

**The Connaught Income Scheme Series 3
Limited Partnership**

Financial statements
Registered number LP014005
Period Ended 31 October 2011

Hillier Hopkins LLP
Chartered Accountants and Statutory Auditor
64 Clarendon Road
Watford
Hertfordshire
WD17 1DA

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

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THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

PARTNERSHIP INFORMATION FOR THE PERIOD ENDED 31 OCTOBER 2011

Operator	Dunadd Asset Management Limited 26 New Street Paisley PA1 1YB
General Partner	Connaught Administration Services Limited Ground Floor, Hill Place House 55a High Street Wimbledon Village SW19 5BA
Asset Manager	Connaught Asset Management Limited Ground Floor, Hill Place House 55a High Street Wimbledon Village SW19 5BA
Specialist Partner	UK Acorn Finance Limited Acorn House Hoopers Close Isleport Business Park Highbridge Somerset TA9 4JT
Administrator	Primagtius Administration Services Limited 39 Isaac Square Great Baddow Chelmsford Essex CM2 7PP
Solicitor	Lupton Fawcett LLP Yorkshire House East Parade Leeds LS1 5BD
Auditor	Hillier Hopkins LLP 64 Clarendon Road Watford WD17 1DA

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The members are responsible for preparing the Annual Report and the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

In preparing those financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting 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 a going concern basis unless it is inappropriate to presume that the Limited Partnership will continue in business.

The members confirm they have complied with the above requirements in preparing the financial statements.

The members are responsible for keeping accounting records that are sufficient to show and explain the Limited Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Limited Partnership and enable them to ensure that the financial statements comply with United Kingdom Generally Accepted Accounting Practice. They are also responsible for safeguarding the assets of the Limited Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

GENERAL PARTNERS' REPORT FOR THE PERIOD ENDED 31 OCTOBER 2011

The Partners of the Connaught Income Scheme Series 3 Limited Partnership (the 'Partnership') present the financial statements of the Partnership for the period ended 31 October 2011.

Background and principal activity

The entity was created on 1st July 2010 as a Limited Partnership in the name of The Connaught Income Scheme Series 3 Limited Partnership.

The principal activity of the Partnership is to raise funds in order to support the credit facility provided to the Specialist Partner to enable the Specialist Partner to make short term secured loans on selected real estate with agricultural use.

Results for the period

The results for the period ended 31 October 2011 are included on page 7.

Future Outlook

The Partnership continues its strategy of providing funds to the Specialist Partner for short term secured loans on agricultural sites to provide a return for its members.

Principal risks and uncertainties

The management of the business and the execution of the Partnership's strategy are subject to a number of risks. The key business risks are considered to be liquidity and market factors.

Liquidity – As investment in the Partnership is intended to be short to medium term, the attention of prospective investors is drawn to the fact that the Partnership will provide loans for agricultural investment in land which may fluctuate in value. In addition, neither the Participations nor the Units will be quoted on any recognised or designated investment exchange and, accordingly, there will not be an established or ready market in them.

Market factors – The performance of the Partnership may be affected by a variety of market factors, such as change in demand for agricultural land or changes in political or social conditions.

Key Performance Indicators ("KPIs")

Given the straightforward nature of the business, the Partners are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Partnership.

Going concern

The Partners are satisfied that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Partners continue to adopt the going concern basis in preparing these financial statements.

Information provided to auditor

So far as each of the Partners are aware there is no relevant information of which the Partnership's auditor is unaware. Each of the Partners have taken all steps that ought to have been taken as Partners in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

**GENERAL PARTNERS' REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2011**

Auditor

Hiller Hopkins LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed.

A handwritten signature in black ink, appearing to read 'A. Howe', is written over a dotted line.

.....
Connaught Administration Services Limited, General Partner

Date: 26-4-2012

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

INVESTMENT ADVISOR'S REPORT FOR THE PERIOD ENDED 31 OCTOBER 2011

The following is an extract from the Investment Advisors Report for the Connaught Income Scheme Series 3 Limited Partnership:

Despite the UK and global economic recession, English farmland's recent performance as an investment is still robust according to Knight Frank, the leading land agents (Knight Frank Rural Bulletin Spring 2012 – knightfrank.co.uk/rural). According to the Knight Frank Farmland Index there was an average annual growth rate of 4% in land values, with average prices at £6,050 an acre, or treble the prices being achieved 10 years ago. Clive Hopkins, Head of Knight Frank's Farms & Estates Sales team suggests in the same bulletin that values will rise by 7% to 10% in the first half of 2012. Scottish farmland, of which we do have some exposure in the Fund, is reported by Knight Frank as showing an average growth rate of 7% in 2011. One factor in this continuing strong growth is the growing interest from investors, as distinct from farmers seeking new land or expansion, and farms and farmland is becoming a more well-known and popular asset class for investment purposes; again, according to Knight Frank.

