

# BARONSMEAD

Baronsmead VCT 3 plc  
Quarterly update  
For the three month period from  
1 July 2010 to 30 September 2010.

## Financial Headlines

- 4.7% Net Asset Value (NAV) per share increased by 4.7% in the quarter following good valuation growth from strong trading across the portfolio.
- 8.1% Increase in the value of the AIM-traded and Listed investments.

## Investment Objective and Dividend Policy

Baronsmead VCT 3 plc is a tax efficient listed company which aims to achieve long-term investment returns for private investors.

The Board of Baronsmead VCT 3 has the objective to maintain a minimum annual dividend level of around 4.5p per ordinary share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

## Performance Summary

	As at 30 September 2010	As at 30 June 2010	Movement
<b>Capital return</b>			
<b>Ordinary shares</b>			
Total net assets	£62.7m	£62.0m	
Net asset value per share	102.87p	98.24p*	4.7%
Share price	89.00p	89.00p	0.0%
Discount to NAV	(13.5%)	(9.4%)	

\* Adjusted for 3.0p interim dividend for comparative purposes. Actual NAV was 101.24p.

	3 months (%)	1 year (%)	5 years (%)	Since launch (%)
<b>Total return</b>				
<b>Ordinary shares</b>				
Net asset value total return <sup>1</sup>	4.7	10.6	23.5	73.9
Share price total return <sup>2</sup>	3.4	7.6	26.7	50.2
FTSE All-share total return <sup>3</sup>	13.6	12.5	24.7	31.3

<sup>1</sup> NAV total return = NAV + reinvested dividends; Source: ISIS EP LLP

<sup>2</sup> Share price total return = Mid to mid share price + reinvested dividends; Source: AIC

<sup>3</sup> FTSE All-share = FTSE All-share Index + reinvested dividends; Source: AIC

These total returns are stated before the inclusion of VCT tax reliefs which are designed to mitigate the higher risks and costs associated with investing in smaller companies and the constraints of the VCT legislation. The tax reliefs given at the time of subscription have been 20%, 40% and later 30%, so any adjusted performance measure including this relief will vary depending on the date of subscription. There is the additional benefit of receiving VCT dividends tax free.

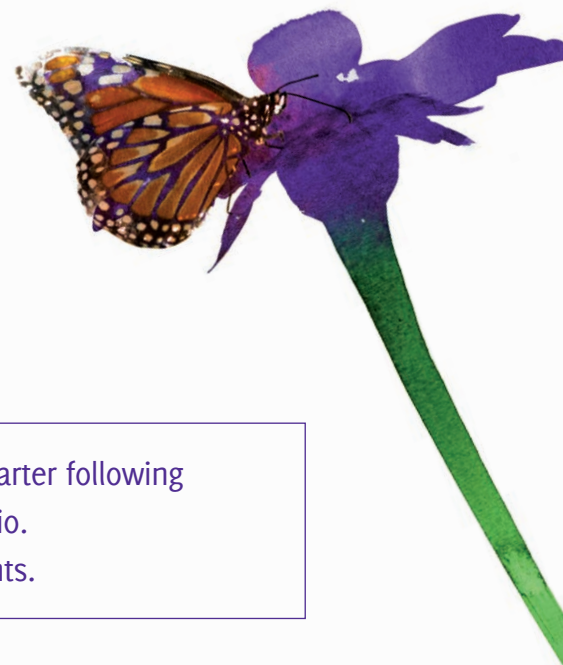
## Investment Performance

Strong trading performance across the portfolio was maintained during the quarter with 93% of companies reporting steady or better trading performance. This makes two consecutive quarters when this statistic is at or near its highest level since quarterly measuring of the portfolio on this basis began in 2004. In particular, there were significant increases in the valuation of the Company's investments in Reed & Mackay (business travel services) and Crew Clothing (multi-channel clothing retailer) resulting from strong trading. Relatively few portfolio companies are exposed to the UK public sector however the valuation of the Company's investment in Carnell (motorway maintenance and technical services to the UK Highways Agencies) has been reduced.

The value of the Company's investments in AIM-traded and listed companies increased by approximately 8% during the quarter as investor sentiment and the earnings growth of smaller listed companies improved.

