

BARONSMEAD

Baronsmead VCT 3 plc

(to be renamed Baronsmead Second Venture Trust plc)

Prospectus

Issue of up to 80 million New Shares in connection with the recommended proposals for the merger with Baronsmead VCT 4 plc and an Offer for Subscription to raise up to £10 million



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriately qualified adviser authorised under the Financial Services and Markets Act 2000.

This document comprises a prospectus relating to Baronsmead VCT 3 plc (the “Company”) prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000 (“FSMA”). This document has been approved by the Financial Conduct Authority in accordance with section 85 of the Financial Services and Markets Act 2000 and has been delivered to the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

The Directors and the Proposed Directors of the Company, whose names appear on page 21 of this document, and the Company, each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors, the Proposed Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

BARONSMEAD VCT 3 PLC

(a company incorporated in England and Wales with registered number 04115341)

(to be renamed Baronsmead Second Venture Trust plc)

**Issue of up to 80 million New Shares in connection with the
recommended proposals for the merger with Baronsmead VCT 4 plc
and an Offer for Subscription to raise up to £10 million**

Sponsored by
Dickson Minto W.S.

Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 16 March 2016. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Offer for Subscription will become effective three Business Days after the relevant allotment.

The Issues are not being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan, South Africa or any other Restricted Territory. No action has been taken to permit the distribution of this document in any jurisdiction outside the United Kingdom where such action is required to be taken. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from the United States, Canada, Australia, Japan, South Africa or any other Restricted Territory or to, or for the account or benefit of, any resident of the United States, Canada, Australia, Japan, South Africa or any other Restricted Territory and persons receiving this document (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such jurisdictions. The New Shares have not been, and they will not be, registered under the US Securities Act or under any of the relevant securities laws of any state of the United States or of Canada, Australia, Japan or South Africa. Accordingly, unless an exemption under such act or laws is applicable, the New Shares may not be offered, sold or delivered directly or indirectly in or into the United States, Canada, Australia, Japan or South Africa. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor to the Company and is not advising any other person in this capacity or treating any other person in this capacity as its customer in relation to the Issues or to the matters referred to in this document and will not be responsible to anyone other than the Company for providing advice as sponsor in relation to the Issues, the contents of this document and the accompanying documents or any other matter referred to therein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. does not accept any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Investment Manager or the Shares. Dickson Minto W.S. accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the sections of this document headed “Risk factors” (pages 13 to 15) and “Forward looking statements” (page 17).

25 January 2016

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Summary

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and warnings

Element	Disclosure
A.1	<p>Warning</p> <p>This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	<p>Financial Intermediaries</p> <p>The Company, the Directors and the Proposed Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries from the date of the Prospectus until the close of the Offer. The Offer period within which subsequent resale or final placement of Shares by Financial Intermediaries can be made and for which consent to use the Prospectus is given is from the date of the Prospectus until 24 March 2016. There are no conditions attaching to this consent. Financial Intermediaries may only use the Prospectus in the UK.</p> <p>Financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in the above paragraph.</p>

Section B – Issuer

Element	Disclosure
B.1	<p>Legal and commercial name</p> <p>Baronsmead VCT 3 plc.</p>
B.2	<p>Domicile and legal form</p> <p>The Company was incorporated and registered in England and Wales on 22 November 2000 as a public company limited by shares under the Companies Act 1985 with registered number 04115341. The Company operates under the CA 2006 and regulations made under the CA 2006.</p>

B.5	<p>Group description</p> <p>Not applicable. The Company is not part of a group.</p>																																																																													
B.6	<p>Major shareholders</p> <p>As at 21 January 2016, the Company had received no notifications of significant voting rights (under the Disclosure and Transparency Rules). The Directors are not aware of any person or persons who, following the Issues, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder, save for those which derive from the Articles.</p>																																																																													
B.7	<p>Key financial information</p> <p>Selected historical financial information relating to the Company and Baronsmead VCT 4 which summarises the financial condition of the Company and Baronsmead VCT 4 for each of the three financial years up to 31 December 2014 and for the six months ended 30 June 2014 and 30 June 2015 is set out in the following tables:</p> <table><tr><td>The Company</td><td>Audited financial results for the year ended 31 December 2012</td><td>Audited financial results for the year ended 31 December 2013</td><td>Audited financial results for the year ended 31 December 2014</td></tr><tr><td>Net asset value</td><td></td><td></td><td></td></tr><tr><td>Net assets (£'000)</td><td>74,562</td><td>74,879</td><td>76,617</td></tr><tr><td>Net asset value per Ordinary Share (p)</td><td>111.62</td><td>113.40</td><td>101.72</td></tr><tr><td>Income</td><td></td><td></td><td></td></tr><tr><td>Revenue return after taxation (£'000)</td><td>363</td><td>2,322</td><td>1,425</td></tr><tr><td>Revenue return per Ordinary Share (p)</td><td>0.58</td><td>3.50</td><td>1.95</td></tr><tr><td>Dividend per Ordinary Share (p)</td><td>7.50</td><td>7.50</td><td>17.00</td></tr><tr><td>Portfolio summary</td><td></td><td></td><td></td></tr><tr><td>Shareholders' funds (£'000)</td><td>74,562</td><td>74,879</td><td>76,617</td></tr><tr><td>Ordinary Share price (p)</td><td>105.38</td><td>106.25</td><td>95.00</td></tr></table> <table><tr><td></td><td>Unaudited half yearly report for the six months ended 30 June 2014</td><td>Unaudited half yearly report for the six months ended 30 June 2015</td></tr><tr><td>Net asset value</td><td></td><td></td></tr><tr><td>Net assets (£'000)</td><td>82,531</td><td>79,712</td></tr><tr><td>Net asset value per Ordinary Share (p)</td><td>110.15</td><td>107.35</td></tr><tr><td>Income</td><td></td><td></td></tr><tr><td>Revenue return after taxation (£'000)</td><td>315</td><td>232</td></tr><tr><td>Revenue return per Ordinary Share (p)</td><td>0.44</td><td>0.31</td></tr><tr><td>Dividend per Ordinary Share (p)</td><td>8.0</td><td>3.0</td></tr><tr><td>Portfolio summary</td><td></td><td></td></tr><tr><td>Shareholders' funds (£'000)</td><td>82,531</td><td>79,712</td></tr><tr><td>Ordinary Share price (p)</td><td>105.00</td><td>99.38</td></tr></table> <p>During the three financial years up to 31 December 2014, the period from 1 January 2015 to 30 June 2015 (being the end of the last financial period of the Company for which financial information has been published) and subsequent to 30 June 2015, there has been no significant change in the Company's financial condition or the operating results of the Company.</p> <p>The annual reports of the Company for the three years ended 31 December 2014 were prepared in accordance with UK generally accepted accounting practice (GAAP). The Company's annual report for the year ended 31 December 2015 will be prepared under UK Accounting Standards, including FRS 102 The 'Financial Reporting Standard' applicable in the UK and Republic of Ireland. The statutory accounts of the Company for</p>	The Company	Audited financial results for the year ended 31 December 2012	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014	Net asset value				Net assets (£'000)	74,562	74,879	76,617	Net asset value per Ordinary Share (p)	111.62	113.40	101.72	Income				Revenue return after taxation (£'000)	363	2,322	1,425	Revenue return per Ordinary Share (p)	0.58	3.50	1.95	Dividend per Ordinary Share (p)	7.50	7.50	17.00	Portfolio summary				Shareholders' funds (£'000)	74,562	74,879	76,617	Ordinary Share price (p)	105.38	106.25	95.00		Unaudited half yearly report for the six months ended 30 June 2014	Unaudited half yearly report for the six months ended 30 June 2015	Net asset value			Net assets (£'000)	82,531	79,712	Net asset value per Ordinary Share (p)	110.15	107.35	Income			Revenue return after taxation (£'000)	315	232	Revenue return per Ordinary Share (p)	0.44	0.31	Dividend per Ordinary Share (p)	8.0	3.0	Portfolio summary			Shareholders' funds (£'000)	82,531	79,712	Ordinary Share price (p)	105.00	99.38
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the financial years ended 31 December 2013 and 31 December 2014 have been prepared in a manner which is consistent with that which will be adopted in the next annual statutory accounts of the Company (to be prepared in accordance with FRS 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements prepared under these two accounting frameworks.

Baronsmead VCT 4

	Audited financial results for the year ended 31 December 2012	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014
Net asset value			
Net assets (£'000)	66,246	65,337	71,144
Net asset value per Ordinary Share (p)	101.92	100.06	95.41
Income			
Revenue return after taxation (£'000)	327	2,214	1,423
Revenue return per Ordinary Share (p)	0.53	3.39	1.95
Dividend per Ordinary Share (p)	7.0	7.0	9.0
Portfolio summary			
Shareholders' funds (£'000)	66,246	65,337	71,144
Ordinary Share price (p)	96.88	95.00	89.00
		Unaudited half yearly report for the six months ended 30 June 2014	Unaudited half yearly report for the six months ended 30 June 2015
Net asset value			
Net assets (£'000)		73,261	73,384
Net asset value per Ordinary Share (p)		97.76	100.03
Income			
Revenue return after taxation (£'000)		303	236
Revenue return per Ordinary Share (p)		0.43	0.32
Dividend per Ordinary Share (p)		6.0	3.0
Portfolio summary			
Shareholders' funds (£'000)		73,261	73,384
Ordinary Share price (p)		92.75	92.13

During the three financial years up to 31 December 2014, the period from 1 January 2015 to 30 June 2015 (being the end of the last financial period of Baronsmead VCT 4 for which financial information has been published) and subsequent to 30 June 2015, there has been no significant change in Baronsmead VCT 4's financial condition or the operating results of the Company.

The annual reports of Baronsmead VCT 4 for the three years ended 31 December 2014 were prepared in accordance with UK generally accepted accounting practice (GAAP). The annual report for the year ended 31 December 2015 (if required) will be prepared under UK Accounting Standards, including FRS 102 The 'Financial Reporting Standard' applicable in the UK and Republic of Ireland. The statutory accounts of Baronsmead VCT 4 for the financial years ended 31 December 2013 and 31 December 2014 have been prepared in a manner which is consistent with that which will be adopted in the next annual statutory accounts (to be prepared in accordance with FRS 102) of Baronsmead VCT 4 (if required) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements prepared under these two accounting frameworks.

B.8	<p>Key pro forma financial information</p> <p>The key pro forma financial information included in this document has been prepared to illustrate the effect on the net assets and earnings of the Enlarged Company as if the Scheme had become effective on 1 January 2015.</p>
B.9	<p>Profit forecast</p> <p>Not applicable. No profit forecasts or estimates are made in this document.</p>
B.10	<p>Description of the nature of any qualifications in the audit report on the historical financial information</p> <p>Not applicable. The audit reports on the historical financial information contained within this document are not qualified.</p>
B.11	<p>Insufficient working capital</p> <p>Not applicable. The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements (that is, for at least the next 12 months from the date of this document).</p>
B.34	<p>Investment policy</p> <p>The Company's investment policy is to invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM.</p> <p>Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.</p> <p>Investment securities</p> <p>The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities and interest bearing securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM traded investments are primarily held in ordinary shares. Pending investment in VCT qualifying and non-VCT qualifying unquoted, AIM-traded and other quoted securities (which may be held directly or indirectly through collective investment vehicles), cash is primarily held in interest bearing accounts, money market open ended investment companies (OEICs), UK gilts and treasury bills.</p> <p>UK companies</p> <p>Investments are primarily made in companies which are substantially based in the UK, although many of these investees may have some trade overseas.</p> <p>VCT regulation</p> <p>The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15 per cent. by value of its investments calculated in accordance with section 278 of the Tax Act (VCT Value) in a single company or group of companies and must have at least 70 per cent. of its investments by VCT Value throughout the period in shares and securities comprised in qualifying holdings. At least 70 per cent. by VCT Value of qualifying holdings must be in "eligible shares", which are ordinary shares which have no preferential rights to assets on a winding up and no rights to be redeemed, but may have certain preferential rights to dividends. For funds raised before 6 April 2011, at least 30 per cent. by VCT Value of qualifying holdings must be in "eligible shares" which are ordinary shares which do not carry any rights to be redeemed or preferential rights to dividends or to assets on a winding up. At least 10 per cent. of each Qualifying Investment must be in "eligible shares".</p> <p>The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding.</p>

	<p>Asset mix</p> <p>The Company aims to be at least 90 per cent. invested, directly or indirectly, in VCT qualifying and non-qualifying growth businesses subject always to the quality of investment opportunities and the timing of realisations. It is intended that at least 75 per cent. of any funds raised by the Company will be invested in VCT Qualifying Investments. Non-VCT Qualifying Investments held in unquoted, AIM-traded and other quoted companies may be held directly or indirectly through collective investment vehicles.</p> <p>Risk diversification and maximum exposures</p> <p>Risk is spread by investing in a number of different businesses within different qualifying industry sectors using a mixture of securities. Generally no more than £2.5 million, at cost, is invested in the same company. The maximum the Company will invest in a single company (including a collective investment vehicle) is 15 per cent. of its investments by VCT Value. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.</p> <p>Investment style</p> <p>Investments are selected in the expectation that the application of private equity disciplines, including an active management style for unquoted companies, will enhance value and enable profits to be realised from planned exits.</p> <p>Co-investment</p> <p>The Company aims to invest in larger more mature unquoted and AIM-traded companies and to achieve this it invests alongside the other funds managed by the Investment Manager, which includes the other Baronsmead VCTs.</p> <p>Management retention</p> <p>Certain members and employees of the Investment Manager invest in unquoted investments alongside the Company. This scheme is in line with current practice of private equity houses and its objective is to attract, recruit, retain and incentivise the Investment Manager's team and is made on terms which align the interests of Shareholders and the Investment Manager.</p> <p>Borrowing powers</p> <p>The Company's policy is to use borrowing for short term liquidity purposes only up to a maximum of 25 per cent. of the Company's gross assets, as permitted by the Articles.</p> <p>It is proposed that the Enlarged Company will update its investment policy to ensure it is consistent with the HMRC guidance on the legislative changes to the VCT rules, which is expected to be published in the first quarter of this year. Shareholders will be provided with further information in relation to the changes following the publication of the HMRC guidance.</p>
B.35	<p><i>Borrowing limits</i></p> <p>The Company's policy is to use borrowing for short term liquidity purposes only up to a maximum of 25 per cent. of the Company's gross assets, as permitted by the Articles.</p>
B.36	<p><i>Regulatory status</i></p> <p>Save for its compliance with the CA 2006, the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and the UK Code, the Company is not a regulated entity.</p>
B.37	<p><i>Typical investor</i></p> <p>The Directors believe that the profile of a typical investor in the Company is an individual retail investor aged 18 or over who is a UK tax payer and who already has a</p>

	portfolio or VCT and non-VCT investments (such as unit trusts, OEICS, investment trusts and direct shareholdings in listed and non-listed companies).
B.38	<p><i>Investment of 20% or more in single underlying asset or investment company</i></p> <p>Not applicable. No investment in the portfolio may exceed 15 per cent. by value of the Company's investments at the time of the latest purchase.</p>
B.39	<p><i>Investment of 40% or more in single underlying asset or investment company</i></p> <p>Not applicable. No investment in the portfolio may exceed 15 per cent. by value of the Company's investments at the time of the latest purchase.</p>
B.40	<p><i>Applicant's service providers</i></p> <p><i>The Investment Manager</i></p> <p>The Company has appointed Livingbridge VC LLP (the "Investment Manager"), as its investment manager. The Investment Manager is a limited liability partnership and was incorporated in England and Wales under the Limited Liability Partnerships Act 2000 (and the regulations made from time to time thereunder) with registered number OC320408 on 16 June 2006. The Investment Manager operates under the Limited Liability Partnerships Act 2000 and is authorised and regulated by the FCA.</p> <p>The Company has entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager is responsible for the day-to-day management of the Company's investment portfolio, subject to the overall control and supervision of the Board. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Directors from time to time and in accordance with the investment restrictions referred to in the Investment Management Agreement.</p> <p>The Investment Manager is entitled to a base fee of an amount equal to 2.5 per cent. per annum of the net assets of the Company.</p> <p>The Investment Manager is also entitled to a performance fee. The performance fee will not be payable to the Investment Manager until the total return on the net proceeds of the Ordinary Shares exceeds an annual threshold of 8.0 per cent. (simple). To the extent that the total return exceeds the threshold over the relevant period then a performance fee of 10.0 per cent. of the excess will be paid to the Investment Manager. The amount of any performance fee which is paid in an accounting period shall be capped at 5.0 per cent. of shareholders' funds at the end of the relevant period.</p> <p>The Investment Management Agreement can be terminated by either party on 12 months notice.</p> <p><i>Administration arrangements</i></p> <p>All secretarial and administrative services are provided by the Investment Manager. The Investment Manager receives a secretarial and administrative fee of £44,861 per annum (linked to the movement in the UK Retail Price Index ("RPI")), subject to annual review, plus a variable fee of 0.125 per cent. of the net assets of the Company that exceed £5 million. The annual secretarial and administrative fee is capped at £133,438 per annum (linked to the movement in RPI) subject to annual review. If the Scheme becomes effective it is likely that this arrangement will be replaced with a fee of £143,000 for the Enlarged Company (linked to the movement in the RPI, subject to annual review.</p>
B.41	<p><i>Regulatory status of investment manager and custodian</i></p> <p>The Investment Manager is authorised and regulated by the FCA.</p>
B.42	<p><i>Calculation of Net Asset Value</i></p> <p>The Net Asset Value per Share is calculated by the Investment Manager in accordance with the Company's accounting policies and is published monthly through a Regulatory Information Service. The calculation of the Net Asset Value per Share will be suspended only in circumstances where the underlying data necessary to value the investments of</p>

	the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.																				
B.43	<p>Cross liability</p> <p>Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.</p>																				
B.44	<p>No financial statements have been made up</p> <p>Not applicable. The Company has commenced operations and historical financial information is included within the document.</p>																				
B.45	<p>Portfolio</p> <p>The Company invests in a diversified portfolio of UK growth businesses, whether unquoted or traded on AIM. An unaudited summary of the Company’s unquoted and quoted portfolio (representing at least 50 per cent. of its gross assets as at the date of this document (the NAV values being as at 30 November 2015)) is set out below:</p> <table><tr><td></td><td>Number of holdings</td><td>Cost £’000</td><td>Market Value £’000</td><td>% of NAV</td></tr><tr><td>Unquoted</td><td>25</td><td>25,169</td><td>33,014</td><td>40</td></tr><tr><td>Quoted</td><td>48</td><td>19,779</td><td>28,483</td><td>35</td></tr><tr><td>Wood Street</td><td>1</td><td>3,525</td><td>8,757</td><td>11</td></tr></table>		Number of holdings	Cost £’000	Market Value £’000	% of NAV	Unquoted	25	25,169	33,014	40	Quoted	48	19,779	28,483	35	Wood Street	1	3,525	8,757	11
	Number of holdings	Cost £’000	Market Value £’000	% of NAV																	
Unquoted	25	25,169	33,014	40																	
Quoted	48	19,779	28,483	35																	
Wood Street	1	3,525	8,757	11																	
B.46	<p>Net Asset Value</p> <p>The unaudited NAV per Ordinary Share as at 30 November 2015 (being the latest date in respect of which the Company has published its NAV per Share) was 110.34 pence.</p>																				

Section C – Securities

Element	Disclosure
C.1	<p>Type and class of securities</p> <p>The Company will issue new ordinary shares of 10 pence each pursuant to the Issues. The ISIN number for the Ordinary Shares is GB0030028103. The SEDOL number for the Ordinary Shares is 3002810.</p>
C.2	<p>Currency</p> <p>The Company will issue New Shares denominated in Sterling.</p>
C.3	<p>Number of securities to be issued</p> <p>The number of New Shares to be issued pursuant to the Scheme will be determined at the Calculation Date and will be calculated using the calculation methodology set out in Part II of this document.</p> <p>Assuming the New Shares are issued at the Illustrative Offer Price of 113.80 pence, the number of New Shares that will be issued under the Offer is 8,787,346 (although the actual number of New Shares that will be issued will depend on the Offer Price which could be higher or lower than the Illustrative Offer Price).</p>
C.4	<p>Description of the rights attaching to the securities</p> <p>The New Shares will rank <i>pari passu</i> in all respects with the existing Shares.</p> <ul style="list-style-type: none"> • Holders of the New Shares shall be entitled to receive all dividends and other distributions made, paid or declared by the Company <i>pari passu</i> and equally with each other and with the holders of existing Ordinary Shares. • Each New Share carries the right to receive notice of and to attend and vote at any general meeting of the Company.

	<ul style="list-style-type: none"> On a winding up, the holders of New Shares are entitled to receive back their nominal value and will participate in the distribution of any surplus assets of the Company <i>pro rata</i> with all other Ordinary Shares in the capital of the Company. Statutory pre-emption rights apply on any issue of New Shares for cash or the sale of any existing Ordinary Shares from treasury for cash unless disapplied in accordance with the CA 2006. New Shares are not redeemable at the option of the Company or the Shareholder.
C.5	<p><i>Restrictions on the free transferability of the securities</i></p> <p>There are no restrictions on the free transferability of the Shares.</p>
C.6	<p><i>Admission</i></p> <p>Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 16 March 2016. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Offer will become effective on three Business Days after the relevant allotment.</p>
C.7	<p><i>Dividend policy</i></p> <p>The Board aims to maintain a minimum annual dividend level of around 4.5 pence per Ordinary Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There is no certainty that any dividends will be paid.</p>

Section D – Risks

Element	Disclosure
D.2	<p><i>Key information on the key risks specific to the issuer or its industry</i></p> <p>The key risks in respect of the Company are:</p> <ul style="list-style-type: none"> if the Scheme is not implemented and as a result the Offer does not proceed certain costs and expenses incurred in connection with the Scheme and the Offer will be borne by the Company; there can be no guarantee that the investment objectives of the Company will be achieved or that suitable investment opportunities will be available. The success of the Company will depend on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Company's investment policy and there can be no assurance that the Investment Manager will be able to do so; investment in private companies involves a higher degree of risk than investment in companies traded on the Main Market of the London Stock Exchange. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining their value or the risks to which they are exposed may also not be available; the Company's investments may be difficult to realise. The valuation of the Company's portfolio and opportunities for realisation may also depend on market conditions; and changes in legislation concerning VCTs may limit the number of Qualifying Investment opportunities, reduce the level of returns which would otherwise have

	<p>been achievable or result in the Company not being able to meet its investment objective. In particular, the Finance (No.2) Act 2015 introduced new rules that apply to VCTs that will require the Investment 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 Investment Manager and its advisers, it is expected that the scale of the Company's new investments will change and some elements of the investment portfolio will carry a higher risk.</p>
D.3	<p>Key information on the key risks specific to the securities.</p> <p>The key risk factors relating to the Ordinary Shares are:</p> <ul style="list-style-type: none"> the value of New Shares depends on the performance of the Company's underlying assets. The market price of the New Shares may not fully reflect their underlying net asset value. Trading in VCT shares is generally limited and shares in VCTs tend to be valued at a discount to their net asset value and may be difficult to realise. As a result, Shareholders may be offered a price which is less than the full value of a Company's underlying assets; and it is likely that there will not be a liquid market in the New Shares (which may be partly due to up-front tax relief not being available for VCT shares bought in the market and as VCT shares generally trade at a discount to net asset value) and Shareholders may have difficulty in selling their New Shares as a result. Shareholders may not be able to realise their investment at Net Asset Value or at all.

