Singer & Friedlander AIM 3 VCT plc

REPORT AND ACCOUNTS
for the year ended 31st January 2008

AIM 3 VCT

SINGER & FRIEDLANDER

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Directors, Managers and Advisers

Directors
Christopher John Leon Moorsom
James Daryl Hambro*
Mike Sedley Killingley*
David Michael Page*
Dominic Marius Dennis Anthony Wheatley*

*Independent non-executive directors.

All the directors above are of :
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London W1S 1AX

Secretary
Singer & Friedlander Secretaries Limited
One Hanover Street
London W1S 1AX

Manager
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Management Limited
(Authorised and regulated by the Financial Services Authority)
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Travers Smith
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Stockbroker
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Corporate Policy and Financial Highlights

Objectives

The objective of the Singer & Friedlander AIM 3 VCT plc (the "Company") is to provide shareholders with an attractive and competitive investment return from a portfolio of companies whose shares are primarily traded on the Alternative Investment Market (AIM). The Manager's continuing objective is to manage the current portfolio so as to maximise returns for investors for the qualifying period and beyond.

VCT Dates

The Company's financial calendar for the year to 31 January 2009 is as follows:

May 2008	Final report for the year ended 31 January 2008 published
June 2008	Interim Management Statement released
June 2008	Annual General Meeting (London)
September 2008	Half-yearly report for the half-year to 31 July 2008 published
November 2008	Interim dividend paid (if applicable)
December 2008	Interim Management Statement released

Performance Summary

	31 January 2008	31 January 2007
Total net assets	£35,416,304	£44,349,018
Net asset value per share	78.76p	93.44p
Net dividends for the year (paid and proposed)	£1,813,881	£949,240
Dividend per ordinary share (paid and proposed for the year)	4.00p	2.00p
Qualifying investments of the current investment portfolio	82.83%	80.07%
Total dividends paid and proposed to date	9.25p	5.25p

Board Review of the Year

Introduction

Following a successful first half to the year, the sharp fall in markets and, in particular, the pricing of AIM quoted companies, has resulted in a significant setback in the Company's Net Asset Value (NAV) per share. The Directors' Half-yearly Report last September referred to the risk of the global credit squeeze causing a potential collapse in confidence. Unfortunately this proved to be an accurate forecast, leading to the setback in global stock markets and, especially AIM. Nevertheless, the Directors believe that the investment portfolio is defensively positioned and contains many investments that should perform well over the medium term.

Your Board continues to monitor running costs closely. These are in line with expectations for the year at 2.6% of the average value of the fund (excluding the decrease in the share option provision), slightly lower than the 2.7% anticipated by the merger prospectus.

Performance

During the second half to 31 January the Company's NAV at 78.76 pence fell by 17.5% after adjusting for the 2.0 pence dividend paid on 2 November. Over the year the AIM Index fell by 18.3% and the All Share Index fell by 7.5%.

For the year as a whole, allowing for a total of 4.0 pence per share paid in dividends, the NAV fell by 11.4% whilst the AIM Index returned –9.0%. The All Share Index over the year returned –3.6%.

This performance compares favourably with our VCT peers although not quite matching the return from the AIM Index in the year, due to its heavy weighting in Resource shares (which are largely ineligible for VCTs).

Shareholders who originally invested in the 'C' Share issue of the Singer & Friedlander AIM 3 VCT in April 2005, adjusted for the conversion ratio from December 2005, have seen a return of –2.1% whilst the AIM Index has returned –8.2%.

Shareholders who originally invested in Singer & Friedlander AIM 2 VCT (after allowing for dividend payments from that fund of 5.25 pence) have seen an effective decline in NAV of 29.3% since launch in April 2000. Over the same period the AIM Index has fallen by 49.1%.

Shareholders who originally invested in Singer & Friedlander AIM VCT, launched in late 1998/early 1999 (after allowing for dividend payments from that fund of 32.4 pence and the relevant conversion ratio) have seen a decline of 27.0%.

The above returns do not take into account any tax relief that shareholders may have received.

Results and Dividends

The total loss for the year was £4,779,621 or 10.34 pence per share (31 January 2007: gain of £3,069,631 or 6.28 pence per share), with the majority generated through capital losses. Shareholders funds reduced to £35,416,304 (31 January 2007: £44,349,018) primarily as a result of the reduction in value of the investment portfolio but also owing to the share buy back programme and the payment of dividends. Cash flow was positive with a net inflow of £1,300,185 after funding the final and interim dividends costing £1,843,741 and the cost of the repurchase of shares at £2,184,050. The net inflow largely resulted from asset sales during the year.

Following the payment of 2.0 pence per share interim dividend, your Board is recommending the payment of further 2.0 pence per share final dividend payable on 24 June 2008 to shareholders on the register as at 30 May 2008.

Investment Strategy

The objective of the Company is to provide shareholders with an attractive and competitive investment return from a portfolio of companies whose shares are primarily traded on the Alternative Investment Market (AIM). Returns will be enhanced as a consequence of dividends and capital gains being free of tax for private investors.

Portfolio commentary and developments

The portfolio continues to comply with the HM Revenue & Customs' criteria for VCT qualification and at the year end consisted of 65 companies; of these companies 59 were quoted on AIM, one was traded on the PLUS Markets platform, one was fully listed and the remaining four were unquoted. Unquoted investments represented 10.3% of net assets whilst fixed interest investments and cash accounted for 21.3%.

We reported at the Interim stage that the portfolio has benefited from some successful takeover bids. This trend has continued with three more takeovers completed in our second half including those of BBI Holdings and Revenue Assurance Services, in addition to the five in the first half. This activity has boosted our liquidity by some £7.7m in an increasingly illiquid market. Several more portfolio companies are at varying stages of discussions with potential bidders which, if completed, should further boost our liquidity.

We have actively taken profits in other successful investments which has netted proceeds of a further £6.4m including some £1.7m from Tanfield Group. Realised net capital gains for the year were in excess of £5.5m which is more than the interim dividend payment and the proposed final dividend.

Part of these proceeds has been invested into additional VCT qualifying investments as well as funding the share buy back programme. Over £5m has been invested in new and/or follow on fundraisings during the year. Cash balances at the year end stood at some £2m.

Share Repurchases

During the year the Company repurchased 2,493,011 shares representing 5.25% of our brought forward issued share capital. These shares were bought at a 10% discount to the prevailing NAV, and on average, the price paid was 87.2 pence per share. The Company will continue to repurchase its own shares from time to time as appropriate and within the powers granted at the AGM. These transactions are handled by our stockbroker, Landsbanki Securities (formerly Teather & Greenwood).

Outlook

Markets have been weak and exceptionally volatile since last summer. In the short term it appears unlikely that this trend will abate although your Manager is cautiously optimistic that conditions should improve by the end of this calendar year. Stock market valuations presently look very attractive and give scope for meaningful uplifts when sentiment improves. The Trust's healthy liquidity affords some protection against this unhelpful background.

As at 24 April 2008, the NAV per share (excluding current period revenue) was 75.70 pence.

In the opinion of the Directors, the principal risks and uncertainties for the Company for the new financial year and beyond are stock market related; the level of the NAV per share is dependent principally on market movements which, in the short term, are very difficult to predict and the risks arising from the uncertainties in the stock market cannot be fully mitigated by the Investment Manager.

Christopher Moorsom (Chairman)

James Hambro

Mike Killingley

David Page

Dominic Wheatley

Singer & Friedlander AIM 3 VCT plc **2 May 2008**

Investment Portfolio Summary

AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
1st Dental Laboratories	Healthcare equipment & services	Manufacture of dental appliances	450,000	186,333	0.53	4.19
Aero Inventory	Aerospace & defence	Procurement and inventory management for the aerospace industry	1,289,924	2,448,850	6.91	1.76
Aquabella	Food producers	Aquaculture farms Barramundi in an indoor facility based in the New Forest	440,500	189,966	0.54	9.65
AssetCo	Support services	Provision of equipment and services to the emergency and rescue services	370,835	705,831	1.99	1.21
ATA Group	Support services	Services encompassing assessment services in the contingency database and advertising selection recruitment businesses	220,375	184,094	0.52	7.57
Autoclenz Holdings	Support services	Car valeting and vehicle preparation services	131,440	52,578	0.15	4.16
Avingtrans	Industrial engineering	Provider of precision engineering components and services	443,333	177,500	0.50	4.86
Bright Things	Leisure goods	Development and commercial exploitation of an educational children's games platform associated software	452,500	37,384	0.11	5.39
Cello Group	Media	Core activities of market research, brand advertising and direct marketing and database management	257,625	250,313	0.71	1.72
Chromogenex	Healthcare equipment & services	Design, manufacture and distribute aesthetic and therapeutic laser and aesthetic light based technology devices	13,875	4,499	0.01	0.84
Clerkenwell Ventures	General financial	Investing company formed to acquire businesses in the leisure sector	690,490	488,670	1.38	4.54
Conder Environmental	Industrial engineering	Conder is a provider of products and services to protect the environment. This involves wastewater and surface drainage systems and the installation and maintenance of environmental products	385,241	109,126	0.31	6.16
Coolabi	Media	Specialises in the ownership and development of intellectual property assets	210,865	244,252	0.69	5.24
Debts.co.uk	General financial	Provider of a range of financial services, including IVAs, debt management solutions and loans to over-indebted individuals	500,000	220,238	0.62	2.52
eXpansys	General retailers	Leading retailer and distributor of smartphones and handheld devices to retail and corporate customers	449,500	160,813	0.45	1.92
First Artist Corporation	Media	Management and representation business for personalities in the football and television market	704,265	400,548	1.13	4.37
Fountains	Support services	An environmental services business undertaking vegetation management and forest management	155,852	173,133	0.49	3.59
Fulcrum Pharma	Pharmaceuticals & biotechnology	Offering global virtual drug development and strategic outsourcing services to the pharmaceutical industry	379,532	161,400	0.45	2.69
Glisten	Food producers	The manufacture and sale of confectionery, ingredients and snacking products to retailers, manufacturers, organic market and food service sector	220,000	1,031,938	2.91	3.83
Huveaux	Media	The creation, development and distribution of information to business and professional markets	595,868	255,000	0.72	2.89
ID Data	Electronic & electrical equipment	Provision of secure card-based transaction systems and services using a range of smart and magnetic card solutions	1,089,736	359,755	1.01	6.06

AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
IDOX	Software & computer services	Provider of software solutions and services to Local Authorities, specialising in document and content management	270,500	378,700	1.07	2.64
ILX Group	Support services	Providers of financial training through traditional courses, paper-based training and innovative electronic based training	374,960	303,195	0.86	5.08
Imagesound	Media	Suppliers of in-store music, radio and TV services to the branded retail and leisure sectors	92,188	137,500	0.39	2.38
Imprint	Support services	Provision of executive search and selection services	360,062	360,000	1.02	1.56
Individual Restaurant Company	Travel & leisure	Operation of large stylish brasserie type restaurants	143,145	135,779	0.38	0.49
Infonic (formerly Corpora)	Software & computer services	Software solutions, including document management, internet intelligence and text analysis	1,395,327	828,060	2.34	7.57
Intelligent Environments Group	Software & computer services	Provision of online software products for the credit card and investment markets	116,123	318,037	0.90	9.31
Just Car Clinics Group	General retailers	Owns car repair centres	95,865	178,337	0.50	2.05
Knowledge Technology Solutions	Media	Development and sale of proprietary software and publishing financial information service across the Internet	295,377	166,298	0.47	11.07
Lo-Q	Travel & leisure	Development and application of virtual queuing technologies	760,000	207,100	0.58	5.38
Mediwatch	Healthcare equipment & services	Development and supply of primary care products used in the diagnosis of urological disorders and prostate cancer detection	1,059,611	1,275,021	3.60	8.00
Mount Engineering	Industrial engineering	Engineering company specialising in the areas of thread converting adaptors and valves, supplying the oil, gas and petrochemical industries	409,277	407,816	1.15	3.51
Music Copyright Solutions	Media	Music copyright administration and the exploitation of musical compositions	311,250	489,761	1.38	3.29
Neutrahealth	Food producers	Sale and distribution of nutraceutical products	279,470	194,654	0.55	5.42
Optisma	Media	Optisma is a marketing services business positioned in the space between large management consultancies and traditional market research and intelligence providers	403,000	352,935	1.00	2.09
Ovidia Investments	Software & computer services	Marketing services group focusing in communication, design and advertising	518,312	1,845	0.01	0.97
Petards Group	Support services	Development and provision of security systems and monitoring equipment, CCTV, visual alarm systems, mobile data terminals	82,860	44,634	0.13	2.06
Playgolf Holdings	Travel & leisure	Golf course and driving range management	255,000	112,485	0.32	2.16
Prezzo	Travel & leisure	Restaurant operators	171,221	724,375	2.05	1.73
Pubs 'n' Bars	Travel & leisure	Operation of 95 pubs in London and the West of England	281,813	156,004	0.44	6.33
Quadnetics Group	Support services	Development, design, integration and management of advanced surveillance technology and security networks	341,381	274,200	0.77	1.57
Smallbone	Household goods	Design, manufacture, sale and installation of fitted kitchens, bedrooms and bathrooms	293,220	365,254	1.03	2.62
Symphony Environmental Technologies	General industrials	Supply of environmental polythene products	460,339	75,591	0.21	3.05
Synergy Healthcare	Healthcare equipment & services	Provision of healthcare products and services	297,267	1,296,540	3.66	0.67
Tanfield Group	Support services	Engaged in the engineering and electric vehicle industries	286,214	1,061,500	3.00	0.55
Tasty	Travel & leisure	Restaurant operator	465,377	382,700	1.08	2.14

AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
The Clapham House Group	Travel & leisure	Operation of restaurants and food delivery outlets	395,992	707,250	2.00	1.32
The Food & Drink Group	Travel & leisure	Restaurant and bar proprietor	18,662	38,894	0.11	1.32
The Real Good Food Company	Food producers	Manufacturer and supplier of prepared foods	596,112	83,734	0.24	1.00
Thomson Intermedia	Media	Provide marketing services via innovative systems and consultancy	729,005	118,334	0.33	1.08
Tikit Group	Software & computer services	Provision and maintenance of information technology products and solutions	400,000	823,478	2.33	2.76
Tissue Science Laboratories	Healthcare equipment & services	Development of medical device products for surgical implant and wound management therapies	706,267	301,623	0.85	1.68
TripleArc	Support services	Provision of print management services and e-procurement solutions for the print industry	84,814	27,375	0.08	3.40
UBC Media Group	Media	Provision of audio and data services to the radio industry	663,754	204,689	0.58	1.31
Vianet Group	Technology hardware & equipment	Developed a system which facilitates the collection, management, processing and control of data from remote sources	1,069,990	625,679	1.77	9.46
Xpertise Group	Support services	Operates IT training centres which can lead to industry recognised qualifications	773,508	906,422	2.56	21.72
Xploite (formerly Fujin Technology)	Software & computer services	Provision of high performance network services to the public and private sectors	217,758	188,583	0.53	0.99
Zytronic	Electronic & electrical equipment	Manufacture of optical filters to enhance electronic display performance	610,958	486,723	1.37	4.69
			25,537,735	**22,583,326**	**63.77**	

All investments are in ordinary shares unless otherwise stated.

Fully listed Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Connaught	Support services	Provision of integrated asset management and compliance services	411,846	739,500	2.09	0.33
			411,846	**739,500**	**2.09**	

All investments are in ordinary shares unless otherwise stated.

PLUS Markets traded Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Award International Holdings	Media	Suppliers of promotional goods and services, corporate hospitality, event management and corporate travel	209,990	3,675	0.01	3.82
			209,990	**3,675**	**0.01**	

All investments are in ordinary shares unless otherwise stated.

Private Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Flexbenefits	Software & computer services	Employee benefits and financial services	681,828	757,125	2.14	6.26
Lilestone Holdings	General retailers	Lingerie design and retail	648,175	354,166	1.00	9.09
Lilestone Holdings Loan Stock	General retailers	Lingerie design and retail	250,000	250,000	0.71	6.19
Sportsweb.com	Support services	Healthcare recruitment company	352,128	316,915	0.89	11.36
U4EA	Technology hardware & equipment	Data transfer management	399,126	60,337	0.17	1.48
U4EA (Preference Shares)	Technology hardware & equipment	Data transfer management	1,403,995	1,406,995	3.97	9.66
U4EA Loan Stock	Technology hardware & equipment	Data transfer management	500,000	500,000	1.41	9.44
			4,235,252	**3,645,538**	**10.29**	

Other fixed interest securities UK Government loans	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %
Treasury 4.75% Stock 7/6/2010	1,980,672	2,021,580	5.71
Treasury 4.25% Stock 7/3/2011	1,940,103	1,997,380	5.64
Treasury 4% Stock 7/3/2009	1,485,649	1,494,735	4.22
	5,406,424	**5,513,695**	**15.57**

Other non qualifying investments			Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Formation Group	Media	Provision of management and marketing services in the football sector, and the provision of worldwide hospitality and event management	504,172	671,541	1.90	1.59
Payzone (formerly Cardpoint)	Specialist & other finance	Payzone was formed as a result of the merger of Cardpoint and Alphyra. It is one of Europe's leading payment processing and cash distribution companies	645,994	571,438	1.61	0.42
The Food & Drink Group	Travel & leisure	Restaurant and bar proprietor	59,851	8,059	0.02	1.32
			1,210,017	**1,251,038**	**3.53**	

Investments held at nil Valuation*	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Adval Group	Support services	On-line training company	287,265	–	–	–
Aquilo	Support services	Specialist insurance claims management and advisory group	1,851,897	–	–	–
Camaxys (suspended)	Software & computer services	Provision of health and safety software supply, consultancy and maintenance	254,825	–	–	–
CMS Webview	Media	Provision of data dissemination facilities and software	401,674	–	–	–
Coinmaster Gaming	Travel & leisure	Production of electronic gaming machines	350,000	–	–	–
Disperse Group	Personal goods	The research, design development formulation and manufacture of high quality health and beauty products	315,104	–	–	–
Flying Scotsman	Travel & leisure	Owner of a steam locomotive	400,800	–	–	–
Global Money Transfer (Loan Notes)	Speciality & other finance	Money transfer service	300,000	–	–	–
Inter Link Foods	Food producers	Manufacture and sale of cakes and pastry products	629,000	–	–	–
Laminate Flooring	General retailers	Specialise in supplying real wood and laminate flooring	450,000	–	–	–
Medal Entertainment & Media	Media	Acquiring and exploiting intellectual property rights in the areas of TV, video and DVD	653,679	–	–	–
Monotub Industries	Household goods	Washing machine manufacturer	260,000	–	–	–
Recycled Waste	Support services	Environmental control	374,994	–	–	–
Ringprop	Industrial engineering	Exploitation of the potential of marine propeller technology	366,999	–	–	–
Stanhope Telecom	Telecommunications	Telecom products	500,000	–	–	–
Torex Retail (suspended)	Software & computer services	Independent provider of point of sale software, systems and services and productivity tools	694,691	–	–	–
			8,090,928	**–**	**–**	**–**

** These companies are in liquidation or their shares suspended from trading and the Directors consider it appropriate to value them at zero. With the exception of Global Money Transfer and a proportion of Medal Entertainment & Media (purchase cost £51,170); they count towards the VCT investment test, which states that 70% of the Company's assets will be invested in VCT qualifying investments by January 2004.*

All investments listed on pages 6 to 10 are incorporated and quoted within the UK.

Summary	Purchase cost £	Valuation at 31 January 2008 £	Percentage of net assets %
Total qualifying portfolio*	30,394,823	26,972,039	76.16
Fixed interest/non-qualifying portfolio	6,616,441	6,764,733	19.10
Investments held at nil valuation	8,090,928	–	–
Subtotal	**45,102,192**	**33,736,772**	**95.26**
Net current assets	–	1,679,532	4.74
Total	**45,102,192**	**35,416,304**	**100.00**

** The figures of 76.16% simply shows the share of total market values represented by qualifying holdings. The figures calculated in accordance with the requirements of the VCT legislation is 82.83% (2007: 80.07%).*

Table of largest ten investments by value

Name of company	Percentage of net assets	Percentage held by Company	Profit/(loss) before tax	Retained profit/ (accumulated loss)	Net asset value	Accounting reference date
	%	%	£000's	£000's	£000's	
Aero Inventory	6.91	1.76	26,776	23,631	149,286	30/06/2007
Treasury 4.75% Stock 7/6/2010	5.71	–	–	–	–	–
Treasury 4.25% Stock 7/3/2011	5.64	–	–	–	–	–
Treasury 4% Stock 7/3/2009	4.22	–	–	–	–	–
U4EA (Preference Shares)	3.97	9.66	(8,157)	(33,179)	1,854	31/03/2007
Synergy Healthcare	3.66	0.67	8,816	130,149	365,299	01/04/2007
Mediwatch	3.60	8.00	(820)	(5,892)	3,472	31/10/2007
Tanfield Group	3.00	0.55	3,458	10,919	56,359	31/12/2006
Glisten	2.91	3.83	3,445	7,032	23,174	30/06/2007
Xpertise Group	2.56	21.72	646	2,006	5,877	31/12/2007

The figures relating to profit/(loss) before tax; retained profit/(accumulated loss) and net asset value are taken from the most recently available audited accounts of the underlying companies.

The aggregate value of these top ten holdings is £14,940,961.

Sector analysis

Sector	Purchase cost	Valuation at 31 January 2008	Percentage of net assets
	£	£	%
Aerospace & defence	1,289,924	2,448,850	6.92
Electronic & electrical equipment	1,700,694	846,478	2.39
Fixed interest	5,406,424	5,513,695	15.57
Food producers	1,536,082	1,500,292	4.24
General financial	1,190,490	708,908	2.00
General industrials	460,339	75,591	0.21
General retailers	1,443,540	943,316	2.66
Healthcare equipment & services	2,527,020	3,064,016	8.65
Household goods	293,220	365,254	1.03
Industrial engineering	1,237,851	694,442	1.96
Leisure goods	452,500	37,384	0.11
Media	4,977,359	3,294,846	9.30
Pharmaceuticals & biotechnology	379,532	161,400	0.46
Software & computer services	3,599,848	3,295,828	9.31
Specialist & other finance	645,994	571,438	1.61
Support services	3,946,275	5,149,377	14.54
Technology hardware & equipment	3,373,111	2,593,011	7.32
Travel & leisure	2,551,061	2,472,646	6.98
Investments held at nil valuation	8,090,928	–	–
Subtotal	**45,102,192**	**33,736,772**	**95.26**
Net current assets	–	1,679,532	4.74
Total	**45,102,192**	**35,416,304**	**100.00**

Review of Investments

1st Dental Laboratories
1st Dental is the UK's largest provider of services and products to the dental industry. The company has 15 laboratories as well as an online offering.

Aero Inventory
Aero Inventory is a provider of e-based procurement and inventory management solutions to the aerospace industry.

Aquabella
Aquaculture farms Barramundi in an indoor facility based in the New Forest.

AssetCo
AssetCo is a leading provider of support services to the UK Fire and Rescue Service.

ATA Group
ATA Group is a human resource support services group, which provides employment solutions and training services to client companies in the UK and Ireland

Autoclenz Holdings
Autoclenz is the UK's leading outsourced car valeting and vehicle preparation services providers and one of the leading specialist providers of rapid response deep cleaning and emergency decontamination services.

Avingtrans
Avingtrans is involved in the production of precision engineered components used in aerospace, medical and scientific devices (e.g. MRI scanners) and industrial machinery (e.g. ballscrews, speed camera stands).

