Singer & Friedlander AIM 3 VCT plc

HALF-YEARLY REPORT
for the six months ended 31 July 2008

AIM 3 VCT

SINGER & FRIEDLANDER

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Half-yearly Report for the six months ended 31 July 2008

Board Review

Introduction

The first half of our financial year has been difficult continuing the trend established during the last year's second half. Sentiment has worsened significantly and liquidity on the Alternative Investment Market (AIM) has deteriorated leading to further sharp falls in share prices and in your Net Asset Value (NAV). Uncertainty due to the credit crunch and volatile commodity prices, in particular oil, has caused investors to be nervous and increasingly risk averse during the period.

In spite of these concerns your Directors remain confident that the portfolio is well positioned to benefit once sentiment improves.

On a positive note, following recent changes in legislation, HMRC has confirmed that from 1 October 2008 fund management services provided to VCTs will be exempt from VAT. This has allowed the Investment Managers, on behalf of the VCT, to make a reclaim for the past VAT incurred by the VCT. As a result the current report recognises £744,000 relating to VAT payments back to 1 October 2001.

Performance

The Company's NAV at 31 July 2008 was 62.51 pence, a decrease of 18.1% during the six month period (after adjusting for the 2.0 pence per share dividend paid on 24 June 2008). Over the same period, the AIM Index fell by 14.5% and the All Share Index fell by 6.2%. The discrepancy in performance between your NAV and the AIM Index was again caused by the relatively good performance of the dominant Natural Resource sectors in which VCTs generally cannot invest.

Since launch in 2001 the NAV (adjusted for dividend payments totalling 9.25 pence) has declined by 24.5% whilst the AIM Index has fallen by 35.2%.

Shareholders who originally invested in the 'C' Share issue of Singer & Friedlander AIM 3 VCT in April 2005, adjusted for the conversion ratio from December 2005 and subsequent dividend payments of 6.0 pence, have seen a return of –20.5% whilst the AIM Index has returned –21.5%.

Shareholders who originally invested in Singer & Friedlander AIM 2 VCT (after allowing for dividend payments from that fund of 5.25 pence, the relevant conversion ratio and subsequent dividends of 6.0 pence) have seen an effective decline in NAV of 39.6% since launch in April 2000. Over the same period, the AIM Index has fallen by 56.5%.

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, the relevant conversion ratio and subsequent dividends of 6.0 pence) have seen a decline of 32.0%.

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

Results and Dividends

The total deficit for the period was £6.37m or a loss of 14.27 pence per share (31 July 2007: profit £2.81m or earnings of 5.99p per share). The loss is entirely due to the fall in capital value of the investment portfolio as already covered in the performance section of this Report. Revenue returns remained positive with an increase to £266,734 (31 July 2007: £37,203) albeit enhanced by the undermentioned VAT rebate. Shareholders funds fell to £27.23m (31 July 2007: £44.77m) as a result of the underlying fall in value of the investment portfolio as well as by the payment of dividends and the impact of our share buy back programme. Cash flow was negative with a net outflow of £1.52m after the funding of the final dividend costing £0.9m and the repurchase of our own shares requiring £0.9m. There were fewer disposals from the investment portfolio due to market weakness and illiquidity when compared to last year's buoyant period. Our cash at the period end amounted to £0.49m. After the period end the Trust has secured a VAT rebate from HMRC amounting to £744,000 boosting our cash balances at the time of writing, further details can be found in note 10 to the accounts.

Bearing in mind the market background, the Board had decided to pay a dividend of 0.5 pence per share (2007: 2.0 pence). The dividend is payable on 24 October 2008 to shareholders on the register on 26 September 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 HM Revenue & Customs' criteria for VCT qualification and at the period end consisted of 60 companies; of these companies 53 were quoted on the AIM, one was traded on the PLUS Markets platform, two were fully listed and the remaining four were unquoted. Unquoted investments represented 14.1% of net assets whilst fixed interest and cash accounted for 21.9%.

As alluded to in the introduction the market became increasingly difficult and illiquid during the period. We have, however, seen further takeovers including those of Imprint and Tissue Science Laboratories; apart from this activity it has not generally been possible or even desirable at current levels to make further disposals. We would anticipate that bidders will continue to try to exploit low valuations on AIM and an important aspect of your Fund Manager's role is to ensure that maximum value is realised from the portfolio investments wherever possible.

