

Singer & Friedlander AIM 3 VCT
Report and Accounts

AIM 3 VCT

For the year ended to 31st January 2005



SINGER & FRIEDLANDER

Contents

2	Directors, Managers and Advisers
3	Corporate Policy and Financial Highlights
	<i>Objectives</i>
	<i>VCT Dates</i>
	<i>Performance Summary</i>
4	Board Review of the Year
6	Investment Portfolio Summary
16	Board of Directors
18	Corporate Governance Statement
21	Report of the Directors
24	Directors' Remuneration Report
26	Independent Auditors' Report
27	Financial Statements
30	Notes to the Financial Statements
42	Notice of Annual General Meeting
45	Form of Proxy for Annual General Meeting

Directors, Managers and Advisers

Directors

David Lloyd (resigned 19th March 2004)
Christopher John Leon Moorsom
Andrew Nicholas Banks
John Michael Edelson*
Mark Christopher Ellisdon
David Michael Page (appointed 1st August 2004)*
Dominic Marius Dennis Anthony Wheatley (appointed 1st August 2004)*

*These directors are independent non-executive directors.

All the directors above are of :
21 New Street
Bishopsgate
London EC2M 4HR

Secretary

Singer & Friedlander Secretaries Limited
21 New Street
Bishopsgate
London EC2M 4HR

Manager

Singer & Friedlander Investment Management Limited
21 New Street
Bishopsgate
London EC2M 4HR

Solicitors to the Company

Travers Smith Braithwaite
10 Snow Hill
London EC1A 2AL

Independent Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

National Westminster Bank Plc
City of London Office
PO Box 12264
Third Floor
Princes Street
London EC3A 7NN

Administrator

Sinclair Henderson Limited
23 Cathedral Yard
Exeter EX1 1HB

Registrar

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Stockbroker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Corporate Policy and Financial Highlights

Objectives

The objective of the Singer & Friedlander AIM 3 VCT 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 31st January 2006 is as follows;

May 2005	Final report for the year ended 31st January 2005 published
June 2005	Annual General Meeting (London)
June 2005	Final dividend paid
October 2005	Interim report for the half year to 31st July 2005 published
November 2005	Interim dividend paid (if applicable)

Performance Summary

Total net assets of £32,597,204 (2004: £31,372,256)

Net asset value per share 103.41p (2004: 95.38p)

Net dividends of £157,154 for the year (2004: £82,227)

Dividend per ordinary share 0.50 pence (2004: 0.25 pence)

Qualifying investments 82% of the current investment portfolio (2004: 77%)

Total dividends paid and recommended to date: 3.25p

Board Review of the Year

The Board is pleased to present its annual report for the year to 31 January 2005.

Performance

Following a somewhat dull first half the Alternative Investment Market (AIM) regained momentum during the second half of the year. The AIM index increased by some 21% over the year. It should, however, be noted that the oil exploration and extractive industries sectors, in which VCTs are not allowed to invest, were the main contributors to this strong performance. These sectors account for approximately a third of the AIM's market capitalisation and without their influence the AIM Index would have delivered a far lower return. Our Net Asset Value (NAV) increased by 12% during the second half and by 8% over the year to 103.41p per share. We believe this was a creditable performance. Since our launch in early 2001 the AIM index has declined by 21% and the FTSE All Share index is 15% lower whilst our asset value has increased by 6%.

Dividends and returns to date

Dividends of 2.75 pence have been paid to date. The Directors are recommending a final dividend of 0.50 pence for the year ended 31st January 2005.

Portfolio commentary and developments

We have maintained our VCT qualifying status throughout the year and under the Inland Revenue's definition the qualifying percentage at the year end was 82%. The portfolio now consists of 52 qualifying investments, 3 of which are unquoted, 1 is traded on OFEX and the remainder are quoted on the AIM. During the year two companies (Aquila and Music Copyright Solutions) moved from OFEX to AIM. XN Checkout, which was unquoted gained a listing on AIM resulting in an uplift over book cost of over 220% at the year end. ITS Ecco, another unquoted investment, received an offer from a trade buyer and was sold at a premium of approximately 10% to our book cost with the potential for further proceeds to follow. We have actively taken profits on our listed portfolio during the year and to date have realised profits of some £1.75 million or 5.6 pence per share. These profits can be distributed tax free to shareholders, and, as set out in our original prospectus, the Directors are committed to doing so. We are currently considering revoking our investment trust company status (a simple, legal procedure) to enable capital distributions.

Most of our individual investments are now valued above book cost and we expect many to commence dividend payments in the next year or so as their businesses continue to develop. Recent newsflow has, in most cases, been positive and the economic background continues to remain benign.

Investment Strategy

The objective of the Company is to provide investors with an attractive return from a portfolio of investments primarily in companies whose shares are traded on AIM. Returns will be enhanced as a consequence of dividends and capital gains being free of tax in the hands of private investors.

Running Costs

The running costs of the Company stood at 2.80% of NAV at year end, a figure which compares favourably to many of our competitors.

Share Repurchases

During the year we repurchased 1,370,000 shares for cancellation at a discount of approximately 15% to NAV. It is our intention to continue to buy back shares within the powers granted at the AGM each year, in order to aid liquidity for shareholders who wish to sell.

The Board

During the year David Lloyd resigned from the Board due to an increase in his other business commitments. We would like to place on record our thanks to David for his important contribution during the first 3 years of the Trust's life.

We welcome to the Board two new non-executive directors - David Page and Dominic Wheatley who joined on 1st August 2004.

Offer for Subscription to 'C' Shares

As previously notified to shareholders, we published a prospectus last September seeking to raise an additional £30 million. The offer is now closed. The response from potential investors has been disappointing primarily due to the amount of competition from other VCT's also seeking to raise funds.

Outlook

In spite of the significant recovery in AIM over the last 2 years the AIM Index remains over 60% below the peak levels achieved in early 2000. Valuations do not appear excessive and are underpinned by positive newsflow and the improving prospects for many companies. Your Fund Manager believes that significant potential exists for further share price appreciation although, as in the past, progress may not be smooth. Your Board faces the future with confidence.

Christopher Moorsom (Chairman)

Andrew Banks

Michael Edelson

Mark Ellisdon

David Page

Dominic Wheatley

Singer & Friedlander AIM 3 VCT plc

20th May 2005

Investment Portfolio Summary

AIM Quoted Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
1st Dental Laboratories	Health	Dental laboratories group	450,000	641,333	1.97	4.13
Aero Inventory	Aerospace & defence	Distribution of aircraft components	481,041	751,088	2.30	8.44
Aquilo	Speciality & other finance	Accident management services	589,375	314,953	0.97	17.31
Asfare Group	Engineering & machinery	Manufacturer of ladders for rescue services	321,393	318,179	0.98	14.88
Award International Holdings	Media & entertainment	Provider of promotional goods and services to enhance brand awareness	209,990	110,245	0.34	16.92
BBI Holdings	Pharmaceuticals & biotechnology	Developer and manufacturer of rapid result diagnostic tests	239,708	323,861	0.99	3.91
Blooms of Bressingham Holdings	General retailers	Garden centres	470,000	359,473	1.10	7.21
Bright Things	Household goods & textiles	Developer of intellectual property for a new educational games platform	375,000	739,584	2.27	2.78
Camaxys Group	Software & computer services	Developer of computerised management systems for health & safety applications	254,825	246,862	0.76	18.33
Capcon Holdings	Speciality & other finance	Audit, stocktaking and commercial investigation services	700,000	426,563	1.31	11.50
Cardpoint	Speciality & other finance	Independent ATM deployer	380,843	1,058,640	3.24	2.17
Centurion Electronics	Automobiles & parts	Conception, design, marketing & distribution of in-car audio-visual products	187,950	617,103	1.89	2.66
CMS Webview	Media & entertainment	Real-time market data collection, processing and distribution	401,674	70,293	0.21	6.36
Corpora	Software & computer services	Research, development & sale of knowledge discovery technologies	527,206	439,601	1.35	11.41
Fulcrum Pharma	Pharmaceuticals & biotechnology	Customised global drug development solutions	279,532	103,305	0.32	2.52
Glisten	Food producers & processors	Manufacturer of confectionery products	307,143	1,080,760	3.32	5.47
Huveaux	Media & entertainment	Aims to build a broadly based media and related services group by means of acquisition	813,049	1,487,281	4.56	5.23
ILX Group	Support services	Leading provider of Project Management, IT, and Business Finance Training	324,960	536,184	1.64	6.03
Imprint Search & Selection	Support services	Recruitment services	400,000	882,500	2.71	3.41
Knowledge Technology Solutions	Media & entertainment	Live UK financial news and data products	127,362	318,405	0.98	6.15
Kuju	Software & computer services	Developer of interactive games software	549,999	293,750	0.90	11.37
Lloyds British Testing	Support services	Provision of lifting equipment testing services	362,400	207,717	0.64	6.12
Lo-Q	Leisure & hotels	Theme park guest services systems	760,000	28,500	0.09	5.79