Section E – Offer

Element	Disclosure
E.1	<p>Net proceeds and costs of the Issues</p> <p>The Merger will not result in any proceeds being raised by the Company. The aggregate anticipated costs of the Merger are approximately £365,000 (including VAT and stamp duty). It has been agreed that the costs of implementing the Scheme will be met by the Enlarged Company following completion of the Scheme.</p> <p>The Investment Manager will receive a fee of 3.0 per cent. of the gross proceeds of the Offer, in respect of the services provided pursuant to the Offer. The Investment Manager will pay all costs associated with the Offer, on behalf of the Company. The net proceeds of the Offer will, therefore, be £9,700,000 if the Offer is fully subscribed.</p>
E.2 A	<p>Reasons for the offer and use of proceeds</p> <p>The Company is seeking to raise £10 million (before costs) under the Offer. The Investment Manager will receive a fee of 3.0 per cent. of the gross proceeds of the Offer, in respect of the services provided pursuant to the Offer. The Investment Manager will pay all costs associated with the Offer, on behalf of the Company. The net proceeds of the Offer will, therefore, be £9,700,000 if the Offer is fully subscribed.</p> <p>The net proceeds of the Offer will be added to the liquid resources available for investment so as to put the Company into a position to take advantage of attractive investment opportunities over the next two to three years, in accordance with its investment policy.</p>
E.3	<p>Terms and conditions of the offer</p> <p>The number of New Shares to be allotted under the Offer will be determined by dividing the subscription amount by an Offer Price calculated on the basis of the following Pricing Formula:</p> <p>Latest published net asset value of an existing Ordinary Share at the time of allotment divided by 0.97 (to allow for the costs of the Offer of 3.0 per cent.) rounded up to the nearest 0.1 pence per share.</p>

	<p>The Offer is conditional on the Scheme becoming effective. Subscribers must subscribe a minimum of £3,000 and thereafter in multiples of £1,000. Until close of business on 15 February 2016 the Offer will be open exclusively to satisfy Subscriptions from Existing Shareholders and BVCT4 Shareholders. Should the Offer not be fully subscribed before this time, the remaining New Shares to be issued under the Offer will be used to satisfy Subscriptions from the Baronsmead Shareholders until close of business on 3 March 2016.</p> <p>If the Offer is not fully subscribed by close of business on 3 March 2016, the balance, if any, will be used to satisfy the Subscriptions of any other investors.</p>
E.4	<p><i>Material interests</i></p> <p>Not applicable. No interest is material to the Issues.</p>
E.5	<p><i>Name of person selling securities</i></p> <p>Not applicable. No person or entity is offering to sell the security as part of the Issues.</p>
E.6	<p><i>Dilution</i></p> <p>The existing issued Shares in the Company will represent 49.2 per cent. of the Ordinary Share capital of the Enlarged Company immediately following completion of the Scheme and the Offer, assuming (i) the Offer is fully subscribed at an Offer Price of 113.80 pence (being the Illustrative Offer Price) and (ii) the Merger takes place on the basis of the NAV of the Company and Baronsmead VCT 4 as at 30 November 2015, and on that basis Shareholders who do not subscribe under the Offer and who do not own any BVCT4 Shares will, therefore, have their percentage shareholding diluted by 50.8 per cent.</p> <p>For the avoidance of doubt, the value of the underlying assets attributable to the existing issued Shares will not be diluted as a result of the Merger and the Offer.</p>
E.7	<p><i>Expenses charged to the investor</i></p> <p>Not applicable. No expenses charged to the investor.</p>

Risk factors

The risk factors set out below are those which are considered by the Directors to be material as at the date of this document but are not the only risks relating to the Company and the Shares. Additional risks and uncertainties relating to the Company that are not currently known to the Directors or that the Directors do not currently consider to be material may also have a material adverse effect on the Company. Before investing in the Company, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of overseas investors, another appropriately authorised financial adviser.

Any holding of Shares is subject to a number of risks. Prior to acquiring any New Shares, potential investors should consider carefully the factors and risks associated with an investment in the New Shares and the investment objectives of the Company.

Potential investors should consider the following risk factors in relation to the Company and the Shares.

Risk associated with the Scheme

Implementation of the Scheme is conditional, *inter alia*, upon the approval of Existing Shareholders at the General Meeting and BVCT4 Shareholders approving the Scheme (full details of the conditions of the Scheme are set out in Part II of this document). If any condition of the Scheme is not met, the Scheme will not be implemented and certain costs and expenses incurred in connection with the Scheme (estimated to be in the region of £140,000 (including VAT)) will be borne by the Company. In these circumstances, the Company would continue as a separate VCT and the Board would reassess the options available to the Company.

In the event that the Scheme does not become effective the Offer will also not proceed and certain costs and expenses incurred in connection with the Offer (estimated to be in the region of £60,000 (including VAT)) will be borne by the Company.

The Company's portfolio

In order to comply with VCT legislation, the Company (in common with other VCTs) invests in AIM-traded and unquoted companies. Investment in AIM-traded and unquoted companies by its nature, may involve a higher degree of risk than investment in companies traded on the Main Market of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining the value of smaller or unquoted companies or the risks to which they are exposed may also not be available.

The Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. The valuation of the Company's portfolio and opportunities for realisation may also depend on stock market conditions.

Changes in legislation concerning VCTs and in particular, changes in relation to qualifying holdings and qualifying trades, may limit the number of Qualifying Investment opportunities, reduce the level of returns which would otherwise have been achievable or result in the Company not being able to meet its objectives, may delay the investment of any proceeds raised by the Company in future fundraisings and may reduce the levels of returns to investors.

Changes to governmental, economic, fiscal, monetary or political policy

Any change of governmental, economic, fiscal, monetary or political policy, in particular current government spending reviews and cuts and any changes to taxation and tax reliefs, in particular changes to the VCT rules, could materially affect, directly or indirectly, the operation of the Company

and/or the performance of the Company (and the portfolio companies in which it invests) and the value of and returns from Shares and/or its ability to achieve or maintain VCT status.

Loss of tax reliefs

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective. While it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains.

Finance (No. 2) Act 2015

New qualifying conditions for VCTs became effective from Royal Assent of the Finance (No. 2) Act 2015 which was received on 18 November 2015. The new qualifying conditions include a maximum age limit for Qualifying Investments (generally seven years from first commercial sale) and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for knowledge intensive companies). The new conditions also prevent a company from using the funds it receives from a VCT to purchase shares in another company or to acquire an existing business or trade from another company. It is expected that the scale of the Company's new investments will change and some elements of the investment portfolio will carry a higher risk. The changes may also mean that the Company is unable to provide further investment to existing portfolio companies.

State aid

As a result of the tax status of VCTs, investments by VCTs in underlying portfolio companies are regarded as State aid. Where the European Commission believes that State aid has been provided which is unlawful, in particular if it is not in accordance with the Risk Finance Guidelines, they may require that the UK government recovers that State aid. Such recovery may be from the investee company, the VCT or the VCT's investors.

Investment objective

The Company's investment objective is to achieve long-term investment returns for private investors, including tax-free dividends. There can be no guarantee that the investment objective of the Company will be met. Meeting its objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it will be met (as this will depend on the performance of and returns generated by portfolio companies). If the Company does not meet its investment objective the returns made to Shareholders may go down. The value of an investment in the Company may go down as well as up and investors may not get back the full value of their investment.

Economic environment

The profitability of the businesses of the Company's portfolio companies could be impacted by business conditions and adverse economic conditions. Factors such as unemployment levels, the levels and volatility of equity markets, consumer confidence, interest rates and inflation could significantly affect the market for products or services of portfolio companies. The economic climate in the United Kingdom and elsewhere may adversely affect the prospects for both existing portfolio companies and any new investments.

The Shares may trade at a discount to Net Asset Value

At any given point in time, the price for a Share which a Shareholder could achieve on the stock market may be significantly less than the Net Asset Value or the price paid by the Shareholder to acquire that Share. The Shares may trade at a discount to their Net Asset Value for a variety of reasons, including as a consequence of general market conditions, concerns regarding the general liquidity or marketability of the Shares or the actual or expected performance of the Company.

Liquidity

The Company is a closed-ended company. Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company will be required to dispose of their Shares on the stock market. Accordingly, the ability of Shareholders to realise the Net Asset Value of, or any value in respect of, their Shares is dependent on the existence of a liquid market in the Shares and the market price of such Shares.

Although the existing Ordinary Shares issued by the Company have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List of the UK Listing Authority and traded on the Main Market, there may not be a liquid market for the Ordinary Shares as there is a limited secondary market for VCT shares (primarily because initial VCT income tax relief is only available to individuals subscribing for newly issued shares) and investors may find it difficult to realise their investments.

Share buy backs

The Company has stated its aim to seek a mid market share price discount to NAV of no more than 5.0 per cent. but keeps the share price discount policy under continuous review. The performance of the Company's share price and the discount to NAV is monitored continuously and Shares may be bought back depending on market conditions at the time and only when the Directors believe it to be in the best interests of all Shareholders. There can, however, be no guarantee that the Company will buy back Ordinary Shares from Shareholders or that if it does the discount to NAV will not be greater than 5.0 per cent. Share buybacks will be subject to applicable legislation and VCT regulations and the availability of sufficient reserves and cash in the Company.

Restrictions in relation to payment of dividends

The Company aims to maintain a minimum annual dividend level of around 4.5 pence per Ordinary Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. A reduction of income from the Company's portfolio would adversely affect the ability of the Company to pay dividends on the Ordinary Shares. Any adverse performance of the assets acquired from Baronsmead VCT 4, as well as the existing investments of the Company, may restrict the ability of the Company to pay dividends.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Ordinary Shares. A reduction of income from the Company's investments would adversely affect the yield on the Ordinary Shares. Such a reduction could arise, for example, from lower rates of dividend paid by investee companies or difficulties realising gains on portfolio investments.

Investment Manager

The Company has no employees and is dependent on the skills and experience of the Investment Manager to manage its investments. If the Investment Manager ceases to act as investment manager of the Company or if key personnel cease to remain with the Investment Manager or be involved in the management of the Company's portfolio, there is no assurance that suitable replacements will be found. If this occurs there may be an adverse effect on the performance of the Company and the value of the Shares.

Important information

General

This document should be read in its entirety. New investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document nor that the information contained herein is correct as at any time subsequent to its date.

Shareholders must not treat the contents of the document or any subsequent communications from the Company, or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the New Shares or the Issues. Dickson Minto W.S. accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser.

Regulatory information

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of the Prospectus may be prohibited in some countries.

The Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such an offer or invitation. In particular, the Prospectus may not be distributed in or into the United States or to or for the account of any US Person. The Company has not been and will not be registered under the Investment Company Act of 1940 (as amended), and investors will not be entitled to the benefits of the Investment Company Act of 1940 (as amended). In addition, the Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, in or into the United States, or to or for the benefit of any US Person, except in transactions that are exempt from registration under the US Securities Act and under circumstances which will not require the Company to register under the Investment Company Act of 1940 (as amended). There will be no public offer of the Shares in the United States.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (iii) the income and other

tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares.

Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

It should be remembered that the price of a Share, and the income from such Shares (if any), can go down as well as up. An investment in Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Any investment objectives of the Company are targets only and should not be treated as assurance or guarantees of performance.

Forward looking statements

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

Nothing in the preceding two paragraphs seeks to limit or qualify, in any way, the working capital statement in paragraph 8 of Part VII of this document.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Documents incorporated by reference

The published annual report and accounts of the Company for each of the three financial years up to 31 December 2014 and the published unaudited half yearly accounts of the Company for the six months ended 30 June 2014 and 30 June 2015, on the pages specified in the table below, are incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts of the Company and half yearly accounts of the Company are either not relevant to investors or covered elsewhere in this document.

Nature of Information	Statutory accounts for the year ended 31 December 2012 Page No	Statutory accounts for the year ended 31 December 2013 Page No	Statutory accounts for the year ended 31 December 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2015 Page No
Financial Headlines	2	1	3	1	2
Balance sheet	38	42	43	14	14
Income statement	37	41	42	12	12
Reconciliation of movements in Shareholders' funds	37	41	42	13	13
Cash flow statement	39	43	44	15	15
Independent auditor's report	35	38	40	-	-
Notes to the financial statements	40	44	45	-	-

The published annual report and accounts of Baronsmead VCT 4 for each of the three financial years up to 31 December 2014 and the published unaudited half yearly reports for the six month periods ending 30 June 2014 and 30 June 2015, on the pages specified in the table below, are also incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts and half yearly reports of Baronsmead VCT 4 are either not relevant to investors or covered elsewhere in this document.

Nature of Information	Statutory accounts for the year ended 31 December 2012 Page No	Statutory accounts for the year ended 31 December 2013 Page No	Statutory accounts for the year ended 31 December 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2015 Page No
Financial Headlines	1	1	3	1	2
Balance sheet	35	41	43	9	14
Income statement	34	40	42	8	12
Reconciliation of movements in Shareholders' funds	34	40	42	8	13
Cash flow statement	36	42	44	10	15
Independent auditor's report	32	37	40	-	-
Notes to the financial statements	37	43	45	-	-

The documents incorporated by reference can be obtained from the Company's and Baronsmead VCT 4's website, www.baronsmeadvcts.co.uk as set out in paragraph 14 of Part VIII of this document.

Expected Scheme timetable

2016

Latest time and date for receipt of BLUE forms of proxy for the First General Meeting of Baronsmead VCT 4	2.30 p.m. on 1 March
Latest time and date for receipt of forms of proxy for the General Meeting	3.30 p.m. on 1 March
First General Meeting of Baronsmead VCT 4	2.30 p.m. on 3 March
General Meeting	3.30 p.m. on 3 March
Time and date from which it is advised that dealings in BVCT4 Shares should only be for cash settlement and immediate delivery of documents of title	8.00 a.m. on 7 March
Latest time and date for receipt of GREEN forms of proxy for the Second General Meeting of Baronsmead VCT 4	10.30 a.m. on 9 March
Calculation Date	5.00 p.m. on 10 March
Record Date for BVCT4 Shareholders entitlements under the Scheme	6.00 p.m. on 10 March
Dealings in BVCT4 Shares suspended	7.30 a.m. on 11 March
Second General Meeting of Baronsmead VCT 4	10.30 a.m. on 11 March
Effective Date for implementation of the Scheme and commencement of the liquidation of Baronsmead VCT 4	11 March
Admission to listing and dealings commence in the New Shares issued pursuant to the Scheme	8.00 a.m. on 16 March
New Shares issued in uncertificated form credited CREST accounts of BVCT4 Shareholders under the Scheme	8.00 a.m. on 16 March
Cancellation of listing of BVCT4 Shares on the premium segment of the Official List and trading on the Main Market	8.00 a.m. on 16 March
Share and tax certificates in respect of New Shares issued in certificated form pursuant to the Scheme despatched to Shareholders entitled thereto	week commencing 21 March

Note: Each of the times and dates in the above expected timetable (other than in relation to the General Meetings) may be extended or brought forward without further notice. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service provider.

Expected Offer timetable

	2016
Record date for the Offer	21 January
Offer opens	1 February
Exclusive period for Existing Shareholders and BVCT4 Shareholders ends	close of business on 15 February
Exclusive period for Baronsmead Shareholders ends	close of business on 3 March
First allotment	11 March
Final allotment	24 March
Offer closes	24 March
Dealings in New Shares commence	3 Business Days after allotments
Definitive share certificates despatched	within 10 Business Days of allotments

Note: The Board may close the Offer earlier than the date stated above if it is fully subscribed by an earlier date or may extend such Offer. The Board further reserves the right to accept Subscription Forms and to allot and arrange for the listing of New Shares in respect of Subscriptions received on or prior to the closing date of the Offer as the Board sees fit, which may not be on the dates stated above.

Offer statistics

The number of New Shares to be allotted in the Offer will be determined by the Offer Price as set out below.

The Offer Price at which the New Shares will be allotted in respect of the Offer will be calculated on the basis of the following formula (the “Pricing Formula”):

Latest published net asset value of an existing Share at the time of allotment divided by 0.97 (to allow for the costs of the Offer of 3.0 per cent.) rounded up to the nearest 0.1 pence per Share.

Minimum subscription under the Offer	£3,000
Costs of the Offer	3.0 per cent.
Expected net proceeds of the Offer	£9,700,000

Directors, Proposed Directors, Investment Manager and advisers

Existing Directors

Anthony Townsend (*Chairman*)
Andrew Karney
Gillian Nott OBE
Ian Orrock

Directors of the Enlarged Company following the Merger

Anthony Townsend (*Chairman*)
Malcolm Groat
Ian Orrock
Robert Owen

The Directors and the Proposed Directors are all non-executive and of

100 Wood Street
London EC2V 7AN

Investment Manager and Secretary

Livingbridge VC LLP
100 Wood Street
London EC2V 7AN

Solicitors and Sponsor

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Auditors

KPMG LLP
Saltire Court
Castle Terrace
Edinburgh EH1 2EG

Reporting Accountant

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh EH3 8BL

VCT status adviser

Philip Hare & Associates LLP
4-6 Staple Inn
Holborn
London WC1V 7QH

Registrar and Receiving Agent

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Promoter

RAM Capital Partners LLP
4 Staple Inn
London WC1V 7QH

Part I – Letter from the Chairman

BARONSMEAD VCT 3 PLC

(Incorporated in England and Wales with registered number 04115341)

(to be renamed Baronsmead Second Venture Trust plc)

Directors:

Anthony Townsend (*Chairman*)

Andrew Karney

Gillian Nott OBE

Ian Orrock

Registered office:

100 Wood Street

London

EC2V 7AN

25 January 2016

Dear Investor

I am delighted to offer Existing Shareholders and BVCT4 Shareholders the opportunity to invest in a generalist VCT, managed by one of the most experienced teams in the VCT industry. I am also delighted to be able to provide Existing Shareholders and BVCT4 Shareholders with further information on the proposed merger which if approved will make the Company one of the largest VCTs in the sector and provide both sets of shareholders with significant annual costs savings (the “**Merger**”).

The Merger

The Board has reached agreement with Baronsmead VCT 4 in respect of a recommended merger of the assets of Baronsmead VCT 4 and the Company (the “**Proposals**”). The Board believes that the Merger would be in the best interests of Shareholders for the following reasons.

- It would result in estimated aggregate cost savings for the Enlarged Company of around £355,000 per annum.
- It would avoid duplicate communications being sent to the many shareholders who have investments in both the Company and Baronsmead VCT 4.
- It would create a larger merged Company with net assets of approximately £157 million which potentially would make it more attractive to private client wealth managers and should enhance the liquidity of the Shares of the Enlarged Company in the secondary market. The Directors also believe that the size of the Enlarged Company will give it greater presence in the market for making investments.

Note: The net assets of the Enlarged Company are based on the combined net assets of the Company and Baronsmead VCT 4 as at 30 November 2015 after taking account of the costs of the Proposals, being approximately £365,000, but before taking account of the net proceeds, if any, of the fundraising proposed by the Enlarged Company.

Under the Proposals, Baronsmead VCT 4 will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986 (the “**Scheme**”). The Scheme provides for the assets and liabilities of Baronsmead VCT 4 to be transferred to the Company in consideration for the issue of New Shares of an equivalent value to BVCT4 Shareholders. The New Shares issued under the Scheme will rank *pari passu* in all respects with the existing Shares in the Company.

It is proposed that, if the Scheme becomes effective the Company will change its name to Baronsmead Second Venture Trust plc.

The Scheme is subject to, amongst other conditions, its approval by BVCT4 Shareholders and approval by the Existing Shareholders. Further details of the Scheme are set out in Part II of this document.

The Board and the BVCT4 Board have considered what the size and future composition of the Board should be following the Merger. The Board currently comprises four Directors. Following the Merger it is anticipated that Robert Owen and Malcolm Groat (each of whom are Directors of Baronsmead VCT 4) will be appointed to the Board. In addition, it is anticipated that Andrew Karney and Gillian Nott OBE will retire as Directors of the Company.

The Offer

At the beginning of 2014 the Company raised £9.7 million (after costs). Since 1 January 2014 the Company has invested approximately £14.5 million in new and follow-on investments in unquoted and AIM-traded companies. As a result, the Company is seeking to raise further funds to allow it to continue to invest in new and existing portfolio companies. The Offer is conditional on the Scheme becoming effective.

Amounts subscribed under the Offer will be used to purchase New Shares in the Company and will enable investors to participate in the investment returns of the Company's existing investment portfolio following the allotment of the New Shares. New Shares issued under the Offer will qualify for the tax reliefs set out in Part IX of this document.

As it is anticipated that there will be a strong demand for New Shares under the Offer, the Directors have sought to protect the interests of the Existing Shareholders and the BVCT4 Shareholders. Until close of business on 15 February 2016 the Offer will be open exclusively to satisfy Subscriptions from Existing Shareholders and BVCT4 Shareholders. Should the Offer not be fully subscribed before this time, the remaining New Shares to be issued under the Offer will be used to satisfy Subscriptions from the Baronsmead Shareholders until close of business on 3 March 2016. If the Offer is not fully subscribed by close of business on 3 March 2016, the balance, if any, will be used to satisfy the Subscriptions of any other investors.

Applications will be processed on a "first come, first served" basis by the Registrar, subject to the Scheme becoming effective. Shareholders are advised to return their completed Subscription Forms as soon as possible.

The Directors and the BVCT4 Directors have committed to investing £215,000 in aggregate in the Offer.

The minimum subscription under the Offer is £3,000 and thereafter in multiples of £1,000. There is no maximum investment. However, potential investors should be aware that tax relief is only available on a maximum of £200,000 in each tax year. Potential investors should consult their professional or financial advisers before deciding whether and, if so, how much they should invest under the Offer.

Further details of the Offer are set out in Part III of this document.

Performance track record

Since it was launched in 2001, the Company has paid an average annual dividend of 6.9 pence per Ordinary Share (equivalent to 9.1 pence per Share to investors who are higher rate tax payers). Over the last five years the Company has paid an average annual dividend of 9.4 pence per Ordinary Share (equivalent to 12.5 pence per Share to investors who are higher rate tax payers). A summary of the track record of the Company since launch is set out in the table below.

Launch date	NAV* £m	Average annual dividends paid per Share since launch** (p)	Average annual dividends paid per Share over the past 5 years** (p)
January 2001	82.1	6.9	9.4

* As at 30 November 2015.

** As at 31 December 2015 and includes the second interim dividend of 4.5 pence paid on 18 December 2015.

The NAV total return of the Company over recent years and since launch is set out in the table below.

NAV total return per Share (p)				
Period to 30 November 2015	1 year	3 years	5 years	Since launch
	114.0	135.0	161.5	286.8

Note: AIC methodology: NAV total return to the investor, including the original amount invested (rebased to 100 pence) from launch, assuming dividends paid were reinvested at the NAV of the Company at the time the Ordinary Shares were quoted ex-dividend.

The past performance of the Company is not a guide to its future performance.

Investment policy

The Company's investment policy is to invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

It is proposed that the Enlarged Company will update its investment policy to ensure it is consistent with the HMRC guidance on the legislative changes to the VCT rules, which is expected to be published in the first quarter of this year. Shareholders will be provided with further information in relation to the changes following the publication of the HMRC guidance. The current investment policy is set out in full in Part IV of this document.

It is not currently expected that such changes will materially restrict the investment opportunities of the Enlarged Company.

VCT legislation

Last 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 Qualifying Investments. There is now a lifetime cap on the total amount of State aided investment an investee company can receive and a requirement that investment be used for growth and development only. These measures were approved when the Finance (No.2) Act 2015 received Royal Assent on 18 November 2015.

The new rules will require the Investment 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 Investment Manager and its advisers, it is clear that the scale and nature of the Enlarged Company's new investments will change and some elements of the investment portfolio will carry a higher risk.

The Board has reviewed the impact of the new rules with the Investment Manager. The Board is of the view that the Investment Manager has made sufficient adjustments to the investment focus to adapt to the new investment environment and comply with the new VCT rules. The Board is therefore confident in the Investment Manager's ability to identify an adequate supply of new and attractive investment opportunities which will continue to generate acceptable returns, and comply with the new VCT rules.

Dividend policy

The Board aims to maintain a minimum annual dividend level of around 4.5 pence per Ordinary Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There is no certainty that any dividends will be paid. Since launch, the average annual dividend paid to Shareholders has been 6.9 pence per Share (equivalent to a pre-tax return of 9.1 pence per Share for a higher rate taxpayer).

Cancellation of the share premium account

The Company is proposing, subject to Shareholder approval and approval of the High Court, to cancel the share premium account of the Enlarged Company and transfer this amount to reserves, thereby creating a special reserve which shall be able to be applied in any manner in which the Company's profits available for distribution are able to be applied (as determined in accordance with the CA 2006 and the Reduction of Share Capital Order and subject to the limitations on the return of capital introduced by the 2014 Finance Act) including buying back shares, writing off losses and enhancing the ability to make distributions.

Legislation introduced by the 2014 Finance Act limits the ability of VCTs to return share capital to an investor that does not represent profits made on investments. This restriction applies for a three year period beginning at the end of the accounting period in which the funds were raised. HMRC may withdraw the Company's VCT approval if it fails to comply with this condition.

Share certificates

As it is proposed that, following the Merger, the Company will be renamed Baronsmead Second Venture Trust plc, in order to avoid any confusion as to which share certificates remain valid following the Merger and the renaming of the Company, the Registrar will issue all Existing Shareholders with new share certificates in the proposed name of the Company. Existing certificates in respect of Ordinary Shares will cease to be of value for any purpose following the despatch to Shareholders of new certificates in respect of their holdings in the Enlarged Company.

I very much look forward to welcoming participation from Existing Shareholders and BVCT4 Shareholders in the Offer.

