

BARONSMEAD

Baronsmead VCT 3 plc
Quarterly update
For the three month period from
1 July 2015 to 30 September 2015



Headlines

- **2.9% increase in underlying Net Asset Value per share**
- **2.4% increase in the value of the unquoted portfolio**
- **6.9% increase in the value of the quoted portfolio**
- **4.5p second interim dividend declared payable on 18 December 2015 to shareholders on the register as of 4 December 2015**

Performance Summary

	As at 30 Sep 2015	As at 30 Jun 2015	Movement
Capital return			
Total net assets	£79.90m	£79.71m	
Net asset value per share	107.40p	104.35p*	2.9%
Share price	100.13p	99.38p	0.8%

* Adjusted for 3.0p interim dividend for comparative purposes paid on 18 September 2015. NAV at 30 June 2015 excluding effect of dividend was 107.35p per share.

Total return	3 months (%)	1 year (%)	5 years (%)	10 years (%)
Net asset value ⁽¹⁾	2.84	8.60	60.52	98.22

Key:

⁽¹⁾ NAV total return = NAV + reinvested dividends. Source: Livingbridge VC LLP.

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 varied between 20% and 40%, so any adjusted performance measure including this relief will vary depending on the date of subscription. There is also the additional benefit of receiving VCT dividends tax free.

Investment Performance

In the three months to 30 September 2015, Baronsmead VCT 3's (the "Company") underlying net asset value per share increased by 2.9%. Over the quarter, the unquoted portfolio valuation increased by 2.5%, the quoted portfolio increased by 6.9% and Wood Street Microcap Fund valuation increased by 3.3%.

The Company's net assets as at 30 September 2015 were £79.9 million. This figure takes into account the valuation of the Company's investments as at 30 September 2015 and is stated after taking account of the payment of the interim dividend of 3.0p per share paid on 18 September 2015 (£2.23m).

Top Ten Investment Holdings

Position at 30 Sep 2015	Position at 30 Jun 2015	Company	Percentage of NAV as at 30 Sep 2015
1	1	Nexus Vehicle Holdings Ltd	5.4
2	2	Netcall plc	3.3
3	4	IDOX plc	3.2
4	3	Crew Clothing Holdings Ltd	3.1
5	7	TLA Worldwide plc	2.7
6	5	Tasty plc	2.5
7	6	Create Health Ltd	2.2
8	8	Pho Holdings Ltd	2.0
9	15	Kingsbridge Risk Solutions Limited	1.8
10	11	CableCom II Networking Holdings Ltd	1.8
Total			28.0

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Analysis of Total Assets

	Percentage of total assets 30 Sep 2015	Percentage of total assets 30 Jun 2015
Unquoted investments	37	37
AIM & collective investment vehicle	45	42
Listed interest bearing securities	6	10
Net current assets	12	11
Total cash portfolio	18	21
Total assets	100	100

Analysis of Investment Portfolio by Sector (excluding cash and interest bearing securities)

	Percentage of total investments at 30 Sep 2015	Percentage of total investments at 30 Jun 2015
Business Services	40	41
Consumer Markets	19	17
Healthcare & Education	10	10
Technology, Media & Telecommunications	31	32
Total	100	100

Investment Activity

During the period a total of £318,000 was invested in two new and one existing AIM-traded companies and £955,000 was invested in Mortgages Made Easy by an existing unquoted portfolio company.

Investments made

Company	Date	Cost (£'000)
Mortgages Made Easy	Aug 15	955
Belvoir Lettings plc	Jul 15	219
CentralNic Group plc*	Aug 15	63
Totally plc	Sep 15	36
Total investments		1,273

* Follow on investment.

VCT Legislation

This year's Summer Budget introduced legislation designed to ensure that VCTs comply with changes to the EU State aid rules as well as remaining effective in giving small and growing businesses access to finance. The rules introduced new criteria regarding the age of companies that will be eligible as investments, a lifetime cap on the total amount of state aided investment a company can receive and a requirement that investment be used for growth and development only. This legislation has come into force as EU State aid and Royal Assent approval was received for the revised UK legislation on 18 November 2015.

