook

Uncertainty over the current economic climate continues both from a domestic and international point of view which has had the effect of dissuading investors from small unquoted companies. Despite this, the general signs from our investee companies remain positive, with all but Bruce Dunlop continuing to pay the interest owed in full and on target trading results that have enabled the valuation uplift.

Our interests remain aligned with that of the entrepreneurs' companies we have invested into, being that of boosting growth and profitability, and we have confidence that the Fund has been successful in adhering to the lower risk mandate offered in the prospectus. We therefore expect the NAV to continue to make progress.

If you have any questions on any aspect of your investment, please call one of the team on 0800 316 2347.



Tony Morgan

Chairman
26 September 2011

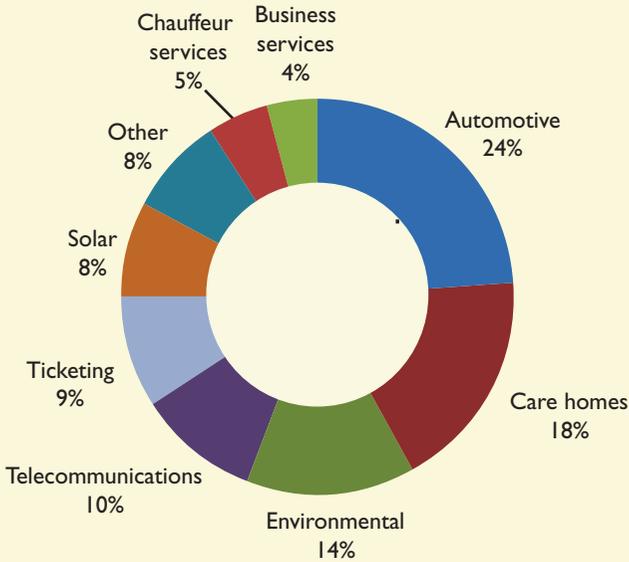
INVESTMENT PORTFOLIO

Qualifying investments	Sector	Cost of investment as at 31 July 2011 (£'000)	Movement in valuation as at 31 July 2011 (£'000)	Fair value as at 31 July 2011 (£'000)	% equity held by Apollo 3	% equity held by all funds managed by Octopus
Salus Services Holdings 1 Limited (formerly PubCo Services Limited)	Care homes	4,000	–	4,000	41.6%	100.0%
Clifford Thames Group Limited	Automotive	3,000	314	3,314	3.0%	8.0%
CSL DualCom Holdings Limited (formerly GreenCo Services)	Environmental	3,225	25	3,250	0.0%	45.3%
BlueBell Telecom Services Limited	Telecommunications	2,000	220	2,220	4.4%	6.5%
Autologic Diagnostics Holdings Limited (formerly Businessco Services 2)	Automotive	2,000	219	2,219	3.3%	10.0%
Resilient Corporate Services Limited	Business services	1,000	–	1,000	16.3%	49.0%
Ticketing Services 1 Limited	Ticketing	1,000	–	1,000	49.4%	100.0%
Ticketing Services 2 Limited	Ticketing	1,000	–	1,000	49.4%	100.0%
Project Tristar Limited	Chauffeur services	1,000	53	1,053	2.5%	35.0%
Bruce Dunlop & Associates International Limited	Media	1,018	(48)	970	1.7%	30.0%
Aashman Power Limited	Solar	950	–	950	32.2%	100.0%
Hydrobolt Limited	Manufacturing	606	98	704	2.8%	43.5%
Kala Power Limited	Solar	425	–	425	15.0%	100.0%
Tonatiuh Trading 1 Limited	Solar	420	–	420	17.4%	100.0%
British Country Inns plc	Restaurants & bars	100	(30)	70	1.3%	1.3%
Total qualifying investments		21,744	851	22,595		
Non-qualifying investments		403	–	403		
Total fixed asset investments		22,147	851	22,998		
Money market funds				545		
Cash at bank				586		
Debtors less creditors				289		
Total net assets				24,418		

INVESTMENT PORTFOLIO (continued)

SECTOR ANALYSIS

Qualifying investments by fair value as at 31 July 2011:



RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement "Half-Yearly Financial Reports" issued by the UK Accounting Standards Board;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.
 - a description of the principal risks and uncertainties for the remaining six months of the year; and
 - a description of related party transactions that have taken place in the first six months of the current financial year; that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board



Tony Morgan
Chairman
26 September 2011

INCOME STATEMENT

	Six months to 31 July 2011			Six months to 31 July 2010			Year to 31 January 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on disposal of fixed asset investments	-	-	-	-	-	-	-	(25)	(25)
Gain on disposal of current asset investments	-	15	15	-	-	-	-	19	19
Fixed asset investment holding gains	-	290	290	-	-	-	-	576	576
Current asset investment holding gains	-	-	-	-	38	38	-	37	37
Income	607	-	607	324	-	324	917	-	917
Investment management fees	(61)	(182)	(243)	(67)	(202)	(269)	(127)	(379)	(506)
Other expenses	(155)	-	(155)	(182)	-	(182)	(341)	-	(341)
Profit/(loss) on ordinary activities before tax	391	123	514	75	(164)	(89)	449	228	677
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-	-	-	-
Profit/(loss) on ordinary activities after tax	391	123	514	75	(164)	(89)	449	228	677
Earnings per share – basic and diluted	1.4p	0.5p	1.9p	0.3	(0.6)p	(0.3)p	1.7p	0.8p	2.5p