Yours faithfully

Anthony Townsend

Chairman

Part II – The Scheme

Background to and reasons for the Scheme

The Board has reached agreement with Baronsmead VCT 4 in respect of a recommended merger of the assets of Baronsmead VCT 4 and the Company pursuant to a scheme of reconstruction and winding up of Baronsmead VCT 4 under section 110 of the Insolvency Act 1986.

Prior to April 2012, the VCT rules restricted the amount a VCT could invest in a portfolio company to £1 million per annum. This led to investment managers, such as Livingbridge, establishing numerous VCTs that pursued the same investment strategy allowing larger investments to be made in VCT qualifying companies. With effect from 6 April 2012, the VCT rules were amended and the annual investment limit was increased to £5 million per investee company. As a result there is no longer as significant an advantage in having multiple VCTs pursuing the same investment strategy.

Since 2012 Livingbridge have been reviewing the merits of merging the Baronsmead VCTs. In April 2014 changes to the stamp duty rules significantly reduced the overall cost of a merger. As a result, the Board now believes that there is a compelling argument for a merger from a cost savings point of view, with Shareholders and BVCT4 Shareholders benefiting from estimated aggregate costs savings of the Enlarged Company of approximately £355,000 per annum. In addition, the Directors believe that the size of the Enlarged Company will give it greater presence in the market for making investments. For these reasons, the Directors believe that Shareholders' interests will be best served by the Merger of the Company with Baronsmead VCT 4.

The Scheme

Under the Scheme, Baronsmead VCT 4 will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986. The Scheme provides for the assets and liabilities of Baronsmead VCT 4 to be transferred to the Company in consideration for the issue of New Shares of an equivalent value to BVCT4 Shareholders. The Scheme is subject to, amongst other conditions, its approval by Existing Shareholders and BVCT4 Shareholders.

Under the Proposals, the Company will, pursuant to the Deed of Indemnity, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of Baronsmead VCT 4 and the purchase for cash of any holdings of dissenting BVCT4 Shareholders.

New Shares to be issued to BVCT4 Shareholders

If the Scheme is implemented, the Company will acquire all of Baronsmead VCT 4's assets and liabilities. The consideration for such acquisition shall be the issue of New Shares to BVCT4 Shareholders and the Merger will be completed on a relative net asset basis. The investment portfolio of Baronsmead VCT 4 is substantially the same as the Company's investment portfolio and therefore the portfolio of assets to be transferred will comply with the Company's investment policy.

The number of New Shares to be issued to BVCT4 Shareholders under the Scheme will be based on the adjusted Net Asset Value of an Ordinary Share (the "**FAV per BVCT3 Share**") and the adjusted Net Asset Value of a BVCT4 Share (the "**FAV per BVCT4 Share**"). The FAV per BVCT3 Share and the FAV per BVCT4 Share will be calculated as at 10 March 2016 using each company's respective accounting policies (which are identical). The investments held by the Company and Baronsmead VCT 4 which are listed, quoted or traded on a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange where the relevant investment is listed, quoted or dealt. Unquoted investments held by the Company and Baronsmead VCT 4 will be valued at their fair value as at the Calculation Date as determined by the Directors and the BVCT4 Directors respectively.

The FAV per BVCT3 Share will be the Net Asset Value of an Ordinary Share adjusted to add back costs and expenses of the Proposals already incurred by the Company prior to the Effective Date. The FAV per BVCT4 Share will be calculated in accordance with the Scheme and will be the Net Asset Value of a BVCT4 Share adjusted to add back the costs and expenses of the Proposals already incurred by BVCT4 prior to the Effective Date.

BVCT4 Shareholders will be issued such number of New Shares in the Company with a FAV per BVCT3 Share equal to 100 per cent. of the FAV per BVCT4 Share of their holding of BVCT4 Shares.

The New Shares issued pursuant to the Scheme will rank equally in all respects with the existing issued Ordinary Shares.

For illustrative purposes only, had the Calculation Date been 30 November 2015 (being the date of the latest published NAV per Ordinary Share prior to publication of this document) and assuming that all of the BVCT4 Shareholders are eligible to receive New Shares under the Scheme, the FAV per BVCT3 Share and FAV per BVCT4 Share would have been 110.34 pence and 102.70 pence respectively and 68,044,591 New Shares would have been issued to former BVCT4 Shareholders under the Scheme, representing approximately 48 per cent. of the issued Ordinary Share capital of the Enlarged Company.

The cash transferred to the Company by Baronsmead VCT 4 under the Scheme will be used and invested in accordance with the Company's investment policy (save to the extent required to meet Baronsmead VCT 4's liabilities).

Costs and expenses of the Proposals

The aggregate costs and expenses to be incurred by the Company and Baronsmead VCT 4 in connection with the Scheme are expected to be approximately £365,000 (including VAT and stamp duty). It has been agreed that all costs of implementing the Scheme will be met by the Enlarged Company following the completion of the Scheme (including the costs of purchasing the interests of any dissenting BVCT4 Shareholders). The effect of this arrangement is that the costs of the Merger are borne by the Existing Shareholders and the BVCT4 Shareholders in proportion to their relative contribution to the net asset value of the Enlarged Company.

Should the Scheme be implemented, it is expected that the costs of the Merger will be recouped from cost savings achieved by the Enlarged Company within approximately 12 months of the Effective Date.

In the event that the Scheme does not become effective, it is estimated that the costs incurred by the Company and Baronsmead VCT 4 in connection with the Scheme and the Offer will be in aggregate approximately £385,000. The Company and Baronsmead VCT 4 have agreed to bear these abort costs in proportion to their respective unaudited net asset values as at 30 November 2015, being 52 per cent. and 48 per cent. respectively.

Proposed Directors

It is intended that Robert Owen and Malcolm Groat (currently directors of Baronsmead VCT 4) will join the Board on the Effective Date. The Proposed Directors will be non-executive Directors and are all independent of the Investment Manager. It is proposed that Robert Owen will be paid £22,000 in respect of his appointment as a non-executive Director of the Enlarged Company and Malcolm Groat will be paid £24,000 in respect of his appointment as Chairman of the Audit Committee of the Enlarged Company.

It is also intended that on the Effective Date Andrew Karney and Gillian Nott OBE will step down from the Board.

Biographies of all current Directors and the Proposed Directors are set out in Part V of this document.

Conditions of the Scheme

The Scheme is conditional on:

- (i) the passing of Resolution 1 at the General Meeting (which authorises the allotment of the New Shares to BVCT4 Shareholders pursuant to the Scheme);
- (ii) the passing of the resolutions to approve the Scheme at the First General Meeting of Baronsmead VCT 4 and the Second General Meeting of Baronsmead VCT 4 and the Scheme becoming unconditional; and
- (iii) the satisfaction of the Admission Condition.

If any of these conditions is not satisfied by 24 March 2016, the Scheme will not become effective and no New Shares will be issued to the BVCT4 Shareholders.

Full details of the Scheme are set out in the circular sent to BVCT4 Shareholders dated 26 January 2016.

Part III – The Offer

The Offer

The Company is seeking to raise £10 million (before costs) under the Offer. The net proceeds of the Offer will be added to the liquid resources available for investment so as to put the Company into a position to take advantage of attractive investment opportunities over the next two to three years, in accordance with its investment policy. The Offer is not being underwritten. The Offer is conditional on the Scheme becoming effective.

The Directors believe that the profile of a typical investor in the Company is an individual retail investor aged 18 or over who is a UK tax payer and who already has a portfolio of VCT and non-VCT investments (such as unit trusts, OEICs, investment trusts and direct shareholdings in listed and non-listed companies).

Terms of the Offer

Subscribers must subscribe a minimum of £3,000 and thereafter in multiples of £1,000.

Until close of business on 15 February 2016 the Offer will be open exclusively to satisfy Subscriptions from Existing Shareholders and BVCT4 Shareholders. Should the Offer not be fully subscribed before this time, the remaining New Shares to be issued under the Offer will be used to satisfy Subscriptions from the Baronsmead Shareholders until close of business on 3 March 2016. If the Offer is not fully subscribed by close of business on 3 March 2016, the balance, if any, will be used to satisfy the Subscription of any other investor.

Applications will be processed on a “first come, first served” basis by the Registrar. Shareholders are advised to return their completed Subscription Forms as soon as possible.

The New Shares will rank *pari passu* with existing Shares. There is no maximum amount for which a Subscriber may subscribe under the Offer. However, a Subscriber may wish to consider the annual VCT allowance of £200,000 per Qualifying Investor, as detailed in Part IX of this document, and the acquisition of other shares in VCTs that they may have made prior to subscribing to the Offer during the current tax year.

The Offer is conditional on:

- (a) the Scheme becoming effective; and
- (b) the passing of Resolution 2 at the General Meeting (which authorises the allotment of New Shares on a non pre-emptive basis for cash).

If any of these conditions is not satisfied by 24 March 2016, the Offer will not become effective.

Pricing Formula

The number of New Shares to be allotted under the Offer will be determined by dividing the Subscription amount by an Offer Price calculated on the basis of the following Pricing Formula:

Latest published net asset value of an existing Ordinary Share at the time of allotment divided by 0.97 (to allow for the costs of the Offer of 3.0 per cent.) rounded up to the nearest 0.1 pence per Share.

The number of New Shares to be issued under the Offer will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). If there is a surplus of funds from an investor's Subscription amount, the balance will be returned (without interest) in the form of a cheque made payable to the Subscriber (or Nominee if applicable) sent to the address shown on the Subscription Form (or Nominee Subscription Form) (save where the amount is less than £2.00, in which case it will be retained by the Company). Share and tax certificates will be sent to the Subscriber (or Nominee if applicable) at the address shown on the Subscription Form (or Nominee Subscription Form).

The Company's net asset value is expected to be announced with respect to the anticipated allotments in accordance with the following table:

Allotment	Date of NAV	Announcement of NAV*	Date of Allotments
First Allotment	29 February 2016	4 March 2016	11 March 2016
Final Allotment	29 February 2016	4 March 2016	24 March 2016

* The NAV to be announced on 4 March 2016 will comprise valuations of the unquoted investments and valuations of the AIM-traded and other listed investments as at 29 February 2016. The NAV will be adjusted to reflect any disposals of investments, provided that the Board shall have the right at its sole discretion to use a more recent valuation of any unquoted investment or of the portfolio of AIM-traded and other listed investments if it believes that there has been a material change in the value of such investments since the last valuation date and the date of the announcement of the NAV.

The maximum amount to be raised under the Offer is approximately £10 million (before costs). For illustrative purposes, assuming the New Shares are issued at the Illustrative Offer Price of 113.80 pence, set out below, the number of New Shares that will be issued under the Offer is 8,787,346 New Shares (although the actual number of New Shares that will be issued will depend on the Offer Price which could be higher or lower than the Illustrative Offer Price).

The Board may close the Offer earlier than the date stated above or may extend such Offer. The Board further reserves the right to accept a Subscription and to allot and arrange the listing of New Shares in respect of Subscriptions received on or prior to the closing date of the Offer as the Board sees fit, which may not be on the dates stated above.

Illustrative Offer Price

An illustration of the application of the Pricing Formula based on the most recently published NAV per existing Share as at 30 November 2015, is set out below.

Unaudited NAV per Share as at 30 November 2015	Illustrative Offer Price per New Share*
110.34 pence	113.80 pence

* The example Offer Price shown above is for illustrative purposes only as the NAV per Share may be different for the purposes of calculating the actual Offer Price applicable for each allotment of New Shares under the Offer (which may be higher or lower than in the example above).

Listing and dealing

New Shares issued pursuant to the Offer will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of New Shares will, where requested, be despatched by post within 10 Business Days of the allotment of the relevant New Shares. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the Register. Dealings in New Shares issued under the Offer are expected to commence 3 Business Days after the allotment of the relevant New Shares at the earliest. The Issues cannot be revoked after dealings in the relevant New Shares have commenced.

The ISIN number for the New Shares is GB0030028103. The SEDOL number for the New Shares is 3002810.

Costs of the Offer

The Investment Manager will, in respect of services provided pursuant to the Offer, receive a fee of 3.0 per cent. of the gross proceeds of the Offer. Out of this fee, the Investment Manager will pay all costs associated with the Offer, on behalf of the Company. In addition, the Investment Manager will pay permissible annual trail commission payments in relation to non-advised sales. The Investment Manager will be responsible for any costs associated with the Offer in excess of this fee. The net proceeds of the Offer will, therefore, be £9,700,000 if the Offer is fully subscribed.

Dilution

The existing issued Shares in the Company will represent 49.2 per cent. of the Ordinary Share capital of the Enlarged Company immediately following completion of the Scheme and the Offer, assuming (i)

the Offer is fully subscribed at an Offer Price of 113.80 pence (being the Illustrative Offer Price) and (ii) the Merger takes place on the basis of the NAV of the Company and Baronsmead VCT 4 as at 30 November 2015, and on that basis Shareholders who do not subscribe under the Offer and who do not own any BVCT4 Shares will, therefore, have their percentage shareholding diluted by 50.8 per cent.

For the avoidance of doubt, the value of the underlying assets attributable to the existing issued Shares will not be diluted as a result of the Merger and the Offer.

Intermediary commissions

In order to keep the costs of the Offer to 3.0 per cent. of the gross proceeds of the Offer, and to avoid any dilution of the existing Shares, the Investment Manager will, where permissible, pay annual trail commission to financial intermediaries at the rate of 0.4 per cent. of the aggregate amount subscribed for four years. Such annual trail commission will be paid to financial intermediaries (other than those providing a platform service) who have acted in an "execution only" capacity and where investors have not received financial advice in respect of their Subscription from another financial intermediary.

The annual trail commission will cease to be payable if the Shares are sold by the relevant investor, if the Company is wound up, if the Investment Manager is no longer the investment manager of the Company or if the Investment Manager is no longer permitted under the FCA rules to make such a payment. Intermediaries must substantiate the interests of investors who hold their Shares through Nominees to the satisfaction of the Investment Manager.

The Receiving Agent, or other agent appointed by the Investment Manager, will aggregate any permissible trail commission payable to a financial intermediary with respect to its clients' Subscription to the Offer, on behalf of the Investment Manager, and arrange to pay this sum to the financial intermediary in January 2017, January 2018, January 2019 and January 2020.

Directors' subscriptions

The Directors and the BVCT4 Directors have committed to investing £215,000 in aggregate in the Offer.

Application procedure

Existing Shareholders and BVCT4 Shareholders will have received a personalised Subscription Form with this document. A blank Subscription Form is also attached at the end of this document together with explanatory notes.

Until close of business on 15 February 2016 the Offer will be open exclusively to satisfy Subscriptions from Existing Shareholders and BVCT4 Shareholders. Should the Offer not be fully subscribed before this time, the remaining New Shares to be issued under the Offer will be used to satisfy Subscriptions from the Baronsmead Shareholders until close of business on 3 March 2016. If the Offer is not fully subscribed by close of business on 3 March 2016, the balance, if any, will be used to satisfy the Subscriptions of any other investors.

The Offer is conditional on the Merger being approved by the Existing Shareholders and the BVCT4 Shareholders.

Cheques may be presented for payment on receipt. If the Scheme does not become effective, the Receiving Agent will arrange for refund cheques to be sent to Subscribers whose cheques have been cashed.

Subscription Forms accompanied by a post-dated cheque will not be accepted. Multiple Subscriptions under the Offer from the same Subscriber will be processed in order of receipt. The Company may, in its absolute discretion, reject Subscriptions if cheques do not clear on first presentation. Acknowledgement of the receipt of Subscriptions may be sent in writing or electronically to the Subscriber's email address to be included in his or her Subscription Form.

Following the introduction of the 2014 Finance Act investments in a VCT can now be made through a Nominee. If you would like to apply for New Shares as a Nominee please contact Computershare on 0800 923 1535 for a separate Nominee Subscription Form.

The terms and conditions of Subscription for the New Shares under the Offer are set out on pages 84 to 88 of this document. By signing the Subscription Form, Subscribers will be declaring that they have read the terms and conditions of Subscription and agree to be bound by them. Subscribers are advised to read the notes on how to complete the Subscription Form on pages 89 to 92 of this document.

The Company, the Directors and the Proposed Directors consent to the use of the Prospectus and accept responsibility for the content of the Prospectus with respect to subsequent resale or final placement of Shares by financial intermediaries. The offer period within which subsequent resale or final placement of Shares by financial intermediaries can be made and for which consent to use the Prospectus is given is from the date of the Prospectus until 24 March 2016. There are no conditions attaching to this consent. Financial intermediaries may only use the Prospectus in the UK.

Where a financial intermediary is used, information on the terms and conditions of the Offer will be given to Subscribers by financial intermediaries at the time the Offer is made to them. Any financial intermediary using this document must state on its website that it is using this document in accordance with the consent set out above.

Please send all completed Subscription Forms to the Receiving Agent by post to Computershare Investor Services PLC, Computershare Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Part IV – The Company

Investment objective

The Company is a tax-efficient listed company which aims to achieve long-term investment returns for private investors, including tax-free dividends. Funds raised under the Offer will be utilised by the Company in accordance with its investment policy. Following the Merger, it is intended that the Enlarged Company will continue to co-invest with the other Baronsmead VCTs, enabling it to invest into larger transactions and into more established unquoted companies, depending on the Investment Manager's ability to find and invest in such transactions.

Investment policy

The Company's investment policy is to invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities and interest bearing securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM traded investments are primarily held in ordinary shares. Pending investment in VCT qualifying and non-VCT qualifying unquoted, AIM-traded and other quoted securities (which may be held directly or indirectly through collective investment vehicles), cash is primarily held in interest bearing accounts, money market open ended investment companies (OEICs), UK gilts and treasury bills.

UK companies

Investments are primarily made in companies which are substantially based in the UK, although many of these investees may have some trade overseas.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15 per cent. by value of its investments calculated in accordance with section 278 of the Tax Act (VCT Value) in a single company or group of companies and must have at least 70 per cent. of its investments by VCT Value throughout the period in shares and securities comprised in qualifying holdings. At least 70 per cent. by VCT Value of qualifying holdings must be in "eligible shares", which are ordinary shares which have no preferential rights to assets on a winding up and no rights to be redeemed, but may have certain preferential rights to dividends. For funds raised before 6th April 2011, at least 30 per cent. by VCT Value of qualifying holdings must be in "eligible shares" which are ordinary shares which do not carry any rights to be redeemed or preferential rights to dividends or to assets on a winding up. At least 10 per cent. of each Qualifying Investment must be in "eligible shares".

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding.

Asset mix

The Company aims to be at least 90 per cent. invested, directly or indirectly, in VCT qualifying and non-qualifying growth businesses subject always to the quality of investment opportunities and the timing of realisations. It is intended that at least 75 per cent. of any funds raised by the Company will be invested in VCT Qualifying Investments. Non-VCT Qualifying Investments held in unquoted, AIM-traded and other quoted companies may be held directly or indirectly through collective investment vehicles.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within different qualifying industry sectors using a mixture of securities. Generally no more than £2.5 million, at cost, is invested in the

same company. The maximum the Company will invest in a single company (including a collective investment vehicle) is 15 per cent. of its investments by VCT Value. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

Investment style

Investments are selected in the expectation that the application of private equity disciplines, including an active management style for unquoted companies, will enhance value and enable profits to be realised from planned exits.

Co-investment

The Company aims to invest in larger more mature unquoted and AIM-traded companies and to achieve this it invests alongside the other funds managed by the Investment Manager, which includes the other Baronsmead VCTs.

Management retention

Certain members and employees of the Investment Manager invest in unquoted investments alongside the Company. This scheme is in line with current practice of private equity houses and its objective is to attract, recruit, retain and incentivise the Investment Manager's team and is made on terms which align the interests of Shareholders and the Investment Manager.

Borrowing powers

The Company's policy is to use borrowing for short term liquidity purposes only up to a maximum of 25 per cent. of the Company's gross assets, as permitted by the Articles.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

It is proposed that the Enlarged Company will update its investment policy to ensure it is consistent with the HMRC guidance on the legislative changes to the VCT rules, which is expected to be published in the first quarter of this year. Shareholders will be provided with further information in relation to the changes following the publication of the HMRC guidance. The current investment policy is set out in full above.

Established company with invested portfolio

The Company was established in January 2001 and had a Net Asset Value of 110.34 pence as at 30 November 2015. As at 21 January 2016, the Company had investments in 24 unquoted companies, 48 quoted companies and an investment in Wood Street giving investment exposure to a further 39 AIM-traded and fully listed companies.

With the exception of one unquoted investment and the investment in Wood Street, Baronsmead VCT 4's portfolio is identical to the Company's portfolio. The Company has no current intention to increase its investment in Wood Street. The Enlarged Company is therefore expected to have an investment portfolio that is substantially the same as the Company's investment portfolio. Summaries of the Company's unaudited investment portfolio as at 30 November 2015 and the expected investment portfolio of the Enlarged Company, are shown in the following table.

	Number of directly held portfolio companies	Percentage of net assets in asset class			
		Investments in unquoted companies	Investments in AIM-traded and fully listed companies	Investment in Wood Street	Cash and investments in fixed interest securities
The Company as at 30 November 2015	74	40	35	11	14
The Enlarged Company	74	42	36	6	16

The future performance of the Enlarged Company's portfolio will be determined in the short to medium term by its investment portfolio. As investments are sold and new investments made, the longer term performance of the Enlarged Company's portfolio will be determined by the Investment Manager's ability to find, select and manage such new investments. The market for stock in smaller unquoted and quoted companies is often less liquid than that for larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such investments. In addition, past performance is no indication of future performance.

Track record

Since the launch of the Company in January 2001, the Company has raised approximately £90 million (net of costs). As at 30 November 2015, the unaudited net asset value of the Company was £82.1 million having paid dividends of approximately £57 million and having bought back shares at a cost of approximately £13 million.

The Company has paid an average annual dividend of 6.9 pence per Share (equivalent to 9.1 pence per Share to those Qualifying Investors who are higher rate tax payers), since launch. Over the last five years, the Company has paid an average annual dividend of 9.4 pence per Share (equivalent to 12.5 pence per Share to those Qualifying Investors who are higher rate tax payers). A summary of the track record of the Company since launch and in the last five years is set out in the table below.

NAV*	Average annual dividends paid per Share since launch**	Unaudited NAV total return per Share since launch*	Average annual dividends paid per Share in last five years**	Unaudited NAV total return per Share in last five years*
£m	(p)	(p)	(p)	(p)
82.1	6.9	286.8	9.4	161.5

* As at 30 November 2015.

** As at 31 December 2015 (unaudited and includes the second interim dividend of 4.5 pence paid on 18 December 2015).

Note: AIC methodology: NAV total return to the investor, including the original amount invested (rebased to 100 pence) from launch, assuming dividends paid were reinvested at the NAV of the Company at the time the Shares were quoted ex-dividend.

The past performance of the Company is not a reliable indicator of the future performance of the Enlarged Company. The market for stock in smaller unquoted and quoted companies is often less liquid than that for larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such investments.

Investment outlook

The Company has an established and diverse portfolio of investments that continue to perform well.

The economic environment in the UK continues to improve, albeit concerns remain regarding the potential impact of continued slow growth in the EU and the downward growth trend in China. The environment for young growing companies in the UK remains positive although the sources of finance to assist them to achieve growth remains limited.

The changes to the VCT rules brought about by the Finance (No.2) Act 2015 have caused the Investment Manager to implement some changes to the investment focus of the Company. In the future it is anticipated that an increasing proportion of the Company's investments will be in businesses that are slightly younger and at an earlier stage in their development than currently, but the focus will remain in investments in companies that are established, well managed, growing and profitable at the time of investment.

Co-investment with other funds

The Company aims to invest in unquoted and AIM-traded companies and invests alongside the other funds managed by the Investment Manager, which includes the other Baronsmead VCTs.

It is intended that the Enlarged Company will continue to co-invest alongside other funds managed by the Investment Manager.

Dividends

The Board aims to maintain a minimum annual dividend or around 4.5 pence per Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed.

The Board has sought to maintain a regular flow of dividends to Shareholders over time, as illustrated in the table below. It has done so through the retention of some of the profits realised from the sale of investments for the payment of future dividends, where it has been possible and appropriate to do so. The Board of the Enlarged Company intends to continue this strategy in the future where appropriate, and at the sole discretion of the Board, should it consider it to be in the best interests of Shareholders and subject to the legal and regulatory requirements at the time.

Dividends paid in the previous five financial years (pence per Share)						
Financial year to 31 December	2011	2012	2013	2014	2015	Average
	7.5	7.5	7.5	17.0	7.5	9.4

It is the intention of the Enlarged Company that Shareholders receive dividends twice a year following the publication of the interim and final results, as shown in the table below.