The new rules will require the manager to adapt its investment strategy to focus on the provision of development capital to younger companies to enable them to grow their businesses organically rather than through acquisition. Whilst the full implications of the new rules are still being assessed by the Manager and its advisers, it is clear that the scale and nature of our new investments will change and some elements of the developing portfolio will carry a higher risk.



The Board has reviewed the impact of the new rules with the Manager and has concluded that, based on the its long track record of successfully investing on behalf of the Baronsmead family and the plans presented by it, there is good reason to have confidence in the ability of the Manager to identify an adequate supply of new and attractive investment opportunities that will both comply with the new rules and continue to generate good returns for shareholders.

Dividend Declaration

As a result of profitable sales of investments, the Directors have declared a second interim dividend of 4.5p per share in lieu of a final dividend for the year to 31 December 2015. This dividend will be paid on 18 December 2015 to shareholders on the register as of 4 December 2015. This means that dividends totalling 7.5p will have been paid for the year to 31 December 2015.

Merger and Fundraising Intentions

Changes to the limits on the amount of funding which investee companies can receive from VCTs have removed the commercial advantage of having multiple VCTs. In addition, the amount of stamp duty that would be payable as a result of a merger has reduced significantly over the past 18 months. As a consequence, the Boards of both Baronsmead VCT 3 plc (BVCT3) and Baronsmead VCT 4 plc (BVCT4) have announced that they have entered into discussions regarding a possible merger.

The proposed merger would create a single VCT with a NAV of approximately £150 million (based on the combined NAVs of BVCT3 and BVCT4 as at 30 September 2015). It would be achieved through a scheme of reconstruction involving the voluntary winding up of BVCT4 and the transfer of its assets to BVCT3 with the issue of new shares in BVCT3 to former BVCT4 shareholders. The merger would be subject to approval by both sets of shareholders and it is anticipated that relevant documents will be sent to the Company's shareholders in January 2016. It is anticipated that the proposed merger would result in estimated annual cost savings of around £300,000 per annum and would remove the duplication of communication with many shareholders common across BVCT3 and BVCT4.

As BVCT3 would be publishing a prospectus with respect to the Merger, it would be cost effective for a fundraising to be undertaken at the same time. Therefore it is anticipated that the Company will seek to raise a modest amount of further funds in January 2016 and provide the Company's existing shareholders with the opportunity to subscribe for new shares in the 2015/16 tax year, subject to the Merger proceeding.

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Net Asset Value as at 31 October 2015

The net asset value as at 31 October 2015 was
107.70 per share.

Events after the Period End

Other than the events described above, the Board is not aware of any significant events or transactions which have occurred between 1 October 2015 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 is a tax efficient listed company which aims to achieve long-term investment returns for private investors.

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

Contact

For further information please contact:

Email: baronsmeadvcts@livingbridge.com
Telephone: 020 7506 5717
Facsimile: 020 7506 5718
Post: 100 Wood Street, London EC2V 7AN

Directors

Anthony Townsend*
Gillian Nott#
Andrew Karney^
Ian Orrock

* Chairman

Audit and Risk Chairman

^ Senior Independent Director

Brokers

Panmure Gordon & Co
One New Change
London
EC4M 9AF
Tel: 020 7886 2500

Baronsmead VCT 3 plc is managed by Livingbridge VC LLP, which is Authorised and regulated by the Financial Conduct Authority (FCA). Livingbridge VC LLP manages five Baronsmead VCTs.

All information sources are provided by Livingbridge VC LLP and all figures are as at 30 September 2015 unless otherwise stated. Livingbridge VC 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.



LIVINGBRIDGE
Investment Manager
T 020 7506 5600
www.livingbridge.com