

BARONSMEAD

Baronsmead VCT 3 plc

Quarterly update

For the three month period to 30 September 2008



Financial Highlights to 30 September 2008

3.5p (3.1%)	decrease in Net Asset Value (NAV) per share excluding the impact of 3.0p interim dividend
3.0p	interim dividend paid on 26 September 2008
£2.5m	invested in 1 unquoted and 4 AiM-traded companies

Performance Summary for the quarter to 30 September 2008

Capital Return Ordinary Shares	As at 30 Sep 2008	As at 30 June 2008	Movement %
Total net assets	£57.7m	£61.2m	
Net asset value per share	106.73p	113.19p	(5.7%)
Share price	98.50p	104.50p	(5.7%)
Premium/(Discount) to NAV	(7.7%)	(7.7%)	

Performance Summary to 30 September 2008

Total return Ordinary Shares	3 months	1 year	3 years	5 years	Since launch
Net asset value ¹	(3.1%)	(11.7%)	10.4%	40.6%	55.4%
Share price ²	(2.9%)	(7.0%)	18.6%	49.4%	40.6%
FTSE All-share ³	(12.2%)	(22.3%)	0.0%	44.5%	5.3%

¹ NAV Total return = NAV + reinvested dividends

² Share price Total return = Mid to mid share price + reinvested dividends; Source: AIC

³ Source: AIC

Investment Performance and Realisations

Despite the fall in the value of the quoted shares in the quarter to 30 September 2008, the unquoted portion of the portfolio held its value as in general the profitability of these 21 investee companies was steady. The rating of smaller company indices fell sharply and the value of the AiM portion of the portfolio reflected this with a decline of 17% over the quarter. The overall fall in NAV per share during this period was 3.1% compared to the FTSE All-Share price index which fell by 13.0%.

The portfolio remained at 78 investee companies with an unquoted investment in The Television Consultancy (TVC) of circa £1.2m, which is a marketing services company producing and distributing content to broadcasters and websites. TVC's recent projects have included Lloyd TSB's sponsorship of the 2012 Olympics, the launch of the video game Grand Theft Auto and Virgin's Global Flyer programme. There were 2 new investments in the AiM portfolio (Praesepe and Advanced Computer Software) together with a follow-on investment in Tasty. The common feature of these investments is that the management teams of these companies have proven track records of successfully building and selling similar businesses. There was also a small follow on investment in Ffastfill and there were two companies sold from the quoted portfolio, namely Xpertise, at a loss of £74k and Business Direct which was written off.

Investment Activity

Company	Date	Cost (£'000)	VCT status
<i>New Investment</i>			
Praesepe plc*	July 08	525	Qualifying
Advanced Computer Software plc*	July 08	525	Qualifying
TVC Group Limited	July 08	1,233	Qualifying
Total new investment		2,283	

Follow on Investments

Ffastfill plc*	July 08	86	Non qualifying
Tasty plc*	September 08	116	Qualifying
Total follow on investment		202	

*AiM Traded Investments

31 October 2008 NAV Announcement

Given the extreme volatility in quoted markets, the Board has undertaken a one off review of the unquoted portfolio valuations at 31 October 2008. This has resulted in a further fall in the NAV per share of 1.7p. The AiM portion of the portfolio has also continued to decline during October falling 3.9p per share. Combining the impact of both this and the unquoted portfolio changes the NAV per share at 31 October 2008 was 101.13p.

Other than as disclosed in this statement the Board is not aware of any significant events or transactions which have occurred between 30 September 2008 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Investment objective

Baronsmead VCT 3 plc is a tax efficient listed company which aims to achieve long-term capital growth and generate tax-free dividends for private investors.

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Top Ten Investment Holdings

Position as at 30 September 2008	Position as at 30 June 2008	Company	Percentage of net assets as at 30 September 2008
1	3	ScriptSwitch	4.71%
2	1	Reed and Mackay	4.44%
3	8	Carnell Contractors	3.26%
4	2	Independent Living Services	3.23%
5	4	CSC (World) Ltd	2.79%
6	6	Kafévend	2.78%
7	5	Cablecom	2.78%
8	10	Fisher Outdoor	2.53%
9	12	Quantix	2.45%
10	14	Crew Clothing	2.43%
Total			31.40%

Sector breakdown

(excluding cash and interest bearing securities)

	Percentage of total investments at 30 Sep 08	Percentage of total investments at 30 June 08
Business Services	38	40
Consumer Markets	14	13
IT Support Services	29	27
Healthcare	12	14
Media	7	6
Total	100	100

Extraordinary General Meeting

On 25 September 2008, shareholders gave approval at the Extraordinary General Meeting to the amendment of the Company's articles and for the authority to raise up to £12 million through offer(s) for subscription of Ordinary Shares. Further details about subscription opportunities prior to 5th April 2009 will be sent to shareholders in due course.

VAT reclaim

It was announced in March 2008 that VAT is no longer to be charged on management fees from 1 October 2008. Subsequently HMRC confirmed that VAT paid by the Manager from a number of previous years could also be reclaimed and this is now being pursued. At this stage it is expected that a minimum of £560,000 will be recovered and this amount has been included in the NAV per share at 30 September 2008. Further reclaims may be made but cannot be quantified at this time. These reclaims have resulted from the good work and representation by the Association of Investment Companies (AIC) that we joined as a member in October 2006.

Daily and key information

Further information regarding the Company, including latest financial statements or quarterly updates, can be found at the Company's website www.baronsmeadvct3.co.uk

Future Contact

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All figures as at 30 September 2008 unless otherwise stated. All sources ISIS EP LLP (ISIS Equity Partners) unless otherwise stated. Past performance is not necessarily a guide to future performance. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get the amount they originally invested. Where investments are made in unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and income from, the investment. Tax rates and reliefs depend on the circumstances of the individual investors and may be subject to change. Investors should take their own financial and tax advice before investing, based on their own individual circumstances. VCTs should be regarded as long term in nature. An investment is only suitable for private investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result. ISIS Equity Partners does not give investment advice.

Baronsmead VCT 3 plc is managed by ISIS EP LLP, which is Authorised and regulated by the Financial Services Authority (FSA). For more information about Baronsmead VCT 3 please visit www.baronsmeadvct3.co.uk

ISIS Equity Partners manages the five Baronsmead VCTs.

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