Interim reporting date	Normally paid	Financial year end	Normally paid
30 June	September	31 December	April

The ability of the Company to meet its dividend policy objective cannot be guaranteed and depends primarily on the level and timing of profitable realisations of its investments. As a result, there may be variations in the amounts and timing of dividends paid year on year. The value of the investment in, and the dividend stream from a company can rise and fall.

Share buy back policy

The Company will buy back its Shares if, in the opinion of the Board, a repurchase of Shares would be in the best interests of Shareholders as a whole. The Company will seek to buy back its Shares at a 5.0 per cent. discount to Net Asset Value. Any purchases of Shares will be made subject to the Listing Rules of the UK Listing Authority, other statutory and regulatory restrictions and will be made within the guidelines established from time to time by the Board. There can be no guarantee that the Company will be able to maintain its share buy back policy and future share buy backs, if any will depend on market circumstances at the time.

Shareholder communications

The Directors are committed to a policy of regular and open communication with Shareholders and this is expressed not only in the statutory accounts but also through quarterly updates, annual general meetings and Shareholder surveys.

Annual running costs

Annual running costs, including the Investment Manager's fees, Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of business (but excluding any performance fees payable to the Investment Manager and irrecoverable VAT), are capped at 3.5 per cent. of the Company's net assets, any excess being met by the Investment Manager by way of reduction in future management fees. Further details of the fees paid to the Investment Manager are set out in Part V of this document.

Capital structure

The Company has one class of share in issue, Ordinary Shares. The Ordinary Shares are listed on the premium segment of the Official List and traded on the Main Market. As at 21 January 2016 (the latest practicable date prior to the publication of this document) there were 74,393,966 Ordinary Shares in issue (excluding Shares held in treasury).

New Shares issued pursuant to the Issues will rank equally in all respects with the existing Ordinary Shares.

The ISIN number for the Ordinary Shares is GB0030028103. The SEDOL number for the Ordinary Shares is 3002810.

Further details of the rights attaching to the Ordinary Shares are set out in paragraph 3 of Part VIII of this document.

Accounts and auditors

The accounting reference date of the Company is 31 December and annual accounts are usually dispatched in March each year with half yearly accounts for the six month period to 30 June being dispatched in September each year. The auditors of the Company are KPMG LLP.

Publication of NAV

The NAV of an Ordinary Share is calculated by the Investment Manager in accordance with the Company's accounting policies. The NAV of an Ordinary Share will be calculated at least on a monthly basis and published via a Regulatory Information Service. The most recent unaudited NAV and share price of an Ordinary Share are available free on the website of the London Stock Exchange. The calculation of the NAV of an Ordinary Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

Advising ordinary retail investors

The Company currently conducts its affairs so that the Shares can be recommended by financial intermediaries to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The FCA's restrictions which apply to non-mainstream investment products do not apply to any of the Shares because they are shares in a VCT which, for the purposes of the FCA rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail investors without restriction.

VCT status

The Board has managed and intends to continue to manage the affairs of the Company in order that it complies with the legislation applicable to VCTs. In this regard, the Company has retained Philip Hare & Associates LLP to advise on its VCT status. The Company has continued to conduct its affairs so as to comply with section 274 of the Tax Act for its current financial year and will continue to do so for subsequent periods. However, there can be no guarantee that VCT status will be maintained and investors' attention is drawn to Part IX of this document.

Part V – Directors, Investment Manager and administration of the Company

Existing Directors

The Board currently comprises four Directors, all of whom are non-executive and independent of the Investment Manager. The Directors are responsible for the determination of the Company's investment policy and the overall supervision of the Company. The Directors are as follows:

Anthony Townsend (Chairman) Anthony has over 40 years experience in financial services. He was previously a director of Rea Brothers Group plc, a non-executive director of Worldwide Healthcare Trust plc and was chairman of the Association of Investment Companies. He is chairman of British & American Investment Trust plc, Gresham House plc, F&C Global Smaller Companies plc, Finsbury Growth & Income Trust plc and Miton Worldwide Growth Investment Trust plc and a non-executive director of Hansa Capital Ltd.

Andrew Karney Andrew was deputy chairman and a shareholder of Language Line Limited in which Baronsmead VCT 3 was an investor. He was formerly chairman of Integrity Action, an international integrity reform non-governmental organisation and was a director of The Guardian Media Group plc, Guardian News and Media Ltd, Integrated Micro Products plc and a number of unquoted companies. He was a founder director of Cable London plc and an executive director of Logan plc. He is also a chartered engineer.

Gillian Nott OBE Gillian has in-depth experience of private investors from her experience as chief executive of ProShare (1994–1999). Previously she was responsible for the private equity portfolio at BP and has been on the board of the Financial Services Authority, the predecessor to the FCA. In addition, Gillian held board positions at Liverpool Victoria Friendly Society (director), Association of Investment Companies (deputy chairman), Martin Currie Global Portfolio Investment Trust plc (non-executive director) and Witan Pacific Investment Trust plc (chairman). Gillian is also currently on the Boards of BlackRock Smaller Companies Trust plc and JP Morgan Russian Securities plc.

Ian Orrock Ian has particularly wide experience having founded, developed and sold a number of businesses particularly focussing on the international media, technology and telecoms sectors ("TMT") and has worked at board level in quoted global organisations. He is a founder and director of a number of TMT businesses including Arkessa, tvguide.co.uk and Iotic-Labs and was a non-executive director of Henderson Private Equity Investment Trust plc until June 2013.

Proposed Directors

It is intended that on the Effective Date Andrew Karney and Gillian Nott OBE will stand down from the Board. It is intended that Robert Owen and Malcolm Groat (currently BVCT4 Directors) will join the Board at the Effective Date. Robert Owen and Malcolm Groat will both be non-executive Directors and are independent of the Investment Manager. The Proposed Directors who will join the Board on the Effective Date are as follows:

Malcolm Groat Malcolm is a fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales and the Royal Society for the encouragement of Arts, Manufactures and Commerce. During his career, Malcolm has worked as finance director for global businesses in engineering, construction and financial services. He has also served as chairman or non-executive director in a number of significant businesses and currently holds directorships at established companies Corps Security, Maritime House and Tekcapital plc, and at young ventures daVictus plc and Landmark Development Group. He is also a director of an overseas consulting firm that supports innovators in many sectors including disruptive technologies, construction and mineral extraction.

Robert Owen Robert is Chairman of Baronsmead VCT 4. He is a business consultant to developing businesses and formerly a director of Baronsmead VCT 3 and several unquoted companies. Previously he was a senior manager at Coutts and Co, responsible for the overall running of the venture capital investment portfolio. He was involved with tax efficient and private equity investment for many years as an adviser and commentator.

The Investment Manager

The Investment Manager and its related predecessor businesses have managed the Baronsmead VCTs since the incorporation of Baronsmead VCT plc in 1995. As at 30 November 2015, the combined net asset value of the Baronsmead VCTs including the Company was approximately £374 million. Livingbridge and Livingbridge EP LLP (a sister partnership to Livingbridge) have offices in London, Birmingham and Manchester and as at 21 January 2016 (being the last practicable date before the publication of this document) had a total of 73 members and employees, 40 being engaged in finding, investing in and managing investments on behalf of its VCT and institutional clients. As at 31 December 2015, Livingbridge EP LLP managed approximately £750 million on behalf of its institutional clients.

The Investment Manager aims to bring capital and strategic support to profitable growth businesses that have ambitious management teams, scaleable business models and the potential for market leadership. The Investment Manager takes an active role in helping the portfolio companies to grow through organic development and/or acquisition, providing expertise from within its own team and helping to source external support when required.

Details of the senior members of the Investment Manager's VCT team are set out below:

Wol Kolade has been the managing partner (formerly managing director) of Livingbridge since 2000 and leads the team of investment professionals. He joined Livingbridge in 1993 from Barclays Bank plc and has played a key role in the strategic and operational development of the business and, in particular, the development of Livingbridge's investment strategy. He is a past chairman of the British Private Equity and Venture Capital Association.

Andrew Garside joined Livingbridge in 2005 and has been leading new investment teams investing on behalf of the Baronsmead VCTs since that date. Notable investments include the successful realisations of Inspired Thinking Group and Nexus. He remains jointly responsible for the overall management of the Baronsmead VCTs and works closely with Paul Morris who now leads investment activity. He has extensive private equity experience having previously worked on growth investments at 3i plc for 15 years (1989 to 2004), latterly as the Director of a large regional office for 3i.

Paul Morris joined Livingbridge in 2003 and is now responsible for the new investment activity for the Baronsmead VCTs, leading the unquoted investment teams in London, Birmingham and Manchester. He has been investing on behalf of the Baronsmead VCTs since 2003 and notable deals include Quantix and Cablecom, both successful realisations. Previously he worked at Barclays for 18 years, which included seven years in the Leveraged Finance team.

Ken Wotton joined Livingbridge in February 2007 and leads the quoted investment team managing AIM and other listed investments on behalf of the Baronsmead VCTs and Wood Street. He had previously spent two years at Evolution Securities where he worked in equity research, specialising in the telecoms and technology sectors, focusing on smaller companies with significant experience of AIM market fund raisings. Prior to that, he spent five years in the equity research department of Commerzbank Securities where he focused on the pan-European telecoms sector. Ken qualified as a chartered accountant with KPMG in London.

Adam Holloway joined Livingbridge in 1999 and has overall responsibility for all portfolio management activities within Livingbridge. He also directly manages investments and has been an active board member of several Baronsmead investee companies. Previously he worked at Deloitte where his experience encompassed corporate finance, corporate restructuring and insolvency.

Sheenagh Egan joined Livingbridge in 1997. She is the chief operating officer of Livingbridge and is jointly responsible for the overall management of the Baronsmead VCTs. Before joining Livingbridge, her experience encompassed both corporate finance, advising on private equity transactions, and corporate recovery. She trained as a chartered accountant with Deloitte, and has also worked for PricewaterhouseCoopers.

Michael Probin joined Livingbridge in 1999 and is responsible for investor relations with respect to the Baronsmead VCTs. He has experience of tax efficient investments, having previously worked on Business Expansion Scheme products at AXA Sun Life Group from 1989 to 1999.

Tania Hayes joined Livingbridge in 2005 and has worked on the Baronsmead VCTs since then, progressing from administration assistant to Finance Manager in 2011 and qualified as a Chartered Management Accountant in 2012 while working for Livingbridge. Previously she had worked at a Chartered Accountancy practice in New Zealand for eight years where she commenced her accounting training.

Custodian arrangements

JPMorgan Chase Bank has been appointed as the custodian of the assets of the Company which are traded on a recognised exchange. JPMorgan Chase Bank has its registered office 1111 Polaris Parkway, Columbus, Ohio 43240, United States and its principal place of business in the UK is 52 Bank Street, Canary Wharf, London E14 5JP. Its telephone number is 0212 270 6000. The Custodian is authorised by the PRA and regulated by the FCA and PRA.

Ipes holds the share certificates in relation to the Company's unquoted investments. Ipes has its registered office at 1 Royal Plaza Avenue, St Peter Port, Guernsey GY1 2HL. Its telephone number is 01481 713843.

Management and administration

Under the Investment Management Agreement, the Investment Manager receives a fee of 2.5 per cent. per annum of the net assets of the Company. In addition, the Investment Manager receives an annual secretarial and accounting fee of £44,861 (linked to the movement in RPI), subject to annual review, plus a variable fee of 0.125 per cent. of the net assets of the Company which exceed £5 million. The annual secretarial and accounting fee is subject to a maximum of £133,438 per annum (linked to the movement in RPI) subject to annual review.

If the Scheme becomes effective it is likely that the secretarial and accounting arrangement will be replaced with a fee of £143,000 for the Enlarged Company (linked to the movement in the RPI) subject to annual review.

Annual running costs are capped at 3.5 per cent. of the net assets of the Company (excluding any performance fee payable to the Investment Manager and irrecoverable VAT), any excess being refunded by the Investment Manager by way of an adjustment to its management fee.

Performance fee and management incentive

Performance fee

In line with normal VCT practice, the Investment Manager is also entitled to receive a performance related fee. The performance fee will not be payable to the Investment Manager until the total return on the net proceeds of the Ordinary Shares exceeds an annual threshold of 8.0 per cent. (simple). To the extent that the total return exceeds the threshold over the relevant period then a performance fee of 10 per cent. of the excess will be paid to the Investment Manager. The amount of any performance fee which is paid in an accounting period shall be capped at 5.0 per cent. of shareholders' funds for that period. No performance fee was payable for the year ended 31 December 2014.

Management incentivisation and retention

The Board wishes the Investment Manager to maintain the quality of its investment teams in the VCT and private equity market place. As a result, a co-investment incentive scheme was introduced in November 2004 to help attract, recruit, retain and incentivise the Investment Manager's staff.

Founding members and certain members and employees of the Investment Manager are invited to participate in the scheme. Members of the scheme are required to subscribe for, in aggregate, 12 per cent. of each investment being made in ordinary shares in the unquoted investee company by the Company. Members of the scheme have to invest in all unquoted investments (unless the aggregate amount to be invested in ordinary shares by the Companies is greater than £1.425 million and participation would be onerous or the investee company is within the biotechnology or biopharmaceutical sectors) and cannot choose in which investments to participate.

Other fees received by the Investment Manager

In addition to the fees described above, which are paid by the Company, the Investment Manager receives advisory fees in connection with new investments which are paid by the relevant investee company. Where expenses have been incurred and the investment does not proceed, the Investment Manager pays any abort fees. The Investment Manager also receives monitoring fees from unquoted portfolio companies. Details of these fees are disclosed each year in the Company's annual report and accounts.

Both the management and performance fees set out above (the management fee taking priority) are reduced by an amount equal to any fee received by the Investment Manager in respect of investments made by the Company in Wood Street.

Conflicts of interest

The Investment Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so. As a result, the Investment Manager may have conflicts of interest in allocating investments among the Baronsmead VCTs and other clients and in effecting transactions between the Company and other clients. The Investment Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

The Board of the Company has noted that the Investment Manager has other clients and have satisfied themselves that the Investment Manager has procedures in place to address potential conflicts of interest.

Part VI – Pro forma financial information

Section A – Report by Scott-Moncrieff on the unaudited pro forma financial information relating to the Enlarged Company

The Directors
Baronsmead VCT 3 plc
100 Wood Street
London
EC2V 7AN

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

25 January 2016

Dear Sirs

Baronsmead VCT 3 plc (the “Company”)

We report on the pro forma financial information (the “**Pro forma Financial Information**”) set out in Section B of Part VI of the prospectus dated 25 January 2016 (the “**Prospectus**”) of Baronsmead VCT 3 plc, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Scheme might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the six months ending 30 June 2015. This report is required by item 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the “**PD Regulation**”) and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules, or consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex 1 of the PD Regulation consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

Yours faithfully

Scott-Moncrieff

Section B – Unaudited pro forma financial information relating to the Enlarged Company

Part 1 – Unaudited pro forma statement of earnings

The following unaudited pro forma statement of earnings has been prepared to illustrate the effect of the Scheme on the earnings of the Enlarged Company as if the Scheme had become effective at the start of the period, 1 January 2015.

The unaudited pro forma statement of earnings has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not, therefore, represent the Enlarged Company's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma statement of earnings is based on the earnings of the Company and Baronsmead VCT 4 for the six months ended 30 June 2015, as set out in the half yearly reports for that period (summarised in Part VII of this document) which have been prepared on a basis consistent with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland.

Unaudited pro forma statement of net assets for the period ended 30 June 2015

	Baronsmead VCT 3 plc (Note 1) £'000	Baronsmead VCT 4 plc (Note 1) £'000	Adjustments Merger costs (Note 2) £'000	Pro forma total £'000
Fixed asset investment holdings gain	4,142	3,314	—	7,456
Realised gain on disposal of fixed asset investments	473	473	—	946
Other income	711	708	—	1,419
Management fees	(933)	(911)	—	(1,844)
Performance fee incentive	—	—	—	—
Other expenses	(246)	(244)	(365)	(855)
Profit before taxation	4,147	3,340	(365)	7,122
Taxation	—	—	—	—
Profit after taxation	4,147	3,340	(365)	7,122
Dividends paid	—	—	—	—
Retained profit for period	4,147	3,340	(365)	7,122

Notes

1. The earnings of the Company and Baronsmead VCT 4 for the six months ended 30 June 2015 have been extracted without material adjustment from their half yearly reports for that period as summarised in Part VII of this document.

Adjustments

2. An adjustment has been made to reflect the proportion of transaction costs relating to the Scheme which are to be expensed. This adjustment will not have a continuing impact on the earnings of the Enlarged Company.
3. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Scheme occurred on 1 January 2015 and that may subsequently have affected the results of the Company in the six months ended 30 June 2015.
4. No account has been taken of the trading performance of the Company or Baronsmead VCT 4 since 30 June 2015 nor of any other event save as disclosed above.

Part 2 – Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Enlarged Company has been prepared to illustrate the effect on the net assets of the Enlarged Company as if the Scheme had taken place on 1 January 2015.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Company's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of the Company and Baronsmead VCT 4 for the six months ended 30 June 2015, as set out in the half yearly reports for that period (summarised in Part VII of this document) which have been prepared on a basis consistent with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland.

	Baronsmead VCT 3 plc (Note 1) £'000	Baronsmead VCT 4 plc (Note 1) £'000	Adjustments Merger costs (Note 2) £'000	Pro forma total £'000
Fixed asset investments	70,536	62,648	—	133,184
Debtors	272	269	—	541
Cash at bank and on deposit	9,516	11,039	—	20,555
Creditors	(612)	(572)	(365)	(1,549)
Net current assets	9,176	10,736	(365)	19,547
Net assets	79,712	73,384	(365)	152,731

Notes

1. The net assets of the Company and Baronsmead VCT 4 as at 30 June 2015 have been extracted without material adjustment from their half yearly reports for the period ended 30 June 2015 as summarised in Part VII of this document.

Adjustments

2. An adjustment has been made to reflect the proportion of transaction costs relating to the Scheme which are to be expensed.
3. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Scheme occurred on 1 January 2015 and that may subsequently have affected the results of the Company in the six months ended 30 June 2015.

Part VII – Financial information (including portfolio information)

1. Introduction

The Company has produced annual statutory accounts for the three financial years ended 31 December 2014. The Company's auditors, KPMG LLP of Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG have reported on these statutory accounts without qualification and without statements under sections 495 to 497 of the CA 2006.

The annual reports for the three years ended 31 December 2014 were prepared in accordance with UK generally accepted accounting practice ("GAAP"). The annual report for the year ended 31 December 2015 will be prepared under UK Accounting Standards, including FRS 102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland. The annual reports of the Company for the financial years ended 31 December 2013 and 31 December 2014 have been prepared in a manner which is consistent with that which will be adopted in the next annual report of the Company (to be prepared in accordance with FRS 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements prepared under these two accounting frameworks.

The annual reports referred to above were also prepared in accordance with the fair value rules of the CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The annual reports contain a description of the Company's financial condition, changes in financial condition and results of operations for each relevant financial year and are being incorporated by reference and can be accessed at the following website: www.baronsmeadvcts.co.uk.

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of the Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the Prospectus.

2. Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three years ended 31 December 2014 and the six months ended 30 June 2014 and 30 June 2015 as set out in the table below and is incorporated by reference into this document.

Nature of Information	Statutory accounts for the year ended 31 December 2012 Page No	Statutory accounts for the year ended 31 December 2013 Page No	Statutory accounts for the year ended 31 December 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2015 Page No
Financial Headlines	2	1	3	1	2
Balance sheet	38	42	43	14	14
Income statement	37	41	42	12	12
Reconciliation of movements in Shareholders' funds	37	41	42	13	13
Cash flow statement	39	43	44	15	15
Independent auditor's report	35	38	40	—	—
Notes to the financial statements	40	44	45	—	—

Historical financial information relating to Baronsmead VCT 4 on the matters referred to below is included in the published annual report and audited accounts of Baronsmead VCT 4 for the three years ended 31 December 2014 and the six months ended 30 June 2014 and 30 June 2015 as set out in the table below and is incorporated by reference into this document.

Nature of Information	Statutory accounts for the year ended 31 December 2012 Page No	Statutory accounts for the year ended 31 December 2013 Page No	Statutory accounts for the year ended 31 December 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2015 Page No
Financial Headlines	1	1	3	1	2
Balance sheet	35	41	43	9	14
Income statement	34	40	42	8	12
Reconciliation of movements in Shareholders' funds	34	40	42	8	13
Cash flow statement	36	42	44	10	15
Independent auditor's report	32	37	40	—	—
Notes to the financial statements	37	43	45	—	—

3. Selected financial information

The information in this paragraph 3 has been extracted directly from the financial information referred to in paragraph 2 of this Part VII. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 31 December 2014 is set out in the following table:

Nature of information	Audited financial results for the year ended 31 December 2012	Restated audited financial results for the year ended 31 December 2013	Restated audited financial results for the year ended 31 December 2014
Net asset value			
Net assets (£'000)	74,562	74,879	76,617
Net asset value per Ordinary Share (p)	111.62	113.40	101.72
Income			
Revenue return after taxation (£'000)	363	2,322	1,425
Revenue return per Ordinary Share (p)	0.58	3.50	1.95
Dividend per Ordinary Share (p)	7.50	7.50	17.00
Portfolio summary			
Shareholders' funds (£'000)	74,562	74,879	76,617
Ordinary Share price (p)	105.38	106.25	95.00

Selected historical financial information relating to the Company which summarises the financial condition of the Company for the six months ended 30 June 2014 and 30 June 2015 is set out in the following table:

Nature of information	Half yearly report for the six months ended 30 June 2014	Half yearly report for the six months ended 30 June 2015
Net asset value		
Net assets (£'000)	82,531	79,712
Net asset value per Ordinary Share (p)	110.15	107.35
Income		
Revenue return after taxation (£'000)	315	232
Revenue return per Ordinary Share (p)	0.44	0.31
Dividend per Ordinary Share (p)	8.0	3.0
Portfolio summary		
Shareholders' funds (£'000)	82,531	79,712
Ordinary Share price (p)	105.00	99.38

Selected historical financial information relating to Baronsmead VCT 4 which summarises the financial condition of Baronsmead VCT 4 for the three financial years ended 31 December 2014 is set out in the following table:

Nature of information	Audited financial results for the year ended 31 December 2012	Audited financial results for the year ended 31 December 2013	Audited financial results for the year ended 31 December 2014
Net asset value			
Net assets (£'000)	66,246	65,337	71,144
Net asset value per Ordinary Share (p)	101.92	100.06	95.41
Income			
Revenue return after taxation (£'000)	327	2,214	1,423
Revenue return per Ordinary Share (p)	0.53	3.39	1.95
Dividend per Ordinary Share (p)	7.0	7.0	9.0
Portfolio summary			
Shareholders' funds (£'000)	66,246	65,337	71,144
Ordinary Share price (p)	96.88	95.00	89.00

Selected historical financial information relating to Baronsmead VCT 4 which summarises the financial condition of Baronsmead VCT 4 for the six months ended 30 June 2014 and 30 June 2015 is set out in the following table:

Nature of information	Half yearly report for the six months ended 30 June 2014	Half yearly report for the six months ended 30 June 2015
Net asset value		
Net assets (£'000)	73,261	73,384
Net asset value per Ordinary Share (p)	97.76	100.03
Income		
Revenue return after taxation (£'000)	303	236
Revenue return per Ordinary Share (p)	0.43	0.32
Dividend per Ordinary Share (p)	6.0	3.0
Portfolio summary		
Shareholders' funds (£'000)	73,261	73,384
Ordinary Share price (p)	92.75	92.13

4. Operational and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Performance Summary", "Chairman's Statement", "Manager's Review" and "Full Investment Portfolio" in the published statutory accounts of the Company for the periods stated as follows and are incorporated by reference into this document:

Nature of Information	Statutory accounts for the year ended 31 December 2012 Page No	Restated statutory accounts for the year ended 31 December 2013 Page No	Restated statutory accounts for the year ended 31 December 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2015 Page No
Performance Summary	3	3	4	2	3
Chairman's Statement	5	5	5	4	5
Manager's Review	7	8	8	—	—
Full Investment Portfolio	60	62	61	16	18

A description of changes in the performance of Baronsmead VCT 4, both capital and revenue, and changes to Baronsmead VCT 4's portfolio of investments is set out in the sections headed "Performance Summary", "Chairman's Statement", "Manager's Review" and "Full Investment Portfolio" in the published statutory accounts and half yearly reports of Baronsmead VCT 4 for the periods stated as follows and are incorporated by reference into this document:

Nature of Information	Statutory accounts for the year ended 31 December 2012 Page No	Statutory accounts for the year ended 31 December 2013 Page No	Statutory accounts for the year ended 31 December 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2014 Page No	Half yearly report and accounts for the six months ended 30 June 2015 Page No
Performance Summary	2	3	4	2	3
Chairman's Statement	3	4	5	3	5
Manager's Review	5	7	8	—	—
Full Investment Portfolio	56	60	61	11	18

5. Significant change

Since 30 June 2015 (being the end of the last financial period of the Company for which financial information has been published) there has been no significant change in the financial or trading position of the Company.