Award International Holdings
Award is a shell company quoted on PLUS Markets seeking acquisitions.

Bright Things
Bright Things is involved with the development of interactive DVD games based on popular licences and also owns rights to a proprietary chip technology. The company has recently acquired another business involved in online "social networking" software.

Cello Group
Cello has established itself as a leading marketing services business. The company is involved in market research, direct marketing and brand advertising.

Chromogenex
Chromogenex designs, manufactures and distributes aesthetic and therapeutic laser and light based technology devices.

Clerkenwell Ventures
Clerkenwell quoted on AIM with the specific objective of acquiring established, high growth businesses in the leisure sector. The company was established by the former Pizza Express management team.

Conder Environmental
Conder is a provider of products and services to protect the environment. This involves wastewater and surface drainage systems and the installation and maintenance of environmental products.

Connaught
Connaught is a facilities management group providing a range of services to the owners and occupiers of property across mainland UK. The services include maintenance, refurbishment, cleaning and industrial and commercial gas appliance testing and servicing.

Coolabi
Coolabi specialises in the ownership, development, production and creative management of intellectual property assets and their global exploitation through licensing and merchandising.

Debts.co.uk

Debts.co.uk is a leading provider of a range of solutions, including IVAs, debt management programmes, bankruptcy and secured loans or mortgages to over-indebted individuals.

eXpansys

eXpansys is a leading online retailer of handheld devices with wireless connectivity. The company has a global infrastructure and an international blue chip customer base.

First Artist Corporation

First Artist is a leading European management and representation company looking after the commercial interests of footballers and other high profile personalities in the football and television market. The group also offers wealth management and marketing services.

Flexbenefits (unquoted)

Flexbenefits has developed a system for the management, delivery and communication of employee benefits and financial services information. These services enable employers and financial institutions to reduce costs and improve communication and understanding.

Formation Group

Formation is a leading sports and wealth management business looking after many high profile sporting personalities with a particular emphasis on football.

Fountains

The company provides a range of environmental services in the UK, Ireland and the US. It has a strong position in the provision of vegetation management and allied maintenance services to rail and utility companies as well as local authorities and corporates.

Fulcrum Pharma

Fulcrum Pharma offers global virtual drug development and strategic outsourcing services to the pharmaceutical and biotechnology industries. The company has offices in the UK, USA and Japan offering global solutions across the full length of the drug development value chain.

Glisten

The company was admitted to AIM in June 2002 with the objective of building a food group focusing on niche sectors. The acquisition of Glisten Confectionery based in Blackburn was made at this time. It is a manufacturer of chocolate and sugar based confectionery, snack bars, edible decorations and ingredients. It serves a wide range of customers including many high street retailers and the foodservice and export sectors. The company has made various successful acquisitions since admission and more are anticipated.

Huveaux

Huveaux quoted on AIM in December 2001 with the intention of making acquisitions in the media sector. The experienced management team acquired Vacher Dodd, the leading publisher of parliamentary directories in July 2002 and has since purchased Lonsdale and Fenman, both of whom are involved in educational publishing. It has also added to its political publishing business with the purchase of Parliamentary Communications Ltd.

ID Data

ID Data is a supplier of secure transaction systems and services to the international telephone, banking and retail industries. Exporting to more than 30 countries, ID Data is a leading UK based manufacturer of smart cards. It also has manufacturing capability in Poland.

IDOX

IDOX is a supplier of software solutions and services mainly to the UK public sector and the leading applications provider to local government for core functions relating to land, people and property.

ILX Group

ILX is a financial training company involved in financial awareness training for non-financial managers. The company has a blue chip client base from the UK, USA and Europe and has an extensive library of e-learning courseware. Several acquisitions have been made including that of Corporate Training Group.

Imagesound
Imagesound is the UK's leading supplier of in-store music, radio and TV services. It supplies over 40 leading retail and leisure chains, with an aggregate 10,000 stores, with bespoke music and TV programming.

Imprint
Imprint is a multi-disciplinary recruitment business. Services provided include search, selection and value added personnel services to companies of varying sizes in many different industries.

Individual Restaurant Company
An operator of branded restaurants including Piccolinos and Restaurant Bar & Grill.

Infonic (formerly Corpora)
Infonic's principal activity is the research, development and sale of sophisticated document navigation software.

Intelligent Environments Group
Intelligent Environments is a leading provider of integrated e-finance products for the payment card and retail investment markets and has an excellent list of 'blue chip' clients.

Just Car Clinics Group
The company owns a network of car repair centres and works with several major insurance and car dealership companies to fulfil their repair requirements.

Knowledge Technology Solutions
KTS is a leading provider of real-time market data solutions. In 2007, KTS acquired a competitor, Arcontech, strengthening the product offering, technology and customer base.

Lilestone Holdings (unquoted)
Lilestone has established the Myla brand of lingerie. The company is designing its own brand products as well as sourcing product from other designers throughout the world. The products are being sold via mail order, the internet and through conventional retail channels such as Selfridges and the company's own stores both in the UK and overseas.

Lo-Q
Lo-Q has developed a queue management system that places visitors to theme parks in "virtual queues", reducing the time that customers spend physically waiting in line for key rides to a few minutes, enabling them to enjoy, and spend money, on the other attractions in the park.

Mediwatch
Mediwatch is a medical diagnostic equipment company that is developing high speed urological screening equipment. The company's products are designed to enable early detection of prostate and bladder cancers for the fast growing primary care market.

Mount Engineering
Mount is a specialist engineering group servicing, in particular, the oil & gas and chemical industries. Products include thread conversion components and industrial valves and actuators.

Music Copyright Solutions
MCS is a music publisher principally focusing on the management of music library assets, music copyright licensing and royalty administration, collection and payment. The company has been building its portfolio via the acquisition of libraries of rights.

Neutrahealth
Neutrahealth was established and quoted on AIM to acquire businesses in the growing vitamin and mineral supplements market. The company has made three significant acquisitions in this area to date.

Optimisa
Optimisa is a marketing services business positioned in the space between large management consultancies and traditional market research and intelligence providers.

Ovidia Investments
Ovidia is a shell company seeking acquisitions.

Payzone
Payzone was formed as a result of the merger of Cardpoint and Alphyra. It is one of Europe's leading payment processing and cash distribution companies.

Petards Group
Petards is a leading provider of advanced security and communication systems focused on homeland security. It is focused on the growing surveillance, emergency services and defence markets and has a high quality customer base.

Playgolf Holdings
Playgolf is an owner and operator of golfing facilities in London, Glasgow and Manchester. The facilities are located in high-density urban areas and include driving ranges and high quality 'urban' golf courses based on the theme 'golf in an hour'.

Prezzo
Prezzo owns and operates a chain of restaurants based in and around London and trading in two main formats, Jonathans and Prezzo. The food offering consists of pizza and pasta with Prezzo also selling rotisserie chicken. The company has approximately 140 sites.

Pubs 'n' Bars
Pubs 'n' Bars is a chain of community style pubs primarily in the London area but also with several units in the West Country. The company manages over 90 pubs.

Quadnetics Group
Quadnetics is a leader in the design, integration and control of advanced CCTV and networked video systems. The company has a strong position in the casino market where it has a technological advantage and a significant market share.

Smallbone
Smallbone's main business is the manufacture and installation of luxury kitchens, bathrooms and bedroom furniture in the UK. It also sells specialised stone floors and tiles, mainly in the US.

Sportsweb.com (unquoted)
Sportsweb is a specialist recruitment agency to the fitness and leisure industries. The company has an established traditional recruitment business and has extended this to the internet. Sportsweb has several major clients who are actively using the website to successfully recruit staff achieving significant benefits over traditional methods. The company is trading profitably and is likely to seek a trade sale in due course.

Symphony Environmental Technologies
Symphony is a specialist technology company concerned with degradable plastic packaging products. Symphony's "d2wTM" technology has been licensed to several overseas partners and production for UK customers is sub-contracted to manufacturing partners.

Synergy Healthcare
Synergy is a specialist provider of out-sourced medical support services to the NHS. It is the largest private sector provider of sterile instrumentation services and linen products. The company has several long term contracts with different NHS Trusts and hospitals around the UK. The company acquired Isotron last year which adds depth to the territorial, product and customer range.

Tanfield Group
Tanfield is involved in specialist manufacturing and provision of technical and assembly solutions to a wide range of sectors. Activities include specialist electric vehicles, aerial access equipment and other purpose built vehicles and added value products.

Tasty
Tasty is engaged in the operation of restaurants and was established by the Kaye family who are successful serial entrepreneurs in this sector. The offering is in Oriental food with a focus on "dim sum".

The Clapham House Group

Clapham House was admitted to AIM to exploit acquisition opportunities within the UK restaurant sector. The experienced management team initially acquired Greek restaurant and bar chain The Real Greek and has subsequently bought the Bombay Bicycle Indian restaurant business, the Gourmet Burger Kitchen and Tootsies. All formats appear to have significant rollout and growth potential.

The Food & Drink Group

Food & Drink operates a portfolio of restaurants and bars within London and the Home Counties. Brands include Jamies and Henry J Bean's.

The Real Good Food Company

RGF manufactures and supplies chilled and ambient products in niche areas to food retailers. The business has been built by acquisition and organic growth.

Thomson Intermedia

Thomson provides media monitoring services, accessed by or delivered to subscribers via the internet. By superseding paper based information systems with its proprietary software and delivery over the web, Thomson enables subscribers to enjoy more up-to-date and timely information than traditional methods allow. The customer can also analyse, search and manipulate the data provided.

Tikit Group

The company is a provider of consultancy services and software solutions primarily to the legal profession. The company concentrates on the top 200 law firms in the UK and has a very good reputation for quality of service and "best of breed" solutions. Applications cover time recording, document management, customer relationship management and knowledge management. The company has also entered the Spanish and French markets via acquisition.

Tissue Science Laboratories

Tissue Science is a medical devices company specialising in human tissue replacement and repair products derived from porcine dermis. The company has proprietary core technology, which has many applications in a rapidly growing market. It has marketing agreements with several partners to sell products in different territories.

TripleArc

TripleArc is a provider of technology led procurement solutions to the fast growing print management sector. The company has a blue chip customer base with several important new contracts having been signed in the last year.

U4EA (unquoted)

U4EA is a specialist provider of solutions for data transfer management by large corporates. This has particular implications in improving the performance of transfers of large amounts of data across networks. The company currently requires ongoing funding and whilst shareholders are supportive, this support may not necessarily be sustained.

UBC Media Group

UBC is a content and programme producer for the radio, internet and digital television industries. It is the largest independent supplier of programming to the BBC. It supplies entertainment and traffic news services to commercial radio and owns the Classic Gold radio channel as well as other digital radio licences.

Vianet Group

Vianet is a provider of telemetry-based solutions for maintaining and supplying automatic vending machines. The company offers the machine operators and brand owners a data management service to improve machine usage and profitability. The product is now being rolled out by several customers including GlaxoSmithKline.

Xpertise Group

Xpertise is a leader in providing accredited technical IT training to business customers from centres in the North West, the North East, the Midlands and London.

Xploite (formerly Fujin Technology)

Xploite is an operator and aggregator of strategic and high growth IT services. Services include advanced storage solutions at the company's own data centres.

Zytronic

Zytronic's business has traditionally been as a manufacturer and distributor of optical filters, shielded filters and specialist light diffusers. The company's customers have included Alcatel, NCR, Corning and many other international OEM based manufacturers. More recently Zytronic has entered the touchscreen technology market which significantly increases its growth potential through its existing distribution partners.