- The 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- All revenue and capital items in the above statement derive from continuing operations.
- The accompanying notes are an integral part of the half-yearly report.
- The Company has no recognised gains or losses other than those disclosed in the income statement.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months ended 31 July 2011 £'000	Six months ended 31 July 2010 £'000	Year to 31 January 2011 £'000
Shareholders' funds at start of period	24,332	24,552	24,552
(Loss)/profit on ordinary activities after tax	514	(89)	677
Cancellation of own shares	(21)	(39)	(81)
Dividends paid	(407)	(409)	(816)
Shareholders' funds at end of period	24,418	24,015	24,332

BALANCE SHEET

	As at 31 July 2011		As at 31 July 2010		As at 31 January 2011	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		22,998		19,058		19,634
Current assets:						
Investments*	545		4,849		4,274	
Debtors	335		10		274	
Cash at bank	586		149		207	
	1,466		5,008		4,755	
Creditors: amounts falling due within one year	(46)		(51)		(57)	
Net current assets		1,420		4,957		4,698
Net assets		24,418		24,015		24,332
Called up equity share capital		2,713		2,721		2,715
Special distributable reserve		21,319		22,987		21,747
Capital redemption reserve		25		18		23
Capital reserve – gains & losses						
on disposal		(1,347)		(1,435)		(1,165)
– holding gains & losses		813		(405)		508
Revenue reserve		895		129		504
Total equity shareholders' funds		24,418		24,015		24,332
Net asset value per share		90.0p		88.3p		89.6p

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 26 September 2011 and are signed on their behalf by:



Tony Morgan
Chairman

Company Number: 05840377

CASH FLOW STATEMENT

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Net cash inflow from operating activities	137	79	18
Taxation	–	–	–
Financial investment :			
Purchase of fixed asset investments	(3,282)	(1,350)	(1,735)
Sale of fixed asset investments	208	–	360
Management of liquid resources:			
Purchase of current asset investments	(6,230)	(2,669)	(9,068)
Sale of current asset investments	9,974	4,163	11,155
Dividends paid	(407)	(409)	(816)
Financing:			
Cancellation of own shares	(21)	(39)	(81)
Increase/(decrease) in cash at bank	379	(225)	(167)

RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Profit/(loss) on ordinary activities before tax	514	(89)	677
Loss on disposal of fixed asset investments	–	–	25
Gain on disposal of current asset investments	(15)	–	(19)
Holding gain on fixed asset investments	(290)	–	(576)
Holding gain on current asset investments	–	(38)	(37)
(Increase)/decrease in debtors	(61)	233	(31)
Decrease in creditors	(11)	(27)	(21)
Net cash inflow from operating activities	137	79	18

CASH FLOW STATEMENT

(continued)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Increase/(decrease) in cash at bank	379	(225)	(167)
Decrease in cash equivalents	(3,729)	(1,456)	(2,031)
Opening net cash resources	4,481	6,679	6,679
Net cash resources at end of period	1,131	4,998	4,481

NOTES TO THE HALF-YEARLY REPORT

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 July 2011 have been prepared in accordance with the Accounting Standard Board's (ASB) statement on half-yearly financial reports (July 2007) and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 31 January 2011, which were prepared under UK GAAP and in accordance with the Statement of Recommended Practice for Investment Companies issued by the Association of Investment Companies in January 2009.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 July 2011 do not constitute statutory accounts within the meaning of s.415 of the Companies Act 2006. The comparative figures for the year ended 31 January 2011 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3 of part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

The earnings per share at 31 July 2011 is calculated on the basis of 27,145,052 (31 July 2010: 27,244,887 and 31 January 2011: 27,215,442) shares, being the weighted average number of shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted earnings per share figures are relevant. The basic and diluted earnings per share are therefore identical.

4. Net asset value per share

The net asset value per share is based on net assets as at 31 July 2011 divided by 27,126,984 (31 July 2010: 27,207,202 and 31 January 2011: 27,153,642) shares in issue at that date.

5. Dividends

The interim dividend of 2.0 pence per share for the six months ending 31 July 2011 will be paid on 18 November 2011, to those shareholders on the register on 21 October 2011. This will be paid from revenue reserves.

A final dividend, for the year ending 31 January 2011, of 1.5 pence per share was paid on 15 July 2011 to shareholders on the register on 17 June 2011. This was paid from revenue reserves.

NOTES TO THE HALF-YEARLY REPORT (continued)

6. Principal Risks and Uncertainties

The Company's assets consist of equity and fixed-rate interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a VCT, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 31 January 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. Related Party Transactions

Octopus acts as the investment manager of the Company. Under the management agreement, Octopus receives a fee of 2.0 per cent per annum of the net assets of the Company for the investment management services. During the period, the Company incurred management fees of £234,000 (31 July 2010: £269,000 and 31 January 2011: £506,000) payable to Octopus. At the period end there was £nil (31 January 2011: £nil and 31 July 2010: £nil) outstanding to Octopus. Furthermore, Octopus provides administration and company secretarial services to the Company. Octopus receives a fee of 0.3 per cent per annum of net assets of the Company for administration services and £10,000 per annum for company secretarial services.

8. A version of this statement will be made available to all shareholders. Copies are also available from the registered office of the Company at 20 Old Bailey, London EC4M 7AN, and will also be available to view on the Investment Manager's website at www.octopusinvestments.com.

DIRECTORS AND ADVISERS

Board of Directors

Tony Morgan (Chairman)
Rob Johnson
Matt Cooper

Secretary and Registered office

Celia L Whitten FCIS
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London
EC4M 7AN
Registered in England No. 05840377

Investment Manager

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www.octopusinvestments.com

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(calls cost 10p per minute plus network extras)
www.capitaregistrars.com

Independent Auditor and Taxation Adviser

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VCT Status Adviser

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