

Singer & Friedlander AIM 3 VCT  
Report and Accounts

AIM 3 VCT

For the year ended 31st January 2006



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
7	Investment Portfolio Summary
17	Board of Directors
18	Corporate Governance Statement
21	Report of the Directors
24	Directors' Remuneration Report
26	Independent Auditors' Report
28	Financial Statements
32	Notes to the Financial Statements
45	Notice of Annual General Meeting
47	Form of Proxy for Annual General Meeting

# Directors, Managers and Advisers

## **Directors**

Christopher John Leon Moorsom  
James Daryl Hambro\* (appointed 22 February 2006)  
Mike Sedley Killingley\* (appointed 22 February 2006)  
David Michael Page\*  
Dominic Marius Dennis Anthony Wheatley\*

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

## VCT Dates

The Company's financial calendar for the year to 31 January 2007 is as follows;

June 2006	Final report for the year ended 31 January 2006 published
July 2006	Annual General Meeting (London)
October 2006	Interim report for the half year to 31 July 2006 published
November 2006	Interim dividend paid (if applicable)

## Performance Summary

	31 January 2006	31 January 2005 (restated)
Total net assets	£27,515,787	£31,865,949
Net asset value per share	88.42p	101.09p
Net dividends for the year (proposed)	£0.00	£157,154
Dividend per ordinary share (proposed for the year)	0.00p	0.50p
Qualifying investments of the current investment portfolio	80.6%	82.0%
Total dividends paid and recommended to date	3.25p	3.25p

# Board Review of the Year

The Board is pleased to present its Annual Report for the year to 31 January 2006. This report covers the period prior to the merger with the other Singer & Friedlander VCTs which took effect on 22 February 2006. The Interim Report for the six months to 31 July 2006 will be the first to cover the combined entity.

## **Performance**

In common with many of our peers our last financial year has proved to be disappointing. Your Net Asset Value (NAV) fell by 12.5% compared to a rise of 5.9% by the AIM Index. As we have discussed before the AIM Index has many constituents in which VCTs cannot invest including most oil, mining and financial companies, which continued to exert considerable influence over the market and largely accounted for the strength of AIM. The market also experienced unprecedented new issue activity during 2005 and there is evidence to suggest that this diverted attention and investment away from existing AIM quoted companies. As we mentioned at the Interim stage our NAV was also adversely impacted by new accounting rules explained in greater detail below.

Your Directors are concerned that the recent performance of the Trust has been disappointing. In June 2005, we held a "beauty parade" of fund managers when three fund managers, including Singer & Friedlander, were asked to present to the Board. Following those presentations Singer & Friedlander were re-appointed. Your Board will continue to closely monitor their performance.

Since the Trust launched in early 2001 your NAV (allowing for dividend payments) has declined 3.5% whilst the AIM Index has declined by 16.2%. By way of comparison the FT All-Share Index has increased by 1.8% over the same period.

## **Presentation of Financial Statements**

As part of the process of bringing UK standards into line with international standards, the Trust is now required to follow changes in UK Generally Accepted Accounting Practice. The main change is to the valuation of quoted investments which are now valued at bid price rather than at mid-market price. The effect of this has been to reduce the net asset value as at 31 January 2005 by £888,859.

## **Dividends**

Dividends of 3.25 pence have been paid to date. The Directors are not recommending the payment of a final dividend for the year ended 31 January 2006. The Board has agreed to proceed with the revocation of the Trust's investment company status in order that we have the ability to pay dividends from capital gains.

## **Portfolio commentary and developments**

The portfolio has maintained its VCT qualifying status throughout the year and at 31 January 2006 consisted of 60 separate investments. Of these, 3 are currently private, whilst the remainder are quoted on AIM. The portfolio suffered a number of disappointments from investee companies during the year leading to the underperformance. The majority of these disappointments were company specific rather than due to wider economic factors and largely appear to be one off in nature. Indeed, some of these companies have confirmed that they are now back on track and their share prices have begun to recover. It is to be hoped that this trend will continue. Our recent performance illustrates the volatile nature of investment in young and growing companies. However some of our investments have performed well enabling us to take some profits which, in due course, may be returned to shareholders by way of dividends.

### **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.

### **Merger Completion and Running Costs**

The previously announced merger of the three Singer & Friedlander VCTs was completed on 22 February 2006. The merger has created a much larger fund with assets approaching £50 million. The rationale for the merger was to reduce running costs as a percentage of the fund value, to further diversify the portfolio and to provide a smoother flow of dividends.

The running costs of the Trust stood at 3.2% of the net asset value ("NAV") during the year, a figure which compares favourably to many of our competitors but is expected to reduce following the merger. The merger documents made reference to our expectation that on-going running costs would be less than 2.7% of the combined net asset value of the enlarged company as at 30 November 2005. Your Board believes this target will be met.

### **Share Repurchases**

During the year we repurchased 860,000 shares or some 2.76% of our issued share capital for cancellation at a discount of 15% to NAV. It is our intention to continue to buy back shares within the powers granted at the AGM each year. Following the merger your Board has resolved to narrow the discount at which we repurchase shares to 10%.

### **The Board**

Following the merger the composition of your Board has changed. Michael Edelson has stepped down due to increased business commitments elsewhere; the Board would like to thank Michael for his contribution and guidance since the Trust's launch in 2001. Andrew Banks has also stepped down to reflect 'best practice' in the investment trust industry; he will, however, continue as our lead fund manager. Jamie Hambro and Mike Killingley have joined the Board. Jamie joins as Deputy Chairman having previously been Chairman of Singer & Friedlander AIM 2 VCT. Mike was a Non-Executive Director of Singer & Friedlander AIM VCT. Further information on the Directors appears on page 17 of the Annual Report.

### **Offer for Subscription to 'C' Shares**

The C Shares issued in April 2005 were converted to Ordinary Shares on 12 December 2005. The conversion ratio was 1.1368 Ordinary Shares for every C Share held. Since issue and up until 31 January C share investors have seen a total return of 5.8% from the initial NAV of 95 pence.

**Outlook**

After a year of considerable change, your Board view the future with cautious optimism. Following the merger of the three VCTs it will take a while for the Fund Manager to rationalise the portfolio. The manager will be encouraged to seek investment opportunities in qualifying companies that can demonstrate good growth prospects and are managed by experienced management teams. Whilst last year's performance was disappointing we believe our strategy is sound and we look forward to improved returns as the newly merged Trust moves forward.

**Christopher Moorsom (Chairman)****James Hambro****Mike Killingley****David Page****Dominic Wheatley****Singer & Friedlander AIM 3 VCT PLC****31 May 2006**

# Investment Portfolio Summary

AIM Quoted Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
1st Dental Laboratories	Healthcare	Dental laboratories group	450,000	351,000	1.28	4.18
Aero Inventory	Aerospace & defence	Distribution of aircraft components	481,041	1,002,924	3.64	4.59
Asfare Group	Engineering & machinery	Manufacturer of ladders for rescue services	370,835	298,730	1.09	18.25
AT Communications	Software & computer services	Business to business systems integrator	36,457	34,593	0.13	0.77
Autoclenz	General retailers	Car valeting and vehicle preparation services	52,900	50,900	0.18	2.83
Aquilo	Speciality & other finance	Accident management services	589,375	314,773	1.14	14.63
BBI Holdings	Pharmaceuticals & biotechnology	Developer and manufacturer of rapid result diagnostic tests	239,708	488,341	1.77	3.99
Belgravium Technology	Technology hardware & equipment	Designer and maker of real-time data capture systems	22,059	21,769	0.08	1.26
Blooms of Bressingham Holdings	General retailers	Garden centres	571,007	618,892	2.25	6.88
Bright Things	Household goods & textiles	Developer of intellectual property for a new educational games platform	352,500	99,875	0.36	2.34
Camaxys Group	Software & computer services	Developer of computerised management systems for health and safety applications	254,825	103,507	0.38	17.38
Capcon Holdings	Speciality & other finance	Audit, stocktaking and commercial investigation services	700,000	96,676	0.35	11.49
Cellcast Group	Media & entertainment	Develops, aggregates and distributes a range of mobile and participation tv applications	31,000	32,125	0.12	0.18
Centurion Electronics	Automobiles & parts	Conception, design, marketing and distribution of in-car audio-visual products	187,950	112,770	0.41	2.64
Chromogenex	Healthcare	Design, manufacture and distribute aesthetic and therapeutic laser and aesthetic light based technology devices	42,045	45,450	0.17	1.69
CMS Webview	Media & entertainment	Real-time market data collection, processing and distribution	401,674	105,399	0.38	5.02
Corpora	Software & computer services	Research, development and sale of knowledge discovery technologies	652,206	359,167	1.31	6.84
Datong Electronics	Electronic & electrical equipment	Products sold to government, military and federal law enforcement agencies to assist their operatives in covertly tracking hostile vehicles, packages, containers and mobile phones	46,174	32,922	0.12	1.69
First Artist Corporation	Media & entertainment	Sports management company	500,000	199,472	0.72	6.11
Fishworks	Travel & leisure	Operation of fish restaurants and fishmongers	63,750	58,125	0.21	0.92
Fulcrum Pharma	Pharmaceuticals & biotechnology	Customised global drug development solutions	279,532	85,051	0.31	2.34