AIM Quoted Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Matrix Communications Group	Software & computer services	Delivering customer focused IT solutions	310,000	730,221	2.24	0.99
Medal Entertainment & Media	Media & entertainment	Creation & exploitation of intellectual property rights through acquisition	602,509	1,233,617	3.78	9.12
Mediwatch	Health	Design, manufacturing and marketing of medical diagnostic services	693,515	548,558	1.68	11.08
Monsternob Group	Media & entertainment	UK mobile phone entertainment content provider	141,750	257,250	0.79	0.42
Music Copyright Solutions	Media & entertainment	Exploitation of music catalogues and royalty administration	375,000	270,221	0.83	7.79
NWD Group	Media & entertainment	Marketing services business	466,750	161,567	0.50	9.49
Oasis Healthcare	Health	Dental healthcare provider	631,180	224,858	0.69	6.49
Pixology	Software & computer services	Developer of digital photo printing software solutions	399,000	460,275	1.41	1.43
PM Group	Transport	Design, manufacture & service of on board vehicle weighting systems	604,232	1,495,474	4.59	5.63
Prezzo	Leisure & hotels	Restaurant operator	352,547	1,361,975	4.18	3.11
Quadnetics Group	Electronic & electrical equipment	Design, integration & control of advanced CCTV & networked video systems	225,632	270,332	0.83	1.93
Real Good Food Company	Food producers & processors	Prepared foods manufacturer	596,113	1,018,534	3.12	4.89
Ringprop	Engineering & machinery	Production & marketing of new marine propeller	366,999	790,460	2.42	4.82
Symphony Plastic Technologies	Chemicals	Manufacturer of fully degradable plastic carrier bags	409,339	425,579	1.31	5.20
Synergy Healthcare	Health	Medical support services	448,000	1,299,692	3.99	2.16
Tanfield Group	Support services	Manufacturer of electric vehicles and specialist engineering	737,403	56,981	0.17	2.02
The Clapham House Group	Leisure & hotels	Acquiring & developing restaurants	453,872	668,496	2.05	3.07
Tikit Group	Software & computer services	IT consultancy services and IT solutions	400,000	523,478	1.61	2.79
Tissue Science Laboratories	Health	Medical device company for surgical implants	656,267	874,000	2.68	1.98
UBC Media Group	Media & entertainment	Content supplier to radio, internet & digital tv	409,908	410,480	1.26	1.45
Vianet Group	Information technology hardware	Remote monitoring of vending machines	450,000	406,250	1.25	10.04
XN Checkout Holdings	Software & computer services	Provider of EPOS systems	356,018	1,141,649	3.50	3.71
Xpertise Group	Support services	Provision of IT training courses	485,179	176,935	0.54	19.25
			20,084,663	26,163,062	80.26	

All investments are in ordinary shares unless otherwise stated

OFEX Quoted Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Laminate Flooring Direct	Construction & building materials	Specialist retailer of laminate, real wood and solid wood flooring	450,000	517,500	1.59	11.14
			450,000	517,500	1.59	

All investments are in ordinary shares unless otherwise stated

Private Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Flexbenefits	Software & computer services	Employee benefits & financial services	517,500	129,375	0.40	8.27
Lilestone	General retailers	Lingerie design and retail	405,000	405,000	1.24	17.65
U4EA	Information technology hardware	Data transfer management	374,989	36,201	0.11	1.50
U4EA (preference shares)	Information technology hardware	Data transfer management	477,350	480,350	1.47	11.23
			1,774,839	1,050,926	3.22	

All investments are in ordinary shares unless otherwise stated

Other qualifying investments	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Tanfield Group 8.5% Loan Stock	Support services	Manufacturer of electric vehicles and specialist engineering	250,000	250,000	0.77	16.46
Xpertise Group Loan Stock	Support services	Provision of IT training courses	200,000	200,000	0.61	100.00
			450,000	450,000	1.38	

All investments are in ordinary shares unless otherwise stated

Other fixed interest securities and non-qualifying investments	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Debentures and loan stocks						
BK NED Gemeenten** 6.375% MTN 30/3/2005			255,026	250,688	0.77	0.12
Euro Inv Bank** 6.125% BDS 7/12/2005			1,118,922	1,112,870	3.41	0.05
Treasury 4.5% 7/3/2007			740,219	749,988	2.30	0.11
			2,114,167	2,113,546	6.48	

Other non-qualifying investments	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Aquilo	Speciality & other finance	Accident management services	487,500	260,512	0.80	17.31
Blooms of Bressingham Holdings	General retailers	Garden centres	534,993	409,182	1.26	7.21
Blooms of Bressingham Holdings (warrants)	General retailers	Garden centres	20,007	6,480	0.02	23.95
Cardpoint	Speciality & other finance	Independent ATM deployer	156,597	435,296	1.34	2.17
First Artist Corporation	Media & entertainment	Sports management company	400,000	33,000	0.10	4.13
Formation Group	Media & entertainment	Football management & marketing services	519,750	271,078	0.83	2.90
ID Data	Information technology hardware	Provider of corporate smart cards	348,250	218,750	0.67	3.21
ID Data Conv Loan Stock	Information technology hardware	Provider of corporate smart cards	225,000	225,000	0.69	8.32
Medal Entertainment & Media	Media & entertainment	Creation & exploitation of intellectual property rights through acquisition	51,170	104,769	0.32	9.12
Synergy Healthcare	Health	Medical support services	189,000	548,308	1.68	2.16
			2,932,267	2,512,375	7.71	
Investments held at nil valuation*	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Coinmaster Gaming	Leisure & hotels	Production of electronic gaming machines	350,000	-	-	-
Exertris	Software & computer services	Developer of exercise bikes	503,445	-	-	-
Exertris Conv Debt	Software & computer services	Developer of exercise bikes	100,000	-	-	-
Firmgrowth	Software & computer services	Student careers directory & internet portal	250,000	-	-	-
Flying Scotsman	Leisure & hotels	Owner of a steam locomotive	400,800	-	-	-
Global Money Transfer (loan notes)	Speciality & other finance	Money transfer service	300,000	-	-	-
Monotub Industries	Household goods & textiles	Washing machine manufacturer	260,000	-	-	-
Recycled Waste	Support services	Environmental control	374,994	-	-	-
Stanhope Telecom	Telecommunication services	Telecom products	500,000	-	-	-
			3,039,239	-	-	

*These stocks are in liquidation and, with the exception of Exertris and Global Money Transfer, they are shown within the Investment Portfolio Summary since 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 7 are incorporated and quoted within the UK with the exception of these holdings. BK NED Gemeenten 6.375% MTN 30/3/2005 is incorporated in the Netherlands and quoted in Luxembourg. Euro Inv Bank 6.125% BDS 7/12/2005 is incorporated in the UK and quoted in Luxembourg.

Summary

	Cost at acquisition	Valuation at 31st January 2005	Percentage of portfolio
	£	£	%
Total qualifying portfolio*	22,759,502	28,181,488	86.45
Fixed interest/non-qualifying portfolio	5,046,434	4,625,921	14.19
Investments held at nil valuation	3,039,239	-	-
Sub total	30,845,175	32,807,409	100.64
Net current liabilities	-	(210,205)	(0.64)
Total	30,845,175	32,597,204	100.00

*The figure of 86.45% simply shows the share of total market values represented by qualifying holdings. The figure calculated in accordance with the requirements of the VCT legislation is 82%.

Table of largest ten investments by value

Name of undertaking	Percentage of Portfolio	Percentage held by company	Profit/(loss) before tax	Retained profit/(accumulated loss)	Net asset value	Accounting Reference Date
	%	%	£000's	£000's	£000's	
Synergy Healthcare	5.67	1.15	3,888	4,057	25,700	28/03/04
PM Group	4.59	4.61	1,584	1,823	6,959	30/06/04
Cardpoint	4.58	1.86	(3,056)	(5,826)	36,392	30/09/04
Huveaux	4.56	2.56	1,205	473	21,585	31/12/03
Prezzo	4.18	1.48	470	142	15,656	28/12/03
Medal Entertainment & Media	4.10	6.85	928	1,312	10,287	31/03/04
XN Checkout Holdings	3.50	2.15	1,700	(9,400)	6,400	31/12/04
Euro Inv Bank 6.125% BDS 7/12/2005*	3.41	0.05	-	-	-	-
Glisten	3.32	2.94	1,331	1,420	9,577	30/06/04
Real Good Food Company	3.12	3.90	(1,401)	(1,944)	10,985	30/06/04

The aggregate value of these top ten holdings is £13,378,865.