Investing activity has also been limited in the first half as very few opportunities have arisen and has largely consisted of modest follow on investments as well as funding the share buy back programme discussed below.

Share Repurchases

During the period, we repurchased 1,411,657 shares representing 3.1% of our issued share capital. These shares were bought at between 10-15% below the NAV prevailing at the time of purchase, thereby enhancing the NAV for remaining shareholders. The Company will continue to repurchase its own shares from time to time as appropriate and within the powers granted at the AGM, although going forward the discount will be set at 20%. These transactions are handled by our stockbroker, Landsbanki Securities.

Outlook

The UK economy continues to weaken and current share prices in the portfolio reflect this. As yet it is unclear how long the downturn will last. However, we believe the portfolio is well positioned for when the economy recovers in due course.

Christopher Moorsom (Chairman)
James Hambro
Mike Killingley
David Page
Dominic Wheatley

Singer & Friedlander AIM 3 VCT plc

17 September 2008

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements, which has been prepared in accordance with applicable accounting standards in the United Kingdom, gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure and Transparency Rules ('DTR') 4.2.4R; and

(b) the Report includes a fair review of the information required by DTR 4.2.7R and the Report includes a fair review of the information required by DTR 4.2.8R.

Christopher Moorsom
Chairman
for and on behalf of the Board, the members of which are set out previously in the Board Review.

Independent review report to Singer & Friedlander AIM 3 VCT plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 31 July 2008, which comprises the income statement, balance sheet, reconciliation of movements in shareholders' funds, summarised cash flow statement and related notes. We have read the other information contained in the Half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Half-yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements are prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The condensed set of financial statements included in this Half-yearly Financial Report has been prepared in accordance with pronouncements on Half-yearly Financial Reports issued by the Accounting Standards Board (ASB).

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 31 July 2008 is not prepared, in all material respects, in accordance with pronouncements on Half-yearly Financial Reports issued by the ASB and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants, London

17 September 2008

Summary Financial Information
Unaudited Income Statement

	Note	Unaudited 6 months ended 31 July 2008 Revenue £	Capital £	Total £	Unaudited 6 months ended 31 July 2007 Revenue £	Capital £	Total £	Audited Year ended 31 January 2008 Revenue £	Capital £	Total £
Net (losses)/gains on investments at fair value		–	(7,010,604)	(7,010,604)	–	3,177,731	3,177,731	–	(4,449,935)	(4,449,935)
Income		331,553	–	331,553	335,127	–	335,127	634,851	–	634,851
Administrative expenses										
Investment management fees	9/10	119,329	357,987	477,316	(101,476)	(304,427)	(405,903)	(187,689)	(563,066)	(750,755)
Decrease/(increase) in share option provision	3	6,803	20,410	27,213	(32,361)	(97,084)	(129,445)	31,325	93,977	125,302
Other expenses		(190,951)	–	(190,951)	(164,087)	–	(164,087)	(339,084)	–	(339,084)
Total administrative (expenses)/income		(64,819)	378,397	313,578	(297,924)	(401,511)	(699,435)	(495,448)	(469,089)	(964,537)
Return/(deficit) on ordinary activities before taxation		**266,734**	**(6,632,207)**	**(6,365,473)**	**37,203**	**2,776,220**	**2,813,423**	**139,403**	**(4,919,024)**	**(4,779,621)**
Taxation on ordinary activities	4	–	–	–	–	–	–	–	–	–
Return/(deficit) on ordinary activities after taxation		**266,734**	**(6,632,207)**	**(6,365,473)**	**37,203**	**2,776,220**	**2,813,423**	**139,403**	**(4,919,024)**	**(4,779,621)**
Return/(deficit) per ordinary share	5	**0.60p**	**(14.87)p**	**(14.27)p**	**0.08p**	**5.91p**	**5.99p**	**0.30p**	**(10.64)p**	**(10.34)p**

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. No operations were discontinued during the period.

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

These accounts are unaudited and are not the Company's statutory accounts. The accounts have been prepared using accounting standards and policies adopted at the previous year end.