AIM Quoted Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Glisten	Food producers & processors	Manufacturer of confectionery products	240,000	996,750	3.62	3.97
Huveaux	Media & entertainment	Aims to build a broadly based media and related services group by means of acquisition	664,082	1,003,030	3.65	3.52
ID Data	Information technology hardware	Provider of corporate smart cards	448,250	236,692	0.86	5.47
ILX Group	Support services	Leading provider of project management, IT, and business finance training	374,960	640,407	2.33	5.19
Imprint Search & Selection	Support services	Recruitment services	360,000	1,353,375	4.92	1.73
Knowledge Technology Solutions	Media & entertainment	Live UK financial news and data products	127,362	74,252	0.27	5.75
Kuju	Software & computer services	Developer of interactive games software	549,999	267,045	0.97	11.29
Lo-Q	Travel & leisure	Theme park guest services systems	760,000	89,292	0.32	5.79
Matrix Communications Group	Software & computer services	Delivering customer focused IT solutions	310,000	429,694	1.56	1.09
Medal Entertainment & Media	Media & entertainment	Creation and exploitation of intellectual property rights through acquisition	602,509	543,828	1.98	8.80
Mediwatch	Healthcare	Design, manufacturing and marketing of medical diagnostic services	677,870	649,919	2.36	10.24
Music Copyright Solutions	Media & entertainment	Exploitation of music catalogues and royalty administration	375,000	198,529	0.72	7.79
Neutrahealth	Food & drug retailers	Acquisition of nutraceutical product manufacturers and distributors	58,941	47,153	0.17	6.51
NWD Group	Media & entertainment	Marketing services business	466,750	62,760	0.23	8.96
Oasis Healthcare	Healthcare	Dental healthcare provider	631,180	232,748	0.85	6.19
Pixology	Software & computer services	Developer of digital photo printing software solutions	399,000	157,463	0.57	1.43
PM Group	Transport	Design, manufacture and service of on board vehicle weighing systems	579,232	1,504,555	5.47	5.08
Prezzo	Travel & leisure	Restaurant operator	290,795	1,638,175	5.95	2.37
Quadhetics Group	Electronic & electrical equipment	Design, integration and control of advanced CCTV and networked video systems	225,632	206,261	0.75	1.58
Real Good Food Company	Food producers & processors	Prepared foods manufacturer	596,112	407,688	1.48	1.06
Ringprop	Engineering & machinery	Production and marketing of new marine propeller	366,999	167,267	0.61	3.79
Symphony Plastic Technologies	Chemicals	Manufacturer of fully degradable plastic carrier bags	460,339	291,649	1.06	4.74
Synergy Healthcare	Healthcare	Medical support services	455,000	1,356,750	4.93	1.33
Tanfield Group	Support services	Manufacturer of electric vehicles and specialist engineering	987,403	623,394	2.27	2.95
The Clapham House Group	Travel & leisure	Acquiring and developing restaurants	453,872	796,903	2.90	3.00

AIM Quoted Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Tikit Group	Software & computer services	IT consultancy services and IT solutions	400,000	576,522	2.09	2.74
Tissue Science Laboratories	Healthcare	Medical device company for surgical implants	656,267	757,850	2.75	1.76
Torex Retail	Software & support services	Independent provider of point of sale productivity tools to high street, convenience and petroleum retailers	234,321	746,644	2.71	0.39
Tristel	Healthcare	Healthcare business specialising in infection control in hospitals	35,608	31,157	0.11	0.48
UBC Media Group	Media & entertainment	Content supplier to radio, internet and digital tv	409,908	362,835	1.32	1.42
Vianet Group	Information technology hardware	Remote monitoring of vending machines	577,778	367,391	1.33	10.29
Xpertise Group	Support services	Provision of IT training courses	485,178	261,580	0.95	18.43
			<b>20,585,385</b>	<b>21,592,019</b>	<b>78.46</b>	

*All investments are in ordinary shares unless otherwise stated*

Private Companies	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Flexbenefits	Software & computer services	Employee benefits and financial services	517,500	172,845	0.63	8.27
Lilestone PLC	General retailers	Lingerie design and retail	405,000	40,500	0.15	1.80
Lilestone Holdings	General retailers	Lingerie design and retail	65,218	65,218	0.24	0.07
U4EA	Information technology hardware	Data transfer management	374,989	36,201	0.13	1.49
U4EA (preference shares firm placing)	Information technology hardware	Data transfer management	695,658	698,658	2.55	9.65
			<b>2,058,365</b>	<b>1,013,422</b>	<b>3.69</b>	

*All investments are in ordinary shares unless otherwise stated*

Other qualifying investments	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Award International Holdings (delisted)	Media & entertainment	Provider of promotional goods and services to enhance brand awareness	209,990	36,748	0.13	15.40
Lilestone Loan Stock	General retailers	Lingerie design and retail	84,782	84,782	0.31	10.87
Xpertise Group Loan Stock	Support services	Provision of IT training courses	200,000	200,000	0.73	100.00
			<b>494,772</b>	<b>321,530</b>	<b>1.17</b>	

*All investments are in ordinary shares unless otherwise stated*

Full listing	Sector	Nature of business	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio	Percentage of company managed by Investment Manager
			£	£	%	%
Singer & Friedlander AIM	Equity investment instruments		1	1	-	7.51
Singer & Friedlander AIM 2	Equity investment instruments		1	1	-	4.06
<i>All investments are in ordinary shares unless otherwise stated</i>			2	2	-	
<b>Debentures and loan stocks</b>						
Treasury 4.5% Stock 7/3/2007			989,397	1,001,672	3.64	0.09
Treasury 4 % Stock 7/3/2009			1,087,025	1,090,419	3.96	0.07
			<b>2,076,422</b>	<b>2,092,091</b>	<b>7.60</b>	
<b>Other non-qualifying investments</b>						
Aquilo	Speciality & other finance	Accident management services	487,500	260,363	0.95	14.63
Blooms of Bressingham Holdings	General retailers	Garden centres	534,993	579,858	2.11	6.88
Cardpoint	Speciality & other finance	Independent ATM deployer	489,774	963,280	3.50	1.16
Formation Group	Media & entertainment	Football management and marketing services	519,751	212,658	0.77	2.90
ID Data	Information technology hardware	Provider of corporate smart cards	225,000	118,808	0.43	5.47
Medal Entertainment & Media	Media & entertainment	Creation and exploitation of intellectual property rights through acquisition	51,170	46,186	0.17	8.80
			<b>2,308,188</b>	<b>2,181,153</b>	<b>7.93</b>	
<b>Investments held at nil valuation*</b>						
Coinmaster Gaming	Travel & leisure	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	Travel & leisure	Owner of a steam locomotive	400,800	-	--	-
Global Money Transfer (loan notes)	Speciality & other finance	Money transfer service	300,000	-	-	-
Laminate Flooring	General retailers	Specialise in supplying real wood and laminate flooring	450,000	-	-	-
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	-	-	-
			<b>3,489,239</b>	-	-	-

\*These companies 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 7 to 10 are incorporated and quoted within the UK.