All figures are taken from the most recently available audited accounts of the underlying entity with the exception of Real Good Food Company.

*The above fixed interest investment is AAA rated.

Sector analysis

	Cost at acquisition	Valuation at 31st Jan 2005	Percentage of portfolio
	£	£	%
Aerospace & defence	481,041	751,088	2.30
Automobiles & parts	187,950	617,103	1.89
Chemicals	409,339	425,579	1.31
Construction & building materials	450,000	517,500	1.59
Electronic & electrical equipment	225,632	270,332	0.83
Engineering & machinery	688,392	1,108,639	3.40
Food producers & processors	903,256	2,099,294	6.44
General retailers	1,430,000	1,180,135	3.62
Health	3,067,962	4,136,749	12.69
Household goods & textiles	375,000	739,584	2.27
Information technology hardware	1,875,589	1,366,551	4.19
Leisure & hotels	1,566,419	2,058,971	6.32
Media & entertainment	4,518,912	4,728,206	14.50
Pharmaceuticals & biotechnology	519,240	427,166	1.31
Software & computer services	3,314,548	3,965,211	12.17
Speciality & other finance	2,314,315	2,495,964	7.66
Support services	2,759,942	2,310,317	7.08
Transport	604,232	1,495,474	4.59
Fixed interest investments	2,114,167	2,113,546	6.48
Suspended/delisted/liquidated stocks	3,039,239	-	-
Sub total	30,845,175	32,807,409	100.64
Net current liabilities	-	(210,205)	(0.64)
Total	30,845,175	32,597,204	100.00

Review of Investments

1st Dental Laboratories

1st Dental is the leading quoted provider of services and products to the dental industry. Following the recent acquisition of Benchmark the company has 15 laboratories and is the largest dental laboratories group. Further acquisitions are anticipated.

Aero Inventory

The company is engaged in procurement and inventory management for the aerospace industry. The company has consistently won new business since its listing on AIM and has recently signed contracts with SR Technic and FLS Aerospace. Results to June 2004 bore the effects of SARS in the Far East but substantial growth is expected this year as these markets recover and new contracts contribute.

Aquilo (formerly Accidentcare)

Aquilo moved from OFEX to AIM in June 2004 raising additional funds in so doing. The company provides a wide range of motor accident management related services to individuals via brokers, affinity groups and insurers. It also provides outsource claims management services to insurers and corporates.

Asfare Group

Asfare is the UK's leading manufacturer of ladders for the rescue services. It is also involved in the manufacture of gantries and ancillary equipment to both UK and overseas customers. The company has identified several potential additional products which it could supply to its customers and it intends to pursue these opportunities.

Award International Holdings

Award is a full service promotional incentives company that provides merchandise, live events and travel. AIH provides its clients with promotional goods and services designed to increase brand awareness amongst consumers.

BBI Holdings

BBI is a Cardiff-based rapid-test diagnostics company based on gold conjugate technology. The company generates revenues from the manufacture of gold colloids and conjugates, from bespoke contract product development and from its own tests.

Blooms of Bressingham Holdings

Blooms operates eight retail garden centres. Two new sites have been developed and opened this spring and early trading has been good. These two developments should materially improve the company's profitability in due course.

Bright Things

Bright Things is a developer of an educational games console and software for the pre-school market. It has signed content agreements with the rights holders to characters including Noddy, Teletubbies and Postman Pat.

Camaxys Group

Camaxys is a developer of enterprise risk management information systems for environment, health & safety and quality. The company sells its products to global organisations in a range of markets including oil and gas, petrochemical, manufacturing and utilities.

Capcon Holdings

Capcon provide audit, stocktaking and investigation services. The company came to AIM three years ago with an experienced management team keen to grow both organically and via acquisition.

Cardpoint

Cardpoint is an independent owner and operator of over 2500 ATMs in the UK. The company makes a modest charge for cash withdrawals with the customer's permission. The group is a member of LINK and its machines are located in areas not typically served by the banks. The company also deploys mobile phone 'top-up' machines.

Centurion Electronics

Centurion is a UK market leader in the field of in-car audio-visual entertainment. It focuses on the design, marketing and distribution of product comprising DVD, video and the latest LCD monitors. The systems can be fully integrated and sold through car dealers or manufacturers or may also be portable "plug and play" products.

CMS Webview

CMS has developed extensive expertise in the area of real-time financial market data collection, processing and distribution. Customers include the London Metal Exchange and the Chicago Board of Trade. CMS also has the European rights to distribute ProphetX, a PC based price reporting service.

Corpora

Corpora's principal activity is the research, development and sale of the document navigation software, jump! The core of jump! is an in-document navigation tool enabling users to search within and between multiple documents to find information pertinent to them. The company has added additional functionality to its product suite with the acquisition of several complementary businesses.

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.

Flexbenefits (unquoted) (formerly Eurobenefits)

Flexbenefits has developed a system for the management, delivery and communication of employee benefits and financial services information. These services enable employers to reduce costs and improve employee communication and understanding. The shares are valued on the basis of a discount to guaranteed future revenues.

Formation Group (formerly Proactive Sports)

Formation is a leading sports management and marketing agency with a particular emphasis on football. The company has an international network of offices and football agents and represents nearly 300 players.

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 listed 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.

ILX Group (formerly Intellexis)

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 add-on acquisitions have been made to enhance last year's purchase of Key Skills Ltd.

Imprint Search & Selection

Imprint is establishing a business in the medium and high value permanent recruitment market. The founders of the business have impressive track records in this market, having previously built up and sold a similar business. The company has recently completed the acquisition of financial recruitment specialist ECHM which is expected to be earnings enhancing.

Knowledge Technology Solutions

KTS is a software company using proprietary technology to develop and provide real-time interactive market data in a reliable, cost

effective manner primarily over the internet. In contrast to other providers, the system does not require any dedicated hardware, software or infrastructure but will work on a standard PC. The service is aimed mainly at the professional user but is also affordable for private investors wanting a more sophisticated service.

Kuju

Kuju is a leading interactive entertainment developer, producing games on a range of platforms including PC, console (Playstation2, Xbox and GameCube), mobile phones and interactive TV.

Laminate Flooring Direct

LFD is a specialist retailer of laminate, real wood and solid wood flooring and associated products. Following the failure to raise additional equity funding due to adverse trading conditions, administrative receivers were appointed during March 2005.

Lilestone (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. The company has recently opened its first US store in New York which has been well received. The shares are valued on the basis of the last funding round in November 2004.

Lloyds British Testing

Lloyds British is one of the leading companies within the field of lifting equipment engineering. It is active in inspection and testing, short-term supply repair and renovation, crane and lift maintenance, and training. It has 19 locations in the UK.

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. The lower cost version of the product was introduced last year.

Matrix Communications Group

Matrix is a network integrator focusing on non-Cisco hardware. Its main hardware providers are

Foundry Networks, F5 and Extreme Networks. Matrix offers distribution, integration, security management, voice over internet protocol (VOIP) and other related telecoms and managed services.

Medal Entertainment & Media

Medal was established by an experienced management team to build a group actively participating in the creation, exploitation and ownership of audio-visual copyrights. The company currently has two subsidiaries, Leisureview, a specialist video/DVD publisher and Fountain Television, the largest fully-equipped independent TV studio in the UK.

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. The company has chosen Bard as its marketing partner for the Portascan product.

Monstermob Group

Monstermob provides mobile phone content such as ringtones, competitions, wallpapers, voicemails, logos, alerts and games. Income is derived from the sale of this content which is ordered by customers sending a text message or ringing a premium rate number. The company has a huge database of customers aged mainly between 14 and 30 in the UK, Asia and the Americas.

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 and sees numerous further opportunities in this area. The shares which were traded on OFEX moved to AIM last October.

NWD Group

NWD was a shell company established for the purpose of building a marketing services business. The company has now made several acquisitions in this area. These companies are involved in corporate communications, brand consultancy and brand promotion. Further acquisitions are anticipated.