Board of Directors

Christopher Moorsom (Chairman)
Christopher has over 40 years' experience in the financial services industry. In 1969 he became a partner of B S Stock, a Bristol firm of stockbrokers. In 1986 he became Managing Director of Stock Beech Securities, a corporate finance and market making company and was a Director of Stock Beech & Co, which was acquired by Albert E. Sharp in 1990. He later became Managing Director of Albert E. Sharp. Following the acquisition of Albert E. Sharp by Old Mutual plc and subsequent mergers with Capel Cure Myers and Greig Middleton, the business was renamed Gerrard. He became Joint Managing Director of Gerrard and was Chairman of Gerrard Investment Funds until 2001 when he became Vice Chairman of Gerrard until his retirement in 2004.

Christopher is non-executive Chairman of the Bath Building Society. He has recently served as a director of Weston Area NHS Trust, Northern Races Limited, Bath Racecourse Limited and Chepstow Racecourse Limited and as a governor of the Royal Welsh College of Music and Drama. He is a member of the Securities Institute.

James Hambro
James is Chairman of J O Hambro Capital Management Limited. He has over 25 years' experience in the merchant banking and investment management industry. He was a founder shareholder in 1986 of the J O Hambro Group and a former Managing Director of J O Hambro Magan & Company Limited. He is also Chairman of Hansteen Holdings Plc, a director of Primary Health Properties Plc and a number of other companies.

Mike Killingley
Mike is non-executive Chairman of Beale plc and a non-executive Director of AIM-quoted Falkland Islands Holdings plc. He was a senior partner with KPMG, chartered accountants, from 1988 until retiring from the firm in 1998 and is a former non-executive chairman of Southern Vectis plc, Conder Environmental plc and Advanced Technology (UK) plc.

David Page
David was for 19 years the Managing Director of and a major shareholder in the largest franchise group of Pizza Express. In 1993 his franchise group merged with the franchisor at the same time as an IPO. David was appointed CEO on the floatation and then Chairman in 1996.

He is Chairman of the Clapham House Group plc which acquires and operates profitable restaurant brands; the Clapham House Group plc floated on AIM in November 2003. David is also Chairman of Clerkenwell Ventures plc, an aim cash shell. The Clapham House Group plc and Clerkenwell Ventures plc are investee companies of the Company.

Dominic Wheatley
Dominic has over 20 years' experience in the computer software industry. He left CBH & Partners (Advertising and Promotions Agency) in 1984 to form Domark Software, a company which specialised in the publishing of games and products for personal computers and video games consoles. Between 1992 and 1995 he established a US office for Domark. Domark was reversed into a small USM listed research company, listed on the London Stock Exchange and changed its name to Eidos Interactive. He was Chief Executive of Eidos Interactive in the US and Chief Operating Officer of Eidos Interactive plc until the end of 1996.

He is currently a director of Wheatley Productions Limited, Kuju Limited, Catalis NV, Chorion-Wheatley Limited and Lipscombe Developments Limited. In early 2002 he was co-founder of Bright Things plc which is developing a unique new gaming platform; Bright Things plc was floated on AIM in April 2004 and is held in the investment portfolio of the Company.

Corporate Governance Statement

The Board has put in place a framework for corporate governance which it believes is appropriate for a Venture Capital Trust company and which enables the Company to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code").

The Board considers that the Company has complied with the provisions contained within the 2006 Combined Code during the year ended 31 January 2008 except for the areas of non-compliance which were:

- the composition of the Audit Committee including the Chairman of the Board and
- a nomination committee not having been appointed.

This statement describes how the Company has complied or explains non-compliance with the provisions of the Combined Code during the year ended 31 January 2008.

The Turnbull Guidance requires the Directors to conduct, at least annually, a review of the effectiveness of the Company's system of internal controls, including financial operations, compliance controls and risk management. The Company last reviewed the effectiveness of the Company's system of internal controls for the year ended 31 January 2008 on 21 April 2008.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from Investment Manager Compliance department;
- reviews reports on the internal controls and the operations of its custodian, Singer & Friedlander Investment Management Limited, which is itself independently reviewed; and
- reviews on a regular basis an independent report on the internal controls and the operations of Singer & Friedlander Investment Management Limited.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 January 2008, and to the date of approval of this Annual Report and Accounts.

The Board confirms that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from the annual review of internal controls and procedures.

During the year four meetings have been held and attendance was as follows:

	2007			
	1 May	26 June	25 Sept	4 Dec
C J L Moorsom	✓	✓	✓	✓
J D Hambro	✓	✓	✓	✓
M S Killingley	✓	✓	✓	✓
D M Page	✓	✓		✓
D M D A Wheatley	✓	✓	✓	

The Board

The Board currently consists of five non-executive Directors. Messrs J D Hambro, M S Killingley, D M Page and D M D A Wheatley are independent Directors under the Combined Code. Their biographical details, set out on page 18, demonstrate a breadth of investment, commercial and professional experience.

Messrs C Moorsom, D Page, D Wheatley, J Hambro and M Killingley have served as Directors throughout the year.

The Board meets at least four times a year and between these meetings there is regular contact with the Investment Manager. Matters specifically reserved for decision by the full Board have been defined and are recorded. Procedures have been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the Corporate Company Secretary, who is responsible to the Board for ensuring that board procedures are followed.

Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal financial and non-financial controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

A review of Board effectiveness was undertaken by the Board on 4 December 2007. The Board concluded that they were satisfied that the Board of Directors had sufficient expertise to oversee the management of the business but that succession planning was an area that required further review.

In accordance with the existing Articles of Association, Messrs J Hambro and M Killingley will stand for re-election at the forthcoming Annual General Meeting of the Company. In accordance with the Combined Code, Directors are required to retire by rotation at least once in every three-year period.

Senior Independent Director

Mr J Hambro has held the position of Senior Independent Director throughout the year. In this role, Mr Hambro along with the Chairman are recognised as the senior board members to whom concerns can be conveyed.

Nomination Committee

As the Board is small and consists of non-executive Directors and in view of the nature of the Venture Capital Trust Company it has been decided that a nomination committee does not need to be formed. The appointment of new Directors is decided by the whole Board. There have been no new appointments during the financial year to 31 January 2008.

Remuneration Committee

As stated in the Directors' Remuneration Report on pages 28 and 29 under the Listing Rules of the Financial Services Authority, where a Venture Capital Trust Company has no executive directors, the Combined Code principles relating to directors' remuneration do not apply and as such no Remuneration Committee has been appointed. The remuneration of the Directors is reviewed by the whole Board.

Audit Committee

The Board has an Audit Committee which was chaired by Mr M Killingley. Messrs C Moorsom, J Hambro, D Page and D Wheatley are also members. The Combined Code recommends that the Audit Committee should comprise independent non-executive Directors only and exclude the Chairman. However, the Board considers that given the size and nature of the Company, Mr Moorsom should be a member of the Audit Committee.

This Committee is responsible for reviewing all matters relating to the audit, financial reporting and internal control systems. The Audit Committee meets at least twice a year and the independent auditors may be asked to attend those meetings. During the year two meetings have been held and attendance was as follows:

	2007	
	1 May	25 September
Mr Killingley	✓	✓
J D Hambro	✓	✓
C Moorsom	✓	✓
D M Page	✓	
D M D A Wheatley	✓	✓

The Committee also meets with representatives of the Investment Manager and receives reports on the quality and effectiveness of the accounting records and the management information maintained on behalf of the Company.

The Terms of Reference of the Audit Committee are available on request from the registered office of the Company.

Relations with Shareholders

The Annual General Meeting is an event which all shareholders are encouraged to attend and participate in. The Annual General Meeting is chaired by the Chairman of the Board and the Chairman of the Audit Committee will also be present. A summary of the proxy votes received on the resolutions proposed will be reported at the meeting.

The Company's proxy forms now include a 'vote withheld' option for each resolution. The proxy form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolutions.

The Notice of the Annual General Meeting on page 53 sets out the business of the meeting. Separate resolutions are proposed for each substantive issue.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 25 and 26.

The Independent Auditors' Report is set out on page 30.

The Board has delegated contractually to third parties the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, Company Secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Investment Manager and ad hoc reports and other information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the management agreement with the Investment Manager.

The Directors acknowledge that they are responsible for the internal financial and non-financial control systems ('the controls') of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication of information, and that the assets of the Company are safeguarded. The controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The Board has considered the need for an internal audit function, but currently believes there is no need to have one, in view of the other controls and procedures in place. The need for an internal audit function will be reviewed annually. As stated above, the Board has delegated contractually the services the Company requires to external parties. The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls operated on behalf of its clients. The effectiveness of the internal financial controls is assessed by the Investment Manager's compliance and internal audit departments on an ongoing basis.

The Audit Committee reviews and authorises the need for non-audit services, giving consideration to the cost effectiveness, the independence and objectivity of the auditor. In order to safeguard the Auditors' objectivity and independence, non-audit services are carried out through a partner other than the audit engagement partner. On the recommendation of the Audit Committee, the Board is satisfied that the auditor continues to be independent and proposes the resolution for re-appointment at the Annual General Meeting.

These systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have kept under review the effectiveness of the internal controls throughout the year and up to the date of this Report by adopting the above procedures.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and which includes an assessment of the risks relating to the performance and competence of the Investment Manager. This process has been in place throughout the year and up to the date of the approval of the Report and Accounts. It is regularly reviewed by the Board and accords with the Turnbull Guidance.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

By order of the Board
C J L Moorsom
Chairman
2 May 2008

Report of the Directors

The Directors present their Report and audited Accounts of the Company for the year ended 31 January 2008.

Principal Activity

The principal activity of the Company is to provide shareholders with an attractive return from a portfolio of investments in companies whose shares are principally traded on the AIM market. Details of all investments made by the Company are given in the Investment Portfolio Summary on pages 6 to 10.

Review of the Business

The review of the Company's business for the year together with the Board's view of the outlook and a description of the principal risks and uncertainties facing the business are included in the Board Review of the Year on pages 4 and 5.

Results and Dividends

Net gain after taxation for the year amounted to £139,403 (2007: loss of £5,897).

The Directors recommend a final dividend of 2.0 pence (2007: 2.0 pence) per share for the year ended 31 January 2008.

Directors

The names of the Directors of the Company appear on page 18 of these accounts.

Messrs C Moorsom, D Page, D Wheatley, M Killingley and J Hambro have served as Directors throughout the year.

The Directors' interests in the shares of the Company were:

Director	31 January 2008*	31 January 2007
C J L Moorsom**	22,741	22,741
A N Banks*	Nil	21,676
J M Edelson*	Nil	50,000
D M Page**	5,689	5,689
D M D A Wheatley	22,736	22,736
J D Hambro	22,136	22,136
M Killingley	Nil	Nil

* Messrs A Banks and J M Edelson resigned from the Board on 22 February 2006. The interests held were as at the date of resignation.

** The holdings of Messrs C J L Moorsom and D M Page include five shares which are held jointly.

No options over the share capital of the Company have been granted to the Directors. There have been no changes in the holdings of the Directors between 31 January 2008 and 2 May 2008.

Messrs M Killingley, J Hambro, C Moorsom, D Page and D Wheatley are members of the Audit Committee.

At the forthcoming Annual General Meeting of the Company Messrs J Hambro and M Killingley will retire and, being eligible, offer themselves for re-election as Directors of the Company.

Directors' Appointment and Replacement

The rules applying to the appointment and replacement of Directors are set out in the Company's Articles of Association. As stated in the Corporate Governance Statement on page 20, the appointment and replacement of new Directors is decided by the Board as a whole.

Powers of Directors

The powers and duties of the Directors are set out in the Company's Articles of Association. As at the date of this report, the Directors have no authority remaining to issue new shares; such authority will be sought from the shareholders as and when required. Details of the Directors' authority to purchase the Company's shares are as set out within this report.

Performance Measurement

The Board considers total return to shareholders to be the key performance indicator, although it appreciates that share price performance is an important factor to many shareholders. However, in the very limited market for VCT shares the share price will typically be at a discount to net asset value. The net asset value is announced weekly on the Regulatory News Service of the London Stock Exchange.