## Summary

	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio
	£	£	%
Total qualifying portfolio*	23,138,522	22,926,971	83.32
Fixed interest/non-qualifying portfolio	4,384,612	4,273,246	15.53
Investments held at nil valuation	3,489,239	-	-
Subtotal	31,012,373	27,200,217	98.85
Net current assets	-	315,570	1.15
Total	<b>31,012,373</b>	<b>27,515,787</b>	<b>100.00</b>

\*The figure of 83.32% 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 80.6% (2005: 82%).

## Table of largest ten investments by value

Name of company	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	
Prezzo	5.95	1.22	4,145	2,686	27,591	02/01/2005
PM Group	5.47	4.17	1,062	267	7,351	30/06/2005
Synergy Healthcare	4.93	0.82	8,449	3,198	67,094	03/04/2005
Imprint Search & Selection	4.92	1.24	4,533	2,743	42,640	31/12/2005
Blooms of Bressingham Holdings	4.36	5.30	670	1,753	17,897	30/01/2005
Treasury 4.5% Stock 7/3/2009	3.96	0.01	-	-	-	-
Huveaux	3.65	1.59	2,136	1,703	44,041	31/12/2005
Aero Inventory	3.64	1.04	7,156	3,337	41,189	30/06/2005
Treasury 4% Stock 7/3/2007	3.64	0.01	-	-	-	-
Glisten	3.62	2.23	1,622	1,021	17,954	30/06/2005

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

The aggregate value of these top ten holdings is £12,146,400.

## Sector analysis

	Cost at acquisition	Valuation at 31st January 2006	Percentage of portfolio
	£	£	%
Aerospace & defence	481,041	1,002,924	3.64
Automobiles & parts	187,950	112,770	0.41
Chemicals	460,339	291,649	1.06
Electronic & electrical equipment	271,806	239,183	0.87
Engineering & machinery	737,834	465,997	1.70
Equity investment instruments	2	2	-
Fixed interest investments	2,076,422	2,092,091	7.60
Food & drug retailers	58,941	47,153	0.17
Food producers & processors	836,112	1,404,438	5.10
General retailers	1,713,900	1,440,150	5.24
Healthcare	2,947,970	3,424,874	12.45
Household goods & textiles	352,500	99,875	0.36
Information technology hardware	2,321,675	1,457,750	5.29
Media & entertainment	4,359,196	2,877,822	10.46
Pharmaceuticals & biotechnology	519,240	573,392	2.08
Software & computer services	3,354,308	2,847,480	10.35
Speciality & other finance	2,266,649	1,635,092	5.94
Support services	2,407,541	3,078,756	11.20
Technology hardware & equipment	22,059	21,769	0.08
Transport	579,232	1,504,555	5.47
Travel & leisure	1,568,417	2,582,495	9.38
Investments held at nil valuation	3,489,239	-	-
Subtotal	31,012,373	27,200,217	98.85
Net current assets	-	315,570	1.15
Total	<b>31,012,373</b>	<b>27,515,787</b>	<b>100.00</b>

# Review of Investments

## **Aero Inventory**

The company is a provider of e-based procurement and inventory management solutions to the aerospace industry. Results to June 2005 demonstrated strong growth and recovery from the SARS epidemic and the success of the business model. The company has recently raised significant further funds to exploit new customer prospects.

## **Aquilo**

Aquilo provides support services to the property and motor insurance sector and network management for a group of independent bodyshops. Services include claims management, inspection, repair and vehicle hire.

## **Asfare Group**

Asfare is a specialist supplier of products and services for the emergency services and homeland security markets. It 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 acquisition last year of Todd Research has added X-ray scanners to the product range.

## **AT Communications**

AT is one of the UK's leading business to business systems integrators. AT offers a comprehensive portfolio of voice, data, mobile and video solutions, specialising in IP technology, alongside design consultancy and bespoke support to corporate customers.

## **Autoclenz Holdings**

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

## **BBI Holdings**

BBI is a Cardiff-based rapid-test diagnostics company using 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.

## **Belgravium Technologies**

Belgravium is a computer design and manufacturing company specialising in mobile computing. It has a specific focus on rugged, hand-held devices for mobile, real time data capture.

## **Blooms of Bressingham**

Blooms operates 8 retail garden centres. The recent redevelopment of one existing centre and the opening of one new site have transformed the prospects for the business and the management is seeking further similar opportunities.

## **Bright Things**

Bright Things has developed an educational games console called 'Bubble' and associated software aimed at the pre-school market. It has signed content agreements with the rights holders to characters including Noddy, Teletubbies and Postman Pat.

## **Camaxys Group**

Following the disposal of its trading subsidiary Camaxys is an AIM quoted cash shell company looking to acquire a suitable new business.

## **Capcon Holdings**

Capcon provide audit, stocktaking and investigation services. The company was admitted to AIM 4 years ago with an experienced management team keen to grow both organically and via acquisition.

## **Cardpoint**

Cardpoint is the UK's leading independent owner and operator of ATMs following the recent acquisition of Moneybox. 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.

## **Cellcast Group**

Cellcast is a leading international provider of participation television applications and interactive mobile content in the fast growing multi-platform digital entertainment sector.

### **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.

### **Chromogenex**

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

### **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.

### **Datong Electronics**

Datong is a designer and manufacturer of advanced high performance surveillance equipment. The systems are sold principally to government, military and law enforcement agencies.

### **First Artist**

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. Following a recent acquisition the company also now offers wealth management services.

### **First Dental Laboratories**

First Dental is the leading quoted provider of services and products to the dental industry. Following last year’s acquisition of Benchmark the company has 15 laboratories and is the

largest group. Further acquisitions are expected.

### **Fishworks**

Fishworks operates a growing chain of seafood outlets, each of which provides a distinctive combination of restaurant, fishmonger and cookery school.

### **Flexbenefits (unquoted)**

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

### **Formation Group**

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

#### **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.

#### **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 both in the UK and overseas. The shares are valued on the basis of the last funding round in October 2005 at which time new professional

management were introduced.

#### **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.

#### **Matrix Communications**

Matrix is a network integrator focussing 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 2 main 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.

#### **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.

#### **Neutrahealth**

Neutrahealth was established and quoted on AIM to acquire businesses in the growing vitamin and mineral supplements market. The company recently completed the acquisition of Biocare which is an established and profitable business. It is regarded as the first step in establishing the group's strategy.



### **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 over 120 sites and 500 clinicians serving some 800,000 patients. The company is now experiencing the benefits of scale and has annualised turnover of about £80m.

### **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 iRed-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 2 main formats, Jonathans and Prezzo. The food offering consists of pizza and pasta with Prezzo also selling rotisserie chicken. At the end of September 2005 the company had 60 restaurants and is operating profitably.

### **Quadnetics Group**

Quadnetics is a leader in the design, integration and control of advanced CCTV and networked video systems. The company has a strong position in the casino market where it has a technological advantage and has recently won some key business. The company has recently acquired Protec.

### **Real Good Food Company**

GF manufactures and supplies chilled and ambient products in niche areas to food retailers. The business has been built by acquisition and organic growth. The purchases of Five Star Fish and Napier Brown Foods have significantly increased the scale of the business in the last year.

### **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.

### **Symphony Plastic Technologies**

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

### **Synergy Healthcare**

Synergy is a specialist provider of out-sourced medical support services to the NHS. It is the largest private sector provider of sterile instrumentation services and linen products. The company has several long term contracts with different NHS Trusts and hospitals around the UK. The company last year acquired the leading Dutch sterile instrumentation service operator; this has added further growth opportunity.

### **Tanfield Group**

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

### **The Clapham House**

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



formats appear to have significant rollout and growth 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 also entered the Spanish and French markets via acquisition.

#### **Tissue Science Laboratories**

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

#### **Torex Retail**

Torex is a leading supplier of IT and software products to retailers worldwide. This holding resulted from the takeover of XN Checkout last year.

#### **Tristel**

Tristel is a healthcare business specialising in infection control in hospitals. The company's chemistry is effective in destroying all types of bacteria (including MRSA), fungi and viruses.

#### **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 November 2005.

#### **UBC Media**

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

#### **Vianet Group**

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

#### **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 saw a good improvement in trading last year helped by competitors experiencing problems.