Oasis Healthcare

Oasis has built up an estate of dental practices in the UK primarily by acquisition and now has 127 sites and over 500 clinicians serving over 800,000 patients. The company is now experiencing the benefits of scale and has annualised turnover of about £75m.

Pixology

Pixology is a provider of innovative imaging software in the rapidly expanding market of digital photography. The company has developed technology to enable consumers to easily print (at home, on-line or in-store), organise and share their digital pictures. The company has also developed a solution to "red-eye" which is being sold to camera manufacturers.

PM Group

The group is a leader in the design, manufacture and service of onboard weighing systems and associated software for the bulk haulage and waste management industries. The company has a significant market position in the bulk haulage market but due to the introduction of new legislation in the waste management area strong growth is now being seen.

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. At the end of April 2005 the company had over 50 restaurants and is operating profitably.

Quadnetics Group

Quadnetics is a leader in the design, integration and control of advanced CCTV and networked video systems. Last year's acquisition of Look Closed Circuit TV (supplying systems for bus manufacturers and operators) has been successfully integrated and the group continues to win new business.

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. The recent purchase of Five Star Fish expands the product range beyond cakes, pastries and other bakery products into another high-growth area.

Ringprop

Ringprop owns the rights to a marine propeller technology. As the name suggests the propeller is enclosed by a ring which delivers certain performance and safety advantages over conventional products. Due to the inherent strength the design provides the propeller can be made of lighter, composite materials giving cost advantages as well as being safer for marine and human life when in use. The company's manufacturing partner, JL French, is now in large-scale production and the product was launched this spring in the US.

Symphony Plastic Technologies

Symphony is a specialist technology company concerned with degradable plastic packaging products. Symphony's "d2w™" 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. It has recently acquired the leading Dutch sterile instrumentation service company which further increases the growth potential.

Tanfield Group (formerly Comeleon)

Following the merger of Comeleon and Tanfield the company is involved with product personalisation via digital imaging (Comeleon) and specialist manufacturing, providing technical and assembly solutions to a wide range of sectors (Tanfield). Tanfield has also recently acquired Smiths Electric Vehicles which has a dominant position in the electric vehicle manufacturing and servicing markets.

The Clapham House Group

Clapham House was admitted to AIM to exploit acquisition opportunities within the UK restaurant sector. The experienced management team made its first acquisition in December with the purchase of a profitable Greek restaurant and bar chain and has subsequently bought the Bombay Bicycle Indian restaurant business and the Gourmet Burger Kitchen. All formats appear to have significant rollout potential.

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 recently 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.

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 shares are currently unquoted and are valued on the basis of a funding round carried out in July 2004.

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 has been trialled by several customers and rollouts are ongoing, the company has recently signed a large contract with Mars.

XN Checkout Holdings

The company offers electronic point of sale terminals for the licensed trade and for restaurant operators. The company has a ‘blue chip’ client base and is benefiting from a recovery in spending in these sectors following a difficult few years. The company also has product offerings in the hotel and gaming markets. The shares listed on AIM in June since when the shares have performed strongly giving us a useful profit over our original private investment.

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. The company has suffered along with its competitors from poor market conditions until this year but now appears to be experiencing a modest improvement.

Board of Directors

Christopher John Leon Moorsom (aged 61)

Christopher has over thirty years experience in the financial services industry. He was a Director of Stock Beech and Managing Director of Stock Beech Securities which were 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 Chairman of Gerrard Investment Funds. In 2001 he became Vice Chairman of Gerrard until he retired in 2004.

Christopher is a Non-Executive Director of Northern Racing Ltd, Chepstow Racecourse Ltd, Bath Racecourse Ltd, Hereford Racecourse Ltd, the Weston Area NHS Trust and a Governor of The Royal Welsh College of Music and Drama.

The Board note that under the 2003 Revised Combined Code Christopher Moorsom, as chairman, is not viewed as being independent.

Andrew Nicholas Banks (aged 40)

Andrew is a director of Singer & Friedlander Investment Management Limited and has managed dedicated smaller company funds, both quoted and unquoted, on behalf of leading institutions and private clients, for over eighteen years. Andrew was previously at Hambros Investment Management. His current responsibilities include the Singer & Friedlander AIM VCT's and EIS portfolios. He is also a non-executive director of Singer & Friedlander AIM VCT plc and Singer & Friedlander AIM 2 VCT plc.

Andrew's re-election at the 2005 Annual General Meeting is recommended by the Board who are of the opinion that Andrew is effective in and committed to his role.

John Michael Edelson (aged 60)

Michael's first venture into public company life was in 1990 when he took a stake in and joined the board of Conrad plc, which subsequently acquired Sheffield United Football Club. He then floated Prestbury Group plc on AIM in 1997, which became the first of a series of companies he floated on AIM, and which ultimately made

significant acquisitions, including Aerobox, Nadlan plc, Chelford Group plc, Host Europe plc and Knutsford Group plc.

He has been a director of Manchester United Football Club since 1982. He is also currently a non-executive director of City Invoice Finance Ltd, Hawthorn Holdings plc and Willow Partners plc; executive chairman of London & City Credit Corporation Limited and chairman of Poplar Partners plc and Oak Prospects plc.

Michael is considered by the Board to be independent, there being no relationships of circumstances in existence which would affect his judgement as a director of the Company. Michael's valued experience, contribution and commitment as a director of the Company supports the Board's recommendation for his re-election at the 2005 Annual General Meeting.

Mark Christopher Ellisdon (aged 37)

Mark is the Director of Finance for Singer & Friedlander Investment Management Limited and is an economics and accounting graduate from Loughborough University and qualified as an ACA in 1994. Prior to joining Singer & Friedlander in April 1998 he was UK Finance Officer with Soditic Finance Company Limited and worked in the Financial Markets Division of Arthur Andersen from 1989 to 1996.

David Michael Page (aged 52)

David trained as a teacher. From 1973 to 1992 he was a major shareholder and was Managing Director of the largest Pizza Express franchise group. The franchise group was merged with the franchisor and on the IPO in 1993 David was appointed CEO of Pizza Express plc, the new combined group; a post he held until 2003.

He is now Chairman of The Clapham House Group plc which acquires and operates profitable restaurant brands and floated on AIM in November 2003. Clapham House has since acquired The Real Greek Food Company and the Bombay Bicycle Club.

David is considered by the Board to be independent, there being no relationships or circumstances in existence which would affect his judgement as a director of the Company. The

Board supports the recommendation for his election at the 2005 Annual General Meeting.

Dominic Marius Dennis Anthony Wheatley (aged 45)

Dominic has over twenty years of 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 game 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 Plc until the end of 1996.

He is currently a non-executive director of Statpro plc and Telecom Plus plc, and Chairman of Highway Capital plc and Kuju plc. In early 2002 he was co-founder of Bright Things plc which is developing a unique new gaming platform and was quoted on AIM in April 2004.

Dominic is considered by the Board to be independent, there being no relationships or circumstances in existence which would affect his judgement as a director of the Company. The Board supports the recommendation for his election at the 2005 Annual General Meeting.

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 2003 Revised Combined Code (the "Revised Code") throughout the year ended 31st January 2005 except for the areas of non-compliance which were:

- no majority of independent non-executive directors on the Board or Audit Committee between 19th March 2004 (when Mr Lloyd resigned) and 1st August 2004 (when Messrs Page and Wheatley were appointed);
- the composition of the Audit Committee including the Chairman of the Board;
- a nomination committee not having been appointed; and
- a senior independent director not having been appointed.

This statement describes how the Company has complied or explains non-compliance with the provisions of the Revised Code during the year ended 31st January 2005.

Performance evaluations of the Board, the Directors and the Audit Committee have also been conducted during the year. These evaluations were facilitated by questionnaires, reviewing behaviours and processes.

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 31st January 2005 on 15th April 2005.

The Board

The Board currently consists of six non-executive Directors, three of whom are independent. Their

biographical details, set out on page 16 and 17, demonstrate a breadth of investment, commercial and professional experience.

All the Directors have served throughout the year, with the exception of Messrs D Page and D Wheatley who have served as Directors of the Company since their appointments to the Board on 1st August 2004. Mr D A Lloyd resigned from the Board on 19th March 2004.

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.

During the year five meetings have been held. Mr Moorsom and Mr Banks attended all meetings during the year. Mr Edelson gave his apologies for non attendance at two meetings during the year. Mr Ellisdon gave his apologies for non attendance at one meeting during the year. Messrs Page and Wheatley gave apologies for one and two meetings respectively since their appointments to the Board. Mr Lloyd resigned prior to any meetings being held in the year.

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.