The Board regularly reviews the performance of the Company against its peers, but direct comparisons are not always relevant due to differences in investment focus. Performance is also reviewed against the AIM Index as it is the benchmark used for investment performance purposes. This is not, however, a particularly relevant index given the restrictions placed upon the Company in respect of the industry sectors it may and may not invest in.

It is the Manager's responsibility to seek to identify the best investments and manage the portfolio to achieve the highest possible returns. The performance of the Company's investments for the year under review is detailed in the Board Review of the Year on pages 4 and 5 and in the Investment Portfolio Summary on pages 6 to 10. The performance of investments is reviewed continuously and the Board receives a quarterly report from the Manager.

Principal risks and the Board's approach to risk management

The Company's assets are primarily quoted equities on AIM. Main areas of risk therefore relate to the movements within the AIM Index as a whole; the initial choice and subsequent performance of the investee companies; and factors affecting particular industries in which investments are held. Specific risks encountered and the Board's approach to mitigation are detailed below. Information in respect of risks associated with financial instruments held by the Company is provided in note 21 to the Financial Statements.

Objectives, strategy and investment performance risks

The Board regularly reviews the investment strategy against current economic and market conditions. The Board is provided with regular reporting on investment performance, compliance with investment criteria and peer group performance. The rationale for all investment decisions is documented and presented to the Board.

Regulatory risks

A breach of the HM Revenue & Customs rules could result in the withdrawal of the Company's VCT status and cancellation of tax reliefs, including those available to shareholders. The Manager constantly reviews compliance with these and other financial regulatory requirements, which is formally reported to the Board.

Operational risk

The Board regularly considers operational risks and the controls in place to manage them.

Management and Service Agreements

Singer & Friedlander Investment Management Limited is the Company's Manager, and has entered into a management agreement; the agreement can be terminated by not less than one year's notice in writing. The principal terms of the management agreement are set out in note 3 to the Financial Statements.

Capita Sinclair Henderson Limited is the Company's Administrator, and has entered into an administration agreement which can be terminated by not less than one year's notice in writing. The principal terms of the administration agreement are set out in note 5 to the Financial Statements.

Singer & Friedlander Secretaries Limited is the Corporate Secretary of the Company. A summary of the fee arrangements are set out in note 5 to the Financial Statements.

VCT Status Monitoring

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers LLP review new investment opportunities for the sole purpose of assessing VCT status eligibility and carries out reviews of the Company's investment portfolio as instructed by the Company.

Independent Auditors

PricewaterhouseCoopers LLP were the independent auditors during the year to the Company. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Directors' statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Report are listed on page 18. Each of those Directors confirms that:

To the best of his knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which the Company's auditors are unaware; and he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Issued Share Capital

During the year the Company purchased 2,493,011 ordinary shares of 5p each for cancellation at an aggregate cost of £2,184,050 plus £nil commission, representing 5.25% of the issued capital as at the previous year end date. These repurchases of shares were made in accordance with the Company's share buy back policy and were considered to be in the best interests of shareholders. The authority for the Company to purchase its own shares is given by the shareholders to the Company at the Annual General Meeting. As at 31 January 2008, the authority remained valid over 3,583,737 ordinary shares of 5p each.

The issued share capital of the Company as at 31 January 2008 was 44,968,981 ordinary shares of 5p each. There have been no repurchases of shares made subsequent to the year end.

Structure of Share Capital

Details of the share capital are set out in note 15 of the Financial Statements.

The rights and obligations attaching to the Company's shares together with the rules of transfer of the shares and the rights attaching thereto are as set out in the Company's Articles of Association.

Substantial Interests

As at 31 January 2008 the Company was not aware of any beneficial interest exceeding 3% of the issued share capital.

Suppliers Payment Policy

The Company's policy is to pay all suppliers invoices within 30 days of the invoice date, unless otherwise agreed. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms. There were no trade creditors at the year end (2007: nil).

Allocation of Annual Management Fee

In determining the funds available to pay revenue dividends, 75% of the annual management fee, together with the related tax effect, is transferred to the capital reserves, reflecting the Directors' estimation of the probable split of capital gains and income from the investment portfolio over the life of the Company.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Report and Accounts are prepared in accordance with Company law in the United Kingdom. They are also responsible for ensuring that the Report and Accounts include information required by the Listing Rules of the Financial Services Authority.

The Directors certify that to the best of their knowledge the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit and loss of the Company. The Directors further certify that the management report includes a fair review of the development and performance of the business together with the principal risks and uncertainties facing the Company.

Section 992 Companies Act 2006

These financial statements have been prepared in compliance with s992 Companies Act 2006.

Interim Management Statement

An Interim Management Statement for the first six month period of the financial year will be published in accordance with DTR 4.3 on or before 19 June 2008.

Annual General Meeting

The Annual General Meeting will be held at One Hanover Street, London W1S 1AX at 11.30am on 17 June 2008.

The Notice of Annual General Meeting is set out on page 53.

Resolutions 1 to 7 set out in the Notice are concerned with the ordinary business customarily transacted at annual general meetings. Resolutions 8 and 9 will be proposed as special business at the Annual General Meeting.

Resolution 8 – Authority for the Company to purchase its own shares

The Directors consider that in certain circumstances it may be advantageous for the Company to purchase its own shares when the shares may be bought for a price which is below the Net Asset Value per share. At an Annual General Meeting held on 26 June 2007, the Directors were given the necessary authority. Resolution 8 seeks to renew this authority to purchase up to 9.99% of the ordinary issued share capital of the Company.

This Resolution grants power for the Company to purchase its own shares pursuant to Section 166 of the Companies Act 1985. The authority will be limited to an aggregate maximum number of 4,492,000 ordinary shares (representing approximately 9.99% of the issued share capital of the Company as at 31 January 2008) and will expire on the earlier of 17 December 2009 and the conclusion of the Annual General Meeting in 2009. The maximum price which may be paid for an ordinary share will be an amount which is not more than the higher of (i) 5% above the average of the mid-market quotations as derived from the daily official list of the London Stock Exchange and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System SETS. In addition, shares will not be purchased at prices above their then current NAV.

The Directors have no current intention of utilising all or any of the powers conferred by this Resolution and will only exercise their authority in the interests of shareholders generally.

Resolution 9 – Adoption of New Articles of Association

It is proposed in Resolution 9 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006, which, as described in last year's Annual Report, is being brought into force in stages and required changes to the Company's articles of association at the last Annual General Meeting and does so again this year.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted.

Copies of the proposed New Articles, together with copies marked-up to show the differences between the New Articles and the Current Articles, are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this document until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting itself from 11.15am until the close of the Meeting.

Form of resolution

The concept of extraordinary resolutions has not been retained under the Companies Act 2006, therefore references to extraordinary resolutions have been replaced with references to special resolutions.

Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The New Articles reflect these new provisions.

Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the Directors decide whether to authorise a conflict or potential conflict. First, only those Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings.

Exercise of members' rights

The Companies Act 2006 provides for indirect investors who hold their shares through intermediaries to exercise certain membership rights. One of these rights is that members of a company (for instance nominees) will be able to nominate another person (for instance, the beneficial holder of shares) to receive all of the information that those nominating members are entitled to receive as shareholders as if the nominated person was himself a shareholder. The New Articles provide for the nomination process and include associated provisions relating to the Company's maintenance of records of nominations made. The Directors believe that relatively few members will wish to make use of nomination rights, but any members wishing to do so should contact the Company Secretary.

By order of the Board
C J L Moorsom
Chairman
2 May 2008

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting of the Company.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are so indicated. The auditors' opinion is included in its report on page 30.

Policy on Directors' Remuneration

Under the Financial Services Authority Listing Rule 16.3.5R, where a Venture Capital Trust has no executive directors the Combined Code principles relating to directors' remuneration do not apply and as such there is no Independent Remuneration Committee. The Remuneration of the Directors is reviewed by the whole Board. A Remuneration review was last undertaken on 4 December 2007.

As stated in the Articles of Association, the remuneration of the Directors by way of fees is determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company, the aggregate remuneration shall not exceed £90,000 per annum. The Remuneration of the Board is as follows:

	Chairman	Directors
31 January 2007 – 31 December 2007	15,000 pa	12,500 pa
From 1 January 2008	18,000 pa	15,000 pa

The Board's policy is that remuneration of non-executive Directors shall reflect the expansion of the Board as a whole, be fair and comparable to that of other similar investment trusts that have similar capital structure and investment objectives. It is intended that this policy will continue for the year ending 31 January 2009 and subsequent years.

Directors' Emoluments for the Year (audited)

The Directors who served throughout the year and received emoluments by way of fees are detailed in the table below:

	Note	Year ended 31 January 2008 £	Year ended 31 January 2007 £
C J L Moorsom	6	15,250	15,000
J D Hambro* (appointed 22 February 2006)	6	12,708	11,682
M S Killingley (appointed 22 February 2006)	6	12,708	11,682
D M Page	6	12,708	11,953
D M D A Wheatley	6	12,708	12,865
J M Edelson (resigned 22 February 2006)	6	Nil	945
		66,082	**64,127**

* The fees in respect of James Hambro are paid to charity.

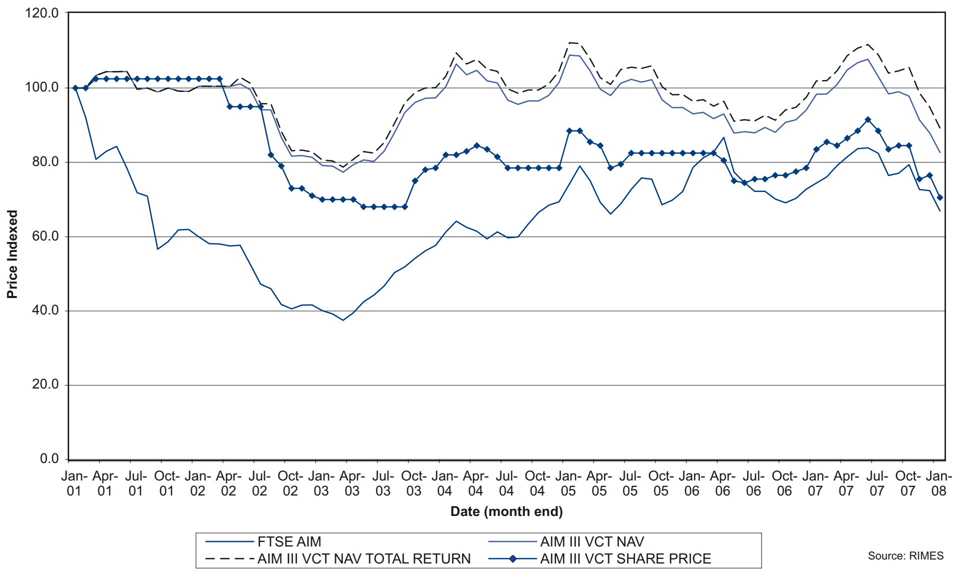
Service Contracts

No Director has a service contract with the Company. The Company does not have any employees.

There were no other contracts during or at the end of the year in which Directors of the Company had a material interest and which is or was significant in relation to the Company's business.