# Board of Directors

## **Christopher Moorsom (Chairman) (aged 62)**

Christopher has over 30 years' experience in the financial services industry. In 1969 he became a partner of B S Stock, a Bristol firm of stockbrokers. In 1986 he became Managing Director of Stock Beech Securities, a corporate finance and market making company and was a director of Stock Beech & Co, which was acquired by Albert E. Sharp in 1990. He later became Managing Director of Albert E. Sharp. Following the acquisition of Albert E. Sharp by Old Mutual Plc and subsequent mergers with Capel Cure Myers and Greig Middleton, the business was renamed Gerrard. He became Joint Managing Director of Gerrard and was Chairman of Gerrard Investment Funds until 2001 when he became Vice Chairman of Gerrard until his retirement in 2004.

Christopher is a Non-Executive Director of Chepstow Racecourse Limited, Bath Racecourse Co. Limited, The Bath Building Society and The Weston Area NHS Trust. He is also a Governor of The Royal Welsh College of Music and Drama and a member of the Securities Institute.

## **James Hambro (aged 57)**

James is Chairman of J O Hambro Capital Management Limited. He has over 25 years' experience in the merchant banking and investment management industry, was a founder shareholder in 1986 of the J O Hambro Group and is a former Managing Director of J O Hambro Magan & Company Limited. He is Chairman of Hamsteen Holdings, an AIM listed property investment company.

## **Mike Killingley (aged 55)**

Mike is currently non-executive chairman of Beale Plc and Conder Environmental Plc, is a non-executive director of AIM-quoted Falkland Island Holdings Plc and holds a variety of other non-executive positions in private companies. He was a senior partner with KPMG, chartered accountants, from 1988 until retiring from the firm in 1998 and is a former non-executive director of Advanced Technology (UK) Plc and Southern Vectis Plc.

## **David Page (aged 53)**

David trained as a teacher from 1971 to 1974. 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. Clapham House Group Plc is an investee company of the Company.

## **Dominic Wheatley (aged 46)**

Dominic has over 20 years' experience in the computer software industry. He left CBH & Partners (Advertising and Promotions Agency) in 1984 to form Domark Software, a company which specialised in the publishing of games and products for personal computers and video 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 U.S. and Chief Operating Officer of Eidos Plc until the end of 1996.

He is currently a non-executive director of Statpro 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 admitted to AIM in April 2004. Both Kuju Plc and Bright Things Plc are investee companies of the Company.

James, Mike, David and Dominic are considered by the Board to be independent, there being no relationships or circumstances in existence which would affect their judgements as directors of the company.

# Corporate Governance Statement

The Board has put in place a framework for corporate governance which it believes is appropriate for a venture capital trust 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 Combined Code (the “Code”) throughout the year ended 31 January 2006 except for the areas of non-compliance which were:

- the composition of the Audit Committee including the Chairman of the Board;
- a nomination committee not having been appointed;
- a senior independent director not having been appointed; and
- no performance evaluation of directors.

This statement describes how the Company has complied or explains non-compliance with the provisions of the Code during the year ended 31 January 2006.

Given the changes made to the composition of the Board and Audit Committee upon the merger of the Singer & Friedlander VCTs being effected in February 2006, performance evaluations will be conducted during the coming year. These evaluations will be reported on within the Report and Accounts for the year ending 31 January 2007.

The Turnbull Guidance requires the Directors to conduct, at least annually, a review of the effectiveness of the Company’s system of internal controls, including financial operations, compliance controls and risk management. The Company last reviewed the effectiveness of the Company’s system of internal controls for the year ended 31 January 2006 on 2 May 2006.

## The Board

The Board currently consists of five non-executive Directors, four of whom are independent under the Code. Their biographical details, set out on page 17, demonstrate a breadth of investment, commercial and

professional experience.

Under the Combined Code, the Chairman is not regarded as independent by virtue of his role; however, he was assessed as independent at the time of appointment.

Messrs C Moorsom, D Page and D Wheatley have served as directors throughout the year. Messrs A Banks and M Edelson served throughout the year and resigned as directors on 22 February 2006. Mr M Ellisdon resigned as director on 27 June 2005.

Messrs J Hambro and M Killingley were appointed as directors on 22 February 2006.

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 six scheduled meetings have been held and attendance was as follows:

	2005					
	3 Mar	15 Apr	9 Jun	27 Jun	13 Sep	7 Dec
C J L Moorsom	*	*	*	*	*	*
D M Page	*	*	*	*		
D M D A Wheatley	*	*	*	*		
A N Banks (resigned 22 February 2006)	*	*	*	*	*	*
M C Ellisdon (resigned 27 June 2005)	*	*	*	*		
J M Edelson (resigned 22 February 2006)			*			

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, Mr C Moorsom will retire by

rotation as a Director and stand for re-election at the forthcoming Annual General Meeting of the Company. Messrs J Hambro and M Killingley, have 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 Code, Directors are required to retire by rotation at least once in every three-year period.

### Senior Director

Mr J Hambro was appointed as Senior Independent Director on 2 May 2006. Prior to the merger, the Board previously did not consider it necessary to recognise a single senior member other than the Chairman as the person to whom concerns could be conveyed.

### Nomination Committee

As the Board is small and consists of non-executive Directors and due to the nature of the 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 J Hambro and M Killingley were decided upon by the whole Board following agreement from these directors to join the Board following the merger of the Singer & Friedlander VCTs. As both directors join the Board from the merged entities, the Board decided that neither external search consultancies nor open advertising would be utilised in making these appointments.

### Remuneration Committee

As stated in the Directors' Remuneration Report on page 24 under the Financial Services Authority Listing Rules 16.3.5R, where a Venture Capital Trust has no executive directors, the Code principles relating to directors' remuneration do not apply and as such no Remuneration Committee has been appointed. The remuneration of the directors is reviewed by the whole Board.

### Audit Committee

The Board has an Audit Committee which was chaired by Mr J Edelson until his resignation. Mr M Killingley was appointed chairman of the Audit Committee on 2 May 2006. Messrs C Moorsom, J Hambro, D Page and D Wheatley are also members. The Code recommends that the Audit Committee should comprise independent non-executive directors only and exclude the

Chairman. However, the Board considers that given the size and nature of the Company, Mr Moorsom should be a member of the Audit Committee. This Committee is responsible for reviewing all matters relating to the audit, financial reporting and internal control systems. The Audit Committee meets at least twice a year and the independent auditors may be asked to attend those meetings.

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

	2005	
	15 Apr	13 Sep
C J L Moorsom (Chairman)	*	*
D M Page	*	*
D M D A Wheatley		*
J M Edelson (resigned 22 February 2006)		

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 will also be present. A summary of the proxy votes received on the resolutions proposed will be reported at the meeting.

The Notice of Annual General Meeting on pages 45 and 46 sets out the business of the meeting. Separate resolutions are proposed for each substantive issue.

### Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 22 and 23.

The Independent Auditors' Report is set out on pages 26 and 27.

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. The Board has assessed the independence of the auditors in light of non-audit fees and concluded that their objectivity and independence are not impaired.

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 approval of the Report and Accounts. It is regularly reviewed by the Board and accords with the Turnbull Guidance.

### **Going Concern**

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

By order of the Board  
Director

31 May 2006

# Report of the Directors

The Directors present the Report and audited Accounts of the Company for the year ended 31 January 2006.

## 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 7 to 11. 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 was granted provisional approval by the Inland Revenue under Section 842AA of the Income and Corporation Taxes Act 1988 as a venture capital trust on 16 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.

## Post Balance Sheet Event

On 22 February 2006, the Company acquired Singer & Friedlander AIM VCT Plc and Singer & Friedlander AIM 2 VCT Plc, details of the merger can be found in note 22 to these financial statements.

## Results and Dividends

Net loss after taxation for the year amounted to £182,339 (2005: profit £115,437).

The Directors do not recommend the payment of a final dividend for the year ended 31 January 2006 (2005: 0.50 pence).

## Directors' and Officers' Insurance

The Company maintains an insurance policy for the directors and officers against liabilities incurred in the conduct of their duties.

## Directors

The names of the Directors of the Company appear on page 17 of these accounts.

Messrs C Moorsom, D Page and D Wheatley have served as directors throughout the year. Messrs A

Banks and M Edelson served throughout the year and resigned as directors on 22 February 2006. Mr M Ellisdon resigned as a director on 27 June 2005.

Messrs J Hambro and M Killingley were appointed as directors on 22 February 2006.