6. Significant gross change

The participation of the Company in the Scheme will constitute a significant gross change in relation to the Company. Had the Scheme become effective on 30 June 2015 (being the date of the Company's latest published financial information) and had the Company completed the acquisition of Baronsmead VCT 4's assets and liabilities on that date, the effect of this significant gross change would have been to increase the net assets of the Company by approximately £73.4 million (being the aggregate of the assets of Baronsmead VCT 4 (after deduction of any amounts retained by the Liquidators to meet its liabilities), less the aggregate costs and expenses to be met by the Company in connection with the Proposals). The participation of the Company in the Scheme is not expected to have a material impact on the Company's earnings per Share.

7. Capitalisation and indebtedness

The following table shows the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 21 January 2016.

	As at 30 November 2015 £'000	As at 21 January 2016 £'000
Total current debt		
Guaranteed	—	—
Secured	—	—
Unguaranteed/unsecured	—	—
Total non-current debt		
Guaranteed	—	—
Secured	—	—
Unguaranteed/unsecured	—	—
Shareholders' equity		
Share capital	8,463	8,463
Other reserves	73,627	70,219
Total debt and Shareholders' equity	82,090	78,682

The information in the table above is unaudited financial information of the Company as at 30 November 2015, extracted from internal accounting records. There has been no material change to the capitalisation of the Company since 30 November 2015.

The following table shows the Company's net indebtedness at 30 November 2015.

	£'000
A. Cash	5,577
B. Cash equivalent	6,498
C. Trading Securities	37,240
D. Liquidity (A+B+C)	49,315
E. Current financial receivable	302
F. Current bank debt	—
G. Current portion of non-current debt	—
H. Other current financial debt	—
I. Current financial debt (F + G + H)	—
J. Net current financial indebtedness (I - E - D)	(49,617)
K. Non-current bank loans	—
L. Bonds issued	—
M. Other non-current loans	—
N. Non-current financial indebtedness (K + L + M)	—
O. Net financial indebtedness (J + N)	(49,617)

The information in the table above is unaudited financial information of the Company and has been extracted from internal accounting records as at 30 November 2015 and has not been reported on by an accountant.

8. Working capital

The Company is of the opinion that, the working capital available to the Company is sufficient for its present requirements (that is for at least the next 12 months from the date of this document).

9. Net Asset Value

The unaudited NAV per Ordinary Share as at 30 November 2015 (being the latest date in respect of which the Company has published its NAV per Share) was 110.34 pence.

10. Analysis of the Company's investment portfolio

As at 30 November 2015, the Company's portfolio consisted of 25 unquoted investments, 48 quoted investments and exposure to another 35 investments through the Company's investment in Wood Street. Baronsmead VCT 4's portfolio consisted of 24 unquoted investments and 48 quoted investments. As at 30 November 2015 (being the date of the latest valuations of the Company's portfolio) the aggregate valuation of the Company's portfolio was £70.3 million. In addition the Company had cash and liquidity fund investments of approximately £11.8 million. As at 30 November 2015, the Net Asset Value per Ordinary Share was 110.34 pence.

Between 1 December 2015 and 21 January 2016 (being the latest practicable date prior to the publication of this document), the Company invested £0.2 million in one additional AIM-traded company and received £7.3 million from the sale of its investments in one unquoted company and an AIM-traded Company. As Baronsmead VCT 4 co-invests in the same investments as the Company, Baronsmead VCT 4 made the same investments and received approximately the same amount as the Company from the sale of its investments over the same period.

An unaudited summary of the Company's unquoted and quoted portfolio (representing at least 50 per cent. of its gross assets as at the date of this document (the values of NAV being as at 30 November 2015)) is set out below:

	Cost £'000	Market Value £'000	% of NAV
Unquoted	25,169	33,014	40
Quoted	19,779	28,483	35
Wood Street	3,525	8,757	11

The following tables show the distribution of the Company's portfolio by sector, asset class and time investments held as at the date of this document (the valuations are based on valuations as at 30 November 2015, the latest date for which valuations have been produced):

By sector	% by value
Business Services	37
Consumer Markets	18
Healthcare and Education	11
Technology, Media and Telecommunications	34
By asset class	% by value
Unquoted – loan stock	26
Unquoted – equity	15
AIM, listed, ISDX and collective investment vehicle	45
Listed interest bearing securities	5
Net current assets (principally cash)	9
By time investments held	% by value
Less than 1 year	17
Between 1 and 3 years	25
Between 3 and 5 years	16
Greater than 5 years	42

The table below shows the Company's portfolio as at the date of this document (the valuations are based on valuations as at 30 November 2015, the latest date for which valuations have been produced):

Company	Sector	Location	Book cost £'000	Valuation £'000
Unquoted investments				
Crew Clothing Holdings Ltd	Consumer Markets	London	1,453	2,437
Happy Days Consultancy Ltd	Healthcare and Education	Cornwall	1,710	1,937
Create Health Ltd	Healthcare and Education	London	953	1,743
Pho Holdings Ltd	Consumer Markets	London	990	1,557
Kingsbridge Ltd	Business Services	Gloucestershire	851	1,459
CableCom II Networking Holdings Ltd	Technology, Media and Telecommunications	Somerset	1,250	1,443
Carousel Logistics Ltd	Business Services	Kent	955	1,396
Key Travel Ltd	Business Services	London	954	1,299
Eque2 Ltd	Technology, Media and Telecommunications	Manchester	766	1,297
Upper Street Events Ltd	Consumer Markets	London	953	1,202
Valldata Group Ltd	Business Services	Melksham	1,221	1,194
Centre4 Testing Ltd	Business Services	Sussex	954	1,133
Kirona Ltd	Technology, Media and Telecommunications	Cheshire	955	1,054
IP Solutions Ltd	Technology, Media and Telecommunications	London	954	962
Kalyke Investment Ltd	Business Services	London	956	956
Yeo Bridge Ltd	Business Services	London	956	956
Mortgages Made Easy Ltd	Consumer Markets	London	956	955
Cr7 Services Ltd	Technology, Media and Telecommunications	Kent	949	949
Armstrong Craven Ltd	Business Services	Manchester	673	901
Cerillion plc	Technology, Media and Telecommunications	London	900	900
Independent Community Care Management Ltd	Healthcare and Education	Kettering	1,358	833
Fisher Outdoor Leisure Holdings Ltd	Consumer Markets	St Albans	1,423	478
Playforce Holdings Ltd	Business Services	Melksham	0	100
Carnell Contractors Ltd	Business Services	Penkridge	941	0
Xention Discovery Ltd	Healthcare and Education	Cambridge	893	0
Total unquoted investments			24,924	27,141
AIM investments				
IDOX plc	Technology, Media and Telecommunications	London	614	2,882
Netcall plc	Technology, Media and Telecommunications	St Ives	869	2,501
Tasty plc	Consumer Markets	London	594	2,451
TLA Worldwide plc	Business Services	London	733	1,618
Dods (Group) plc	Technology, Media and Telecommunications	London	1,219	1,335
Ideagen plc	Technology, Media and Telecommunications	Matlock	675	1,266
Inspired Energy plc	Business Services	Kirkham	287	1,232
Bioventix plc	Healthcare and Education	Surrey	227	1,060

Company	Sector	Location	Book cost £'000	Valuation £'000
Plastics Capital plc	Business Services	London	793	836
Anpario plc	Healthcare & Education	Surrey	152	792
Driver Group plc	Business Services	Rossendale	563	786
Sanderson Group plc	Technology, Media and Telecommunications	Coventry	612	781
Escher Group plc	Technology, Media and Telecommunications	Dublin	614	759
Centralnic Group plc	Technology, Media and Telecommunications	London	459	671
Gama Aviation plc	Business Services	Oxford	388	626
EG Solutions plc	Technology, Media and Telecommunications	Staffordshire	714	594
Venn Life Science plc	Healthcare and Education	London	612	589
Electric Word plc	Technology, Media and Telecommunications	London	696	575
Martinco plc	Consumer Markets	Bournemouth	343	566
Vianet Group plc	Business Services	Glasgow	646	502
Interquest Group plc	Business Services	London	310	461
Everyman Media plc	Consumer Markets	London	391	434
Crawshaw Group plc	Consumer Markets	Rotherham	200	433
Belvoir Lettings plc	Consumer Markets	Lincolnshire	376	363
Daily Internet plc	Technology, Media and Telecommunications	Stockport	340	358
Castleton Tech plc	Technology, Media and Telecommunications	Cambridge	101	317
Plant Impact plc	Business Services	Hertfordshire	189	276
Begbies Traynor plc	Business Services	Manchester	231	249
Brady plc	Technology, Media and Telecommunications	Cambridge	176	226
Wey Educations plc	Healthcare & Education	London	214	214
STM Group plc	Business Services	Gibraltar	161	212
Scholium Group plc	Consumer Markets	London	450	180
Paragon Entertainment plc	Consumer Markets	London	258	152
Science in Sport plc	Consumer Markets	London	144	144
MXC Capital plc	Business Services	Guernsey	113	142
Synectics plc	Business Services	London	296	117
Tangent Comms plc	Business Services	London	523	110
Pinnacle Technology plc	Technology, Media and Telecommunications	Stirling	219	83
Mi-Pay Group plc	Business Services	Surrey	400	83
Totally plc	Healthcare and Education	London	35	79
One Media IP Group plc	Technology, Media and Telecommunications	Buckinghamshire	113	78
Gresham House plc	Technology, Media and Telecommunications	London	56	69
Fulcrum Utility plc	Business Services	Nottingham	51	43
Synety Group plc	Technology, Media and Telecommunications	Leicester	113	38

Company	Sector	Location	Book cost £'000	Valuation £'000
Ubisense Group plc	Technology, Media and Telecommunications	Cambridge	130	31
APC Technology plc	Business Services	Cheshire	932	10
Marwyn Management Partners plc	Business Services	London	525	5
Zoo Digital Group plc	Technology, Media and Telecommunications	Sheffield	584	5
Total quoted investments			19,441	27,334
Wood Street Microcap Investment Fund			3,525	8,757
Total			47,890	63,232

Set out below are further details of the Company's top ten investments by value as at 30 November 2015 (being the latest date for which valuations have been produced):

IDOX plc

IDOX group is a leading software and information management, solutions provider, providing local authorities with software and managed services. These deliver seamless integration and automation from consumer website through to document storage. In the private sector, its engineering information management software combines McLaren and CTSpace, who are leaders in their markets.

The Baronsmead VCTs first invested in IDOX in 2002, approximately two years after the company floated on AIM. Over the last decade IDOX has shown strong growth through a combination of organic growth and acquisition, and is now seeking to diversify from its core local authority markets into the private sector to become a leading player in industries like oil, gas and pharmaceuticals.

Netcall plc

Netcall is one of the UK's leading providers of customer engagement solutions. They support organisations to deliver outstanding customer service and achieve a realistic return on their investment. Some of the challenges their solutions can help overcome include customer contact across multiple channels, resource utilisation, improving customer satisfaction ratings, process automation, unifying communications effectively and maximising available budget.

Currently over 750 organisations in the Public, Private and Healthcare markets use one or more of the Netcall solutions which include contact management, business process management, workforce optimisation and enterprise content management.

Tasty plc

Tasty is a branded restaurant operator in the UK casual dining market. Tasty's two core trading brands are Dim T and Wildwood restaurants. Wildwood serves pizza, pasta and grills and offers customers a warm homely and rustic feeling. It is core growth brand with 17 units around the M25 and South East of England. Dim T serves pan Asian food with Dim Sum and offers customers a modern, ethnic and relaxed feel, trading from six units. It is primarily more London focused, positioned in high footfall areas. With both brands now established and the group having achieved critical mass Tasty is now self-funding for its continued roll-out strategy. Tasty's highly regarded management team have prior experience of opening over 20 restaurants a year and have critical knowledge of the UK property market, which underpins this strategy.

Crew Clothing Holdings Limited

Crew Clothing Co is an English clothing brand with a wide range of active, outdoor and casual wear for men and women. Since it was founded in 1993, the brand has evolved into the fast growing premium active and casual wear sectors, but retained its unique heritage and positioning. Today it is a well known, respected and aspirational clothing brand in the UK.

The business is a multi-channel retailer with its own significant retail estate, wholesale accounts and direct mail order channels. It is growing by expanding all these routes to market as the brand grows in presence.

Happy Days Consultancy Limited

Happy Days is a leading child day care and early years education provider operating from 17 settings across the South West. The business focussed on delivering outstanding quality childcare in premium settings within its geographic markets.

The investment will enable Happy Days to continue its UK organic expansion strategy through supporting the funding of developing new leasehold nursery settings in attractive markets.

Create Health Limited

Create Health is a renowned fertility clinic specialising in Natural and Mild In Vitro Fertilisation (IVF) and In Vitro Maturation (IVM). Natural and Mild IVF uses lower levels of drugs making it cheaper, safer and healthier for the mother and baby.

Its leading edge fertility service has an international reputation through its research and development of advanced ultrasound techniques, IVM and the one stop fertility MOT. The investment will enable the business to expand nationally and internationally, making this type of choice available to more women.

TLA Worldwide plc

TLA Worldwide acts as sports management and marketing agency concentrating its on-field practice on the US baseball market. The company reports its business activities in two areas: Baseball Representation and Sports marketing. Baseball Representation: mainly assists the on field activities of baseball players, including all aspects of a player's contract negotiation. Sports marketing: mainly assists the off-field activities of athletes. In addition it represents broadcasters and coaches in respect of their contract negotiations.

Pho Holdings Limited

Pho is a fast casual restaurant chain serving Vietnamese food. Pho – a noodle soup – is the national dish of Vietnam. Pho also offer an array of Vietnamese dishes, coffees, beers and fresh juices.

Pho was founded in 2005 and now operates from 17 sites in an array of channels; London High St sites (e.g. Soho, Clerkenwell); regional sites (e.g. Brighton, Leeds); and food courts in malls (e.g. Westfield).

Kingsbridge Risk Solutions Limited

Kingsbridge, based in Tewkesbury is a specialist insurance broker operating through two distinct divisions. The KCI division has developed a core “all risks” product tailored to meet the insurance needs of contractors and freelance professionals. Through its strong reputation and comprehensive package, the business has built a referral network and partner channel providing access to contractors across a broad mix of occupations and end corporate industries. The business continues to benefit from a growing market of freelance professionals.

The KIB division offers an expert risk management advisory proposition to niche markets such as the water and insolvency practitioner sectors. It is recognised as one of the leading insurance brokers servicing these markets.

CableCom II Networking Holdings Limited

CableCom Networking are the market leaders in providing managed communication services to high density accommodation throughout the UK serving the student, keyworker and residential markets. Under long term contracts, it manages the full range of communication services including broadband, telephony and TV. Since investment, the proposition has been transformed by adding additional services such as a fully interactive web portal offering a wide range of services to both the accommodation owner and user.

Part VIII – Additional information

1. Incorporation and general

- 1.1. The Company was incorporated and registered in England and Wales on 22 November 2000 as a public company limited by shares with registered number 04115341. The Company operates under the CA 2006 (and the regulations from time to time made thereunder). Its registered office and principal place of business is at Livingbridge, 100 Wood Street, London EC2V 7AN (telephone number 020 7506 5717). Save for its compliance with the CA 2006 (and the regulations from time to time made thereunder), the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not an authorised or regulated entity.
- 1.2. The objects of the Company are unrestricted.
- 1.3. The Company has been granted approval as a VCT under section 274 of the Tax Act and the Directors have managed and intend to manage the affairs of the Company in such a manner so as to comply with section 274 of the Tax Act.
- 1.4. The Company is registered as a small UK registered Alternative Investment Fund under the Alternative Investment Fund Managers Directive.
- 1.5. Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 16 March 2016. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Offer for Subscription will become effective on 16 March 2016.
- 1.6. The Investment Manager was incorporated and registered in England and Wales on 16 June 2006 as a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC320408. The Investment Manager operates under the Limited Liability Partnerships Act 2000 and the regulations from time to time made thereunder. Its registered office and principal place of business is at 100 Wood Street, London EC2V 7AN (telephone number 020 7506 5600). The Investment Manager is authorised and regulated by the FCA.
- 1.7. JPMorgan Chase Bank was registered in England and Wales on 1 January 1993 as an overseas company with registered number FC004891. Its registered office is at 1111 Polaris Parkway, Columbus, Ohio 43240, United States and its principal place of business in the UK is 25 Bank Street, Canary Wharf, London E14 5JP (telephone 020 7777 2000). JPMorgan Chase Bank is authorised by the PRA and regulated by the FCA and PRA with firm reference number 124491.
- 1.8. Ipes was incorporated and registered in Guernsey on 9 January 1998 with registered number 33475. Its registered office is at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL (telephone number is 01481 713843).

2. Share capital and indebtedness

- 2.1. The issued share capital of the Company (all of which is, and will be, fully paid) as at the date of this document and immediately following completion of the Issues (assuming the maximum number of New Shares available under the Issues are issued) is and will be:

	Number of Ordinary Shares	Nominal value of each Share
As at the date of this document		
Ordinary Shares	74,393,966	10 pence
Immediately following completion of the Scheme and Offer*		
Ordinary Shares	151,225,903	10 pence

* **Note:** The above table assumes that 68,044,591 New Shares are issued pursuant to the Scheme and 8,787,346 New Shares are issued pursuant to the Offer.

As at the date of this document, 10,234,214 Shares are held by the Company in treasury.

- 2.2. The following changes have occurred in the share capital of the Company between 1 January 2012 and 30 June 2015 (being the period covered by the historical financial information incorporated by reference into this document):
 - 2.2.1. On 20 February 2012, the Company issued 3,853,400 ordinary shares of 10 pence each at an offer price of 107.30 pence per share pursuant to an offer for subscription.
 - 2.2.2. On 29 February 2012, the Company purchased a total of 300,000 ordinary shares of 10 pence each at a price of 92.00 pence per share to be held in treasury.
 - 2.2.3. On 28 March 2012, the Company purchased a total of 125,000 ordinary shares of 10 pence each at a price of 92.75 pence per share to be held in treasury.
 - 2.2.4. On 30 May 2012, the Company purchased a total of 231,897 ordinary shares of 10 pence each at a price of 96.5 pence per share to be held in treasury.
 - 2.2.5. On 30 August 2012, the Company purchased a total of 85,000 ordinary shares of 10 pence each at a price of 97.0 pence per share to be held in treasury.
 - 2.2.6. On 27 September 2012, the Company purchased a total of 200,000 ordinary shares of 10 pence each at a price of 94.50 pence per share to be held in treasury.
 - 2.2.7. On 29 November 2012, the Company purchased a total of 180,000 ordinary shares of 10 pence each at a price of 99.50 pence per share to be held in treasury.
 - 2.2.8. On 19 December 2012, the Company purchased a total of 185,000 ordinary shares of 10 pence each at a price of 103.50 pence per share to be held in treasury.
 - 2.2.9. On 21 December 2012, the Company issued 4,258,668 ordinary shares of 10 pence each at an offer price of 117.40p per share pursuant to an offer for subscription.
 - 2.2.10. On 27 March 2013, the Company purchased a total of 220,000 ordinary shares of 10 pence each at a price of 104.0 pence per share to be held in treasury.
 - 2.2.11. On 30 May 2013, the Company purchased a total of 550,000 ordinary shares of 10 pence each at a price of 106.25 pence per share to be held in treasury.
 - 2.2.12. On 14 March 2014, the Company issued 8,896,261 ordinary shares of 10 pence each at an offer price of 112.40 pence per share pursuant to an offer for subscription.
 - 2.2.13. On 19 September 2014, the Company purchased a total of 190,000 ordinary shares of 10 pence each at a price of 100.5 pence per share to be held in treasury.
 - 2.2.14. On 18 December 2014, the Company purchased a total of 200,000 ordinary shares of 10 pence each at a price of 94.755 pence per share to be held in treasury.
 - 2.2.15. On 27 March 2015, the Company purchased a total of 330,000 ordinary shares of 10 pence each at a price of 96.75 pence per share to be held in treasury.
 - 2.2.16. On 29 June 2015, the Company purchased a total of 735,000 ordinary shares of 10 pence each at a price of 99.0 pence per share to be held in treasury.
- 2.3. As at 1 January 2012, the Company had in issue 59,997,534 Ordinary Shares and, as at 30 June 2015, the Company had in issue 74,253,966 Ordinary Shares (excluding treasury shares). Since 1 July 2015 and up to 21 January 2016, being the latest practicable date before publication of this document, the Company has issued a further 140,000 Ordinary Shares.
- 2.4. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5. At the annual general meeting of the Company held on 16 April 2015, *inter alia*;

- 2.5.1. the Directors were, in substitution for all subsisting authorities to the extent unused, generally and unconditionally authorised in accordance with section 551 of the CA 2006 to allot shares in the Company up to an aggregate nominal amount of £3,765,948 (such authority to expire on the fifth anniversary following the passing of the resolution);
 - 2.5.2. the Directors were, in substitution for all subsisting authorities to the extent unused, generally and unconditionally empowered pursuant to sections 570 and 573 of the CA 2006 to allot equity securities (as defined in section 560 of the CA 2006) for cash, pursuant (save in relation to a transfer of equity shares out of treasury) to the authority referred to in paragraph 2.5.1 above, as if section 561 of the Companies Act did not apply to any such allotment (such authority to expire on the expiry of fifteen months following the passing of the resolution or, if earlier, the conclusion of the Company's next annual general meeting); and
 - 2.5.3. the Company was authorised, generally and unconditionally, in accordance with section 701 of the CA 2006 to make market purchases (within the meaning of section 693(4) of the CA 2006) of no more than 9,898,302 Ordinary Shares in aggregate or, if lower, up to 14.99 per cent. of the issued Ordinary Shares (such authority to expire on the expiry of fifteen months following the passing of the resolution or, if earlier, the conclusion of the Company's next annual general meeting).
- 2.6. At the General Meeting of the Company to be held on 3 March 2016:
- 2.6.1. the Directors will seek authority, in addition to any existing authority, in accordance with section 551 of the CA 2006 to allot shares in the Company to BVCT4 Shareholders under the Scheme up to an aggregate nominal value of £8,000,000;
 - 2.6.2. the Directors will seek authority, in addition to any existing authority, in accordance with section 551 of the CA 2006 to allot shares in the Company under the Offer up to an aggregate nominal amount of £3,500,000 and in addition to any existing authority, in accordance with sections 570 and 573 of the CA 2006 to allot equity securities (as defined in section 560 of the CA 2006) for cash, pursuant to the authority referred to in this paragraph, as if section 561 of the Companies Act did not apply to such allotments; and
 - 2.6.3. subject to confirmation of the High Court, the share capital of the Company at the time the court order confirming such cancellation is made be reduced by cancelling the entire amount standing to the credit of the Company's share premium account and subject to any undertaking required by the High Court, the credit thereby arising in the Company's books of account from the cancellation of the Company's share premium account be applied by crediting a special reserve which shall be applied in any manner in which the Company's profits available for distribution are to be applied (as determined in accordance with the CA 2006 and the Reduction of Share Capital Order 2008 and subject to the limitations on the return of capital introduced by the 2014 Finance Act) including buying back shares, writing off losses and enhancing the ability to make distributions.
- 2.7. The disapplication of statutory pre-emption rights in the terms provided under the special resolutions noted at paragraphs 2.5.2 and 2.6.2 of this Part VIII has given and will give the Company the flexibility to resell Ordinary Shares which it may purchase and hold in treasury for cash without first being required to offer such Ordinary Shares to Shareholders in proportion to their existing holdings.
- 2.8. In order for the Company to issue the New Shares, Shareholders will be asked at the General Meeting to pass a resolution in relation to the Company's share capital to authorise the Directors to allot New Shares in connection with the Scheme.
- 2.9. The provisions of section 561 of the CA 2006, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply except as referred to in paragraphs 2.5.2 and 2.6.2 of this Part VIII.
- 2.10. It is expected that the New Shares will be allotted pursuant to resolutions of the Board on or around 11 March 2016.

- 2.11. Under the terms of the Scheme and the Offer, the New Shares will be issued in registered form and may be held in certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of Shares under the CREST system.
- 2.12. Temporary documents of title will not be issued in respect of the New Shares in certificated form. Definitive certificates for New Shares issued pursuant to the Scheme are expected to be despatched in the week commencing 21 March 2016.
- 2.13. Panmure Gordon & Co acts as market maker in respect of the Ordinary Shares.