None of the Directors of the Company are eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

Your Company's Performance



The graph above compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as by reference to which the Alternative Investment Market is calculated. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

By order of the Board
C J L Moorsom
Chairman
2 May 2008

Independent auditors' report to the members of Singer & Friedlander AIM 3 VCT plc

We have audited the financial statements of Singer & Friedlander AIM 3 VCT plc for the year ended 31 January 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Board Review of the Year, the Investment Portfolio Summary, the Corporate Governance Statement, the Report of the Directors and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2008 and of its net loss and cash flows for the year then ended;
- the financial statements and the part of Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

2 May 2008

Financial Statements

Income Statement

for the year ended 31 January 2008

	Notes	Revenue £	Capital £	Year ended 31 January 2008 Total £	Revenue £	Capital £	Year ended 31 January 2007 Total £
Net (losses)/gains on investments at fair value	10	–	(4,449,935)	(4,449,935)	–	2,731,638	2,731,638
Gain on acquisition and liquidation of subsidiaries (net of costs)	11	–	–	–	–	1,017,855	1,017,855
Income	2	634,851	–	634,851	556,956	–	556,956
Administrative expenses							
Investment management fees	3	(187,689)	(563,066)	(750,755)	(184,861)	(554,582)	(739,443)
Decrease/(increase) in share option provision	4	31,325	93,977	125,302	(39,794)	(119,383)	(159,177)
Other expenses	5	(339,084)	–	(339,084)	(338,198)	–	(338,198)
Total administrative expenses		(495,448)	(469,089)	(964,537)	(562,853)	(673,965)	(1,236,818)
Return/(deficit) on ordinary activities before taxation		**139,403**	**(4,919,024)**	**(4,779,621)**	**(5,897)**	**3,075,528**	**3,069,631**
Taxation on ordinary activities	7	–	–	–	–	–	–
Return/(deficit) on ordinary activities after taxation for the financial year		**139,403**	**(4,919,024)**	**(4,779,621)**	**(5,897)**	**3,075,528**	**3,069,631**
Basic return per ordinary share	9	0.30p	(10.64)p	(10.34)p	(0.01)p	6.29p	6.28p
Adjusted return per ordinary share	9	n/a	n/a	n/a	(0.01)p	4.21p	4.20p

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

There are no gains or losses other than shown in the income statement.

The notes on pages 35 to 52 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January 2008

	Notes	Called-up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve £	Revenue reserve £	Total £
Year ended 31 January 2006		1,555,894	3,121,068	–	25,082,853	116,500	–	(2,243,889)	(116,639)	27,515,787
Issue of shares on merger		1,064,034	–	–	–	–	–	–	–	1,064,034
Premium on merger		–	–	16,492,539	–	–	–	–	–	16,492,539
Share issue costs on merger		–	(166,274)	–	–	–	–	–	–	(166,274)
Re-purchase and cancellation of ordinary shares		(246,829)	–	–	(3,785,876)	246,829	–	–	–	(3,785,876)
Increase in share option provision	4	–	–	–	–	–	159,177	–	–	159,177
Net return/(deficit) after taxation for the year		–	–	–	–	–	–	3,075,528	(5,897)	3,069,631
Year ended 31 January 2007		**2,373,099**	**2,954,794**	**16,492,539**	**21,296,977**	**363,329**	**159,177**	**831,639**	**(122,536)**	**44,349,018**
Re-purchase and cancellation of ordinary shares		(124,650)	–	–	(2,184,050)	124,650	–	–	–	(2,184,050)
Decrease in share option provision	4	–	–	–	–	–	(125,302)	–	–	(125,302)
Net (deficit)/return after taxation for the year		–	–	–	–	–	–	(4,919,024)	139,403	(4,779,621)
Dividends paid	8	–	–	–	–	–	–	(1,843,741)	–	(1,843,741)
Year ended 31 January 2008		**2,248,449**	**2,954,794**	**16,492,539**	**19,112,927**	**487,979**	**33,875**	**(5,931,126)**	**16,867**	**35,416,304**

The notes on pages 35 to 52 form part of these financial statements.

Balance Sheet
as at 31 January 2008

	Notes	As at 31 January 2008 £	As at 31 January 2007 £
Fixed assets			
Investments at fair value			
Qualifying investments		26,972,039	33,780,997
Fixed interest securities and other non-qualifying investments		6,764,733	9,733,785
	10	33,736,772	43,514,782
Current assets			
Debtors	12	87,786	557,004
Cash at bank		2,017,103	716,918
		2,104,889	1,273,922
Creditors: amounts falling due within one year			
Other creditors and accruals	13	(425,357)	(439,686)
Net current assets		1,679,532	834,236
Net assets		**35,416,304**	**44,349,018**
Capital and reserves			
Called-up share capital	15	2,248,449	2,373,099
Share premium account	16	2,954,794	2,954,794
Merger reserve	16	16,492,539	16,492,539
Special reserve	16	19,112,927	21,296,977
Capital redemption reserve	16	487,979	363,329
Share options reserve	16	33,875	159,177
Capital reserve – realised	16	5,463,797	1,985,278
Capital reserve – unrealised	16	(11,394,923)	(1,153,639)
Revenue reserve	16	16,867	(122,536)
Equity shareholders' funds		**35,416,304**	**44,349,018**
Net asset value per ordinary share	17	**78.76p**	**93.44p**

The financial statements on pages 31 to 52 were approved by the Board of Directors on 2 May 2008 and signed on their behalf by:

C J L Moorsom
Chairman

The notes on pages 35 to 52 form part of these financial statements.

Cash Flow Statement
for the year ended 31 January 2008

	Notes	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Operating activities			
Investment income received		504,726	543,145
Deposit interest received		122,677	43,951
Investment management fees paid		(596,506)	(1,048,725)
Other expenses paid		(412,274)	(435,567)
Net cash outflow from operating activities	18	(381,377)	(897,196)
Capital expenditure and financial investment			
Purchases of investments		(8,699,689)	(1,983,485)
Disposals of investments		14,504,017	6,309,897
Cash received from subsidiary undertakings		–	1,008,376
Share issue costs paid		–	(166,274)
Merger costs paid		–	(343,930)
Net cash inflow from capital expenditure and financial investment		5,804,328	4,824,584
Equity dividends paid		(1,843,741)	–
Net cash inflow before financing		3,579,210	3,927,388
Financing			
Cost of C share issue		–	(5,869)
Cost of ordinary shares purchased for cancellation		(2,279,025)	(3,617,036)
Net cash outflow from financing		(2,279,025)	(3,622,905)
Increase in cash for the year	19	**1,300,185**	**304,483**

The notes on pages 35 to 52 form part of these financial statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The financial statements have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom, and are in compliance with the revised December 2005 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ("SORP").

b) Investments

All investments held by the Company are classified "at fair value through profit or loss". Investments are initially recognised at cost, being the fair value of consideration given. Interest accrued on fixed interest rate securities at the date of purchase or sale is accounted for separately as accrued income, so that the value or purchase price or sale proceeds is shown net of such items.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

Unquoted investments are stated at the fair value with reference to the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines where appropriate.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

c) Investment in subsidiaries

Investments in subsidiaries are recorded at cost less amounts written off.

On 22 February 2006 the Company issued 21,280,696 ordinary 5p shares to acquire the entire share capital of Singer & Friedlander AIM VCT plc ("AIM") and Singer & Friedlander AIM 2 VCT plc ("AIM 2"). These shares were issued at a fair value of £17,556,573 with the excess of this amount (£16,492,539) over the nominal value of the shares issued (£1,064,034) being treated as a merger reserve in accordance with s131 of the Companies Act 1985. The investments in AIM and AIM 2 were initially recorded at cost of £17,556,573 which represented a discount to their underlying attributable net asset value.

Following the acquisitions, the underlying assets and liabilities of AIM and AIM 2 were transferred to the Company at their fair value. AIM and AIM 2 were liquidated returning to the Company its investments in AIM and AIM 2 and giving rise to a gain in the Company's profit and loss account being the amount of the discount to the net asset value attributable to the Company's shares issued on 22 February 2006 less the merger costs. This gain of £1,017,855, which is non-recurring, was recorded in the capital column of the income statement during the year ended 31 January 2007.

d) Income

Dividends receivable on listed and quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Interest receivable is included in the accounts on an accruals basis.

e) Expenses

All expenses are recognised on an accruals basis. Expenses are charged through the revenue account in the income statement except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds on an investment; and
- expenses are charged to capital reserve – realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 75% to capital reserve and 25% to revenue account, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

f) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

All other current assets do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

g) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversals of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital reserve – realised and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

h) Capital reserve

Realised

The following are accounted for as realised returns:

- Gains and losses on realisation of investments;
- Realised exchange differences of a capital nature;
- Expenses and finance costs, together with the related tax effect to this reserve in accordance with the policies; and
- Realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Unrealised

The following are accounted for as unrealised returns:

- Increases and decreases in the valuation of investments held at the year end;
- Unrealised exchange differences of a capital nature; and
- Unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

i) Share based payments

In accordance with FRS 20: Share Based Payments, an expense is now recognised in the financial statements relating to the value of the share options awarded to the Managers under the arrangements agreed on the merger of the Company with AIM and AIM 2.

The accounting charge is based on the fair value of each grant. The fair value of the Managers' option is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. In the case of the options granted, fair value is measured by a Black-Scholes pricing model, further details of which are set out in note 4. The deemed movement in provision is transferred to the share options reserve.

j) Dividends payable to shareholders

Interim dividends are not accounted for until paid and final dividends are accounted for when approved by the members in the general meeting.

2 INCOME

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Income from investments		
– from fixed interest securities	272,884	264,669
– from UK equities	234,038	245,992
– from fixed interest securities reinvested	1,674	–
	508,596	510,661
Other income		
– deposit interest	126,255	46,246
– other income	–	49
	126,255	46,295
Total income	**634,851**	**556,956**

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Total income comprises:		
Dividends	234,038	245,992
Interest	400,813	310,915
Other income	–	49
	634,851	**556,956**
Income from investments comprises:		
Quoted UK securities	506,922	488,161
Unquoted UK securities	1,674	–
Listed overseas securities	–	22,500
	508,596	**510,661**

3 INVESTMENT MANAGEMENT FEES

			Year ended 31 January 2008			Year ended 31 January 2007
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Investment management fee	159,735	479,205	638,940	157,328	471,985	629,313
Irrecoverable VAT thereon	27,954	83,861	111,815	27,533	82,597	110,130
	187,689	**563,066**	**750,755**	**184,861**	**554,582**	**739,443**

Singer & Friedlander Investment Management Limited advise the Company on investments under an agreement dated 22 January 2001. The agreement can be terminated by not less than one year's notice in writing as the initial three year period has now expired.

Singer & Friedlander Investment Management Limited receives an annual management fee of 1.5% (from 22 February 2006, previously 1.65%) of the net asset value of the Company. The annual management fee is calculated based on the quarter end net asset value and payable calendar quarterly in arrears together with any applicable VAT. At 31 January 2008, £220,585 (2007: £66,336) including VAT of £32,853 (2007: £9,880) was owed to the Manager.

4 MANAGERS' OPTION

In accordance with the arrangements agreed on the merger of the Company with AIM and AIM 2, the Managers have been granted an option which provides that if by the date of payment of the final dividend in respect of the ordinary shares for the Company's accounting year ending 31 January 2013 cumulative dividends declared and paid on each ordinary share (by reference to a record date after the merger) exceed a return of 8 per cent (compounded annually) of the net asset value per ordinary share the Manager will be entitled to subscribe at par for such number of additional ordinary shares as shall in aggregate be equal to 15 per cent of ordinary shares in the enlarged Company as enlarged by such subscriptions.

This right is a share based payment under FRS 20. This right or option has been valued on the date that it was granted to the Managers and this cost is being charged to the income statement as part of the management fee evenly over the period over which it vests. A decrease in the provision of £125,302 is disclosed in the income statement in the year ended 31 January 2008 to reflect the decline in the probability of the exercise of the options during the year. This is shown as a separate reserve in the balance sheet.