In accordance with the existing Articles of Association, Messrs A N Banks and J M Edelson will stand for re-election at the forthcoming Annual General Meeting of the Company. Messrs D M Page and D M D A Wheatley, having been appointed to the Board since the last Annual General Meeting will offer themselves for

election as Directors of the Company at the forthcoming Annual General Meeting. In accordance with the Revised Code, Directors are required to retire by rotation at least once in every three-year period.

Senior Director

As the Board is small and consists entirely of non-executive Directors, it does not consider it necessary to recognise a single senior member other than the Chairman as the person to whom concerns can be conveyed.

Nomination Committee

As the Board is small and consists of non-executive Directors and due to 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. The appointments of Messrs Page and Wheatley made during the year were decided upon by the whole Board following one-to-one meetings with shortlisted candidates. Neither external search consultancies nor open advertising was utilised in making these appointments.

Remuneration Committee

As stated in the Directors' Remuneration Report on page 24 under the Financial Services Authority Listing Rules 26.9(d), where a venture capital trust company has no executive directors, the Revised 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 is chaired by Mr J M Edelson. Messrs C J L Moorsom, D M Page and D M D A Wheatley are also members. The Revised 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 Mr

Moorsom attended both meetings. Mr Edelson attended one meeting during the year. Mr Page and Mr Wheatley attended one meeting following the date of their appointments. Mr Lloyd resigned prior to any meetings being held in the year. 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.

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 is also in attendance. A summary of the proxy votes received on the resolutions proposed will be displayed at the meeting.

The Notice of Annual General Meeting on pages 42 and 43 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 page 22.

The Independent Auditors' Report is set out on page 26.

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 were 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 publications 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 agencies. 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.

During the year it has been the Company's policy to rely on PricewaterhouseCoopers' confirmation of their audit independence, which the Board reviews annually.

These systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. By the procedures set out above the Directors have kept under review the effectiveness of the internal controls throughout the year.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. 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.

Report of the Directors

The Directors present the Report and audited Accounts of the Company for the year ended 31st January 2005.

Principal Activity, Business Review and Future Developments

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. A review of the Company's business during the year is contained in the Board Review of the Year.

The Company is an investment company as defined in Section 266 of the Companies Act 1985. The Company has been granted provisional approval by the Inland Revenue under Section 842AA of the Income and Corporation Taxes Act 1988 as a Venture Capital Trust on 16th January 2001. It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with Section 842AA of the Income and Corporation Taxes Act 1988.

Results and Dividends

Net loss after taxation for the year amounted to £115,437 (2004: profit £167,024).

The Directors recommend a final dividend of 0.50 pence (2004: 0.25 pence) per share for the year ended 31st January 2005. The dividend will be paid on 30th June 2005 to shareholders whose names appear on the register of members at the close of business on 3rd June 2005.

Directors

The names of the Directors of the Company appear on pages 16 and 17 of these accounts.

The Directors have served throughout the year, with the exception of Messrs D Page and D Wheatley who have served as Directors of the Company since their appointments to the Board on 1st August 2004. Mr D A Lloyd resigned from the Board on 19th March 2004.

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

Director	31st January 2005	31st January 2004
C J L Moorsom	Nil	Nil
A N Banks	10,100	10,100
J M Edelson	50,000	50,000
M C Ellisdon	100	100
D M Page	Nil	-
D M D A Wheatley	Nil	-
D A Lloyd(*at date of resignation)	*50,000	50,000

No options over the share capital of the Company have been granted to the Directors. There have been no changes in the above holdings of the Directors between 31st January 2005 and 20th May 2005. However, on 31st March 2005 Mr C J L Moorsom purchased 20,000 Ordinary C shares of £1.00 in the Company and on 10th May 2005 Messrs D M Page and D M D A Wheatley purchased 5,000 and 20,000 Ordinary C shares of £1.00 respectively in the Company.

Messrs J M Edelson, C J L Moorsom, D M Page and D M D A Wheatley are members of the Audit Committee.

At the forthcoming Annual General Meeting of the Company Messrs A N Banks and J M Edelson will retire and, being eligible, offer themselves for re-election as Directors of the Company. Messrs D M Page and D M D A Wheatley, having been appointed to the Board since the last Annual General Meeting, will offer themselves for election as Directors of the Company at the forthcoming Annual General Meeting.

Management 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.

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 4

to the Financial Statements.

Singer & Friedlander Secretaries Limited is the Corporate Secretary of the Company. The principal terms of the agreement are set out in note 4 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 purpose of assessing VCT status eligibility as appropriate and carry out regular reviews of the Company's investment portfolio.

Independent Auditors

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

Issued Share Capital

During the year the Company purchased 1,370,000 ordinary shares of 5p each for cancellation at an aggregate cost of £1,120,941 plus £1,166 commission, representing 4.35% of the issued capital as at the 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 was given by the shareholders to the Company at the Annual General Meeting held on 9th June 2004. As at 31st January 2005, this authority remained valid over 2,145,000 ordinary shares of 5p each.

The issued share capital of the Company as at 31st January 2005 was 31,520,860 ordinary shares of 5p each. There have been no repurchases of shares made subsequent to the year end.

Substantial Interests

As at 31st January 2005 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 (2004: 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 Directors' Report 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.

Annual General Meeting

The Annual General Meeting will be held at 21 New Street, Bishopsgate, London, EC2M 4HR at 11.30am on 27th June 2005.

The Notice of Annual General Meeting is set out in pages 42 to 43.

Resolutions 1 to 8 set out in the Notice are concerned with the ordinary business customarily transacted at annual general meetings.

Resolution 9 will be proposed as special business at the Annual General Meeting. 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 9th June 2004, the Directors were given the necessary authority. Resolution 9 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 3,150,000 ordinary shares

(representing approximately 9.99% of the issued share capital of the Company) and will expire on the earlier of 27th December 2006 and the conclusion of the Annual General Meeting in 2006. The maximum price which may be paid for an ordinary share will be an amount which is not more than 5% above the average of the mid-market quotations and at not more than current NAV of the ordinary shares as derived from the daily official list of the London Stock Exchange.

The Directors intend to continue to buyback shares within the powers granted under this Resolution, in order to aid liquidity for shareholders who wish to sell.

By order of the Board
Singer & Friedlander Secretaries Limited
Secretary
20th May 2005

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.

Policy on Directors' Remuneration

Under the Financial Services Authority Listing Rule 26.9(d), where a Venture Capital Trust Company has no executive directors the 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.

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 £75,000 per annum. During the year the Directors' fees were fixed at £12,500 per annum for the Chairman and £10,000 per annum for each other Director. With effect from 1st February 2005 the Directors' fees have been increased to £15,000 per annum for the Chairman and £12,500 per annum for each other Director. Mr Banks and Mr Ellisdon are employed by the Manager and have waived their entitlement to Directors' fees.

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 ended 31st January 2006 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:

	Year ended 31st January 2005 £	Year ended 31st January 2004 £
C J L Moorsom (includes employers NI)	13,493	8,558
A N Banks	-	-
J M Edelson (includes irrecoverable VAT)	11,750	11,750
M C Ellisdon	-	-
D M Page	5,875	-
D M D A Wheatley*	5,875	-
D A Lloyd (includes irrecoverable VAT)**	1,579	11,750
R O Bernays (includes employers NI)	-	1,850

*The fees in respect of Dominic Wheatley are paid to a third party.

**Mr Lloyd's emoluments were payable to his date of resignation, namely 19th March 2004 and he did not receive any compensation for loss of office.

Details of the amounts paid by the Manager to Messrs Banks and Ellisdon are provided in note 5 to the Financial Statements.