The value of the securities offered for the Acorn loans we finance and the ability of the borrowers to exit at the end of the term is dependent upon the market sentiments expressed above and I have every confidence in the quality and performance of the assets in the Series 3 Fund.

I would like to thank you for choosing to invest in the Connaught Income Funds.



Yours sincerely,
M.A. Davies, FCIB, ACoI,
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

FOR THE PERIOD ENDED 31 OCTOBER 2011

We have audited the financial statements of the Connaught Income Scheme Series 3 Limited Partnership for the period ended 31 October 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Statement of Changes in Net Assets Attributable to Members', the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditor

The members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members of the Partnership and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

In addition we report to you if, in our opinion, the Partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Members' Report, the Investment Advisors Report and all of the other information listed on the contents page. 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.

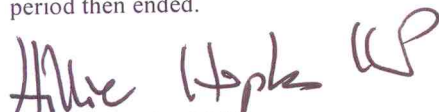
Basis of audit opinion

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. It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership'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 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.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Partnership's affairs as at 31 October 2011 and of results for the period then ended.


Hilier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date:

27/4/12

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 OCTOBER 2011**

	<i>Note</i>	2011
		£
Revenue	3	1,700,064
Profit for the year		1,700,064

All items in the above statement are derived from continuing operations.

There were no recognised gains and losses for the period other than those included in the Profit and loss account.

The accompanying notes form an integral part of the financial statements.

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE MEMBERS
FOR THE PERIOD ENDED 31 OCTOBER 2011**

	<i>Net Capital Contributions</i> £	<i>Loan Contributions</i> £	<i>Current Accounts</i> £	<i>Total 2011</i> £
<i>At start of the period</i>	-	-	-	-
<i>Members' commitments</i>	3,116	31,154,945	-	31,158,061
<i>Withdrawal of commitments</i>	(295)	(2,947,489)	-	(2,947,784)
<i>Increase in net assets attributable to the members from operations</i>	-	-	1,700,064	1,700,064
<i>Distribution to members</i>	-	-	(1,700,064)	(1,700,064)
 	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net assets attributable to the members at 31 October 2011</i>	2,821	28,207,456	-	28,210,277
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

**BALANCE SHEET
FOR THE PERIOD ENDED 31 OCTOBER 2011**

<i>Assets</i>	<i>Note</i>	<i>2011 £</i>
<i>Current assets</i>		
<i>Debtors</i>	4	26,091,900
<i>Cash and cash equivalents</i>	5	2,345,319
		<hr/>
		28,437,219
<i>Current liabilities</i>		
<i>Trade and other payables</i>	6	(226,942)
		<hr/>
<i>Net current assets</i>		28,210,277
		<hr/>
<i>Total net assets</i>		28,210,277
		<hr/> <hr/>
<i>Loan and Capital account</i>		28,210,277
<i>Current account</i>		-
		<hr/>
<i>Net assets attributable to the members</i>		28,210,277
		<hr/> <hr/>

These financial statements were approved by the General Partner on 26-4-2012 and were signed on its behalf by:



*Mike Davies
Director
Connaught Asset Management Limited*

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 2011

1 Organisation

The Partnership was established on 1 July 2010 under the name of the Connaught Income Scheme Series 3 Limited Partnership (the "Partnership") and is registered as a Limited Partnership in the United Kingdom. The first acceptance of contributions took place on 23 July 2010 and contributions were continuing to be accepted into the fund at the period end. Under the terms of the Limited Partnership Agreement, the Partnership will terminate on the seventh anniversary of the first closing, but this may be extended by three months.

The principal activity of the Partnership is to carry on the business of an investor and in particular raise funds in order to enable UK Acorn Finance Limited, the Specialist Partner, to make short term secured loans on selected real estate with agricultural use and provide a fixed rate of return to investors.

The General Partner of the Partnership is a company incorporated in the United Kingdom and is responsible for overseeing the investment strategy and for decisions in relation to making, valuation and disposal of investments. The General Partner on behalf of the Partnership has appointed Connaught Asset Management Limited (the "Asset Manager") to provide certain advisory and transaction arrangement services to the Partnership in terms of a management agreement.

2 Accounting policies

The Partnership financial statements have been prepared and approved by the Partners in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Basis of preparation

The financial statements are prepared on the historical cost basis and are presented in sterling. The financial statements are prepared on a going concern basis.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flows of the entities included in the financial statements.