Unaudited Reconciliation of Movements in Shareholders' Funds

	Note	Called-up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve £	Revenue reserve £	Total £
6 months ended 31 July 2008										
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
Re-purchase and cancellation of ordinary shares		(70,583)	–	–	(895,549)	70,583	–	–	–	(895,549)
Decrease in share option provision	3	–	–	–	–	–	(27,213)	–	–	(27,213)
Net (deficit)/return after taxation for the period		–	–	–	–	–	–	(6,632,207)	266,734	(6,365,473)
Dividends paid	6	–	–	–	–	–	–	(882,516)	(16,863)	(899,379)
31 July 2008		**2,177,866**	**2,954,794**	**16,492,539**	**18,217,378**	**558,562**	**6,662**	**(13,445,849)**	**266,738**	**27,228,690**
Year ended 31 January 2008										
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	3	–	–	–	–	–	(125,302)	–	–	(125,302)
Net (deficit)/return after taxation for the year		–	–	–	–	–	–	(4,919,024)	139,403	(4,779,621)
Dividends paid	6	–	–	–	–	–	–	(1,843,741)	–	(1,843,741)
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**
6 months ended 31 July 2007										
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		(86,847)	–	–	(1,572,553)	86,847	–	–	–	(1,572,553)
Increase in share option provision	3	–	–	–	–	–	129,445	–	–	129,445
Net return after taxation for the period		–	–	–	–	–	–	2,776,220	37,203	2,813,423
Dividends paid	6	–	–	–	–	–	–	(949,240)	–	(949,240)
31 July 2007		**2,286,252**	**2,954,794**	**16,492,539**	**19,724,424**	**450,176**	**288,622**	**2,658,619**	**(85,333)**	**44,770,093**

These accounts are unaudited and are not the Company's statutory accounts.

Unaudited Balanced Sheet

	Note	Unaudited 31 July 2008 £	Unaudited 31 July 2007 £	Audited 31 January 2008 £
Fixed assets				
Investments at fair value				
Qualifying investments		20,046,593	33,791,012	26,972,039
Fixed interest securities and other non-qualifying investments		6,134,495	7,322,082	6,764,733
		26,181,088	41,113,094	33,736,772
Current assets				
Debtors	10	833,845	57,994	15,983
Accrued interest on fixed interest securities		71,544	71,544	71,803
Cash at bank		493,994	4,254,057	2,017,103
		1,399,383	4,383,595	2,104,889
Creditors: amounts falling due within one year				
Other creditors and accruals		(351,781)	(726,596)	(425,357)
Net current assets		1,047,602	3,656,999	1,679,532
Total net assets		**27,228,690**	**44,770,093**	**35,416,304**
Capital & reserves				
Called-up share capital		2,177,866	2,286,252	2,248,449
Share premium account		2,954,794	2,954,794	2,954,794
Merger reserve		16,492,539	16,492,539	16,492,539
Special reserve		18,217,378	19,724,424	19,112,927
Capital redemption reserve		558,562	450,176	487,979
Share options reserve	3	6,662	288,622	33,875
Capital reserve – realised		3,996,249	5,254,539	5,463,797
Capital reserve – unrealised		(17,442,098)	(2,595,920)	(11,394,923)
Revenue reserve		266,738	(85,333)	16,867
Equity shareholders' funds		**27,228,690**	**44,770,093**	**35,416,304**
Net asset value per ordinary share	7	**62.51p**	**97.91p**	**78.76p**

During the period, the Company has purchased 1,411,657 ordinary shares for cancellation in accordance with the Company's share buy back policy.

These accounts are unaudited and are not the Company's statutory accounts.

Unaudited Summarised Cash Flow Statement

	Note	Unaudited 6 months ended 31 July 2008 £	Unaudited 6 months ended 31 July 2007 £	Audited Year ended 31 January 2008 £
Net cash outflow from operating activities	8	(321,115)	(63,239)	(381,377)
Net cash inflow from capital expenditure and financial investment		632,770	6,124,495	5,804,328
Equity dividends paid		(899,379)	(949,240)	(1,843,741)
Net cash (outflow)/inflow before financing		(587,724)	5,112,016	3,579,210
Net cash outflow from financing		(935,385)	(1,574,877)	(2,279,025)
Net funds at the beginning of the period		2,017,103	716,918	716,918
Net funds at end of the period		**493,994**	**4,254,057**	**2,017,103**

These accounts are unaudited and are not the Company's statutory accounts.