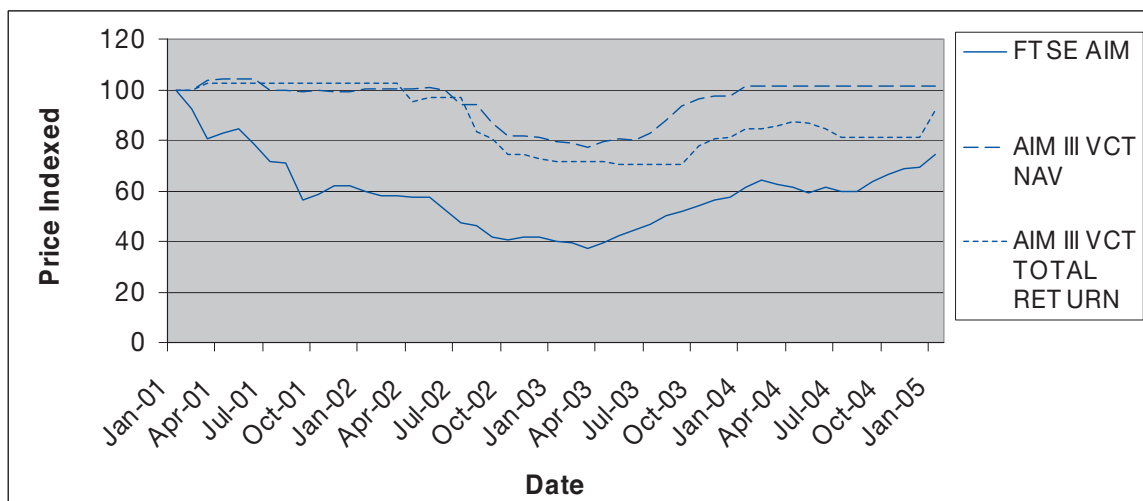
Service Contracts

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

Mr Banks and Mr Ellisdon are employees of Singer & Friedlander Investment Management Limited (the Manager to the Company) and are therefore deemed to have an interest in the management agreement with the Company. 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
Singer & Friedlander Secretaries Limited

Secretary
20th May 2005

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

We have audited the financial statements which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the board review of the year, the investment portfolio summary, the report of the directors, the unaudited part of the directors' remuneration report and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code 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.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements 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 auditable part of the directors' remuneration report 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.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs at 31 January 2005 and of its total return and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20th May 2005

Financial Statements

Statement of Total Return

(incorporating the revenue account*) for the year ended 31st January 2005

	Notes	Year ended 31st January 2005			Year ended 31st January 2004		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Gains on investments	9	-	3,072,149	3,072,149	-	6,908,453	6,908,453
Income	2	344,617	-	344,617	645,846	-	645,846
Administrative expenses							
Investment management fees	3	(150,834)	(452,503)	(603,337)	(135,209)	(405,628)	(540,837)
Other expenses	4	(309,220)	-	(309,220)	(294,584)	-	(294,584)
Return on ordinary activities before taxation		(115,437)	2,619,646	2,504,209	216,053	6,502,825	6,718,878
Tax on ordinary activities	6	-	-	-	(49,029)	49,029	-
Return on ordinary activities after taxation for the financial period		(115,437)	2,619,646	2,504,209	167,024	6,551,854	6,718,878
Dividends in respect of equity shares	7	(157,154)	-	(157,154)	(82,227)	-	(82,227)
Transfer (from)/to reserves	14	(272,591)	2,619,646	2,347,055	84,797	6,551,854	6,636,651
Basic and diluted Return per ordinary share	8	(0.36)p	8.09p	7.73p	0.51p	19.89p	20.40p

* The revenue 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 acquired or discontinued in the period.

The notes on pages 30 to 41 form part of these financial statements.

Balance Sheet

	Notes	As at 31st January 2005 £	As at 31st January 2004 £
Fixed assets			
Investments			
Qualifying investments		28,181,488	25,509,652
Fixed interest securities and other non-qualifying investments		4,625,921	5,649,133
	9	32,807,409	31,158,785
Current assets			
Debtors	10	118,340	189,574
Cash at bank		428,217	982,144
		546,557	1,171,718
Creditors: amounts falling due within one year	11	(756,762)	(958,247)
Net current (liabilities)/assets		(210,205)	213,471
Net assets		32,597,204	31,372,256
Capital and reserves			
Called-up share capital	13	1,576,043	1,644,543
Share premium account	14	2,721,969	2,721,969
Special reserve	14	25,774,626	26,896,733
Capital redemption reserve	14	73,500	5,000
Capital reserve - realised	14	425,432	(463,440)
Capital reserve - unrealised	14	1,962,234	231,460
Revenue reserve	14	63,400	335,991
Equity shareholders' funds	15	32,597,204	31,372,256
Net asset value per ordinary share	16	103.41p	95.38p

The financial statements on pages 27 to 41 were approved by the Board of Directors on 20th May 2005 and signed on their behalf by:

C J L Moorsom
Chairman

The notes on pages 30 to 41 form part of these financial statements.

Cash Flow Statement

	Notes	Year ended 31st January 2005 £	Year ended 31st January 2004 £
Operating activities			
Investment income received		451,338	730,354
Deposit interest received		17,620	22,864
Underwriting commission received		450	-
Investment management fees paid		(451,024)	(530,361)
Other expenses paid		(298,353)	(283,598)
Net cash outflow from operating activities	17	(279,969)	(60,741)
Taxation			
Corporation tax paid		-	(48,204)
Net cash outflow from taxation		-	(48,204)
Capital expenditure and financial investment			
Purchases of investments		(5,716,930)	(7,392,552)
Disposals of investments		6,424,275	8,020,677
Net cash inflow from capital expenditure and financial investment		707,345	628,125
Equity dividends paid		(81,777)	(263,527)
Net cash inflow before financing		345,599	255,653
Financing			
Cost of ordinary shares purchased for cancellation		(899,526)	(39,459)
Net cash outflow from financing		(899,526)	(39,459)
(Decrease)/increase in cash for the period	18	(553,927)	216,194

The notes on pages 30 to 41 form part of these financial statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, 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 applicable accounting standards and are in compliance with the 2003 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ("SORP").

b) Investments

Listed investments and investments traded on AIM and OFEX are stated at mid market prices at the year end. 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 Directors' valuation with reference to the British Venture Capital Association ("BVCA") guidelines where appropriate. The Directors' policy in valuing unquoted investments is to carry them at cost except in the following circumstances:

- Where a company's underperformance against plan indicates a diminution in the value of the investment;
- Where a company is well established and profitable, the shares may be valued by applying a suitable price-earnings ratio to the company's historic post-tax earnings. The ratio used is based on a comparable listed company or sector but discounted to reflect lack of marketability;
- Where a value is indicated by a material arms-length transaction by a third party in the shares of a company.

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

c) 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. Underwriting commission and interest receivable are included in the accounts on an accruals basis.

d) Expenses

All expenses are accounted on an accruals basis. Expenses are charged through the revenue account 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.
- 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.

e) 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.

f) 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.

2 INCOME

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Income from investments		
– from fixed interest securities	205,975	546,151
– from UK equities	121,118	75,957
	<u>327,093</u>	<u>622,108</u>
Other income		
– deposit interest	17,074	23,522
– underwriting commission	450	–
– other income	–	216
	<u>17,524</u>	<u>23,738</u>
Total income	<u>344,617</u>	<u>645,846</u>

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Total income comprises:		
Dividends	121,118	75,957
Interest	223,049	569,673
Underwriting commission and other income	450	216
	<u>344,617</u>	<u>645,846</u>

Income from investments comprises:		
Quoted UK securities	206,902	300,999
Listed overseas securities	120,191	321,109
	<u>327,093</u>	<u>622,108</u>

3 INVESTMENT MANAGEMENT FEES

	Year ended 31st January 2005			Year ended 31st January 2004		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Investment management fee	128,369	385,109	513,478	115,071	345,215	460,286
Irrecoverable VAT thereon	22,465	67,394	89,859	20,138	60,413	80,551
	<u>150,834</u>	<u>452,503</u>	<u>603,337</u>	<u>135,209</u>	<u>405,628</u>	<u>540,837</u>

Singer & Friedlander Investment Management Limited advise the Company on investments under an agreement dated 22nd 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 receive an annual management fee of 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 31st January 2005 £203,831 (2004: £51,518) including VAT of £30,358 (2004: £7,673) was owed to the Manager.

4 OTHER EXPENSES

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Directors' emoluments (note 5)	38,572	33,908
Auditors' fees – provision for annual audit	19,975	19,975
Auditors' fees – for VCT status monitoring services	21,408	19,771
Auditors' fees – other services	2,938	7,696
Registrar's fees	6,852	6,339
Secretarial fees	14,687	14,687
Administration fees	41,431	40,327
Printing	5,113	9,651
Trail commission	110,735	103,515
Other	47,509	38,715
	309,220	294,584

Singer & Friedlander Secretaries Limited perform company secretarial duties for an annual fee of £14,687 including irrecoverable VAT of £2,187. At 31st January 2005 £7,344 (2004: £nil) including VAT of £1,094 (2004: £nil) was owed to Singer & Friedlander Secretaries Limited.

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 31st January 2005 £3,452 (2004: £3,364) including VAT of £514 (2004: £501), was owed to Sinclair Henderson Limited.

The composition of the auditors' fees for other services is corporation tax review of £2,938.