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

Director	31st January 2006	31st January 2005
C J L Moorsom**	22,741	Nil
A N Banks	10,100	10,100
J M Edelson	50,000	50,000
M C Ellisdon (*at date of resignation)	100	100
D M Page**	5,689	Nil
D M D A Wheatley	22,736	Nil
J D Hambro	Nil	Nil
M Killingley	Nil	Nil

\*Mr Ellisdon resigned on 27 June 2005.

\*\* The holdings of Messrs C J L Moorsom and D M Page include 5 shares which are held jointly.

No options over the share capital of the Company have been granted to the Directors. Changes in the holdings of the Directors between 31 January 2006 and 31 May 2006 are as follows:

Director	31 May 2006	31st January 2006
C J L Moorsom**	22,741	22,741
A N Banks	21,676	10,100
J M Edelson	50,000	50,000
M C Ellisdon (*at date of resignation)	100	100
D M Page**	5,689	5,689
D M D A Wheatley	22,736	22,736
J D Hambro	22,136	Nil
M Killingley	Nil	Nil

\*Mr Ellisdon resigned on 27 June 2005.

\*\* The holdings of Messrs C J L Moorsom and D M Page include 5 shares which are held jointly.

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



At the forthcoming Annual General Meeting of the Company Mr C Moorsom will retire and, being eligible, offer himself for re-election as a Director of the Company. Messrs J Hambro and M Killingley, 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 4 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 5 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 5 to the financial statements.

#### **VCT Status Monitoring**

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers LLP review new investment opportunities for the 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 860,000 ordinary shares of 5p each for cancellation at an aggregate cost of £691,085 plus £688 commission, representing 2.76% 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 27 June 2005. As at 31 January 2006, this authority remained valid over 2,290,000 ordinary shares of 5p each.

The issued share capital of the Company as at 31 January 2006 was 31,117,880 ordinary shares of 5p each. There have been no repurchases of shares made subsequent to the year end.

#### **Substantial Interests**

As at 31 January 2006 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 (2005: 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 10:00am on 6 July 2006.

The Notice of Annual General Meeting is set out in pages 45 to 46.

Resolutions 1 to 6 set out in the Notice are concerned with the ordinary business customarily transacted at annual general meetings.

The Directors consider that in certain circumstances it may be advantageous for the Company to purchase its own shares when the shares may be bought for a price which is below the Net Asset Value per share. At an Annual General Meeting held on 27 June 2004, the Directors were given the necessary authority. Resolution 7 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 5,234,000 ordinary shares

(representing approximately 9.99% of the issued share capital of the Company) and will expire on the earlier of 6 January 2008 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 have no current intention of utilising all or any of the powers conferred by this Resolution and will only exercise their authority if in the interests of shareholders generally.

By order of the Board  
Director

31 May 2006



# 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 16.3.5R, where a Venture Capital Trust has no executive directors the Combined Code principles relating to directors' remuneration do not apply and as such there is no Independent Remuneration Committee. The Remuneration of the Directors is reviewed by the whole Board.

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 ended 31 January 2006 the Directors' fees were £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 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 ending 31 January 2007 and subsequent years.

## Directors' Emoluments for the Year (audited)

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

	Note	Year ended 31 January 2006 £	Year ended 31 January 2005 £
C J L Moorsom (includes employers NI)	6	16,149	13,493
A N Banks		-	-
J M Edelson (includes irrecoverable VAT)	6	14,557	11,750
M C Ellisdon		-	-
D M Page (includes irrecoverable VAT)	6	14,557	5,875
D M D A Wheatley* (includes irrecoverable VAT)	6	14,557	5,875
D A Lloyd (includes irrecoverable VAT)**	6	-	1,579

\*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 19 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 6 to the financial statements.

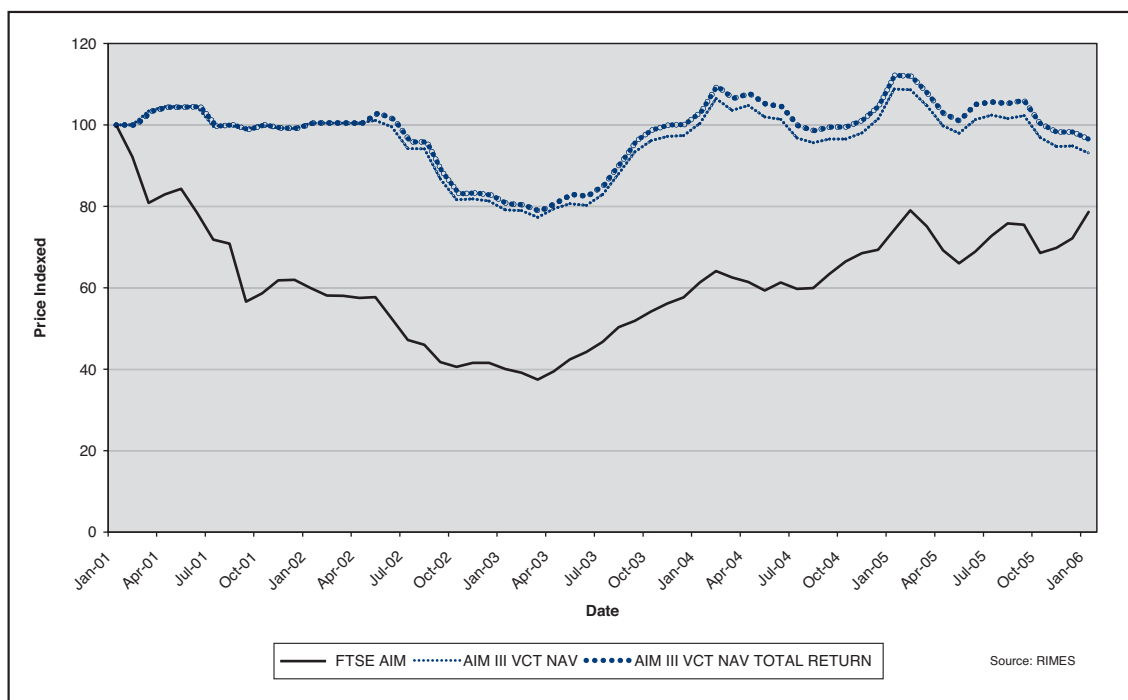
## Service Contracts

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

**Director**

**31 May 2006**

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

We have audited the financial statements which comprise the income statement, the reconciliation of movements in shareholders' funds, 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 corporate governance statement, the report of the directors and the unaudited part of the directors' remuneration report.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the 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 2006 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  
31 May 2006

# Financial Statements

## Income Statement

for the year ended 31 January 2006

	Notes	Year ended 31 January 2006			Year ended 31 January 2005 (restated)*		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
(Losses)/gains on investments at fair value	10	-	(3,318,759)	(3,318,759)	-	3,043,761	3,043,761
Income	3	263,590	-	263,590	344,617	-	344,617
<b>Administrative expenses</b>							
Investment management fees	4	(141,312)	(423,937)	(565,249)	(150,834)	(452,503)	(603,337)
Other expenses	5	(304,617)	-	(304,617)	(309,220)	-	(309,220)
<b>Return on ordinary activities before taxation</b>		(182,339)	(3,742,696)	(3,925,035)	(115,437)	2,591,258	2,475,821
Tax on ordinary activities	7	-	-	-	-	-	-
<b>Return on ordinary activities after taxation for the financial year</b>		(182,339)	(3,742,696)	(3,925,035)	(115,437)	2,591,258	2,475,821
<b>Basic and diluted return per ordinary share</b>	9	(0.59)p	(12.06)p	(12.65)p	(0.36)p	8.00p	7.64p

\* For details of the restatement of the Company's comparative figures please refer to note 1.

The total column of this statement is the profit and loss account of the Company.  
All revenue and capital items in the above statement derive from continuing operations.  
No operations were acquired or discontinued in the year.  
There are no gains or losses other than shown in the income statement.