The preparation of financial statements in conformity with UK GAAP requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Cash flow statement

Under FRS 1, the Partnership is exempt from preparing a cash flow statement as it qualifies as a small company.

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 2011

2 Accounting policies (continued)

Valuation and reporting procedures

The value of the invested funds will not fluctuate and is always equal to the commitment as the return to the Specialist Partner is based on fees and interest charges and not charges in value of the underlying investment. Consequently there will be no requirement for the Asset Manager to value the investment portfolio unless there is a widespread catastrophic event in the United Kingdom which causes the General Partner to expect the entire value of the assets in the Portfolio to be less than the loans secured against the assets and also that the Specialist Partner is unable to satisfy the guarantee to cover that difference.

Revenue

Interest receivable derives from the credit facility provided to UK Acorn Finance Limited through the period.

Interest is payable quarterly (January, April, July, October). Any monies invested within a quarterly period will have the first interest payment made on a pro rata basis from the date the funds are drawn down into the Fund for investment. Investors may also roll-up any interest payments due from their initial investment and re-invest this money into the Fund. Monies withdrawn during any quarterly payment period will forfeit any interest accrued during that quarterly payment period.

Fees, expenses and members' remuneration

The General Partner is responsible for all fees incurred in the creation, operation and winding up of the fund. The fund will bear no costs.

The Asset Manager, Connaught Asset Management Limited, will receive a management fee of 15% of the revolving credit facility from UK Acorn Finance Limited. From this Connaught Asset Management Limited will take the distribution to the investors and all other fund fees, costs and disbursements.

Members' remuneration treated as debt are recognised on an accruals basis and in accordance with their contractual terms explained below.

Contributions and withdrawal of members' interests

The Limited Partnership receives contributions from both direct investors and the associated Exempt Unit Trust. The contributions purchase units in the Limited Partnership.

These units include a contractual obligation for the Limited Partnership to deliver a fixed rate return of 8.5% to 9% on a quarterly basis.

Subscription monies invested during a calendar month will be held by the Administrator's banker within a client Money Bank Account until being drawn down on the first working day of any calendar month. The investment return will commence immediately after that drawdown.

Commitments will be split between a nominal capital contribution of 0.01% and a non-interest bearing loan contribution of 99.99%. As such, in accordance with FRS 25 "Financial Instruments, Disclosure", contributions are treated as an equity instrument in the Limited Partnership accounts. The partners consider that the FRS 25 criteria for doing so are met. As such contributions are accounted for at initial cost and not subject to fair value assessments.

Where members withdraw their capital commitment before the cessation of the partnership, they continue to remain liable for any debts in the Partnership up to the amount withdrawn in accordance with the Partnership Act 1907.

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2011

3 Revenue

	2011 £
<i>Loan interest</i>	1,700,064
Total Revenue	<u>1,700,064</u>

4 Trade and other receivables

	2011 £
<i>Investment loans</i>	25,988,624
<i>Other debtors</i>	103,276
Total trade and other receivables	<u>26,091,900</u>

5 Cash and cash equivalents

	2011 £
<i>Cash and cash equivalents per balance sheet</i>	2,835,319
Total cash and cash equivalents	<u>2,345,319</u>

6 Trade and other payables

	2011 £
<i>Distributions payable</i>	104,037
<i>Redemptions payable</i>	122,905
Total trade and other payables	<u>226,942</u>

THE CONNAUGHT INCOME SCHEME SERIES 3 LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 2011

7 Related Party Transactions

Revolving Credit Facility

The Partnership provides a rolling credit facility to UK Acorn Finance Limited, the Specialist Partner. At the 31 October 2011 the amount due from the Specialist Partner was £25,988,624.

Withholding tax

Withholding tax amounting to £102,998 held in the Partnership's "Distribution client account", included in other debtors, is payable to the EUT for settlement of its income tax liability relating to distributions made. This liability is included in distributions payable.

Interest income

Income is received from Connaught Asset Management Limited, the Asset Manager, from the management fee paid by UK Acorn Finance Limited for the revolving credit facility provided by the fund. Income is received to cover the fixed rate of interest agreed with the partners.

During the period the Partnership charged Connaught Asset Management Limited £1,700,064 for providing the credit facility to UK Acorn Finance Limited, the Specialist Partner. At the period end the amount owing to the Partnership from the Asset Manager was £278.

Investor transactions

Redemptions on capital contributions owing to the Partners at 31 October 2011 totalled £212,470.

8 Post Balance Sheet Events

There were no post balance sheet events.

9 Legal Status

The Partnership is exempt from the requirements of a 'Qualifying Partnership' as set out in the 2008 Partnership (Accounts) Regulations.