## Top Ten Investment Holdings

Position as at 30 September 2010	Position as at 30 June 2010	Company	Percentage of NAV as at 30 September 2010
1	2	Reed & Mackay Limited	6.8
2	1	Nexus Vehicle Holdings Limited	6.7
3	3	Crew Clothing Company Limited	4.0
4	5	CableCom Networking Holdings Limited	3.5
5	4	Quantix Limited	3.2
6	10	Kafevend Holdings Limited	2.8
7	6	Fisher Outdoor Leisure Holdings Limited	2.8
8	9	Independent Living Services Limited	2.8
9	7	CSC (World) Limited	2.7
10	-	IDOX plc	2.0
Total			37.3



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#### Analysis of Total Assets

	Percentage of total assets 30 September 2010	Percentage of total assets 30 June 2010
Unquoted investments	50	47
AIM, Listed & Collective Investments	22	21
Interest Bearing Securities	24	28
Net current assets	4	4
Total cash portfolio	28	32
<b>Total Assets</b>	<b>100</b>	<b>100</b>

#### Analysis of Investment Portfolio by Sector

(excluding cash and interest bearing securities)

	Percentage of total investments 30 September 2010	Percentage of total investments 30 June 2010
Business Services	36	38
Consumer Markets	18	17
Financial Services	6	5
Healthcare & Education	10	10
IT & Media	30	30
<b>Total</b>	<b>100</b>	<b>100</b>

#### Investment Activity

Two AIM traded investments totalling £0.8m were completed in one existing, Electric Word plc, and one new company, Netcall plc. Investment totalling £0.5m was made into the existing collective investment vehicle, Wood Street Microcap Investment Fund. A further unquoted investment was made into Independent Living Services Limited an existing unquoted portfolio company.

#### Investments made

Company	Date	Cost (£'000)
Electric Word plc	Jul 2010	111
Independent Living Services Limited	Jul 2010	89
Netcall plc	Jul/Aug 2010	712
<b>Total Investments</b>		<b>912</b>

#### Realisations

Two AIM investments were realised in full, WIN and Vero Software. Both were sold to trade buyers and are further examples illustrating that good value does reside in smaller companies, which in recent times have been lowly rated.

Baronsmead VCT 3 plc is managed by ISIS EP LLP (ISIS Equity Partners), which is Authorised and regulated by the Financial Services Authority (FSA). ISIS EP LLP manages five Baronsmead VCTs. All information sources are provided by ISIS EP LLP and all figures are as at 30 September 2010 unless otherwise stated. ISIS EP LLP does not give investment advice. 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 back 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. Investors should take their own financial and tax advice before investing, based on their own individual circumstances. VCTs should be regarded as a long term investment and are 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.

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple (x)
Brainjuicer Group plc	Sep 2010	50	85	1.7
Mission Marketing Group (The) plc	Sep 2010	190	13	0.1
Vero Software plc	July 2010	300	244	0.8
WIN plc	Aug 2010	413	675	1.6
<b>Total Realisations</b>		<b>953</b>	<b>1,017</b>	

#### Net Asset Value

The NAV per share at 31 October 2010 was 104.10p representing an increase of 1.2% since the quarter end driven largely by an increase in the value of the AIM portfolio.

#### Events after the period end

Post the period end the unquoted investment in Credit Solutions Limited was successfully sold realising a 1.76x money multiple on original cost for Baronsmead VCT 3.

Other than as discussed in this statement the Board is not aware of any significant events or transactions which have occurred between 30 September 2010 and the date of publication of this statement which would have a material impact on the financial position of the Company.

#### Fundraising

Having raised £7.56m in February / March 2010, the Company has sufficient cash resources to fund all of its operations for at least the next 12 months. As a result, at this stage, there are no plans to raise further funds through issuing new shares during the current tax year. As many of the Company's shareholders are also shareholders in the other Baronsmead VCTs they will be informed on any offers for subscription that those VCTs may make available to either their existing shareholders or more widely during the course of the current tax year.

#### Further information

Further information regarding the Company, including net asset values published since the end of the period and quarterly factsheets, can be found at the Company's website [www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk)

#### Contact

For further information please contact:

Michael Probin, Investor Relations Manager,  
020 7506 5600 or [michael.probin@isisep.com](mailto:michael.probin@isisep.com)

**ISIS**  
EQUITY PARTNERS  
Investment Manager  
T: 020 7506 5600  
[www.isisep.com](http://www.isisep.com)