The option pricing model (Black-Scholes) has measured the fair value of the option using the following information:

	31 January 2008	31 January 2007
Share price at grant date	87.95p	87.95p
Exercise price	5.00p	5.00p
Option life in years	5 years	6 years
Risk free rate	4.30%	5.09%
Expected volatility	10.57%	10.26%
Value	£33,875	£159,177

5 OTHER EXPENSES

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Directors' emoluments (note 6)	71,142	68,337
Auditors' fees – annual audit	27,613	17,839
Auditors' fees – taxation services	2,938	598
Auditors' fees – other services	28,420	17,646
Registrar's fees	20,389	7,767
Secretarial fees	17,625	17,442
Administration fees	58,271	56,286
Printing	18,084	14,208
Insurance	35,436	39,572
Liquidation costs	805	23,500
Trail commission	46,363	50,703
Other	11,998	24,300
	339,084	**338,198**

Total Auditors fees

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Annual audit	27,613	17,839
Taxation services	2,938	598
Other services		
– VCT monitoring	28,420	17,646
– Fees in connection with the merger	–	11,163
– Fees relating to the share issue	–	65,212
	28,420	94,021
	58,971	**112,458**

In 2007, the auditors received fees in connection with the merger of £11,163 which are included in the merger costs netted off the gain on liquidation of subsidiaries and charged to the capital column in the income statement and fees relating to the share issue of £65,212 which have been charged to the share premium account.

Singer & Friedlander Secretaries Limited performs Company secretarial duties for an annual fee of £17,625 (2007: £17,625) including irrecoverable VAT of £2,625 (2007: £2,625). At 31 January 2008, £8,813 (2007: £8,813) including VAT of £1,313 (2007: £1,313) was owed to Singer & Friedlander Secretaries Limited.

Capita Sinclair Henderson Limited provide book keeping and accounting services for an annual fee of 0.1% of the gross amounts raised under the original Offer for Subscription of the Company's ordinary share capital, subject to annual review in line with the RPI. The agreement can be terminated by not less than one year's notice in writing. At 31 January 2008, £4,988 (2007: £4,768) including VAT of £743 (2007: £710), was owed to Capita Sinclair Henderson Limited.

6 DIRECTORS' EMOLUMENTS

	Fees £	Employers' NI £	2008 Total £	2007 Total £
C J L Moorsom	15,250	1,091	16,341	16,276
J D Hambro*	12,708	1,443	14,151	12,460
M S Killingley	12,708	953	13,661	12,460
D M Page	12,708	931	13,639	12,642
D M D A Wheatley	12,708	642	13,350	13,554
J M Edelson	–	–	–	945
	66,082	**5,060**	**71,142**	**68,337**

* The fees in respect of James Hambro are paid to charity.

No pension scheme contributions or retirement contributions were paid. There are no share option contracts held by the Directors.

7 TAXATION ON ORDINARY ACTIVITIES

	Revenue	Capital	Total	Revenue	Capital	Total
			Year ended 31 January 2008			Year ended 31 January 2007
	£	£	£	£	£	£
Based on the profits for the period:						
UK corporation tax charge/(credit) at 19% (2007: 19%)	–	–	–	–	–	–
	–	–	–	–	–	–

As a Venture Capital Trust, the Company is not liable to taxation on its realised capital gains.

Current taxation

The current taxation for the year is lower than the standard rate corporation tax in the UK (30%) (2007: 30%). The differences are explained below:

Reconciliation of tax charge

	Revenue	Capital	Total	Revenue	Capital	Total
			Year ended 31 January 2008			Year ended 31 January 2007
	£	£	£	£	£	£
Return/(deficit) on ordinary activities before taxation	139,403	(4,919,024)	(4,779,621)	(5,897)	3,075,528	3,069,631
Theoretical tax at UK corporation tax charge of 30%	41,821	(1,475,707)	(1,433,886)	(1,769)	922,658	920,889
Effects of:						
– UK dividends which are not taxable	(70,211)	–	(70,211)	(73,798)	–	(73,798)
– Non-taxable losses/(gains) on investments	–	1,334,981	1,334,981	–	(819,491)	(819,491)
– Non-taxable gains on acquisition and liquidation of subsidiaries	–	–	–	–	(305,357)	(305,357)
– Expenses which are not allowable for corporation tax purposes	4,511	(28,193)	(23,682)	27,149	35,815	62,964
– Excess expenses of current year	23,879	168,919	192,798	48,418	166,375	214,793
Actual current tax charge	–	–	–	–	–	–

Deferred taxation

There is no potential liability to deferred tax (2007: £nil). There is an unrecognised deferred tax asset of £546,103 (2007: £417,570). The deferred tax asset relates to unutilised expenses. It is considered more likely than not that there will be insufficient taxable profits in the future against which the deferred tax assets can be offset and, therefore, in accordance with FRS 19, the asset has not been recognised.

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Declared and paid		
Relating to prior year:		
Final dividend of 2.0p (2007: 0.0p) per ordinary share	929,240	–
Relating to current year:		
Interim dividend of 2.0p (2007: 0.0p) per ordinary share	914,501	–
Total	**1,843,741**	**–**
Proposed		
Final dividend of 2.0p (2007: 2.0p) per ordinary share	899,380	949,240
Total	**899,380**	**949,240**

The Company bought back 1,000,000 ordinary shares on 29 May 2007. This buy back was prior to the record date for the final dividend of the period ended 31 January 2007 and therefore shareholders were not entitled to receive that dividend. The total amount paid by the Company was £20,000 lower than the original amount proposed at 31 January 2007.

9 RETURN PER ORDINARY SHARE AND ADJUSTED RETURN PER ORDINARY SHARE

Basic revenue return per ordinary share is based on the net return on ordinary activities after taxation of £139,403 (2007: loss £5,897) and on 46,194,765 (2007: 48,906,148) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on net capital loss for the year of £4,919,024 (2007: gain £3,075,528) and 46,194,765 (2007: 48,906,148) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Adjusted returns per share figures have been presented for the year ended 31 January 2007, which eliminate the effect of the £1,017,855 net gain on acquisition and liquidation of subsidiaries to better reflect the underlying return of the Company. The adjustment affects only the capital return which is based on the net gain for the year to 31 January 2007 of £2,057,673 and 48,906,148 ordinary shares, being the weighted average number of ordinary shares in issue during the year.

10 INVESTMENTS

	31 January 2008 £	31 January 2007 £
Valuation		
Listed investments	6,253,195	6,470,256
Quoted investments	23,838,039	33,613,254
Unquoted investments	3,645,538	3,431,272
Total	**33,736,772**	**43,514,782**

A full list of the investment portfolio holdings by their aggregate market value is shown on pages 6 to 10.

Movements in investments during the year ended 31 January 2008 are summarised as follows:

	Unquoted investments* £	AIM quoted £	PLUS markets £	Listed securities £	Total £
Opening bookcost	8,381,216	29,977,930	–	6,309,275	44,668,421
Opening unrealised (depreciation)/ appreciation	(4,949,944)	3,635,324	–	160,981	(1,153,639)
Opening valuation	3,431,272	33,613,254	–	6,470,256	43,514,782
Transfers between categories	3,443,290	(3,653,280)	209,990	–	–
Purchases	501,674	4,650,705	–	3,610,740	8,763,119
Sale proceeds	(2,796)	(9,883,964)	–	(4,233,937)	(14,120,697)
Realised gains on sales	2,796	5,656,361	–	132,192	5,791,349
Amortisation of discount on fixed interest securities**	–	–	–	29,503	29,503
(Increase)/decrease in unrealised depreciation	(3,730,698)	(6,548,712)	(206,315)	244,441	(10,241,284)
Closing valuation as at 31 January 2008	**3,645,538**	**23,834,364**	**3,675**	**6,253,195**	**33,736,772**
Closing bookcost as at 31 January 2008	12,326,180	26,747,752	209,990	5,818,270	45,102,192
Closing unrealised (depreciation)/ appreciation	(8,680,642)	(2,913,388)	(206,315)	405,422	(11,394,923)
Amortisation of discount on fixed interest securities**	–	–	–	29,503	29,503
Closing valuation at 31 January 2008	**3,645,538**	**23,834,364**	**3,675**	**6,253,195**	**33,736,772**

* Included within unquoted investments are fixed income securities representing £1,050,000 (2007: £862,500) by book cost and £750,000 (2007: £562,500) by market value.

** The income recognised from the debt securities on an effective yield basis taking account of the discounts on issue.

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Realised gains on sales of investments	5,791,349	73,121
Movement in unrealised (depreciation)/appreciation	(10,241,284)	2,658,517
Total (losses)/gains on investments	**(4,449,935)**	**2,731,638**

Transaction costs – during the year the Company incurred transaction costs of £535 (2007: £156) and £9,280 (2007: £10,530) on purchases and sales of investments respectively. These amounts are included in (losses)/gains on investments at fair value as disclosed in the income statement.

The amounts provided at the end of the year or written off against unquoted investments were as follows:

	31 January 2008	31 January 2007
	£	£
Total provisions	589,714	616,480
Total write offs	8,090,928	4,333,464
	8,680,642	**4,949,944**

The following provisions have been made to date for unquoted investments:

	Book cost	Carrying value	31 January 2008 Provision	31 January 2007 Provision
	£	£	£	£
Flexbenefits	681,828	757,125	(75,297)	(75,297)
Lilestone Holdings	898,175	604,166	294,009	355,988
Sportsweb.com	352,128	316,915	35,213	–
U4EA	2,303,121	1,967,332	335,789	335,789
	4,235,252	**3,645,538**	**589,714**	**616,480**

All qualifying investments within the portfolio are based in the UK. An analysis of the investment portfolio by broad industrial or commercial sector, and a list of investments, is contained within the Investment Portfolio Summary section of the Report and Accounts.

11 INVESTMENT IN SUBSIDIARIES

	31 January 2008	31 January 2007
	£	£
Opening book cost and value	–	–
Additions at cost	–	17,556,573
In specie distributions to parent	–	(18,918,358)
Realised gain on liquidation of subsidiaries	–	1,361,785
	–	**–**

	31 January 2008	31 January 2007
	£	£
Realised gain on liquidation of subsidiaries	–	1,361,785
Merger costs	–	(343,930)
Net gain on acquisition and liquidation of subsidiaries	**–**	**1,017,855**

On 22 February 2006 the assets and liabilities of Singer & Friedlander AIM VCT plc ("AIM") and Singer & Friedlander AIM 2 VCT plc ("AIM 2") were transferred to the Company at their fair values on the date of the merger. Further details are provided as follows:

On 22 February 2006 the Company acquired the entire issued share capital of AIM for consideration of £5,110,833, satisfied by the issue of 6,194,949 ordinary shares of 5p each. The fair value of shares issued was deemed to be the market price at the date of the merger in accordance with accounting policies. The fair value of assets acquired at the merger date was £5,505,312. As a result of this in specie distributions of £4,600,000 and £905,312 were made to the Company on 24 February 2006 and 31 January 2007 respectively and the subsidiary was put into liquidation on 31 January 2007.

On 22 February 2006 the Company acquired the entire issued share capital of AIM 2 for consideration of £12,445,740, satisfied by the issue of 15,085,747 ordinary shares of 5p each. The fair value of shares issued was deemed to be the market price at the date of the merger in accordance with accounting policies. The fair value of assets acquired at the merger date was £13,413,046. As a result of this in specie distributions of £12,250,000 and £1,163,046 were made to the Company on 24 February 2006 and 31 January 2007 respectively and the subsidiary was put into liquidation on 31 January 2007.

The realised gain on liquidation of subsidiaries £1,361,785 has been taken to the capital column of the income statement net of merger costs £343,930.

12 DEBTORS

	31 January 2008	31 January 2007
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	87,786	111,928
Disposals awaiting settlement	–	445,076
	87,786	**557,004**

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 January 2008	31 January 2007
	£	£
Other tax and social security	–	1,116
Purchase of shares for cancellation	73,025	168,000
Accrued expenses	352,332	270,570
	425,357	**439,686**

The shares purchased for cancellation relate to 129,489 (partially settled) ordinary shares of 5p bought back at 73 pence per share on 15 January 2008 and 66,528 ordinary shares of 5p bought back at 71 pence per share on 31 January 2008 (2007: 200,000 shares bought back at 84 pence per share on 31 January 2007). All share buy backs settled after the balance sheet date. These shares have been deducted from the total issued share capital in the relevant period.