3. Summary of the Company's Articles

The Articles were adopted on 18 May 2010 by way of special resolution and contain, *inter alia*, provisions as summarised below.

3.1. Voting rights

Subject to the provisions of the CA 2006 or any special terms as to voting on which any shares may have been issued, or may for the time being be held, and to any suspension or abrogation of voting rights pursuant to the Articles, on a show of hands every member who is present in person or by proxy at any general meeting of the Company shall have one vote and on a poll every member who is present in person or who (being a corporation) is present by a representative or by proxy shall have one vote for every share of which he is the holder.

3.2. Issue of shares

Subject to the provisions of the CA 2006 and the Articles and to any relevant authority of the Company in general meeting required by the CA 2006, unissued shares shall be at the disposal of the Board and they may allot, grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons at such time and on such terms as the Board may decide, provided that no share may be issued at a discount to its nominal value. The Board may also issue redeemable shares on such terms as provided in the Articles.

3.3. Transfer of shares

Subject to such of the restrictions of the Articles and CA 2006 as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in the usual form or in any other form that the Board may approve. Such instrument shall be signed for or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The Board may, in its absolute discretion, refuse to register any transfer of a share unless (i) it is in respect of a share which is fully paid up, (ii) it is in respect of only one class of shares, (iii) it is in favour of a single transferee or not more than four joint transferees, (iv) it is duly stamped (if so required) and (v) it is delivered for registration to the registered office of the Company or such other place as the Board may reasonably require to prove the title of the transferor and the due execution of the transfer by him or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

3.4. Variation of rights

Where the Company's share capital is divided into different classes of shares, the rights attached to any shares or class of shares may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class of shares. The quorum for such a class meeting is two persons holding or representing by proxy at least one third of the nominal amount of the issued shares of that class.

3.5. Alteration of capital

The Company may from time to time in general meeting, by ordinary resolution, increase its share capital by such sums to be divided into shares of such amount as the resolution prescribes, consolidate and divide all or any of its share capital into shares of larger nominal amounts than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled, and sub-divide its shares, or any of them into shares of a smaller amount and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred or deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

3.6. Dividends and distributions

The Company may, subject to the provisions of the CA 2006 and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the CA 2006, in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. The Board may, if authorised by an ordinary resolution of the Company, offer shareholders in respect of any dividend the right to receive shares instead of cash. The Board may withhold dividends payable (with no obligation to pay interest thereon) on shares after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under the Articles or the CA 2006 until such failure has been remedied. Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall, if the Board resolves, be forfeited and shall revert to the Company.

3.7. Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company (a "Relevant Period"), distribution of the Company's capital profits (within the meaning of section 833(2)(c) of the CA 2006) shall be prohibited except to the extent that the requirements for investment company status under section 833 of the CA 2006 do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, repayment of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the CA 2006, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or repayment of or other dealing with any investments or other capital assets and, subject to the CA 2006, any expense or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which the sums standing to any revenue reserve are applicable except and provided that, notwithstanding any other provision of the Articles, no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829 of the CA 2006), except to the extent that the requirements for investment company status under section 833 of the CA 2006 do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association, or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829 of the CA 2006) or applied in paying dividends on any shares in the Company.

3.8. **Duration and winding up**

The Board shall procure that, at the annual general meeting of the Company falling after the fifth anniversary of the then latest allotment of shares and every third annual general meeting thereafter, an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT. If, at any such meeting, such resolution is not passed the Board shall, within nine months of such meeting, convene an extraordinary general meeting to propose a special resolution for the re-organisation or re-construction of the Company and (if such resolution is not passed) a special resolution to wind up the Company voluntarily. In the case of the special resolution relating to voluntary winding up only, any member may demand a poll and each holder of shares present in person or by proxy and who votes in favour of the special resolution shall have such number of votes in respect of each share held by him (including fractions of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of shares in respect of which votes are cast against the resolution and each holder of shares who votes against the resolution shall have one vote for each share held by him.

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution and subject to any sanction, divide among the members in specie or in kind the whole or part of the assets of the Company and may determine how such a division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved, but no member shall be compelled to accept any assets in respect of which there is a liability.

3.9. **Directors**

3.9.1. Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate directors) shall not be less than two and not more than ten in number.

3.9.2. The Company may by ordinary resolution appoint a person who is willing to be a Director. The Board may appoint any person who is willing to act as a Director. The Board may appoint one or more of its body to hold any employment or executive office and may revoke or terminate such appointment, without prejudice to any claim for damages for breach of contract between the Director and the Company.

3.9.3. A Director shall not be required to hold any shares in the Company.

3.9.4. The Company may by ordinary resolution remove any Director before the expiration of his period of office.

3.9.5. The business and affairs of the Company shall be managed by the Board, which may exercise all such powers of the Company, subject nevertheless to the provisions of the CA 2006 and the Articles and to any directions given by the Company in general meeting by special resolution.

3.9.6. Subject to the provisions of the Articles, at every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not a multiple of three, then the number nearest to but not exceeding one third, shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director will retire.

3.10. **Authorisation of interests of Directors**

3.10.1. Subject to the provisions of the CA 2006 and of the Articles, a Director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;

- (b) may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;
 - (c) may be a Director or other officer, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
 - (d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.
- 3.10.2. A Director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.
- 3.10.3. Save as provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he is, to his knowledge, alone or together with any person connected with him, materially interested, unless the resolution concerns any of the following matters:
- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (b) a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 - (c) any proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiaries in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (d) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other body corporate (a “**relevant company**”) in which he (together with persons connected with him), directly or indirectly (and whether as an officer or shareholder, creditor or otherwise), does not hold or have a beneficial interest in 1.0 per cent. or more of either a relevant company or an intermediate company (as defined in the Articles) (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
 - (e) any contract, arrangement, transaction or proposal relating to an arrangement for the benefit of the employees of the Company or its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to which such arrangement relates, and concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees’ share scheme under which he may benefit and which either has been approved by or is subject to and conditional on approval by, HMRC for taxation purposes or relates to both employees and Directors of the Company (or any of its subsidiaries) and does not accord to any Director as such

any privilege or advantage not accorded to the employees to which such scheme or fund relates; or

- (f) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors pursuant to the Articles.

3.10.4. A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

3.10.5. Subject to the provisions of the CA 2006 and the Articles:

- (a) the Board shall have the power to purchase and maintain insurance at the expense of the Company for, or for the benefit of any persons who are or were at any time Directors, officers or employees of the Company, including insurance against any liability incurred by such persons in relation to or in connection with their duties, powers or offices in relation to the Company; and
- (b) every Director, alternate director, secretary and other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, damages and liabilities incurred by him in connection with his duties or the exercise of his powers.

3.11. **Borrowing powers**

The Board may exercise all powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the CA 2006, to create and issue debentures, other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Such powers are however limited so that the aggregate principal amount outstanding in respect of monies borrowed by the Company shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 25 per cent. of the value of its gross assets.

3.12. **General meetings**

Annual general meetings and general meetings at which it is proposed to pass a special resolution shall be called by not less than 21 clear days notice in writing. Any other general meeting shall be called by not less than 14 clear days notice in writing.

3.13. **Uncertificated Shares**

Uncertificated Shares may be transferred by means of a relevant system. The Board may refuse to register a transfer of uncertificated Shares in such circumstances as may be permitted or required by the regulations relating thereto and the relevant system.

4. **Directors', Proposed Directors' and others' interests**

- 4.1. It is estimated that the aggregate financial remuneration to be paid, and benefits in kind granted, to the Directors by the Company for the last completed financial period of the Company to 31 December 2014 was £97,500. The total financial remuneration to be paid and benefits in kind granted to the Directors will not be varied as a consequence of the Issue. The Directors who

served the Company during the year ended 31 December 2015 received the said aggregate remuneration in the form of the following fees:

Name	Year ended 31 December 2014
Anthony Townsend	£29,500
Gillian Nott OBE	£24,000
Andrew Karney	£22,000
Ian Orrock	£22,000

It is proposed that Robert Owen will be paid £22,000 per annum each in respect of his appointment as a non-executive director of the Enlarged Company and Malcolm Groat will be paid £24,000 in respect of his appointment as Chairman of the Audit Committee of the Enlarged Company.

It is estimated that the aggregate remuneration to be paid and benefits in kind granted to the Directors by the Company for the current financial period will not exceed £97,500. Save as set out in this paragraph 4.1, the total fees receivable by the Directors will not be varied as a result of the Proposals. None of the Directors are eligible for bonuses, pensions, retirement or other similar benefits or share options.

- 4.2. Each of Anthony Townsend, Andrew Karney, Gillian Nott and Ian Orrock has been appointed pursuant to the terms of letters of appointment with the Company dated 4 August 2009, 10 January 2001, 10 January 2001 and 21 October 2010 respectively. The total amount payable to the Directors for the year end 31 December 2014 was £97,500. The fees will be reviewed annually by the Board and may be increased in line with market rates. No amounts have been set aside by the Company to provide pension, retirement or similar benefits. Robert Owen and Malcolm Groat (currently BVCT4 Directors) will become Directors and enter into letters of appointment with the Company if the Proposals become effective. Robert Owen and Malcolm Groat will resign and stand for re-election at the Annual General Meeting, being the first annual general meeting of the Company after they join the Board. The fees payable to the Directors are set out in paragraph 4.1 above. The fees will be reviewed annually and may be increased in line with usual market rates. Save as set out in this paragraph 4.2, there are no existing or proposed letters of engagement between any Director and the Company.
- 4.3. No Director has, or has had, any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4. The Company has no current borrowings nor any borrowing requirements and the Directors have no current intention of making any borrowings.
- 4.5. The Directors or Proposed Directors do not have any options over Ordinary Shares. As at the date of this document, the Directors, the Proposed Directors, or their immediate families and related trusts, had the following interests in the issued share capital of the Company (all of which are beneficial) and will, if the Proposals are implemented, have the following interests (all of which are beneficial) immediately following the implementation of the Proposals (based on the assumptions set out below): (a) which are required to be notified to the Company pursuant to the Disclosure and Transparency Rules; or (b) being interests of persons connected (within the meaning given in the Disclosure and Transparency Rules) with the Directors or the Proposed Directors which would, if such persons were a Director, be required to be disclosed under (a) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director or the Proposed Director:

Name	Ordinary Shares currently held	Percentage of current issued share capital	New Shares to be issued pursuant to Issues	Percentage of issued share capital following the Issues
Anthony Townsend	151,199	0.203%	25,174	0.117%
Andrew Karney	104,340	0.140%	11,851	0.077%
Gillian Nott OBE	93,962	0.126%	45,121	0.092%
Ian Orrock	31,150	0.042%	9,740	0.027%
Robert Owen	10,709	0.014%	125,888	0.090%
Malcolm Groat	—	—	36,097	0.024%

Notes:

- (1) The figures above assume that 76,831,937 New Shares are issued pursuant to the Issues.
 - (2) Robert Owen holds 125,824 BVCT4 Shares and it is assumed that he would be issued 117,101 New Shares under the Scheme.
 - (3) Malcolm Groat holds 15,182 BVCT4 Shares and it is assumed that he would be issued 14,129 New Shares under the Scheme.
 - (4) Anthony Townsend holds 8,167 BVCT4 Shares and it is assumed that he would be issued 7,600 New Shares under the Scheme.
 - (5) Andrew Karney holds 12,734 BVCT4 Shares and it is assumed that he would be issued 11,851 New Shares under the Scheme.
 - (6) Gillian Nott holds 48,482 BVCT4 Shares and it is assumed that he would be issued 45,121 New Shares under the Scheme.
 - (7) Ian Orrock holds 1,025 BVCT4 Shares and it is assumed that he would be issued 953 New Shares under the Scheme.
- 4.6. The Directors are not aware of any person or persons who directly or indirectly, jointly or severally, exercise control over the Company or could do so following completion of the Issues.
- 4.7. As at 21 January 2016 (being the latest practicable date prior to publication of this document), the Company is not aware of any person who is or, following the Issues will be, interested directly or indirectly in 3.0 per cent. or more of the issued share capital of the Company.
- 4.8. There are no different voting rights for any Shareholder, save those which derive from the Articles.
- 4.9. Details of those companies (other than the Company) and partnerships of which the Directors and the Proposed Directors have been a member of the administrative, management or supervisory body or a partner at any time during the five years immediately preceding the date of this document (apart from their directorships of the subsidiaries of any issuers of which the Directors and the Proposed Directors are or have been members of the administrative, management or supervisory bodies) are as follows:

	<i>Current directorships</i>	<i>Previous directorships</i>
Anthony Townsend	British & American Investment Trust PLC Cranleigh Foundation Cranleigh School F&C Global Smaller Companies PLC Finsbury Growth & Income Trust PLC Gresham House PLC Hansa Capital Limited Miton Global Opportunities plc	Worldwide Healthcare Trust PLC
Andrew Karney	Medical Aid For Palestinians	Conclusive Logic Limited Integrity Action
Gillian Nott OBE	Baronsmead VCT 2 plc Baronsmead VCT 5 plc BlackRock Smaller Companies Trust plc JPMorgan Russian Securities plc	Martin Currie Global Portfolio Trust plc The Association of Investment Companies Witan Pacific Investment Trust plc

	<i>Current directorships</i>	<i>Previous directorships</i>
Ian Orrock	Acrossair Limited Arkessa Limited Iotic Labs Limited Silchester Limited Tvguide.co.uk Limited	Imano Limited Intermediate Management Limited
Robert Owen	Baronsmead VCT 4 plc	None
Malcolm Groat	Baronsmead VCT 4 plc Corps of Commissionaires Management Ltd daVictus PLC Landmark Development Group Ltd London Mining PLC (in liquidation) MMM Consulting Ltd Tekcapital PLC	Cordula Home Improvements Limited Equatorial Energy plc Nusantara Energy Limited

4.10. As at the date of this document there are no potential conflicts of interest between any of the Directors' duties to the Company and their private interests and/or other duties.

4.11. Save as disclosed in paragraph 4.9 above, as at the date of this document, none of the Directors or the Proposed Directors:

4.11.1. has any convictions in relation to fraudulent offences during the previous five years;

4.11.2. has in the past five years immediately preceding the date of this document been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of (i) a member of the administrative, management or supervisory body, (ii) a partner with unlimited liability in the case of a limited partnership with a share capital, (iii) a founder where the company had been established for fewer than five years or (iv) a senior manager during the previous five years; or

4.11.3. has been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the previous five years.

5. Corporate governance

The Board consists solely of non-executive Directors of whom Anthony Townsend is Chairman and Andrew Karney is the Senior Independent Director. All of the Directors are considered by the Board to be independent of the Manager and the Board does not consider that a Director's tenure reduces his/her ability to act independently.

Gillian Nott is also a director of Baronsmead VCT 2 plc and Baronsmead VCT 5 plc, both of which are managed by Livingbridge. The Board regularly considers the independence of its Directors and has concluded that, as Mrs Nott consistently provides the Investment Manager with robust challenge and approaches her role in a way that satisfies her fellow Directors that she continues to be independent in character and judgement, the existence of the aforementioned appointments does not impede her independence.

By reporting against the AIC Code and by following the AIC Corporate Governance Guide, as at the date of this document the Company complies with its obligations under the UK Code.

In view of the requirement in the Articles that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code and provision B.2.3 of the UK Code. However, the Board has agreed that each Director will retire and, if appropriate, seek re-election after each three years service and annually after serving on the Board for more than nine years.

The Board has delegated certain responsibilities and functions to the audit committee, the management engagement and remuneration committee and the nomination committee.

The audit committee, chaired by Gillian Nott, operates within clearly defined terms of reference and comprises all the Directors. Following the Merger it is expected that Malcolm Groat will chair the audit committee. The duties of the audit committee include reviewing the annual and interim accounts, the system of internal controls, the terms of appointment of the auditors together with their remuneration, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditors. It also provides a forum through which the auditors may report to the Board and meets at least twice yearly.

The management engagement and remuneration committee, chaired by Gillian Nott, comprises all of the Directors and reviews the appropriateness of the Investment Manager's appointment together with the terms and conditions thereof on a regular basis.

The nomination committee, chaired by Anthony Townsend, comprises all of the Directors and is convened for the purpose of considering the appointment of additional directors as and when considered appropriate. In considering appointments to the Board, the nomination committee takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience and knowledge within its Board, together with diversity of experience and approach.

6. Material contracts

The following are the only material contracts (being contracts other than contracts entered into in the ordinary course of business) that have been entered into by the Company during the period beginning two years prior to publication of this document and which are, or may be, material to the Company, or are all of the contracts which have been entered into by the Company and contain any provisions under which the Company has any obligations or entitlements which are material as at the date of this document:

6.1. Investment Management Agreement

A management agreement that was made on 20 December 2006, as supplemented on 11 October 2007, varied on 19 May 2009 and, by way of an oral agreement, in August 2012 and as amended and restated on 1 June 2014 whereby the Investment Manager agreed to provide investment management services to the Company. Livingbridge have appointed JPMorgan Chase Bank to provide custodian services in respect of the assets that are traded on a recognisable exchange and Ipes to provide custodian services in relation to its non-quoted assets. The Investment Management Agreement is terminable by either party at any time by 12 months' prior written notice. The Investment Management Agreement is subject to early termination in the event of, *inter alia*, a party committing a material breach of the Investment Management Agreement and/or becoming insolvent, and by the Company if the Investment Management Agreement and/or becoming insolvent, and by the Company if the Investment Manager ceases to be regulated by the FCA or ceases to provide its services or perform its obligations to the Company pursuant to the Investment Management Agreement.

Under the Investment Management Agreement, Livingbridge is entitled to receive an annual management fee of 2.5 per cent. of the Company's net assets, calculated and paid on a quarterly basis. In addition the Investment Manager receives a secretarial and administrative fee of £44,861 per annum (linked to the movement in the UK Retail Price Index ("**RPI**")), subject to annual review, plus a variable fee of 0.125 per cent. of the net assets of the Company that exceed £5 million. The annual secretarial and administrative fee is capped at £133,438 per annum (linked to the movement in RPI) subject to annual review. If the Scheme becomes effective it is likely that this arrangement will be replaced with a fee of £143,000 for the Enlarged Company (linked to the movement in the RPI, subject to annual review).

Under the terms of the Investment Management Agreement, and in line with normal VCT practice, the Investment Manager is also entitled to receive a performance related incentive fee. A performance fee is payable to the Investment Manager when the total return on the net proceeds of the Ordinary Shares exceeds 8.0 per cent. per annum (simple). To the extent that the total return exceeds the threshold, a performance fee (plus VAT) will be paid to the Investment

Manager of an amount equal to 10 per cent. of the excess. The performance fee payable in any one year is capped at 5.0 per cent. of the net assets.

No performance fee was payable for the year ended 31 December 2014.

The annual running costs of the Company are capped at 3.5 per cent. of the net assets of the Company (excluding any performance fee payable to the Investment Manager and irrecoverable VAT), any excess of this amount is refunded to the Company by the Investment Manager by way of an adjustment to its management fee.

6.2. Custodian agreement with JPMorgan Chase Bank

A global custody agreement between the Company and JPMorgan Chase Bank made on 30 March 2015, whereby JPMorgan Chase Bank is appointed to undertake certain custodian functions in relation to the assets of the Company that are traded on a recognised exchange. JPMorgan Chase Bank is paid an annual fee based on the number of transactions that take place during the relevant period, subject to a minimum annual fee of £30,000 from the Baronsmead VCTs. The agreement provides for an initial period of three years from the date on which JPMorgan Chase Bank commenced providing services under the agreement. Following the initial term the Company may terminate the agreement on 60 written notice and JPMorgan may terminate on 180 days written notice.

6.3. Custodian agreement with Ipes

A safekeeping agreement between the Company and Ipes made on 1 June 2014, whereby Ipes is appointed to undertake certain custodian functions in relation to the Company's non-quoted assets. The fee to be paid to Ipes will be calculated by reference to the number of transactions that take place during the relevant period. Either party may terminated the agreement by giving not less than 60 days written notice.

6.4. Directors' letters of appointment

Letters of appointment between the Company and each of its Directors, dated 10 October 2001 in the case of Andrew Karney and Gillian Nott, 4 August 2009 in the case of Anthony Townsend and 21 October 2010 in the case of Ian Orrock, under which each Director is required to devote such time to the affairs of the Company as the Board reasonably requires and as is consistent with his role as a non-executive Director. The letters are terminable on notice by either party. Other than these letters of appointment, none of the Directors have a service contract with the Company. The total amount payable to the Directors for the year ended 31 December 2014 is £97,500. In the previous financial year Anthony Townsend received £29,500, Gillian Nott £24,000, Andrew Karney £22,000 and Ian Orrock £22,000. No amount has been set aside or accrued by the Company to provide pension, retirement or similar benefits to any of the Directors. No benefits are provided for on termination.

6.5. 2014 cost indemnity letter

A letter from the Investment Manager to Baronsmead VCT plc, Baronsmead VCT 2 plc, the Company and Baronsmead VCT 4 dated 22 January 2014, pursuant to which each of the companies agreed to appoint Livingbridge to project manage the offers for subscription in relation to each of the companies. The letter provided that each company shall be responsible for all costs, charges and expenses of its respective offer for subscription, excluding permissible annual trail commission which may have been payable to intermediaries and which the Investment Manager, or a sister LLP to Livingbridge, agreed to satisfy, for so long as it acts as investment manager to the Company in question. The Investment Manager agreed to indemnify the companies to the extent that the aggregate of all expenses (excluding permissible annual trail commission) exceeded 3.0 per cent. of the gross proceeds of the offers, but that if the aggregate of all expenses (excluding permissible annual trail commission) was less than 3.0 per cent. of such gross proceeds, each Company would pay to the Investment Manager a sum equal to the amount of the difference in proportion to the amounts raised by each of them under their respective offer.

6.6. Offer Agreement

An Offer Agreement between the Company and Livingbridge made on 25 January 2016, pursuant to which Livingbridge were appointed to administrate the Offer for Subscription. As consideration for the services provided by Livingbridge to the Company, the Company shall pay Livingbridge a fee of 3.0 per cent. of the gross proceeds of the Offer. The Offer Agreement provides that Livingbridge shall be responsible for all costs and expenses of and incidental to the Offer.

6.7. Transfer Agreement

If the resolution to be proposed at the Second General Meeting of Baronsmead VCT 4 is passed, the Company will enter into the Transfer Agreement on or about the Effective Date, pursuant to which the undertaking and assets of Baronsmead VCT 4 will be transferred to the Company in consideration for the issue of New Shares to BVCT4 Shareholders. The parties to the Transfer Agreement have entered into irrevocable undertakings, to enter into the Transfer Agreement on the Effective Date.

6.8. Deed of Indemnity

In the resolution to be proposed at the Second General Meeting of Baronsmead VCT 4 is passed, the Company will enter into the Deed of Indemnity with the Liquidators and Baronsmead VCT 4 pursuant to which the Company will undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of Baronsmead VCT 4 and the purchase for cash of any holdings of dissenting BVCT4 Shareholders. The parties to the Deed of Indemnity have entered into irrevocable undertakings to enter into the Deed of Indemnity on the Effective Date.

6.9. Co-investment agreement

A co-investment agreement between the Company and Livingbridge EP LLP (the “**Administrator**”) made on 30 June 2005, as amended and restated on 1 June 2014 and as further varied on 11 August 2015 by an agreement to vary between the Company and the Investment Manager, as more fully described in the paragraph headed “Management incentivisation and retention” in Part V of this document. The co-investment agreement will terminate on 1 November 2017 unless the Company and the Administrator agree in writing that it will terminate on 1 November 2018 or the Administrator resolves to terminate it earlier.

7. Investment and other restrictions

- 7.1. The Company is a closed-ended investment fund and must comply with Chapter 15 of the Listing Rules. In accordance with Chapter 15 of the Listing Rules, the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy. A detailed description of the current investment policy of the Company is set out in Part IV of this document. In accordance with Chapter 15 of the Listing Rules, the Company will not make any material changes to its investment policy without the approval of its Shareholders by ordinary resolution passed at a general meeting of the Company. Such an alteration would be announced by the Company through a Regulatory Information Service provider. The Company will be subject to and will comply with the restrictions regarding investments for closed-ended investment funds that are contained in the Listing Rules.
- 7.2. In the event of any breach of the Company’s investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the Investment Manager (at the time of such a breach) by an announcement issued through a Regulatory Information Service provider.
- 7.3. The Company is not required to be, and is therefore not, regulated by the FCA. In order to obtain Venture Capital Trust status, the Company must, however, obtain and maintain approval as a VCT from HMRC.
- 7.4. The Company is regulated by Part 6 of the Tax Act in respect of the investments it makes. The Company has appointed Philip Hare & Associates LLP as its VCT status adviser. Philip Hare &

Associates LLP will report twice yearly to the Company in its annual and half yearly reporting obligations. In respect of any breach of the VCT rules, the Company will report the matter immediately to HMRC.