Notes to the Unaudited Financial Statements

1. Basis of Preparation

The Half-yearly Report sets out the financial statements of the Company for the six months ended 31 July 2008, together with comparative financial information for the Company for the six months ended 31 July 2007 and for the year ended 31 January 2008 and has been prepared under UK Generally Accepted Accounting Practice.

The financial statements for the year ended 31 January 2008 have been audited whilst the results for the six months ended 31 July 2007 and 31 July 2008 are unaudited. Therefore the Half-yearly Report does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. The financial information for the year ended 31 January 2008 is an abridged statement of the financial statements for that year which were prepared under UK Generally Accepted Accounting Practice and were delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under S237(2) or S237(3) of the Companies Act 1985.

2. Principal Accounting Policies

The financial statements have been prepared using the accounting policies adopted in the Company's audited financial statements for the year ended 31 January 2008.

a) Basis of Accounting

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments.

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.

3. Manager's 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 Company as enlarged by such subscriptions.

This right is a share based payment under FRS20. 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 £27,213 is disclosed in the income statement in the period ended 31 July 2008 to reflect the decline in the probability of the exercise of the options during the period. This is shown as a separate reserve in the balance sheet.

4. Taxation on ordinary activities

The tax charge for the half-year is £nil (31 July 2007: £nil, 31 January 2008: £nil). This is based on an estimated effective tax rate of 0% for the year ending 31 January 2009. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as a Venture Capital Trust and there is expected to be an excess of management expenses over taxable income.

5. Return/(deficit) per ordinary share

Basic revenue return per ordinary share is based on the net return on ordinary activities after taxation of £266,734 (31 July 2007: £37,203, 31 January 2008: £139,403) and on 44,602,992 (31 July 2007: 46,988,423, 31 January 2008: 46,194,765) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Basic capital return per ordinary share is based on net capital deficit for the period of £6,632,207 (31 July 2007: return £2,776,220, 31 January 2008: deficit £4,919,024) and on 44,602,992 (31 July 2007: 46,988,423, 31 January 2008: 46,194,765) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

6. Dividends in respect of equity shares

	Unaudited 6 months ended 31 July 2008 £	Unaudited 6 months ended 31 July 2007 £	Audited Year ended 31 January 2008 £
Dividends paid			
Relating to prior period:			
Final dividend	899,379	949,240	929,240
Interim dividend	–	–	914,501
	899,379	949,240	1,843,741

The Directors are declaring the payment of an interim dividend of 0.5 pence per ordinary share (£217,787 based on 43,557,324 shares in issue at the date of this report) in respect of the period ended 31 July 2008. This dividend is payable on 24 October 2008 to shareholders on the register on 26 September 2008.

7. Net asset value per ordinary share

The net asset value per ordinary share at 31 July 2008 has been calculated by reference to net assets of £27,228,690 (31 July 2007: £44,770,093, 31 January 2008: £35,416,304) and 43,557,324 (31 July 2007: 45,725,054, 31 January 2008: 44,968,981) ordinary shares, being the number of ordinary shares in issue at the period end.

Notes to the Unaudited Financial Statements (continued)

8. Reconciliation of net (deficit)/return before taxation to net cash outflow from operating activities

	Unaudited 6 months ended 31 July 2008 £	Unaudited 6 months ended 31 July 2007 £	Audited Year ended 31 January 2008 £
Net (deficit)/return before taxation	(6,365,473)	2,813,423	(4,779,621)
Net losses/(gains) on investments at fair value	7,010,604	(3,177,731)	4,449,935
(Decrease)/increase in share option provision	(27,213)	129,445	(125,302)
(Increase)/decrease in debtors	(795,159)	(17,610)	24,142
(Decrease)/increase in creditors and accruals	(133,740)	189,234	80,646
Less interest reinvested	–	–	(1,674)
Amortisation of discount on fixed interest securities	(10,134)	–	(29,503)
Net cash outflow from operating activities	(321,115)	(63,239)	(381,377)

9. Related party transactions

Under the terms of agreements dated 22 January 2001, the Company 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 below:

	Unaudited 6 months ended 31 July 2008 £	Unaudited 6 months ended 31 July 2007 £	Audited Year ended 31 January 2008 £
Investment management fee	226,965	345,449	638,940
Irrecoverable VAT thereon	6,911	60,454	111,815
Recoverable VAT thereon	32,808	–	–
Recovered VAT from previous periods	(744,000)	–	–
	(477,316)	405,903	750,755
Company secretarial fees	7,500	7,500	15,000
Irrecoverable VAT thereon	1,312	1,312	2,625
	8,812	8,812	17,625
Total	(468,504)	414,715	768,380

Notes to the Unaudited Financial Statements (continued)

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. The fee is allocated 75% to capital and 25% to revenue. At 31 July 2008, £40,385 (31 July 2007: £274,407, 31 January 2008: £220,585) including VAT of £6,015 (31 July 2007: £40,869, 31 January 2008: £32,853) was owed to the Manager.

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

10. Recoverable VAT on Investment management fee

Going forward management fees are now exempt from VAT, as a result these financial statements include the amount of £744,000 of VAT that can be recovered. This has been allocated 75% to capital reserve and 25% to revenue reserve, in line with the original amounts charged to those reserves.

Although there is a possibility that interest will also be received, the actual amount has not been quantified so the Board have taken the decision not to include any provision for this in these financial statements. Any interest received will be allocated 100% to revenue.

Summary of Investments at 31 July 2008

AIM Quoted companies	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
1st Dental Laboratories	Healthcare equipment & services	450,000	88,816	0.33
Aero Inventory	Aerospace & defence	1,289,924	1,974,775	7.25
AssetCo	Support services	370,835	390,139	1.43
Autoclenz Holdings	Support services	131,440	39,370	0.15
Avingtrans	Industrial engineering	443,333	177,500	0.65
Bright Things	Leisure goods	452,500	22,750	0.08
Cello Group	Media	257,625	156,938	0.58
Chromogenex	Healthcare equipment & services	13,875	2,999	0.01
Clerkenwell Ventures	General financial	690,490	574,068	2.11
Conder Environmental	Industrial engineering	385,241	7,037	0.03
Coolabi	Media	210,865	59,738	0.22
eXpansys	General retailers	449,500	61,992	0.23
First Artist Corporation	Media	704,265	240,329	0.88
Fountains	Support services	155,852	103,358	0.38
Fulcrum Pharma	Pharmaceuticals & biotechnology	379,532	131,503	0.48
Glisten	Food producers	220,000	767,938	2.82
Huveaux	Media	595,868	225,000	0.83
ID Data	Electronic & electrical equipment	1,089,736	323,699	1.19
IDOX	Software & computer services	270,500	450,833	1.66
ILX Group	Support services	374,960	211,497	0.78
Individual Restaurant Company	Travel & leisure	143,145	108,789	0.40
Infonic	Software & computer services	1,395,327	616,604	2.27
Intelligent Environments Group	Software & computer services	116,123	307,939	1.13
Just Car Clinics Group	General retailers	95,865	136,043	0.50
Knowledge Technology Solutions	Media	345,377	136,539	0.50
Lo-Q	Travel & leisure	760,000	180,500	0.66
Mediwatch	Healthcare equipment & services	1,059,611	598,375	2.20
Mount Engineering	Industrial engineering	409,277	384,428	1.41
Music Copyright Solutions	Media	268,750	148,192	0.55
Neutrahealth	Food producers	279,470	149,026	0.55
Optimisa	Media	403,000	123,225	0.45
Ovidia Investments	Media	518,312	771	–
Petards Group	Support services	82,860	36,348	0.13
Playgolf Holdings	Travel & leisure	255,000	29,985	0.11
Prezzo	Travel & leisure	171,221	587,125	2.16
Pubs 'n' Bars	Travel & leisure	281,813	109,035	0.40
Quadnetics Group	Support services	341,381	180,638	0.66
RTC Group (formerly ATA Group)	Support services	220,375	162,594	0.60
Relax Group (formerly Debts.co.uk)	Financial services	750,000	229,563	0.84

Summary of Investments at 31 July 2008 (continued)