5 DIRECTORS' EMOLUMENTS

	Fees	Irrecoverable VAT	Employers' NI	2005 Total	2004 Total
	£	£	£	£	£
C J L Moorsom	12,500	–	993	13,493	8,558
J M Edelson	10,000	1,750	–	11,750	11,750
D M Page	5,000	875	–	5,875	–
D M D A Wheatley*	5,000	875	–	5,875	–
D A Lloyd**	1,344	235	–	1,579	11,750
R O Bernays	–	–	–	–	1,850
	33,844	3,735	993	38,572	33,908

*The fees in respect of Dominic Wheatley are paid to a third party.

**Mr Lloyd's emoluments were payable to his date of resignation, namely 19th March 2004 and he did not receive any compensation for loss of office.

The Company has no employees. Mr A N Banks is a director of Singer & Friedlander Investment Management Limited. Mr A N Banks and Mr M C Ellidson only received emoluments from their employer, Singer & Friedlander Investment Management Limited. The proportion of emoluments that relate to the affairs of the Company amounted to approximately £75,918 (2004: £32,103) for Mr A N Banks and £8,465 (2004: £10,963) for Mr M C Ellidson, which included pension contributions made on their behalf of £4,422 (2004: £1,887) and £607 (2004: £630) respectively.

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

6 TAX ON ORDINARY ACTIVITIES

	Year ended 31st January 2005			Year ended 31st January 2004		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
Based on the profits for the period:						
UK corporation tax charge/(credit) at 19% (2004: 19%)	-	-	-	49,029	(49,029)	-
	-	-	-	49,029	(49,029)	-

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

Current taxation

The current taxation for the period is lower than the standard rate corporation tax in the UK (30%) (2004: 30%). The differences are explained below.

Reconciliation of tax charge

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Revenue on ordinary activities before taxation	(115,437)	216,053
Theoretical tax at UK CT rate of 30%	(34,631)	64,816
Effects of:		
- UK dividends which are not taxable	(36,335)	(22,787)
- Expenses which are not allowable for corporation tax purposes	33,220	31,054
- Excess revenue expenses of current period	37,746	-
- Reduction in rate to actual rate-impact of marginal relief	-	(24,054)
Actual current tax charge – revenue	-	49,029
Impact of allowable expenditure credited to capital reserve	-	(49,029)
Actual current tax charge	-	-

Deferred taxation

There is no potential liability to deferred tax (2004: nil). There is an unrecognised deferred tax asset of £140,664 (2004: £30,894). The deferred tax asset relates to the current year 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.

7 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Ordinary final proposed of 0.50p per share (2004: 0.25p)	157,154	82,227
Total	157,154	82,227

8 RETURN PER ORDINARY SHARE

Basic and diluted revenue return per ordinary share is based on the net loss on ordinary activities after taxation of £115,437 (2004: profit £167,024) and on 32,383,305 (2004: 32,931,545) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Basic and diluted capital return per ordinary share is based on net capital gains for the financial year of £2,619,646 (2004: £6,551,854) and on 32,383,305 (2004: 32,931,545) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

9 INVESTMENTS

	31st January 2005	31st January 2004
Valuation	£	£
Listed investments	2,113,546	4,653,760
Quoted investments	28,967,937	23,442,560
Unquoted investments	1,725,926	3,062,465
Total	32,807,409	31,158,785

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 to 31st January 2005 are summarised as follows:

	Unquoted Investments*	Investments in companies traded on AIM	Investments in companies traded on OFEX	Fixed income securities	Total
	£	£	£	£	£
Opening book cost	6,510,162	18,423,487	1,365,175	4,628,501	30,927,325
Opening unrealised (depreciation)/appreciation	(3,447,697)	4,336,282	(682,384)	25,259	231,460
Opening valuation	3,062,465	22,759,769	682,791	4,653,760	31,158,785
Transfer between categories	(460,519)	1,825,694	(1,365,175)	–	–
Purchases	72,769	3,783,350	450,000	740,219	5,046,338
Sale proceeds	(674,571)	(2,539,387)	–	(3,255,905)	(6,469,863)
Realised gains on sales (Decrease)/increase in unrealised appreciation	41,237	1,298,786	–	1,352	1,341,375
	(315,455)	1,322,225	749,884	(25,880)	1,730,774
Closing valuation at 31st January 2005	1,725,926	28,450,437	517,500	2,113,546	32,807,409
Closing book cost at 31st January 2005	5,489,078	22,791,930	450,000	2,114,167	30,845,175
Closing unrealised (depreciation)/appreciation at 31st January 2005	(3,763,152)	5,658,507	67,500	(621)	1,962,234
Closing valuation at 31st January 2005	1,725,926	28,450,437	517,500	2,113,546	32,807,409

*Included within unquoted investments are five fixed income securities representing £1,075,000 (2004: £1,760,833) by book cost and £675,000 (2004: £1,360,833) by market value.

	31st January 2005	31st January 2004
	£	£
Realised gains on sales of investments	1,341,375	498,763
Movement in unrealised appreciation	1,730,774	6,409,690
Total gains on investments	3,072,149	6,908,453

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

	31st January 2005	31st January 2004
	£	£
Total provisions	723,913	809,258
Total write offs	3,039,239	2,638,439
	3,763,152	3,447,697

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

	31st January 2005		31st January 2004	
	Book cost	Carrying value	Provision	Provision
	£	£	£	£
Flexbenefits	517,500	129,375	388,125	388,125
ITS Ecco	–	–	–	85,345
U4EA	852,339	516,551	335,788	335,788
	1,369,839	645,926	723,913	809,258

* U4EA was written down to latest issue price.

* Flexbenefits has been written down to an estimate of the value of guaranteed future revenues.

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, are contained within the Investment Portfolio Summary section of the Report and Accounts. The Board is aware that International Accounting Standards, which come into effect in January 2005, prescribe the use of bid prices when valuing investments. If a bid valuation was utilised the impact on this year's valuation would have been a 2.8% reduction.

10 DEBTORS AND PREPAYMENTS FALLING DUE WITHIN ONE YEAR

	31st January 2005	31st January 2004
	£	£
Prepayments and accrued income	72,752	189,574
Disposals awaiting settlement	45,588	–
	118,340	189,574

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31st January 2005	31st January 2004
	£	£
Other tax and social security	133	115
Proposed dividend	157,604	82,227
Purchases awaiting settlement	–	670,592
Purchase of shares for cancellation	221,471	–
Accrued expenses	377,554	205,313
	756,762	958,247

12 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 no significant influence is exercised over their operating and financial policies.

Name of undertaking	Percentage of ordinary shares held by Company %
Kuju	11.370
Aquilo	11.310
Capcon Holdings	11.199
Recycled Waste	10.354
Flying Scotsman	9.690
Laminate Flooring Direct	9.438
Camaxys Group	8.812
Asfare Group	7.652
Mediwatch	7.237
Music Copyright Solutions	7.179
Medal Entertainment & Media	6.848
Xpertise Group	6.773
Vianet Group	6.476
Award International Holdings	6.461
ILX Group	6.035
Lloyds British Testing	5.564
Blooms of Bressingham Holdings	5.443
Lo-Q	5.297
Corpora	5.287
CMS Webview	5.021
Symphony Plastic Technologies	4.957
Coinmaster Gaming	4.916
Ringprop	4.750
PM Group	4.613
1st Dental Laboratories	4.125
NWD Group	3.929
Real Good Food Company	3.896

13 CALLED-UP SHARE CAPITAL

	Authorised £	Number of shares	Issued and fully paid £	Number of shares
As at 31st January 2004	2,000,000	40,000,000	1,644,543	32,890,860
Ordinary shares 5p bought for cancellation	–	–	(68,500)	(1,370,000)
As at 31st January 2005	2,000,000	40,000,000	1,576,043	31,520,860

Further details of the shares bought for cancellation are given in the Report of the Directors under the heading Issued Share Capital on page 22.