- 7.5. The Company will not invest in any derivatives or currencies save for the purpose of efficient portfolio management, that is, solely for the purpose of reducing, transferring or eliminating investment risk in underlying investments.
- 7.6. The Company does not intend to conduct any significant trading activity.
- 7.7. In accordance with Chapter 15 of the Listing Rules, the Company will not invest more than 10 per cent. in aggregate of the value of its total assets at the time of a new investment in other closed-ended investment funds listed on the premium segment of the Official List (except to the extent that those closed-ended investment funds have published investment policies to invest no more than 15 per cent. of their total assets in other closed-ended investment funds listed on the premium segment of the Official List).

8. Related party transactions

Save for the Investment Management Agreement, the 2014 cost indemnity letter and the Offer Agreement the Company is not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) in the period from 1 January 2012 (being the start of the period covered by the historical financial information in Part VII of this document up to the date of this document).

9. General

- 9.1. The aggregate costs and expenses to be incurred by the Company and Baronsmead VCT 4 in connection with the Scheme are expected to be approximately £365,000 (including VAT and stamp duty). It has been agreed that all costs of implementing the Scheme will be met by the Enlarged Company following the completion of the Scheme. It is expected that the costs will result in a payback period of approximately 12 months.
- 9.2. In the event that the Scheme does not become effective, it is estimated that the costs incurred by the Company and Baronsmead VCT 4 in connection with the Scheme and Offer will be in aggregate approximately £385,000. The Company and Baronsmead VCT 4 have agreed to bear these abort costs in proportion to their respective unaudited net asset values as at 30 November 2015, being 52 per cent. and 48 per cent. respectively.
- 9.3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past (covering the 12 months preceding the date of this document), significant effects on the financial position or profitability of the Company.
- 9.4. The Company has no subsidiaries.
- 9.5. The Company has no employees and owns no premises.
- 9.6. Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which it is included.

10. Mandatory bids, squeeze-out and sell-out rules

10.1. Mandatory bids

As a company incorporated in England and Wales with shares to be admitted to trading on the London Stock Exchange, the Company will be subject to the provisions of the Takeover Code. The Takeover Code is issued and administered by the Panel on Takeovers and Mergers. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeovers Directive. Following the implementation of the Takeovers Directive, the rules set out in the Takeover Code which are derived from the Takeovers Directive now have a statutory basis in the United Kingdom.

Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when he/she had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buy back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

10.2. **Squeeze-out and sell-out rules**

Other than as provided by the CA 2006, there are no rules or provisions relating to squeeze-out and sell out rules in relation to the Shares.

11. **Restrictions on transfer**

11.1. **General**

The distribution of this document and offer of New Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

11.2. **European Economic Area**

11.2.1. In relation to each of the EEA States (other than the United Kingdom) which has implemented the Prospectus Directive (each, a “**relevant member state**”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”) no New Shares have been offered or will be offered pursuant to an offer to the public in that relevant member state, except that with effect from and including the relevant implementation date, offers of New Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any New Shares or to whom any offer is made under the Offer will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

- 11.2.2. For the purpose of the expression an “offer of any New Shares to the public” in relation to any New Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Issues and the terms of the Offer of any New Shares, so as to enable a potential investor to decide to purchase or subscribe for the New Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

12. Disclosure requirements and notification of interest in shares

Under Chapter 5 of the Disclosure and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FCA) of the percentage of voting rights he or she holds (within two trading days) if he or she acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he or she holds as a shareholder (or, in certain cases, which he or she holds indirectly) or through his or her direct or indirect holding of certain types of financial instruments (or a combination of such holdings):

- 12.1. reaches, exceeds or falls below 3.0 per cent. and each 1.0 per cent. threshold thereafter; or
- 12.2. reaches, exceeds or falls below an applicable threshold in paragraph 12.1 of this Part VIII above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

Such notification must be made using the prescribed form TR1 available from the FCA’s website at <http://www.fca.org.uk>. Under the Disclosure and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

The FCA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

13. Overseas investors

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an invitation or offer to him unless, in the relevant territory, such an invitation or offer could be lawfully made to him without contravention of any registration or other legal requirements.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction.

It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

No action has been taken to permit the distribution of the Prospectus in any jurisdiction outside the UK where such action is required to be taken.

The New Shares have not been, nor will they be, registered in the United States under the US Securities Act or under the securities laws of any Restricted Territory and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of US Persons or any national, citizen or resident of the United States or any of the Restricted Territories. The Offer is not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. In particular, prospective shareholders who are resident in the United States or any Restricted Territory should note that this document is being sent for information purposes only.

All applicants under the Offers will be required to warrant that they are not a US Person nor a resident, national or citizen of a Restricted Territory.

14. Documents available for inspection

Copies of the following documents are available for inspection in person during normal business hours on any Business Day at the offices of Livingbridge VC LLP, 100 Wood Street, London EC2V 7AN until 24 March 2016:

- 14.1. the Articles;
- 14.2. the letters of appointment as referred to in paragraph 6.4 of this Part VIII;
- 14.3. a draft (subject to non-material updating and amendment) of the Transfer Agreement and undertakings to enter into the Transfer Agreement;
- 14.4. the Company's report and accounts for the three financial years to 31 December 2014;
- 14.5. the Circular;
- 14.6. the BVCT4 Circular; and
- 14.7. this document.

15. Availability of Prospectus

The Prospectus is available for inspection at www.morningstar.co.uk/uk/nsm and, until the Offer for Subscription closes, copies are available for collection, free of charge, from the offices of Livingbridge VC LLP, 100 Wood Street, London EC2V 7AN on any Business Day.

25 January 2016

Part IX – Taxation considerations

Tax position of investors

1. Tax reliefs

The following is only a summary of the current law concerning the tax position of individual Qualifying Investors in VCTs. Potential investors are recommended to consult a duly authorised independent financial adviser as to the taxation consequences of an investment in a VCT. The tax rules or their interpretation in relation to an investment in the Company and/or rates of tax may change during the life of the Company and can be retrospective.

The tax reliefs set out below are those currently available to individuals aged 18 or over who subscribe for New Shares under the Offer and will be dependent on personal circumstances. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Qualifying Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

1.1. Income tax

1.1.1. Relief from income tax on investment

A Qualifying Investor subscribing for New Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

The relief is given at the rate of 30 per cent. on the amount subscribed regardless of whether the Qualifying Investor is a higher rate, additional rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the Qualifying Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

1.1.2. Dividend relief

A Qualifying Investor who acquires shares in VCTs in any tax year having a value of up to a maximum of £200,000, will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

1.1.3. Purchases in the market

A Qualifying Investor, who purchases existing shares in the market will be entitled to claim dividend relief (as described in paragraph 1.1.2 above) but not relief from income tax on investment (as described in paragraph 1.1.1 above).

1.1.4. Withdrawal of relief

Relief from income tax on a subscription for VCT shares (including New Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed below.

Dividend relief ceases to be available once the Qualifying Investor ceases to be beneficially entitled to the dividend or if the VCT loses its approval within this period as detailed below.

1.1.5. Linked sales

If an investor subscribes for shares in a VCT within six months before or after selling any shares in that same VCT, or if there is a contractual link between the subscription and the disposal, the tax reliefs in relation to that subscription will apply only to the amount invested less the amount for which the shares are sold.

1.2. Capital gains tax

1.2.1. Relief from capital gains tax on disposal of VCT shares

Except where VCT shares that were issued after 5 April 2014 and within three years of the issue are bought by the VCT directly from the shareholder, a disposal by a Qualifying Investor of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

1.2.2. Purchases in the market

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 1.2.1 above).

1.3. Loss of VCT approval

For a company to be fully approved as a VCT it must meet the various requirements for full approval as set out below.

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

2. Illustration of effect of tax relief for Qualifying Investors

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a Qualifying Investor subscribing for VCT shares to only £7,000:

	Effective cost	Tax relief
Investors unable to claim any tax reliefs	£10,000	Nil
Qualifying Investor able to claim full 30% income tax relief	£7,000	£3,000

Income tax relief is only available if the shares are held for the minimum holding period of five years. The limit for obtaining income tax relief on investments in VCTs is £200,000 in each tax year.

3. Obtaining tax reliefs

The Company will provide to each Qualifying Investor a certificate which the Qualifying Investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

Tax position of the Company

The Company has to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below.

1. Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;

- (d) have at least 70 per cent. by VCT Value of its investments in shares or securities in Qualifying Investments, of which 70 per cent. must be in eligible shares (30 per cent. for funds raised before 6 April 2011);
- (e) have at least 10 per cent. by VCT Value of each Qualifying Investment in eligible shares;
- (f) not have more than 15 per cent. by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (g) not retain more than 15 per cent. of its income derived from shares and securities in any accounting period;
- (h) not make an investment in a company which causes that company to receive more than £5 million of State aid investment (including from VCTs) in the 12 months ending on the date of this investment;
- (i) not make an investment in a company which causes that company to receive more than £12 million (£20 million in the case of a “knowledge intensive” company”) of State aid investment (including from VCTs) in its lifetime; and
- (j) not make an investment in a company whose first commercial sale was more than seven years prior to the VCT investment (ten years in the case of a “knowledge intensive” company), unless a turnover test is met.

Conditions (h) to (j) above do not apply to investments in shares and securities listed on a recognised stock exchange or to certain money market securities.

The approved status of a VCT may also be affected where an investee company uses any of the VCT’s investment to acquire another company or trade in the five years after the VCT’s investment.

The term “eligible shares” means shares which carry no preferential rights to assets on a winding up and no rights to be redeemed, although they may have certain preferential rights to dividends. For funds raised before 6 April 2011, “eligible shares” are shares which do not carry any rights to be redeemed or a preferential right to dividends or to assets on a winding-up.

2. Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapter 4 of Part 6 of the Tax Act.

The conditions are detailed, but include the following:

- (a) the investee company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £15 million immediately after the investment;
- (b) have fewer than 250 full-time (or full-time equivalent) employees (500 in the case of a “knowledge intensive” company);
- (c) apply the money raised for the purposes of a qualifying trade within a certain time period;
- (d) the investee company cannot be controlled by another company and at the time of investment does not obtain more than £5 million of investment from EU state aided risk capital measures in the 12 month period ending on the date of the investment by the VCT;
- (e) at the time of investment the investee company has not obtained more than £12 million of investment from EU state aided risk capital measures in its lifetime; and
- (f) the first commercial sale of the company was not more than seven years prior to the VCT investment (ten years in the case of a “knowledge intensive” company) unless a turnover test is met.

In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding. The investee company’s status as a

Qualifying Investment may also be affected where it uses any of the investment from a VCT to acquire another company or trade in the five years after the VCT's investment.

3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

A Qualifying Company must have a permanent establishment in the UK, but a Qualifying Company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51 per cent. owned.

From 6 April 2012 there is a 'disqualifying purpose' test under which an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business, although the Board currently anticipates that these measures are unlikely to affect the Company.

4. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

The Company has received approval as a VCT from HMRC.

5. Withdrawal of approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

The 2014 Finance Act restricts the ability of a VCT to return capital to its investors. If a VCT makes a payment to its shareholders in relation to shares issued on or after 6 April 2014, which amounts to a repayment of share capital (including the payment of a dividend or a distribution), other than for the purpose of redeeming or repurchasing such shares, before the end of the third accounting period following the accounting period in which the shares were issued, the VCT status will be withdrawn.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

6. The Finance Act 2014

Legislation introduced by the 2014 Finance Act limits the ability of VCTs to return share capital to an investor that does not represent profits made on investments. This restriction applies for a three year period beginning at the end of the accounting period in which the funds were raised. HMRC may withdraw the Company's VCT approval if it fails to comply with this condition.

7. The Finance (No.2) Act 2015

The Finance (No. 2) Act 2015 received Royal Assent on 18 November 2015 and introduced new qualifying conditions for VCTs.

As a result of the tax status of VCTs, investments by VCTs in underlying portfolio companies are regarded as State aid. Where the European Commission believes that State aid has been provided which is unlawful, in particular if it is not in accordance with the Risk Finance Guidelines, they may require that the UK government recovers that State aid, such recovery may be from the investee company, the VCT or the VCT's investors.

The UK government has announced that it intends to seek State aid approval for VCTs to be able to participate in investments which include an element of replacement capital. If approval is obtained, it will be introduced through secondary legislation.

It is proposed that the Enlarged Company will update its investment policy to ensure it is consistent with the HMRC guidance on the legislative changes to the VCT rules, which is expected to be published in the first quarter of this year. Shareholders will be provided with further information in relation to the changes following the publication of the HMRC guidance. The current investment policy is set out in full in Part IV of this document.

It is not currently expected that such changes will materially restrict the investment opportunities of the Enlarged Company.

The above is only a summary of the conditions to be satisfied for a company to be treated as VCT.

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

2014 Finance Act	the Finance Act 2014
Admission	the admission of the New Shares to be issued under the Proposals to the Official List with a Premium Listing and to trading on the Main Market
AIC Code	the AIC Code of Corporate Governance
AIM	the Alternative Investment Market operated by the London Stock Exchange
Articles	the articles of association of the Company in force from time to time
Baronsmead Shareholders	registered holders of shares in the Baronsmead VCTs prior to 22 January 2016, or a person who, prior to 22 January 2016, was the spouse or civil partner of an Existing Shareholder
Baronsmead VCT 4 or BVCT4	Baronsmead VCT 4 plc, a company incorporated in England and Wales with registered number 04313537
Baronsmead VCTs	Baronsmead VCT plc, Baronsmead VCT 2 plc, the Company, Baronsmead VCT 4 and Baronsmead VCT 5 plc
Beneficial Owner	a person in whom the beneficial ownership of the Shares is vested, or will be vested immediately upon their issue
Board	the board of Directors of the Company
Business Day	any day on which banks are open for business in London (excluding Saturdays and Sundays)
BVCT4 Board or BVCT4 Directors	the directors of Baronsmead VCT 4 or any duly constituted committee thereof
BVCT4 Circular	the circular published by BVCT4 on or around 26 January 2016
BVCT4 Share	ordinary share of 10p in the capital of Baronsmead VCT 4
BVCT4 Shareholder	for the purposes of the Scheme a BVCT4 Shareholder is a registered holder of shares in Baronsmead VCT 4 and for the purposes of the Offer a BVCT4 Shareholder is a registered holder of shares in Baronsmead VCT 4 prior to 22 January 2016, or a person who, prior to 22 January 2016, was the spouse or civil partner of a BVCT4 Shareholder
CA 2006	the Companies Act 2006 (as amended)
Calculation Date	the time and date, to be determined by the Directors but expected to be 5.00 p.m. on 10 March 2016 (unless the First General Meeting is adjourned), at which the FAV per BVCT4 Share and the FAV per BVCT3 Share will be calculated for the purposes of the Scheme
certificated or in certificated form	a share which is not in uncertificated form
Circular	the circular published by the Company on or around 26 January 2016

Company	Baronsmead VCT 3 plc, a company incorporated in England and Wales with registered number 04115341
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
Directors	the directors of the Company from time to time
Disclosure and Transparency Rules	the Disclosure Rules and Transparency Rules of the FCA
Deed of Indemnity	deed of indemnity between the Company, the Liquidators and Baronsmead VCT 4 as more fully described at paragraph 6.8 of Part VIII
EEA States	the member states of the European Economic Area
Effective Date	the date of the passing of the resolution to be proposed at the Second General Meeting of Baronsmead VCT 4 or, if later, on all conditions of such resolution being satisfied (which is expected to be 11 March 2016)
Enlarged Company	the Company (to be renamed Baronsmead Second Venture Trust plc) following completion of the Merger
EU	the European Union
Euroclear	Euroclear UK & Ireland Limited
European Commission	The European Commission of the European Union
Existing Shareholders	for the purposes of the Scheme an Existing Shareholder is a registered holder of Ordinary Shares prior to the Scheme becoming effective and for the purposes of the Offer an Existing Shareholder is a registered holder of Ordinary Shares prior to 22 January 2016, or a person who, prior to 22 January 2016, was the spouse or civil partner of an Existing Shareholder
FAV per BVCT3 Share	the formula asset value of an Ordinary Share calculated as at the Calculation Date in accordance with the Scheme
FAV per BVCT4 Share	the formula asset value of a BVCT4 Share calculated as at the Calculation Date in accordance with the Scheme
FCA	the Financial Conduct Authority
First General Meeting of Baronsmead VCT 4	the general meeting of Baronsmead VCT 4 convened for 2.30 p.m. on 3 March 2016, or any adjournment thereof
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	the general meeting of the Company convened for 3.30 p.m. on 3 March 2016, or any adjournment thereof
HMRC	HM Revenue & Customs
Illustrative Offer Price	the Offer Price calculated in accordance with the Pricing Formula as set out in this document based on the most recently published NAV per Ordinary Share
Investment Management Agreement	the investment management agreement between the Company and Livingbridge first made on 20 December 2006, as more fully described in paragraph 6.1 of Part VIII

Investment Manager or Livingbridge	Livingbridge VC LLP, a limited liability partnership registered in England and Wales with registered number OC320408
Ipes	Ipes (Guernsey) Limited, a company registered in Guernsey with registered number 33475
Issues	the issues of New Shares in accordance with the Scheme and the Offer
JPMorgan Chase Bank	JPMorgan Chase Bank, N.A. a company registered in England and Wales with registered number FC004891
Liquidators	the liquidators for the time being of BVCT4, being initially the persons appointed at the Second General Meeting
Listing Rules	the Listing Rules made by the FCA under Part VI of FSMA, as amended
London Stock Exchange	London Stock Exchange plc
Main Market	the London Stock Exchange's main market for listed securities
NAV or Net Asset Value	in relation to a share, its net asset value on the relevant date calculated on the basis of the relevant company's normal accounting principles and policies
New Shares	the Ordinary Shares to be issued pursuant to the Scheme
Nominee	a party who holds, or subscribes for shares on behalf of, and as trustee of, a Beneficial Owner
Nominee Subscription Form	Subscription form to be used by Nominees subscribing on behalf of Beneficial Owners available upon request from Computershare
Offer or Offer for Subscription	the offer for subscription of New Shares as described in the Prospectus
Offer Agreement	the agreement between the Company and the Investment Manager, the terms of which are summarised in paragraph 6.6 of Part VIII of this document
Official List	the Official List of the UK Listing Authority
Offer Price	the subscription price of the New Shares under the Offer as calculated in accordance with the Pricing Formula
Ordinary Shares or Shares	ordinary shares of 10p each in the capital of the Company
Overseas Investors	investors who have a registered address outside or who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom
PRA	the Prudential Regulation Authority
Premium Listing	a listing on the premium segment of the Official List
Pricing Formula	the formula to be used to calculate the Offer Price of the New Shares under the Offer as set out in this document
Promoter	RAM Capital Partners LLP
Proposals or Merger	the proposals for the voluntary winding up and reconstruction of BVCT4 (including the Scheme) described in this document

Proposed Directors	Robert Owen and Malcolm Groat
Prospectus	this document
Prospectus Rules	the Prospectus Rules made by the FCA under Part VI of FSMA, as amended
Qualifying Company	an unquoted (including AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
Qualifying Investor	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT
Qualifying Investment	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of the Tax Act
Record Date	6.00 p.m. on 10 March 2016, being the record date for determining which BVCT4 Shareholders are entitled to participate in the Scheme
Reduction of Share Capital Order	The Companies (Reduction of Share Capital) Order 2008
Registrar or Receiving Agent or Computershare	Computershare Investors Services PLC, a company incorporated in England & Wales with registered number 3498808
Regulatory Information Service	any of the services authorised from time to time by the FCA for the purposes of disseminating regulatory announcements
Resolutions	Resolution 1, Resolution 2 and Resolution 3
Resolution 1	the special resolution to be proposed at the General Meeting to authorise the allotment of New Shares in connection with the Scheme
Resolution 2	the special resolution to be proposed at the General Meeting to authorise the allotment of New Shares in connection with the Offer
Resolution 3	the special resolution to be proposed at the General Meeting to approve the cancellation of the share premium account of the Company
Restricted Territories	US, Canada, Australia, Japan and South Africa (and each a Restricted Territory)
Risk Finance Guidelines	European Commission communication C(2014) 34/2 – Guidelines on State aid to promote risk finance investments
Risk Finance State Aid	internal market State aid designed to facilitate the development of certain economic activities which the European Commission considers to be compatible with Article 107(3)(c) of the Treaty on the Functioning of the European Union
RPI	UK Retail Price Index
Scheme	the scheme under section 110 of the Insolvency Act 1986 set out in Part II of this document
Second General Meeting of Baronsmead VCT 4	the general meeting of the Company convened for 10.30 a.m. on 11 March 2016, or any adjournment thereof

Shareholders	holders of Ordinary Shares in the Enlarged Company
Subscriber	a person whose name appears as such in a Subscription Form for use in connection with the Offer
Subscription Form	the subscription form for use in connection with the Offer as set out towards the end of this document, or any amended subscription form for Subscriptions received from 3 March 2016
Subscriptions	offers by Subscribers pursuant to the Offer and made by completing the Subscription Form or Nominee Subscription Form and posting (or delivering) these to the Receiving Agent or as otherwise indicated on the Subscription Form or Nominee Subscription Form (and each a Subscription)
Summer Budget	the budget given by the Chancellor of the Exchequer on Wednesday 8 July 2015
Takeover Code	the City Code on Takeovers and Mergers
Tax Act	the Income Tax Act 2007 (as amended)
Transfer Agreement	the agreement to be entered into on or about the Effective Date between the Liquidators (in their personal capacity and on behalf of BVCT4) and the Company, the terms of which are summarised in paragraph 6.7 of Part VIII of this document
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Code	the UK Corporate Governance Code and published by the Financial Reporting Council
UK Listing Authority	the FCA acting in its capacity as the UK Listing Authority pursuant to Part VI of FSMA
uncertificated or in uncertificated form	recorded in the register of members of the Company or Baronsmead VCT 4 (as appropriate) as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
US Persons	as defined in Regulation S made under the US Securities Act
US Securities Act	the United States Securities Act of 1933, as amended
VAT	value added tax
VCT or Venture Capital Trust	a venture capital trust as defined in section 259 of the Tax Act
VCT Value	the value of an investment calculated in accordance with section 278 of the Tax Act
Wood Street	Wood Street Microcap Investment Fund, an investment company with variable capital incorporated in England and Wales with company number IC000714

Terms and conditions of the Offer for Subscription

The following terms and conditions apply to the Offer for Subscription.

Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in the terms and conditions of Subscription, the Subscription Form and explanatory notes.

The section headed “Notes on how to complete the Subscription Form” forms part of these terms and conditions of Subscription.

- (a) The contract created by the acceptance of a Subscription under the Offer will be conditional on Admission, unless otherwise so resolved by the Board.
- (b) The right is reserved by the Company to present all cheques and bankers’ drafts for payment on receipt and to retain the relevant share certificates and Subscription monies, pending clearance of such successful Subscribers’ cheques and bankers’ drafts. The Company may treat Subscriptions as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept a Subscription in respect of which payment is not received by the Company prior to the closing date of the Offer. If any Subscription is not accepted in full or if any contract created by acceptance does not become unconditional, the Subscription monies or, as the case may be, the unused balance thereof in excess of £2.00 will be returned (without interest) by returning each relevant Subscriber’s (or Nominee’s) cheque or bankers’ draft or by crossed cheque in favour of the Subscriber (or Nominee), through the post at the risk of the person(s) entitled thereto. Balances of less than £2.00 may be retained by the Company and used for its own purposes. In the meantime, Subscription monies will be retained by the Company in a separate account. The Board reserves the right to close the Offer earlier than the closing date if fully subscribed or to extend such Offer to a date up to and including 29 April 2016. Subscriptions which are accompanied by post-dated cheques will not be accepted, subject to the Board’s discretion to accept such Subscriptions. If any dispute arises as to the date or time on which a Subscription is received, the Board’s determination shall be final and binding.
- (c) Subject to paragraph (d) below, no person receiving a copy of this document or any part thereof, or a Subscription Form, in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Subscription Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Subscription Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make a Subscription to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (d) The New Shares have not been, nor will they be, registered in the United States under the US Securities or under the securities laws of the Restricted Territories and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of, US Persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. The Offer is not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore, persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. The Subscription Form is not being and must not be forwarded to or transmitted in or into the United States or a Restricted Territory. No Subscription will be accepted if it bears an address in the United States.
- (e) Subscribers will be bound by the Subscription(s) indicated by them on their Subscription Forms. Multiple Subscriptions under the Offer are permitted. Subscriptions will be accepted on a first

come, first served basis, subject always to the discretion of the Board. The right is reserved to reject in whole or in part and scale down any Subscription or any part thereof including, without limitation, Subscriptions in respect of which any verification of identity which the Company or the Receiving Agent consider may be required for the purposes of the Money Laundering Regulations 2007 has not been satisfactorily supplied. The Board in its absolute discretion may decide to close, suspend or extend the Offer to a date up to and including 29 April 2016. The Offer shall be suspended if the issue of such New Shares in the Company would result in a breach of the Listing Rules, the Company not having the requisite shareholder authorities from time to time to allot New Shares or a breach of any other statutory provision or regulation applicable to the Company. Dealings prior to the issue of certificates for New Shares will be at the risk of Subscribers. A person so dealing must recognise the risk that a Subscription may not have been accepted to the extent anticipated at all.