The notes on pages 32 to 44 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds  
for the year ended 31 January 2006

	Notes	Called-up share capital £	Share premium account £	Special reserve £	redemption reserve £	Capital reserve £	Revenue reserve £	Total £
<b>Year ended 31 January 2005</b>								
31 January 2004								
(as originally reported)		1,644,543	2,721,969	26,896,733	5,000	(231,980)	335,991	31,372,256
Restatements		-	-	-	-	(860,471)	82,227	(778,244)
31 January 2004 (restated)		1,644,543	2,721,969	26,896,733	5,000	(1,092,451)	418,218	30,594,012
Re-purchase and cancellation of ordinary shares		(68,500)	-	(1,122,107)	68,500	-	-	(1,122,107)
Net return after taxation for the period		-	-	-	-	2,591,258	(115,437)	2,475,821
Dividends paid	8	-	-	-	-	-	(81,777)	(81,777)
<b>31 January 2005 (restated)</b>		<b>1,576,043</b>	<b>2,721,969</b>	<b>25,774,626</b>	<b>73,500</b>	<b>1,498,807</b>	<b>221,004</b>	<b>31,865,949</b>
Conversion of C shares into ordinary shares	14	22,851	-	-	-	-	-	22,851
Premium on issue of shares		-	399,099	-	-	-	-	399,099
Re-purchase and cancellation of ordinary shares		(43,000)	-	(691,773)	43,000	-	-	(691,773)
Net return after taxation for the year		-	-	-	-	(3,742,696)	(182,339)	(3,925,035)
Dividends paid	8	-	-	-	-	-	(155,304)	(155,304)
<b>Year ended 31 January 2006</b>		<b>1,555,894</b>	<b>3,121,068</b>	<b>25,082,853</b>	<b>116,500</b>	<b>(2,243,889)</b>	<b>(116,639)</b>	<b>27,515,787</b>

The notes on pages 32 to 44 form part of these financial statements.

## Balance Sheet

	Notes	As at 31 January 2006 £	As at 31 January 2005 (restated)* £
<b>Fixed assets</b>			
Investments at fair value			
Qualifying investments		22,926,971	27,376,768
Fixed interest securities and other non-qualifying investments		4,273,246	4,541,782
	10	27,200,217	31,918,550
<b>Current assets</b>			
Debtors	11	264,325	118,340
Cash at bank		412,435	428,217
		676,760	546,557
<b>Creditors: amounts falling due within one year</b>	12	(361,190)	(599,158)
<b>Net current assets/(liabilities)</b>		315,570	(52,601)
<b>Net assets</b>		<b>27,515,787</b>	<b>31,865,949</b>
<b>Capital and reserves</b>			
Called-up share capital	14	1,555,894	1,576,043
Share premium account	15	3,121,068	2,721,969
Special reserve	15	25,082,853	25,774,626
Capital redemption reserve	15	116,500	73,500
Capital reserve - realised	15	1,568,267	425,432
Capital reserve - unrealised	15	(3,812,156)	1,073,375
Revenue reserve	15	(116,639)	221,004
<b>Equity shareholders' funds</b>		<b>27,515,787</b>	<b>31,865,949</b>
<b>Net asset value per ordinary share</b>	16	<b>88.42p</b>	<b>101.09p</b>

\*For details of the restatement of the Company's comparative figures please refer to note 1.

The financial statements on pages 28 to 44 were approved by the Board of Directors on 31 May 2006 and signed on their behalf by:

C J L Moorsom  
Chairman

The notes on pages 32 to 44 form part of these financial statements.

## Cash Flow Statement

	Notes	Year ended 31 January 2006 £	Year ended 31 January 2005 £
<b>Operating activities</b>			
Investment income received		265,600	451,338
Deposit interest received		18,064	17,620
Underwriting commission received		-	450
Investment management fees paid		(587,355)	(451,024)
Other expenses paid		(306,893)	(298,353)
<b>Net cash outflow from operating activities</b>	17	(610,584)	(279,969)
<b>Taxation</b>			
Corporation tax paid		-	-
<b>Net cash outflow from taxation</b>		-	-
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(2,959,275)	(5,716,930)
Disposals of investments		4,235,693	6,424,275
<b>Net cash inflow from capital expenditure and financial investment</b>		1,276,418	707,345
<b>Equity dividends paid</b>		(155,304)	(81,777)
<b>Net cash inflow before financing</b>		510,530	345,599
<b>Financing</b>			
Proceeds of C share issue		397,000	-
Cost of C share issue		(8,958)	-
Cost of ordinary shares purchased for cancellation		(914,354)	(899,526)
<b>Net cash outflow from financing</b>		(526,312)	(899,526)
<b>Decrease in cash for the year</b>	18	(15,782)	(553,927)

The notes on pages 32 to 44 form part of these financial statements.



# Notes to the Financial Statements

## 1 CHANGES IN ACCOUNTING POLICIES

This Annual Report has been prepared using new accounting standards which have been issued to harmonise UK accounting standards with International Financial Reporting Standards ("IFRS"). The effect on the net asset value of these changes is disclosed in the table in note 16. The first change, Financial Reporting Standard ("FRS") 21 is to recognise any final dividend payable as a liability only after it has been approved at a general meeting, rather than when proposed. Accordingly, the financial statements do not record proposed final dividends. The second, FRS 26, is to value the portfolio of investments at bid prices rather than at mid-market prices. There has been no impact resultant from the adoption of FRS 22 "Earnings per share" and FRS 23 "The effects of changes in foreign exchange rates". Changes resulting from adopting FRS 25 with respect to the disclosure and presentation of financial instruments can be found in note 20.

## 2 ACCOUNTING POLICIES

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

### a) Basis of accounting

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

### b) Investments

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

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

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

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

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

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

### c) 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 in the income statement except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds on an investment.
- 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.

### g) Dividends payable to shareholders

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

## 3 INCOME

	Year ended 31 January 2006	Year ended 31 January 2005
	£	£
<b>Income from investments</b>		
– from fixed interest securities	131,361	205,975
– from UK equities	114,189	121,118
	<u>245,550</u>	<u>327,093</u>
<b>Other income</b>		
– deposit interest	18,040	17,074
– underwriting commission	–	450
	<u>18,040</u>	<u>17,524</u>
<b>Total income</b>	<u>263,590</u>	<u>344,617</u>

	Year ended 31 January 2006	Year ended 31 January 2005
	£	£
<b>Total income comprises:</b>		
Dividends	114,189	121,118
Interest	149,401	223,049
Underwriting commission and other income	–	450
	<u>263,590</u>	<u>344,617</u>
<b>Income from investments comprises:</b>		
Quoted UK securities	180,536	206,902
Listed overseas securities	65,014	120,191
	<u>245,550</u>	<u>327,093</u>

## 4 INVESTMENT MANAGEMENT FEES

	Year ended 31 January 2006			Year ended 31 January 2005		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Investment management fee	120,266	360,797	481,063	128,369	385,109	513,478
Irrecoverable VAT thereon	21,046	63,140	84,186	22,465	67,394	89,859
	<u>141,312</u>	<u>423,937</u>	<u>565,249</u>	<u>150,834</u>	<u>452,503</u>	<u>603,337</u>

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

Singer & Friedlander Investment Management Limited receives an annual management fee of 1.65% of the net asset value of the Company. The annual management fee is calculated based on the quarter end net asset value and payable calendar quarterly in arrears together with any applicable VAT. At 31 January 2006 £181,725 (2005: £203,831) including VAT of £27,065 (2005: £30,358) was owed to the Manager.

## 5 OTHER EXPENSES

	Year ended 31 January 2006	Year ended 31 January 2005
	£	£
Directors' emoluments (note 6)	59,820	38,572
Auditors' fees – provision for annual audit	19,756	19,975
Auditors' fees – for VCT status monitoring services	14,047	21,408
Auditors' fees – other services	2,938	2,938
Registrar's fees	9,391	6,852
Secretarial fees	14,556	14,687
Administration fees	43,549	41,431
Printing	7,951	5,113
Trail commission	88,929	110,735
Other	43,680	47,509
	<u>304,617</u>	<u>309,220</u>

Singer & Friedlander Secretaries Limited performs Company secretarial duties for an annual fee of £14,687 including irrecoverable VAT of £2,187. At 31 January 2006 £7,344 (2005: £7,344) including VAT of £1,094 (2005: £1,094) 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 31 January 2006 £3,562 (2005: £3,452) including VAT of £531 (2005: £514), was owed to Sinclair Henderson Limited.

The composition of the auditors' fees for other services is corporation tax review of £2,938 (2005: £2,938).