14 SIGNIFICANT INTERESTS

The Company has a holding of 3% or more that is material in the context of the financial statements in the following investments. No consolidation is required because the Company does not exercise or hold significant influence over operating and financial policies of these investee companies.

Name of undertaking	Percentage of ordinary shares held by Company %
Xpertise Group	14.021
Aquilo	11.128
Recycled Waste	10.354
Adval Group	9.904
Flying Scotsman	9.690
Laminate Flooring	9.438
Vianet Group	9.295
Camaxys	8.812
Mediwatch	7.997
Medal Entertainment & Media	6.767
ID Data	6.725
ATA Group	6.553
Award International Holdings	6.461
Infonic	5.253
Lo-Q	5.048
Coinmaster Gaming	4.916
Conder Environment	4.486
CMS Webview	4.463
Aquabella	4.321
First Artist Corporation	4.315
1st Dental Laboratories	4.125
Ringprop	3.495
Symphony Environmental Technologies	3.447
Knowledge Technology Solutions	3.234
ILX Group	3.051
Music Copyright Solutions	3.048

15 CALLED-UP SHARE CAPITAL

	Authorised £	Number of shares	Issued and fully paid £	Number of shares
As at 31 January 2007	5,000,000	100,000,000	2,373,099	47,461,992
Ordinary shares of 5p bought for cancellation	–	–	(124,650)	(2,493,011)
As at 31 January 2008	**5,000,000**	**100,000,000**	**2,248,449**	**44,968,981**

16 RESERVES

	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve realised £	Capital reserve unrealised £	Revenue reserve £
31 January 2007	2,954,794	16,492,539	21,296,977	363,329	159,177	1,985,278	(1,153,639)	(122,536)
Re-purchase and cancellation of ordinary shares	–	–	(2,184,050)	124,650	–	–	–	–
Net gain on the realisation of investments	–	–	–	–	–	5,088,277	–	–
Increase in unrealised depreciation	–	–	–	–	–	–	(9,538,212)	–
Transfer on disposal of investments	–	–	–	–	–	703,072	(703,072)	–
Decrease in share option provision	–	–	–	–	(125,302)	93,977	–	–
Dividends paid	–	–	–	–	–	(1,843,741)	–	–
Costs charged to capital	–	–	–	–	–	(563,066)	–	–
Retained net revenue for the year	–	–	–	–	–	–	–	139,403
31 January 2008	**2,954,794**	**16,492,539**	**19,112,927**	**487,979**	**33,875**	**5,463,797**	**(11,394,923)**	**16,867**

The special reserve was created out of the cancellation of the share premium account on 15 March 2002. The special reserve, capital reserve realised and revenue reserve are distributable reserves.

17 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share at 31 January 2008 has been calculated by reference to net assets of £35,416,304 (2007: £44,349,018) and 44,968,981 (2007: 47,461,992) ordinary shares, being the number of ordinary shares in issue at the year end.

18 RECONCILIATION OF NET (DEFICIT)/RETURN BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Net (deficit)/return before taxation	(4,779,621)	3,069,631
Net losses/(gains) on investments at fair value	4,449,935	(2,731,638)
Net gain on acquisition and liquidation of subsidiaries	–	(1,017,855)
(Decrease)/increase in share option provision	(125,302)	159,177
Decrease in debtors	24,142	67,127
Increase/(decrease) in creditors and accruals	80,646	(443,638)
Less interest reinvested	(1,674)	–
Amortisation of discount on fixed interest securities	(29,503)	–
Net cash outflow from operating activities	**(381,377)**	**(897,196)**

19 RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Opening net funds £	Movement in year £	Closing net funds £
Cash at bank	716,918	1,300,185	2,017,103
	716,918	**1,300,185**	**2,017,103**

20 COMMITMENTS AND CONTINGENCIES

At 31 January 2008, there were no commitments or contingent liabilities (2007: £nil).

21 USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments comprise securities, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The principal risks arising from the Company's financial instruments are, market risk (comprising interest rate risk and other price risk) and liquidity risk. The Company has little exposure to credit risk and has no exposure to foreign currency risk.

The risk management policies of the Company have not changed since the previous year and are discussed below.

a. Market risk

Market risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The Board, through the nominated Director, considers each investment purchase to ensure that any acquisition allows the Company to maintain an appropriate spread of market risk. In addition it considers each investment to ensure that it falls within the VCT qualifying criteria at the time of purchase. It also considers the associated business risks of investing in each individual company. These include, but are not restricted to, the industry sector, management expertise and financial stability of each company.

The Company does not use derivative instruments to hedge against market risk.

b. Market price risk
Market price risks (i.e. changes in market price other than those arising from interest rate risk or currency risk) may affect the value of the portfolio.

Management of the risk
The Board of Directors manages the risks inherent in the investment portfolios by ensuring full and timely report of relevant information from the Investment Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Investment Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation.

The Company's exposure to other changes in market prices at 31 January on its investments is as follows:

	31 January 2008 £	31 January 2007 £
Investments at fair value through profit or loss	33,736,772	43,514,782

Other price risk sensitivity
If the investment portfolio valuation fell by 10% at 31 January 2008 the impact on net assets and the profit or loss for the year would have been negative £3,374,000 (2007: £4,351,000). If the investment portfolio valuation rose by 10% the impact on net assets and the profit or loss for the year would have been positive £3,374,000 (2007: £4,351,000).

c. Currency risk
All of the Company's assets, liabilities and income are denominated in Sterling (the Company's functional currency and presentational currency). As a result, the Company does not have any exposure to currency risk.

d. Interest rate risk
The exposure to interest rate risk arises due to the short time to maturity of the fixed rate financial assets, as it may not be possible to reinvest in assets which provide the same rates of those currently held. Interest is earned on cash balances at banks at variable rates.

Management of the risk
The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Financial assets are disclosed in the Investment Portfolio Summary on pages 6 to 10.

The interest rate profile of the Company's financial assets at 31 January 2008 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	26,066,082	–	–	26,066,082		
Preference shares	1,406,995	–	–	1,406,995		
Bonds	–	6,263,695	–	6,263,695	3.664	2.43
Cash	–	–	2,017,103	2,017,103		
Debtors	87,786	–	–	87,786		
Total	**27,560,863**	**6,263,695**	**2,017,103**	**35,841,661**		

The interest rate profile of the Company's financial assets at 31 January 2007 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	35,701,357	–	–	35,701,357		
Preference shares	1,406,995	–	–	1,406,995		
Bonds	–	6,406,430	–	6,406,430	3.810	1.19
Cash	–	–	716,918	716,918		
Debtors	557,004	–	–	557,004		
Total	**37,665,356**	**6,406,430**	**716,918**	**44,788,704**		

The variable rate is based on the banks' deposit rate which at 31 January 2008 was 5.25% (2007: 5%).

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

Financial liabilities are creditors which are due within one year as disclosed in note 13. No interest is paid on these liabilities. The Company finances its operations through its issued share capital and existing reserves.

Interest rate sensitivity

If the bank base rate had increased by 1%, the impact on the profit or loss would have been a positive £20,000 (2007: £7,000). If the bank base rate had decreased by 1%, the impact on the profit or loss would have been negative £20,000 (2007: £7,000). The calculations are based on the cash balances as at the respective balance sheet dates and are not representative of the year as a whole.

e. Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Details of the Company's investment portfolio at the balance sheet date are disclosed in the Investment Portfolio Summary on pages 6 to 10. The investments the Company holds are primarily quoted on AIM where the liquidity is generally below that of securities quoted in the main market. The ability of the Company to realise positions may therefore be restricted when there are no willing purchasers.

The Company also holds unlisted equity investments which are not traded on a recognised exchange and which generally could be considered to be illiquid. As a result the Company may not be able to liquidate quickly some of these investments in order to meet its liquidity requirements. The list of the unquoted investments are disclosed in the Investment Portfolio Summary on pages 6 to 10.

Management of the risk

The Board mitigates this risk by seeking to ensure that an appropriate proportion of the Company's investment portfolio is invested in cash and quoted securities that are readily realisable, which are sufficient to pay creditors and accrued expenses and to meet any funding commitments that may arise.

Liquidity risk exposure

Financial liabilities are creditors which are due within one year as disclosed in note 13.

f. Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker.
- cash at bank is held only with reputable banks and is subject to continual review.

None of the Company's financial assets or liabilities are secured by collateral or other credit enhancements.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk at 31 January was as follows:

	31 January 2008		31 January 2007	
	Balance sheet £	Maximum exposure £	Balance sheet £	Maximum exposure £
Investments at fair value through profit or loss	33,736,772	33,736,772	43,514,782	43,514,782
Current assets:				
Other debtors (amounts due from brokers, dividends and interest receivable)	87,786	87,786	557,004	557,004
Cash at bank and on deposit	2,017,103	2,017,103	716,918	716,918

None of the Company's financial liabilities are past due or impaired.

g. Fair values of financial instruments

The balances in respect of debtors and creditors represent the fair values as determined by the Board of Directors in accordance with the Company's accounting policies. These balances are the carrying amounts as stated in the balance sheet. There is no material difference between the fair value of debtors and cash as debtors are short term in nature. The Company's equity and preference shares are valued at fair value.

Unquoted investments are stated at the fair value with reference to the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines where appropriate.

There are no committed undrawn facilities as at year end.

h. Derecognition of financial assets and liabilities
Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Company commits to transfer substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation of the Company specified in the contract is discharged, cancelled or expired.

i. Capital management policies and procedures
The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders.

The Board with the assistance from the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. share premium or discount)
- the need for new issue of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and procedures for managing capital are unchanged from the previous year.

22 RELATED PARTY TRANSACTIONS

Under the terms of agreements dated 22 January 2001, the Company has appointed Singer & Friedlander Investment Management Limited to be the Investment Manager and Singer & Friedlander Secretaries Limited as Company Secretary. The fee arrangements for these services and the fees payable are set out in notes 3 and 5. Accrued balances at the year end were £220,585 (2007: £66,336) and £8,813 (2007: £8,813) including VAT respectively. The interests of the Directors are set out on page 23.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at One Hanover Street, London W1S 1AX on Tuesday 17 June 2008 at 11.30a.m. for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

1. To receive and adopt the Company's Annual Accounts for the year ended 31 January 2008 together with the Directors' report and the auditors' report on those accounts and on the auditable part of the Directors' remuneration report.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2008, which is set out in the annual report of the Company for the year ended 31 January 2008.
3. To declare a final dividend of 2.0 pence per share.
4. To re-elect Mr J Hambro as a Director.
5. To re-elect Mr M Killingley as a Director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.
7. To authorise the Directors to fix the auditors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Special Resolutions:

8. THAT, the Company be and is hereby authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5p each in the capital of the Company provided that:

    (i) the maximum number of ordinary shares hereby authorised to be purchased is 4,492,000; and

    (ii) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5p per share, being the nominal amount thereof;

    (iii) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of: (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from The London Stock Exchange Trading System SETS;

    (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and

    (v) the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

9. THAT, pursuant to section 9 of the Companies Act 1985 the existing Articles of Association of the Company be deleted in their entirety and the regulations contained in the document submitted to the meeting, and for the purpose of identification signed by the Chairman, be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board
Company Secretary
Singer & Friedlander Secretaries Limited
2 May 2008
Registered Office: One Hanover Street
London W1S 1AX

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.

2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 11.30a.m. on 15 June 2008 at the offices of Capita IRG PLC, 34 Beckenham Road, Beckenham, Kent, BR3 4TR. Completion of the Form of Proxy will not prevent you from attending and voting in person.

3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 5.00p.m. on 16 June 2008 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 5.00p.m. on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

4. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

5. The following documents are available for inspection at the registered office of the Company, One Hanover Street, London W1S 1AX, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:

   (a) copies of letters of appointment of the Directors; and

   (b) copies of the new articles of association of the Company proposed to be adopted together with marked-up versions of such new articles of association showing the differences between them and the Company's existing articles of association.

6. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

SINGER & FRIEDLANDER