- (f) The Investment Manager will, where permissible, pay to authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their stamp or full address details and FCA number an annual trail commission for four years of 0.4 per cent. on the aggregate amount paid in respect of the New Shares allotted by the Company under the Offer in respect of such Subscription Forms whilst the Investment Manager is appointed as the investment manager to the Company. Such annual trail commission can only be paid where the financial intermediary is not providing a platform service and the Subscriber has not received a personal recommendation to invest in the New Shares, whether the personal recommendation is given by the financial intermediary identified on the Subscription Form or another financial intermediary. Should the Investment Manager no longer be appointed as the investment manager of the Company, annual trail commission payments will cease. Annual trail commission will also cease to be payable if the Shares are sold by the relevant investors, if the Company is wound up or if the Investment Manager is no longer permitted under the FCA rules to make such payments. Financial intermediaries should keep a record of Subscription Forms submitted bearing their FCA number to substantiate any claim for trail commission. Claims for trail commission must be made and substantiated on the Subscription Forms.
- (g) By completing and delivering a Subscription Form, you confirm and warrant that you:
 - (i) offer to subscribe the monetary amount stated on the Subscription Form in the Company for such number of New Shares (or such lesser amount for which your Subscription is accepted and subject to paragraph (f) above) obtained by dividing the monetary amount by the applicable Offer Price of the New Shares resulting from the application of the Pricing Formula (as described in this document), subject to these terms and conditions of Subscription, and subject to the memorandum and Articles;
 - (ii) agree that, in consideration of the Company agreeing to process your Subscription, your Subscription will not be revoked until the Offer is closed and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Subscription Form;
 - (iii) agree and warrant that your cheque or bankers' draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Shares in the Company until you make payment in cleared funds for such New Shares in the Company and such payment is accepted by the Company in its absolute discretion, (which acceptance shall be on the basis that you indemnify the Company and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) void the agreement to allot such New Shares to you and may issue or allot such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or bankers' draft accompanying your Subscription Form, without interest;

- (iv) agree that, in respect of those New Shares for which your Subscription has been received and is not rejected, your Subscription may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
- (v) agree that any monies refundable to you may be retained by the Company pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 2007 and that such monies will not bear interest;
- (vi) authorise the Receiving Agent to send share certificate(s) or arrange for your CREST account to be credited in respect of the number of New Shares for which your Subscription is accepted and authorise the Company to send a crossed cheque for any monies returnable, by post, at your own risk, without interest, to your address set out in the Subscription Form and to procure that your name is placed on the Register of the Company in respect of such New Shares;
- (vii) agree that all Subscriptions, acceptances of Subscriptions and contracts resulting therefrom and any non-contractual obligations arising out of or in connection with your Subscription shall be governed by and construed in all respects in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such Subscriptions, acceptances of Subscriptions and contracts in any other manner permitted by law or any court of competent jurisdiction;
- (viii) agree and acknowledge that you are making your Subscription on the basis of the information and statements concerning the Company and the New Shares contained in this document and that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any other information or representation relating to the Company or the New Shares or for any change in the law or regulations affecting VCTs;
- (ix) irrevocably authorise the Receiving Agent and/or the Company or any person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agent or of the Company, as relevant, to execute any document required thereof;
- (x) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and statements concerning the Company and the New Shares contained therein;
- (xi) confirm that you are not a US Person within the meaning of Regulation S made under the US Securities Act as amended, or a resident of any of the Restricted Territories and that you are not applying for any New Shares with a view to their offer, sale, delivery to or for the benefit of any US Person or a resident of any of the Restricted Territories, and that you have reviewed the restrictions contained in paragraphs (d) and (e) above and warrant compliance therewith;
- (xii) declare that you are an individual aged 18 or over;
- (xiii) agree that all documents in connection with the Offer and any returned monies will be sent by post at your risk;
- (xiv) agree (if your Subscription is for more than £11,000) to the Receiving Agent carrying out the necessary enquiries to verify your identity to ensure compliance with the Money Laundering Regulations 2007. Verification of the investor's identity may be provided by means of a "Letter of Introduction" from an intermediary or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC

financial institution (such as a bank). The Receiving Agent will supply specimen wording on request;

- (xv) if a Subscription is made direct (not through a financial intermediary), the Company, or a third party acting on behalf of the Company, will carry out an online check of the investor's identity using an online anti-money laundering and identity verification system. Investors may opt out of the electronic identity verification system. If an investor chooses to opt out they must enclose a copy of their passport or driving licence certified by a bank or solicitor stating that it is a "true copy of the original and a true likeness of the client" followed by your name; and a recent (no more than three months old) bank or building society statement or utility bill showing your name and address with the Subscription Form. If a cheque is drawn by a third party, the above will also be required from that third party;
 - (xvi) agree that neither Livingbridge nor the Receiving Agent will treat you as its customer by virtue of your Subscription being accepted nor owe you any duties or responsibilities concerning the price of the New Shares in the Company or the suitability for you of New Shares in the Company or be responsible to you for providing the protections afforded to its customers;
 - (xvii) declare that a loan has not been made to you or any associate which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares and that the New Shares are being acquired for bona fide commercial purposes and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
 - (xviii) confirm and warrant that the information provided in the Subscription Form is true and accurate;
 - (xix) warrant that, if you sign the Subscription Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authority contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Subscription Form; and
 - (xx) consent to the information provided on the Subscription Form being provided to the Receiving Agent and the Registrar to process shareholding details and send notifications to you.
- (h) Where a Subscription is made by a Nominee on behalf of a Beneficial Owner, the Nominee:
- (i) warrants that there is in force a valid and binding agreement between the Nominee and the Beneficial Owner, pursuant to which:
 - (a) the Nominee is authorised and entitled to make the Subscription on behalf of the Beneficial Owner; and
 - (b) the beneficial ownership of the Shares issued in respect of that Subscription will be vested in the Beneficial Owner immediately upon the issue of the Shares;
 - (ii) warrants that the Nominee has made the Beneficial Owner aware of these terms and conditions, and that the Beneficial Owner has assented to them;
 - (iii) warrants that if the Subscription is for more than £11,000 the Nominee has carried out the necessary enquiries to verify the identity of the Beneficial Owner to ensure compliance with the Money Laundering Regulations 2007; and
 - (iv) undertakes, at no expense to the Company, to do all such acts and to procure that the Beneficial Owner does all such acts as the Company may from time to time reasonably require to ensure the full compliance by the Beneficial Owner with these terms and conditions, as though the Beneficial Owner were the Subscriber.

- (i) The Company reserves the right to publish revised Subscription Forms from time to time. Subscribers and their intermediaries should, therefore, check when completing a Subscription Form that no subsequent version has been published or made available by the Company which will be downloadable from the Company's website as detailed on page 18 of this document).

Notes on how to complete the Subscription Form

The Subscription Form is to be used by Existing Shareholders, BVCT4 Shareholders, Baronsmead Shareholders and new investors who wish to subscribe for Shares under the Offer for Subscription. BVCT4 Shareholders will be allotted New Shares under the Scheme automatically. BVCT4 Shareholders do not need to complete the Subscription Form to receive their entitlement to New Shares under the Scheme.

Sections 1-2 of the Subscription Form require you to provide your personal details and your Subscription details. **Existing Shareholders** in the Company and **BVCT4 Shareholders** will have received a separate Subscription Form with their name and address details completed in section 1.1 of the Subscription Form. Section 3 asks you to confirm whether or not you have received financial advice in relation to your Subscription and to describe the type of financial intermediary you have used, if any, with respect to your Subscription. Section 4 asks you to provide your CREST details if you would like any New Shares allotted to you to be credited to your CREST account. Section 5 requires you to sign, state your name and date your Subscription Form.

If you have used a financial intermediary, Sections 6 and 7 require them to provide their firm's details so that the Receiving Agent can deal with the instructions as to (i) whether any permissible commission is to be paid and (ii) how any commission payable is to be administered.

Section 6 should be completed by your financial intermediary and is to be used where you have been provided with financial advice with respect to your Subscription.

Section 7 should be completed by your financial intermediary where they are acting on an "execution only" basis and have not provided you with financial advice with respect to your Subscription.

Sections 6 and 7 should not be completed if you apply directly and have not used a financial intermediary with respect to your Subscription. Commission, where permissible, can be paid only to authorised financial intermediaries who are acting on behalf of "execution only" clients and are not providing a platform service.

You can make multiple Subscriptions using more than one Subscription Form. If you submit more than one Subscription Form, each Subscription Form will be dealt with in order of receipt but the first form you submit must be for a minimum subscription of £3,000 but any subsequent Subscription Form that you submit need only be for a minimum of £1,000 and multiples of £1,000 thereafter. You must inform the Receiving Agent of any multiple Subscriptions by marking the Subscription Form appropriately. The Subscription Form is printed towards the end of this document as well as being available separately. Additional Subscription Forms can be obtained from the website of the Company and from the Investment Manager and the Promoter, whose contact details are set out on page 21 of this document.

If you wish to subscribe for New Shares as a Nominee please contact Computershare on 0800 923 1535 for a separate Nominee Subscription Form. If you are using a platform service, the Nominee Subscription Form should be used by your platform service provider. Please complete all relevant parts of the Subscription Form in accordance with the instructions in these notes.

Section 1 – Personal Details

Name and address, etc.

Insert using block capitals your full name, full address including the post code, daytime telephone number, email address, National Insurance number and date of birth. Should the Receiving Agent need to contact you about your Subscription they will need your contact details to enable them to do so.

It is very important that you complete this section clearly and accurately, as the Receiving Agent will send a confirmation letter to you at the address shown in this section. If your Subscription to the Offer is successful your name and address as stated in this section will be entered on to the Register of the Company and printed on the tax and share certificates.

Section 2 – Subscription details

Amount you wish to subscribe in the Offer:

Insert (in figures) the total value of the investment you wish to make pursuant to the Offer. Your Subscription must be for a minimum amount of £3,000 and thereafter in multiples of £1,000. Any subscriptions that are not in multiples of £1,000 are liable to be scaled down to the nearest £1,000.

If the Offer has closed, or is deemed to have closed, by the time your Subscription Form is received then the total amount of your Subscription will be returned to you.

Section 3 – Type of financial intermediary (if any)

You should complete this section only if you have used a financial intermediary with respect to your Subscription. If you apply directly and have not used a financial intermediary with respect to your Subscription you should not complete this section.

You should tick box 3.1 if you have received financial advice with respect to your Subscription to the Offer. (If you tick box 3.1 your financial intermediary should complete section 6 of the Subscription Form.)

You should tick box 3.2 if you have not received financial advice with respect to your Subscription to the Offer and have used a financial intermediary on an “execution only” basis (other than platform service providers). (If you tick box 3.2 your financial intermediary should complete Section 7 of the Subscription Form.)

You should tick box 3.3 if you have used a financial intermediary on an “execution only” basis i.e. that financial intermediary has not provided financial advice to you in relation to your Subscription, but you have received such advice from a different financial intermediary. (If you tick box 3.3 the financial intermediary who acted in an “execution only” capacity should complete Section 6 of the Subscription Form.) Annual trail commission will not be paid where financial advice has been given by any party.

Section 4 – CREST details (if any)

Any New Shares allotted to you will be in a registered form capable of being transferred by means of the CREST system. Subscribers who wish to take advantage of the ability to trade in New Shares in uncertificated form, and who have access to a CREST account, may arrange to have their New Shares allotted directly to their CREST account, or subsequently to convert their holdings into dematerialised form in CREST. Investors should be aware that New Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of New Shares held in CREST. The Company’s share register will be kept by the Company’s Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH.

Section 5 – Signature and date

You must sign, state your name and date the Subscription Form in Section 5.

By signing and dating the Subscription Form you agree to invest in the Company in accordance with the terms and conditions of Subscription as set out on pages 84 to 88 of this document.

If this section of the form is unsigned the Receiving Agent will not be able to process your Subscription and your Subscription monies will be returned to you.

Payment

Pin a cheque or bankers’ draft to the Subscription Form for the exact amount shown in the box in section 2. Your cheque or banker’s draft must be made payable to “Computershare re Baronsmead VCT 3 plc”. Your payment must relate solely to the Offer. Cheques may be presented for payment on receipt. Subscriptions under the Offer will be processed upon receipt. A Subscription Form accompanied by a post-dated cheque will not be accepted.

Your cheque or banker’s draft must be drawn in sterling on an account with a United Kingdom or EU regulated credit institution, and which is in the sole or joint name of the Subscriber and must bare the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Subscription in respect of which the Subscriber's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Subscriber without interest.

Should you wish to pay for your subscription electronically by transferring the money directly to the subscription account please call Computershare on 0800 923 1535.

Administration of Shareholder Account

Existing Shareholders and BVCT4 Shareholders

Existing Shareholders' dividend payment/reinvestment details and shareholder communications preferences will not be altered as a result of New Shares being issued to them. BVCT4 Shareholders' dividend payment/reinvestment details and shareholder communications preferences will apply to the New Shares issued to them under the Scheme and will not be altered as a result of New Shares being issued to them as part of the Offer. Should an Existing Shareholder or a BVCT4 Shareholder wish to change any of the existing instructions with regard to the administration of the Existing Shareholder account(s) they should do so separately by writing to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH, or by going to www.investorcentre.co.uk.

Money Laundering Notice - Important procedures for Subscriptions for more than £11,000

Existing Shareholders and BVCT4 Shareholders should be aware of the following requirements in respect of the Money Laundering Regulations 2007 for Subscriptions of the sterling equivalent of €15,000 (for these purposes approximately £11,000, as at the date of this document), or more.

Your identity may be verified for the purposes of the Money Laundering Regulations 2007 by paying subscription monies by a cheque drawn in your name from a United Kingdom or other EU regulated credit institution. If this is not provided then you will need to go through the procedure below.

For the purposes of the Offer the definitions of an "Existing Shareholder" and a "BVCT4 Shareholder" includes the spouse or civil partner of an Existing Shareholder or a BVCT4 Shareholder. If the spouse or civil partner of an Existing Shareholder or a BVCT4 Shareholder is not a holder of Ordinary Shares or BVCT4 Shares then they will be required to go through the procedure below.

Failure to provide the necessary evidence of identity may result in your Subscription being treated as invalid or in delay of confirmation.

If the Subscription:

1. is made through an authorised financial intermediary then verification of the Subscriber's identity may be provided by means of a "Letter of Introduction" from an Independent Financial Adviser or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The Receiving Agent will supply specimen wording on request; or
2. is made direct (not through a financial intermediary), the Company, or a third party acting on behalf of the Company, will carry out an online check of your identity. If you do not want the online check to be carried out please tick the box on the Subscription Form that states that you are opting out of the electronic identity verification system. If you tick this box you must enclose a copy of your passport or driving licence certified by a bank or solicitor stating that it is a "true copy of the original and a true likeness of the client" followed by your name and a recent (no more than three months old) bank or building society statement or utility bill showing your name and address with the Subscription Form.

Sections 6 and 7 – Financial intermediaries' details

Appropriately authorised financial intermediaries who have provided financial advice to their client with respect to their Subscription to the Offer should complete Section 6.

Appropriately authorised financial intermediaries who have not provided financial advice and have acted in an “execution only” capacity with respect to their client’s Subscription to the Offer but financial advice has been given by a different authorised financial intermediary should complete Section 6.

Appropriately authorised financial intermediaries who are entitled to receive commission and who have not provided financial advice and have acted in an “execution only” capacity with respect to their client’s subscription to the Offer should complete Section 7.

Financial intermediaries’ contact details

Appropriately authorised financial intermediaries should complete Section 6 (where financial advice has been given) or Section 7.1 (“execution only”), giving their contact name and address and their FCA Number. Please note the financial intermediaries’ obligation to advise their clients of the risk factors set out on pages 13 to 15 of this document.

Annual trail commission payable to financial intermediaries acting on an “execution only” basis

For financial intermediaries (other than platform service providers) who act on an “execution only” basis i.e. do not provide financial advice to their clients, annual trail commission can be paid, provided that the client has not received financial advice in relation to their Subscription.

Where permissible, financial intermediaries will be paid annual trail commission by the Investment Manager of 0.4 per cent. for four years on the aggregate amount invested by their clients under the Offer.

Bank details for annual trail commission payments

Financial intermediaries who are entitled to receive annual trail commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete Section 7.3 (“execution only”).

Subscription Form for the Offer for Subscription

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial intermediary authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

SECTION 1 – PERSONAL DETAILS

1.1 NAME AND ADDRESS

Title & Full Name:

Address:

.....

.....

Post Code:

IMPORTANT – Before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS to complete the form. Make your cheque or banker's draft out to "Computershare re Baronsmead VCT 3 plc" and cross it with the words "A/C Payee only". Return this form by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to arrive by no later than 12 noon on 24 March 2016. If you post your Subscription Form you are recommended to either send your form by special delivery or first class post and to allow at least four days for delivery. By completing and signing this Subscription Form you accept that you will be subscribing in accordance with the terms and conditions set out on pages 84 to 88 of the Prospectus dated 25 January 2016. The definitions in that document apply to this Subscription Form.

1.2 OTHER PERSONAL DETAILS

Email address: Daytime Telephone Number:

National Insurance Number: Date of Birth:

Please note that you must provide both your National Insurance number and date of birth above.

SECTION 2 – SUBSCRIPTION DETAILS

I wish to subscribe under the Offer for £ (minimum £3,000) of New Shares, or such lesser amount for which these Subscription(s) will be accepted, **which is to be invested in the Company pursuant to the Offer.**

The Finance Act 2014 which came into force with effect from 6 April 2014 restricts the availability of income tax relief on a subscription for shares in a VCT issued after 5 April 2014 where it is "linked" to a sale of shares in the same VCT or if an investor subscribes for shares in a VCT within six months before or after selling any shares in that same VCT. Please see section 1.1.5 of Part IX on page 74 of the Prospectus for further details.



SECTION 3 – TYPE OF FINANCIAL INTERMEDIARY (IF ANY)

ONLY COMPLETE THIS SECTION IF YOU HAVE USED A FINANCIAL INTERMEDIARY WITH RESPECT TO THIS SUBSCRIPTION.

Commission, where permissible, can be paid only to authorised financial intermediaries who are acting on behalf of “execution only” clients. Please indicate below, by ticking the appropriate box, whether you have received financial advice in relation to your Subscription and which type of financial intermediary you have used, if any

3.1 Financial intermediary – adviser (financial advice has been given). ☐
(If you tick box 3.1 your financial intermediary should complete Section 6 of the Subscription Form)

3.2 Financial intermediary – “execution only” (no financial advice has been given). ☐
(If you tick box 3.2 your financial intermediary should complete Section 7 of the Subscription Form)

3.3 Financial intermediary – execution only (but financial advice has been given by a different authorised financial intermediary) ☐
(If you tick box 3.3 the financial intermediary who acted in an “execution only” capacity should complete Section 6 of the Subscription Form. Annual trail commission will not be paid where financial advice has been given.)

SECTION 4 – CREST DETAILS

CREST Member Account ID:	
CREST Participant ID:	
Participant Name:	
Contact name for CREST queries:	Contact Telephone:

SECTION 5 – SIGNATURE

YOU MUST SIGN, STATE YOUR NAME AND DATE, THIS SUBSCRIPTION FORM OTHERWISE IT WILL NOT BE ACCEPTED AND YOUR SUBSCRIPTION(S) WILL BE RETURNED.

- 1) By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained on pages 84 to 88 of the Prospectus issued by the Company containing the terms of the Offer dated 25 January 2016 and agree to be bound by them.
- 2) I understand that this is a LONG-TERM investment and I have read the RISK FACTORS on pages 13 and 15 of the Prospectus.
- 3) I will be the beneficial owner of the New Shares in the Company to be issued pursuant to the Offer.
- 4) I hereby confirm that to the best of my knowledge all of the information I have supplied in the Subscription Form is correct.

HM REVENUE & CUSTOMS MAY INSPECT THIS FORM. IT IS A SERIOUS OFFENCE TO MAKE A FALSE DECLARATION.

5.1. Signature:

5.2 Name:

5.3 Date:

☐ By ticking this box I am opting out of the electronic identity verification system being used to verify my identity for the purposes of the Money Laundering Regulations 2007 and have enclosed the appropriate documentation with this form. Please read the section entitled “Money Laundering Notice – Important Procedures for Applications for more than £11,000” of the Prospectus before ticking this box.

SECTION 6 – FINANCIAL INTERMEDIARIES’ DETAILS

FOR SUBSCRIPTIONS WHERE FINANCIAL ADVICE HAS BEEN PROVIDED TO THE SUBSCRIBER.

To be completed by financial intermediaries who have provided financial advice with respect to their clients’ Subscription(s) to the Offer(s). FCA Number must be quoted.

Appropriately authorised financial intermediaries who have not provided financial advice and have acted in an “execution only” capacity with respect to their clients’ Subscription(s) to the Offer but financial advice has been given by a different authorised financial intermediary should also complete Section 6.

All financial intermediaries **MUST** advise their clients of the Risk Factors set out on pages 13 to 15 of the Prospectus containing the terms of the Offer dated 25 January 2016.

Firm Name:

Contact (Adviser/ Administrator) (delete as appropriate):

FCA Number:

Email:

Telephone No:

Fax No:

Address:

.....

.....

..... Post Code:

THIS SECTION OF THE SUBSCRIPTION FORM MUST BE SIGNED AND DATED BY THE FINANCIAL INTERMEDIARY

Signature: Date:

By signing this form I HEREBY DECLARE THAT financial advice has been provided to my client and that they have been advised of the Risk Factors on pages 13 to 15 of the Prospectus dated 25 January 2016.



SECTION 7 – FINANCIAL INTERMEDIARIES’ DETAILS

FOR SUBSCRIPTIONS WHERE NO FINANCIAL ADVICE HAS BEEN PROVIDED TO THE SUBSCRIBER BY ANY FINANCIAL INTERMEDIARY

To be completed by financial intermediaries who have not provided financial advice with respect to their clients’ Subscription(s) to the Offer(s) and where advice has not been provided by a different financial intermediary. FCA Number must be quoted. All financial intermediaries MUST draw their clients’ attention to the Risk Factors set out on pages 13 to 15 of the Prospectus containing the terms of the Offer dated 25 January 2016.

7.1 Firm Name: Bestinvest (Brokers) Ltd

Contact (~~Adviser~~/ Administrator) (delete as appropriate): Remi Sutton

FCA Number: 165169

Email: Remi.Sutton@tilneybestinvest.co.uk

Telephone No: 0203 818 6731

Address: 6 Chesterfield Gardens, London

.....

.....

..... Post Code: W1J 5BQ

Fax No:

7.2 COMMISSION

Annual trail commission of 0.4 per cent. for four years on the aggregate amount invested under the Offer will be paid by the Investment Manager in accordance with the terms and conditions set out in the Prospectus dated 25 January 2016 provided that the client has not received financial advice in relation to their Subscription.

7.3 DIRECT PAYMENT OF COMMISSION TO A BANK ACCOUNT

If you would like your commission to be paid directly into your bank or building society account please tick this box.

☐

Please provide your bank or building society details below. The Company and Computershare Investor Services PLC cannot accept responsibility if any details provided by you are incorrect.

Account Name:

Account Number (please quote all digits and zeros): Sort Code:

Name of Bank or Building Society:

Branch:

Branch Address:

..... Post Code:.....

Please forward, until further notice, all commission that may from time to time become due as a result of my client’s investment in the Company.

THIS SECTION OF THE SUBSCRIPTION FORM MUST BE SIGNED AND DATED BY THE FINANCIAL INTERMEDIARY

Signature: Date:

By signing this form I HEREBY DECLARE THAT we are not a platform service provider and we have not provided financial advice to our client in relation to their Subscription and that to the best of our knowledge and belief no other financial intermediary has provided such advice.