## 6 DIRECTORS' EMOLUMENTS

	Fees	Irrecoverable VAT	Employers' NI	2006 Total	2005 Total
	£	£	£	£	£
C J L Moorsom	14,866	–	1,283	16,149	13,493
J M Edelson	12,389	2,168	–	14,557	11,750
D M Page	12,389	2,168	–	14,557	5,875
D M D A Wheatley*	12,389	2,168	–	14,557	5,875
D A Lloyd**	–	–	–	–	1,579
	<u>52,033</u>	<u>6,504</u>	<u>1,283</u>	<u>59,820</u>	<u>38,572</u>

\*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 19 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 £41,409 (2005: £75,918) for Mr A N Banks and £2,616 (2005: £8,465) for Mr M C Ellidson, which included pension contributions made on their behalf of £6,671 (2005: £4,422) and £533 (2005: £607) respectively.

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

## 7 TAX ON ORDINARY ACTIVITIES

	Year ended 31 January 2006			Year ended 31 January 2005		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Based on the profits for the period:						
UK corporation tax charge/(credit) at 19% (2005: 19%)	-	-	-	-	-	-
	-	-	-	-	-	-

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

### Current taxation

The current taxation for the period is lower than the standard rate corporation tax in the UK (30% (2005: 30%). The differences are explained below.

### Reconciliation of tax charge

	Year ended 31 January 2006 £	Year ended 31 January 2005 £
Revenue on ordinary activities before taxation	(182,339)	(115,437)
Theoretical tax at UK CT rate of 30%	(54,702)	(34,631)
Effects of:		
- UK dividends which are not taxable	(34,257)	(36,335)
- Expenses which are not allowable for corporation tax purposes	26,679	33,220
- Excess revenue expenses of current period	62,280	37,746
Actual current tax charge – revenue	-	-
Impact of allowable expenditure credited to capital reserve	-	-
<b>Actual current tax charge</b>	<b>-</b>	<b>-</b>

### Deferred taxation

There is no potential liability to deferred tax (2005: nil). There is an unrecognised deferred tax asset of £260,657 (2005: £140,664). 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.

Due to its investment trust company status, the VCT has not provided for deferred tax on any capital gains and losses arising from the revaluation or disposal of investment.

## 8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	31 January 2006 £	31 January 2005 (restated) £
<b>Declared and paid</b>		
Relating to prior period:		
Final dividend of 0.50p (2005: 0.25p) per ordinary share	155,304	81,777
<b>Total</b>	<b>155,304</b>	<b>81,777</b>
<b>Proposed</b>		
Final dividend of 0.00p (2005: 0.50p) per ordinary share	-	157,604
<b>Total</b>	<b>-</b>	<b>157,604</b>

The Company bought back 140,000 ordinary shares on 28 April 2004 and a further 40,000 on 29 April 2004. These buy backs were prior to the record date for the final dividend of the period ended 31 January 2004 and therefore shareholders were not entitled to receive that dividend. The total amount paid by the Company was £81,777, £450 lower than the original accrual at 31 January 2004.

The Company bought back 360,000 ordinary shares on 16 May 2005 and a further 100,000 on 25 May 2005. These buy backs were prior to the record date for the final dividend of the period ended 31 January 2005 and therefore shareholders were not entitled to receive that dividend. The total amount paid by the Company was £155,304, £2,300 lower than the original accrual at 31 January 2005.

## 9 RETURN PER ORDINARY SHARES

Basic and diluted revenue return per ordinary share is based on the net loss on ordinary activities after taxation of £182,339 (2005: loss £115,437) and on 31,025,626 (2005: 32,383,305) 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 losses for the financial year of £3,742,696 (2005: gains £2,591,258) and 31,025,626 (2005: 32,383,305) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

## 10 INVESTMENTS

	31 January 2006	31 January 2005
	£	£
<b>Valuation</b>		
Listed investments	2,092,093	2,113,288
Quoted investments	23,773,172	28,079,336
Unquoted investments	1,334,952	1,725,926
<b>Total</b>	<b>27,200,217</b>	<b>31,918,550</b>

A full list of the investment portfolio holdings by their aggregate market value is shown on pages 7 to 11.

Movements in investments during the year to 31 January 2006 are summarised as follows:

	Unquoted Investments*	Investments in companies traded on AIM	Investments in companies traded on OFEX	Listed securities	Total
	£	£	£	£	£
Opening book cost	5,489,078	22,791,930	450,000	2,114,167	30,845,175
Opening unrealised (depreciation)/appreciation	(3,763,152)	5,658,507	67,500	(621)	1,962,234
Opening valuation (as originally reported)**	1,725,926	28,450,437	517,500	2,113,546	32,807,409
Restatements***	–	(888,601)	–	(258)	(888,859)
Opening valuation (restated)	1,725,926	27,561,836	517,500	2,113,288	31,918,550
Transfer between categories****	409,990	40,010	(450,000)	–	–
Purchases	368,308	1,298,154	–	1,336,205	3,002,667
Sale proceeds	(225,000)	(2,827,241)	–	(1,350,000)	(4,402,241)
Realised gains/(losses) on sales	–	1,590,720	–	(23,948)	1,566,772
(Decrease)/increase in unrealised appreciation	(944,272)	(3,890,307)	(67,500)	16,548	(4,885,531)
Closing valuation at 31 January 2006	1,334,952	23,773,172	–	2,092,093	27,200,217
Closing book cost at 31 January 2006	6,042,376	22,893,573	–	2,076,424	31,012,373
Closing unrealised (depreciation)/appreciation at 31 January 2006	(4,707,424)	879,599	–	15,669	(3,812,156)
<b>Closing valuation at 31 January 2006</b>	<b>1,334,952</b>	<b>23,773,172</b>	<b>–</b>	<b>2,092,093</b>	<b>27,200,217</b>

\*Included within unquoted investments are four fixed income securities representing £685,000 (2005: £1,075,000) by book cost and £285,000 (2005: £675,000) by market value.

\*\*Opening valuation (as originally reported) was valued at mid-market prices.

\*\*\*Restatements are a result of valuing the opening valuations at bid prices rather than at mid-market prices, in accordance with FRS26.

\*\*\*\*Transfer between categories is a result of Laminate Flooring traded on OFEX being written off; Tanfield is now traded on AIM and Award International Holdings is in administrative receivership and is no longer traded on AIM.

	31 January 2006	31 January 2005 (restated)
	£	£
Realised gains on sales of investments	1,566,772	1,341,375
Movement in unrealised (depreciation)/appreciation	(4,885,531)	1,702,386
<b>Total (losses)/gains on investments</b>	<b>(3,318,759)</b>	<b>3,043,761</b>

Transaction costs – during the year the Company incurred transaction costs of £248 (2005: £1,197) and £6,101 (2005: £5,382) on purchases and sales of investments respectively. These amounts are included in gains and losses on investments as disclosed in the Income Statement.

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

	31 January 2006	31 January 2005
	£	£
Total provisions	1,218,185	723,913
Total write offs	3,489,239	3,039,239
	<u>4,707,424</u>	<u>3,763,152</u>

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

	31 January 2006		31 January 2005	
	Book cost	Carrying value	Provision	Provision
	£	£	£	£
Award International Holdings	209,990	36,748	173,242	–
Lilestone	470,218	105,718	364,500	–
Flexbenefits	517,500	172,845	344,655	388,125
U4EA	1,070,647	734,859	335,788	335,788
	<u>2,268,355</u>	<u>1,050,170</u>	<u>1,218,185</u>	<u>723,913</u>

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

## 11 DEBTORS

	31 January 2006	31 January 2005
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	52,189	72,752
Disposals awaiting settlement	212,136	45,588
	<u>264,325</u>	<u>118,340</u>

## 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 January 2006	31 January 2005
	£	£
Other tax and social security	160	133
Purchases awaiting settlement	–	–
Purchase of shares for cancellation	–	221,471
Accrued expenses	361,030	377,554
	<u>361,190</u>	<u>599,158</u>



### 13 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	11.288
Capcon Holdings	11.199
Recycled Waste	10.354
Flying Scotsman	9.690
Aquilo	9.560
Laminate Flooring	9.438
Camaxys Group	8.812
Asfare Group	7.675
Music Copyright Solutions	7.179
Medal Entertainment & Media	6.787
Xpertise Group	6.773
Mediwatch	6.707
Award International Holdings	6.461
Vianet Group	5.972
Blooms of Bressingham Holdings	5.305
Lo-Q	5.297
CMS Webview	5.021
Coinmaster Gaming	4.916
ILX Group	4.610
Symphony Plastic Technologies	4.545
PM Group	4.166
1st Dental Laboratories	4.125
NWD Group	3.929
Ringprop	3.495
ID Data	3.315
Corpora	3.187