14 RESERVES

	Share premium account	Special Reserve*	Capital redemption reserve	Capital reserve (realised)	Capital reserve (unrealised)	Revenue Reserve
	£	£	£	£	£	£
At 31st January 2004	2,721,969	26,896,733	5,000	(463,440)	231,460	335,991
Net gain on the realisation of investments	-	-	-	813,348	-	-
Increase in unrealised appreciation	-	-	-	-	2,258,801	-
Transfer on disposal of investments	-	-	-	528,027	(528,027)	-
Re-purchase and cancellation of ordinary shares	-	(1,122,107)	68,500	-	-	-
Costs charged to capital	-	-	-	(452,503)	-	-
Retained net revenue for the year	-	-	-	-	-	(272,591)
At 31st January 2005	2,721,969	25,774,626	73,500	425,432	1,962,234	63,400

*Special reserve was created out of share premium account on 15th March 2002 for the purpose of share buyback

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Return for the financial year	2,504,209	6,718,878
Dividend proposed	(157,154)	(82,227)
	2,347,055	6,636,651
Cost of ordinary shares purchased for cancellation	(1,122,107)	(39,459)
Net movement in shareholders' funds	1,224,948	6,597,192
Opening shareholders' funds	31,372,256	24,775,064
Closing shareholders' funds	32,597,204	31,372,256

16 NET ASSET VALUE PER SHARE

The net asset value per share at 31st January 2005 has been calculated by reference to net assets of £32,597,204 (2004: £31,372,256) and 31,520,860 (2004: 32,890,860) ordinary shares, being the number of ordinary shares in issue at the year end.

17 RECONCILIATION OF NET REVENUE BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31st January 2005	Year ended 31st January 2004
	£	£
Net revenue before taxation	(115,437)	216,053
Investment management fees charged to capital	(452,503)	(405,628)
Decrease in debtors	116,822	106,171
Increase in creditors and accruals	171,149	22,663
Net cash outflow from operating activities	(279,969)	(60,741)

18 RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Opening net funds	Movement in Year	Closing net funds
	£	£	£
Cash at bank	982,144	(553,927)	428,217
	982,144	(553,927)	428,217

19 COMMITMENTS AND CONTINGENCIES

At 31st January 2005 (2004: £nil) there were no commitments or contingent liabilities.

20 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

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 Company has little exposure to credit, income, cash flow risk and no exposure to foreign currency risk. The principal risks the Company faces in its portfolio management activities are:

- Market risk
- Liquidity risk
- Interest rate risk

The Investment Manager's objectives are consistent with those of the Company described under the corporate policy on page 3 of this report. The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

(i) 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 investments the Company holds are primarily in AIM quoted and OFEX quoted securities where the liquidity is generally below that of securities listed/quoted in the main market. The ability of the Company to realise positions may therefore be restricted when there are no willing purchasers.

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. In addition it 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.

(ii) Liquidity risk

Although the majority of the Company's investments are less liquid than securities listed on the London Stock Exchange the Board seeks to ensure that an appropriate proportion of the Company's investment portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise.

(iii) Bank 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.

As required by Financial Reporting Standard 13 "Derivatives and other financial instrument disclosures", an analysis of financial assets and liabilities, which identifies the risk of the Company's holding such items is provided below.

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

The interest rate profile of the Company's financial assets at 31st January 2005 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	29,538,513	–	–	29,538,513		
Preference shares	480,350	–	–	480,350		
Bonds	–	2,788,546	–	2,788,546	4.852	1.67
Cash	–	–	428,217	428,217		
Debtors	118,340	–	–	118,340		
Total	30,137,203	2,788,546	428,217	33,353,966		

The interest rate profile of the Company's financial assets at 31st January 2004 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	24,736,611	–	–	24,736,611		
Preference shares	407,581	–	–	407,581		
Bonds	–	6,014,593	–	6,014,593	6.238	1.23
Cash	–	–	982,144	982,144		
Debtors	189,574	–	–	189,574		
Total	25,333,766	6,014,593	982,144	32,330,503		

The variable rate is based on the banks' deposit rate (2004: same).

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 – The Company finances its operations through its issued share capital and existing reserves. The only financial liabilities of the Company are creditors which are due within one year and which are disclosed in note 11. No interest is paid on these liabilities.

All assets and liabilities are carried at fair value as determined by the Board of Directors in accordance with the methods detailed in the accounting policies note commencing on page 29. There is no material difference between the fair value of financial assets and liabilities and their book value at the balance sheet date.

There are no committed undrawn facilities as at year end.

21 RELATED PARTY TRANSACTIONS

Under the terms of agreements dated 22nd 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 4. Accrued balances at the year end were £203,831 (2004: £51,518) and £7,344 (2004: £nil) including VAT respectively. The interests of the Directors are set out on page 21.

22 POST BALANCE SHEET EVENTS

The initial allotment of "C" Class shares was made on 31st March 2005, pursuant to the Prospectus dated 13 September 2004 and the Supplementary Prospectus dated 7 March 2005. The price at which the "C" shares were allotted was 100p per share.

Dealings in the new "C" shares commenced on Tuesday 5 April 2005 and for subscription of "C" shares in respect of the 2005/2006 tax year was open until 10.00 a.m. on 29 April 2005.

On 9th March 2005 Laminate Flooring appointed receivers as it was unable to raise further funding after experiencing cash flow problems. The value of investment in Laminate Flooring was consequently written off.

Notice of Annual General Meeting

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held at 21 New Street, Bishopsgate, London EC2M 4HR on Monday 27th June 2005 at 11.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Accounts for the year ended 31st January 2005.
2. To approve the Directors' Remuneration Report for the year ended 31st January 2005.
3. To declare a final dividend of 0.50 pence per share.
4. To re-elect Mr A N Banks as a Director.
5. To re-elect Mr J M Edelson as a Director.
6. To elect Mr D M Page as a Director.
7. To elect Mr D M D A Wheatley as a Director.
8. To re-appoint PricewaterhouseCoopers LLP as Auditor and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

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

9. 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 3,150,000; and
 - (ii) The minimum price which may be paid for an ordinary share shall be 5p; and
 - (iii) The maximum price, exclusive of expenses, which may be paid for an ordinary share shall be an amount which is not more than the net asset value per share and not more than 5% above the average of the mid-market quotations of the ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase; and
 - (iv) Unless renewed, the authority hereby conferred shall expire on the date falling 18 months after the date of the passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, which will or may be completed or executed wholly or partly after such expiry.
 - (v) The Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partially after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By order of the Board
Singer & Friedlander Secretaries Limited

Secretary

20th May 2005

Notes

- 1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member. Completion and return of the enclosed Form of Proxy will not preclude a member from attending and voting at the meeting in person.*
- 2. A Form of Proxy is enclosed for the use of members who are unable to attend the meeting. To be effective this must be deposited (together, where applicable with any Power of Attorney or other authority under which it is executed) at the office of the Company's Registrar, Capita IRG plc, 34 Beckenham Road, Beckenham, Kent, BR3 4TR by not later than 48 hours before the time fixed for the meeting, or any adjournment thereof.*
- 3. The Company, pursuant to regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 10:30am on 25th June 2005 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to the entries in the register of members after 10:30am on 25th June 2005 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourning meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.*
- 4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by order in which the names stand in the register of members of the Company in respect of the relevant joint holding.*
- 5. In accordance with the requirements of the Act, the register of directors' interests will be available for inspection at the Annual General Meeting.*

Form of Proxy for Annual General Meeting

I/We _____ (BLOCK CAPITALS please)
being a holder/s of ordinary shares in Singer & Friedlander AIM 3 VCT plc and entitled to attend and
vote at the above Annual General Meeting, hereby appoint the Chairman of the Meeting or (see
note 1)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company
to be held at 11:30am on Monday 27th June 2005 and at any adjournment thereof in respect of the
resolutions set out in the Notice of Meeting.

		FOR	AGAINST
Resolution 1	To receive and adopt the Directors' Report and Accounts for the year ended 31st January 2005	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To approve the Directors' Remuneration Report for the year ended 31st January 2005	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To declare a final dividend of 0.50p per ordinary share	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-elect Mr A N Banks as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To re-elect Mr J M Edelson as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To elect Mr D M Page as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	To elect Mr D M D A Wheatley as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	To re-appoint PricewaterhouseCoopers LLP as Auditors	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	To authorise the Directors to make market purchases of ordinary shares under S.166 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>

Dated _____ Signed _____

Notes

- 1 If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the Meeting. A proxy need not be a member of the Company.
- 2 In the case of a Corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
- 3 Please insert an 'X' in either the 'For' or 'Against' column. If both spaces are left blank, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.
- 4 To be valid, this form of proxy must be completed and deposited at the office of the Company's Registrars, Capita IRG plc, 34 Beckenham Road, Beckenham, Kent BR3 4TR, not later than 48 hours prior to the time fixed for the holding of the Meeting.
- 5 In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holder. Seniority depends on the order in which the names stand in the register of members.
- 6 The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.

FOLD 3

BUSINESS REPLY SERVICE
Licence No. MB 122



FOLD 1

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TR

FOLD 2

FOLD 4