AIM Quoted companies	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Smallbone	General retailers	293,220	239,830	0.88
Symphony Environmental Technologies	General industrials	460,339	115,202	0.42
Tanfield Group	Support services	286,214	92,950	0.34
Tasty	Travel & leisure	465,377	205,254	0.75
The Clapham House Group	Travel & leisure	395,992	324,121	1.19
The Food & Drink Group	Travel & leisure	18,662	1,244	–
The Real Good Food Company	Food producers	596,112	50,098	0.18
Thomson Intermedia	Media	729,005	128,699	0.47
Tikit Group	Software & computer services	400,000	654,782	2.41
UBC Media Group	Media	663,754	192,282	0.71
Vianet Group	Support services	1,069,990	398,077	1.46
Xpertise Group	Support services	873,508	710,205	2.61
Xploite	Software & computer services	217,758	145,528	0.53
Zytronic	Electronic & electrical equipment	610,958	363,025	1.33
		23,914,137	**13,857,295**	**50.89**

Fully listed companies	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Connaught	Support services	411,846	772,000	2.84
Synergy Healthcare	Healthcare equipment & services	297,267	1,590,540	5.84
		709,113	**2,362,540**	**8.68**

PLUS Markets traded companies	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Award International Holdings	Media	209,990	1,680	0.01
		209,990	**1,680**	**0.01**

Summary of Investments at 31 July 2008 (continued)

Private companies	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Flexbenefits	Software & computer services	681,828	757,125	2.78
Lilestone Holdings	General retailers	648,175	354,706	1.30
Lilestone Holdings Loan Stock	General retailers	429,000	429,000	1.58
Sportsweb.com	Support services	352,128	316,915	1.16
U4EA	Technology hardware & equipment	399,126	60,337	0.22
U4EA Preference Shares	Technology hardware & equipment	1,403,995	1,406,995	5.17
U4EA Loan Stock	Technology hardware & equipment	500,000	500,000	1.84
		4,414,252	**3,825,078**	**14.05**

Other fixed interest securities UK Government loans	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Treasury 4.75% Stock 7/6/2010	1,980,672	1,998,380	7.34
Treasury 4.25% Stock 7/3/2011	1,940,103	1,973,580	7.25
Treasury 4% Stock 7/3/2009	1,485,649	1,491,285	5.47
	5,406,424	**5,463,245**	**20.06**

Other non-qualifying investments	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
The Food & Drink Group	Travel & leisure	59,851	3,988	0.01
Formation Group	Real Estate Investments & Services	504,172	525,906	1.93
Payzone	Support services	645,994	141,356	0.52
		1,210,017	**671,250**	**2.46**

Summary of Investments at 31 July 2008 (continued)

Investment held at nil valuation*	Sector	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Adval Group	Support services	287,265	–	–
Aquabella Group	Food producers	440,500	–	–
Aquabella Group Loan Stock	Food producers	75,000	–	–
Aquilo	Support services	1,851,897	–	–
Camaxys	Software & computer services	254,825	–	–
CMS Webview	Media	401,674	–	–
Disperse Group	Personal goods	315,104	–	–
Flying Scotsman	Travel & leisure	400,800	–	–
Global Money Transfer Loan Notes	Speciality & other finance	300,000	–	–
Imagesound	Media	92,188	–	–
Laminate Flooring	General retailers	450,000	–	–
Medal Entertainment & Media	Media	653,679	–	–
Monotub Industries	Household goods	260,000	–	–
Recycled Waste	Support services	374,994	–	–
Ringprop	Industrial engineering	366,999	–	–
Stanhope Telecom	Telecommunications	500,000	–	–
Torex Retail	Software & computer services	694,691	–	–
		7,719,616	**–**	**–**
		43,583,549	**26,181,088**	**96.15**

** 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 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.*

Summary	Purchase cost £	Valuation at 31 July 2008 £	Percentage of net assets %
Total qualifying portfolio	29,247,492	20,046,593	73.63
Fixed interest/non-qualifying portfolio	6,616,441	6,134,495	22.52
Investments held at nil valuation	7,719,616	–	–
Subtotal	**43,583,549**	**26,181,088**	**96.15**
Net current assets	–	1,047,602	3.85
Total	**43,583,549**	**27,228,690**	**100.00**

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Notes