### 14 CALLED-UP SHARE CAPITAL

	Authorised	Number of shares £	Issued and fully paid	Number of shares £
As at 31 January 2005	2,000,000	40,000,000	1,576,043	31,520,860
Ordinary shares 5p bought for cancellation	–	–	(43,000)	(860,000)
Ordinary shares 5p issued*	–	–	22,851	457,020
<b>As at 31 January 2006</b>	<b>2,000,000</b>	<b>40,000,000</b>	<b>1,555,894</b>	<b>31,117,880</b>

\*The initial allotment of 336,686 C ordinary shares took place on 31 March 2005. On 4 April 2005 8,000 C shares were allotted and on 10 May 2005 a further 57,337 shares were allotted. On 12 December 2005 the 402,023 C shares were converted into 457,020 ordinary shares in the ratio of 1.1368 new ordinary share for every C ordinary share. This ratio was based on the net asset value per C ordinary share divided by the net asset value per existing ordinary share and calculated at the close of business of 17 November 2005.

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.

## 15 RESERVES

	Share premium account £	Special Reserve* £	Capital redemption reserve £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue reserve £
31 January 2005 (as originally reported)	2,721,969	25,774,626	73,500	425,432	1,962,234	63,400
Restatements	-	-	-	-	(888,859)	157,604
31 January 2005 (restated)	2,721,969	25,774,626	73,500	425,432	1,073,375	221,004
Net gain on the realisation of investments	-	-	-	363,490	-	-
Decrease in unrealised appreciation	-	-	-	-	(3,682,249)	-
Transfer on disposal of investments	-	-	-	1,203,282	(1,203,282)	-
Conversion of C shares into ordinary shares	399,099	-	-	-	-	-
Re-purchase and cancellation of ordinary shares	-	(691,773)	43,000	-	-	-
Costs charged to capital	-	-	-	(423,937)	-	-
Retained net revenue for the year	-	-	-	-	-	(337,643)
<b>31 January 2006</b>	<b>3,121,068</b>	<b>25,082,853</b>	<b>116,500</b>	<b>1,568,267</b>	<b>(3,812,156)</b>	<b>(116,639)</b>

\*The special reserve was created out of the cancellation of the share premium account on 15 March 2002 for the purpose of share buy backs only.

## 16 NET ASSET VALUE PER SHARE

The net asset value per share at 31 January 2006 has been calculated by reference to net assets of £27,515,787 (2005: £31,865,949 (restated)) and 31,117,880 (2005: 31,520,860) ordinary shares, being the number of ordinary shares in issue at the year end.

These net asset values have been calculated in accordance with the revised accounting policies set out in note 1 and include current period revenue.

Reconciliation of changes to net asset values resulting from accounting policy changes:

	31 January 2005 £	31 January 2005 pence
Net assets as previously published	32,597,204	103.41
Increase due to dividend accounting change	157,604	0.50
Reduction due to using bid prices	(888,859)	(2.82)
<b>Net assets as restated</b>	<b>31,865,949</b>	<b>101.09</b>

Reconciliation of changes to net return on ordinary activities after taxation for the year from accounting policy changes:

	31 January 2005	31 January 2005
	£	pence
Net return after taxation for the year as previously published	2,504,209	7.73
Reduction due to using bid prices	(28,388)	(0.09)
<b>Net return after taxation for the year revised</b>	<b>2,475,821</b>	<b>7.64</b>

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

	Year ended 31 January 2006	Year ended 31 January 2005
	£	£
Net return before taxation	(3,925,035)	2,475,821
Losses/(gains) on investments	3,318,759	(3,043,761)
Decrease in debtors	28,763	116,822
(Decrease)/increase in creditors and accruals	(33,071)	171,149
<b>Net cash outflow from operating activities</b>	<b>(610,584)</b>	<b>(279,969)</b>

## 18 RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Opening net funds	Movement in Year	Closing net funds
	£	£	£
Cash at bank	428,217	(15,782)	412,435
	<b>428,217</b>	<b>(15,782)</b>	<b>412,435</b>

## 19 COMMITMENTS AND CONTINGENCIES

At 31 January 2006 (2005: £nil) there were no commitments or contingent liabilities.

## 20 USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company has little exposure to credit, income, and cash flow risk and has no exposure to foreign currency risk.

The principal risks arising from the Company's financial instruments are, market risk, liquidity risk and interest rate risk.

### a. Market risk

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

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

The 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.

#### b. Liquidity risk

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

#### c. 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.

Financial assets are disclosed in the Investment Portfolio Summary on pages 7 to 11.

The interest rate profile of the Company's financial assets at 31 January 2006 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	24,124,686	–	–	24,124,686		
Preference shares	698,658	–	–	698,658		
Bonds	–	2,376,873	–	2,376,873	3.196	1.80
Cash	–	–	412,435	412,435		
Debtors	264,325	–	–	264,325		
<b>Total</b>	<b>25,087,669</b>	<b>2,376,873</b>	<b>412,435</b>	<b>27,876,977</b>		

The interest rate profile of the Company's financial assets at 31 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 (restated)	28,649,912	–	–	28,649,912		
Preference shares	480,350	–	–	480,350		
Bonds (restated)	–	2,788,288	–	2,788,288	4.852	1.67
Cash	–	–	428,217	428,217		
Debtors	118,340	–	–	118,340		
<b>Total</b>	<b>29,248,602</b>	<b>2,788,288</b>	<b>428,217</b>	<b>32,465,107</b>		

The variable rate is based on the banks' deposit rate (2005: 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 are creditors which are due within one year as disclosed in note 12. No interest is paid on these liabilities. The Company finances its operations through its issued share capital and existing reserves.

**d. Fair values of financial instruments**

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

There are no committed undrawn facilities as at year end.

**e. Derecognition of financial assets and liabilities**

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

**21 Related party transactions**

Under the terms of agreements dated 22 January 2001, the Company has appointed Singer & Friedlander Investment Management Limited to be the Investment Manager and Singer & Friedlander Secretaries Limited as Company Secretary. The fee arrangements for these services and the fees payable are set out in notes 4 and 5. Accrued balances at the year end were £181,725 (2005: £203,831) and £7,344 (2005: £7,344) including VAT respectively. The interests of the Directors are set out on page 21.

**22 Post balance sheet event**

A proposal by the Boards of Singer & Friedlander AIM VCT Plc, Singer & Friedlander AIM 2 VCT Plc and Singer & Friedlander AIM 3 VCT Plc to merge the first two VCTs with this Company was passed at an EGM on 3 February 2006 by the shareholders of each Company. The effective date for the merger was 22 February 2006. Accordingly, the Company acquired Singer & Friedlander AIM VCT Plc and Singer & Friedlander AIM 2 VCT Plc on 22 February 2006 for the consideration of the issue of 21,280,696 ordinary shares of the Company. The first set of accounts showing the position of the Company following the merger will be prepared for the Interim period to 31 July 2006.

# Notice of Annual General Meeting

**Notice is hereby given** that the Fifth Annual General Meeting of the Company will be held at 21 New Street, Bishopsgate, London, EC2M 4HR on 6 July 2006 at 10:00am for the following purposes:

## **ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 January 2006.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2006.
3. To elect Mr J D Hambro as a Director.
4. To elect Mr M Killingley as a Director.
5. To re-elect Mr C J L Moorsom as a Director.
6. 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 Special Resolutions:

7. 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 5,234,000; 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

*Director*

31 May 2006

#### 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 4 July 2006 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 4 July 2006 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 10:00am on 6 July 2006 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 31 January 2006	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To approve the Directors' Remuneration Report for the year ended 31 January 2006	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To elect Mr J D Hambro as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To elect Mr M Killingley as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To re-elect Mr C J L Moorsom as a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To re-appoint PricewaterhouseCoopers LLP as Auditors	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	To authorise the Directors to make market purchases of ordinary shares under S.166 of the Companies Act 1985 (Special resolution)	<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

