Singer & Friedlander AIM 3 VCT plc

REPORT AND ACCOUNTS
for the year ended 31st January 2007

AIM 3 VCT

SINGER & FRIEDLANDER

Contents

Directors, Managers and Advisers

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

*Independent non-executive directors.

All the directors above are of :
One Hanover Street
London W1S 1AX

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

Manager
Singer & Friedlander Investment Management Limited
One Hanover Street
London W1S 1AX

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
Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Registrar
Capita IRG plc
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

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 2008 is as follows:

May 2007	Final report for the year ended 31 January 2007 published
June 2007	Annual General Meeting (London)
September 2007	Interim report for the half year to 31 July 2007 published
November 2007	Interim dividend paid (if applicable)

Performance Summary

	31 January 2007	31 January 2006
Total net assets	£44,349,018	£27,515,787
Net asset value per share	93.44p	88.42p
Net dividends for the year (proposed)	£949,240	£0.00
Dividend per ordinary share (proposed for the year)	2.00p	0.00p
Qualifying investments of the current investment portfolio	80.07%	80.60%
Total dividends paid and recommended to date	5.25p	3.25p

Board Review of the Year

Introduction

Your Company has enjoyed a successful year. The merger of the three Singer & Friedlander AIM VCTs was completed in February 2006, enabling us to benefit from economies of scale. It is pleasing to note our expense ratio is below that forecast in the merger documents and compares favourably with other VCTs. Our investment performance improved as the year progressed with this improvement continuing into our new financial year. Your Directors view the future with guarded optimism.

Performance

During the second half of our financial year the AIM Index increased by 3.6%. Over the same period your Net Asset Value ("NAV") at 93.44p increased by 11.6%. For the year as a whole your NAV increased by 5.7% whilst the AIM Index fell by 4.6%. As was reported at the Interim stage the Company had to bear the costs of the merger during the early part of the year and the subsequent portfolio restructuring, therefore the Directors consider this outcome to be more than satisfactory.

Since launch in February 2001 shareholders in the Singer & Friedlander AIM 3 VCT have seen an increase in NAV of 1.8% (after allowing for dividend payments to date of 3.25 pence) compared to a fall of 16.8% in the AIM Index.

Shareholders who invested in the 'C' Share issue of Singer & Friedlander AIM 3 VCT in April 2005, adjusted for the ratio used upon conversion in December 2005, have seen an increase in their effective NAV of 11.8%. During the same period the AIM Index has risen by 0.8%.

Shareholders who originally invested in the Singer & Friedlander AIM 2 VCT in April 2000 (after allowing for dividend payments of 5.25 pence and the relevant merger conversion ratio) have seen an effective decline in NAV of 21.9%. Over the same period the AIM Index has fallen by 44.1%.

Shareholders in the Singer & Friedlander AIM VCT, launched in late 1998, after accounting for dividends totalling 32.4 pence and following conversion, have seen a decline of 24.6%.

The results for the year include a gain of £1,017,855 attributable to the merger. This gain derives from accounting standards and arises from the fact that the shares of the Company, Singer & Friedlander AIM plc and Singer and Friedlander AIM 2 plc were trading at discounts to attributable net asset value at the time of the merger. As the portfolios of AIM and AIM 2 have now been subsumed within the AIM 3 portfolio this discount has been released in the Company's financial statements. In order to understand the underlying portfolio investment performance, this gain should be deducted from the results of the year of the Company.

This gain has no impact on the performance of the Company as recorded and described above in terms of the increase in net asset value per share.

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

Portfolio commentary and developments

The merged portfolio continues to comply with the HM Revenue & Customs' criteria for VCT qualification and now consists of 73 investments, 68 of these are quoted on AIM, 1 fully listed and 4 are unquoted. Unquoted investments represent 7.17% of the portfolio whilst fixed interest investments and cash account for 14.83%. Following the merger the combined portfolio contained nearly 120 investments. The Manager has subsequently reduced that number to a more manageable level. Since our year end a number of our investee companies have received take-over approaches. We expect some of these take-overs to be completed resulting in an increase in our liquidity. Our Manager will then proactively seek new investment opportunities.

Newsflow from most of our investee companies continues to improve supporting a gradual recovery in share prices.

During the year we have seen particularly good share price performance from the AIM quoted Tanfield Group, Oasis Healthcare, Blooms of Bressingham Holdings, Synergy Healthcare, Music Copyright Solutions and The Clapham House Group. We have also been able to increase the valuations of the unquoted investments Flexbenefits and Lilestone Holdings following further fundraisings above the level of our previous carrying valuations.

Merger Completion and Running Costs

The merger of the three Singer & Friedlander AIM VCTs was completed in February 2006. Whilst this exercise incurred considerable costs which are reflected in these results, the benefits have lately begun to flow through. We have made progress in reducing the ongoing costs of the Company, with the annualised running costs being 2.4% of the value of the fund (excluding option costs) and the total annualised running costs (including option costs) of 2.8%. The expense ratio is below that forecast in the merger documents.

Dividends

During the second half of the year the company revoked its investment company status and is therefore in a position to distribute its capital profits as part of the year end dividend. The Board is recommending a final dividend of 2.0 pence per share payable on 3 July 2007 to shareholders on the register as at 8 June 2007.

Share Repurchases

During the year we repurchased 4,936,584 ordinary shares representing 9.4% of our post-merger issued share capital. As mentioned in the Interim Report, the Company had been in an extended "closed period" due to the merger and this led to an increase in demand for share buy-backs. These shares were bought at a 10% discount to the NAV prevailing at the time thereby enhancing the NAV for remaining shareholders. The Company will continue to repurchase its own shares from time to time as appropriate and within the powers granted at the Annual General Meeting. These transactions are handled by our stockbroker, Teather & Greenwood.

Outlook

Your Board believes that the benefits of the merger have begun to accrue as indicated by the improvement in the NAV and the reduction in the expense ratio. Since the year end the NAV, excluding current period revenue, has further improved to 99.27 pence as at 10 May 2007. As ever, making economic forecasts is difficult and considerable risks to financial markets remain which could result in further stock market volatility. However, your Manager is confident in the underlying quality of the portfolio and believes there is potential for further gains to be made in the foreseeable future.

Christopher Moorsom (Chairman)

James Hambro

Mike Killingley

David Page

Dominic Wheatley

Singer & Friedlander AIM 3 VCT plc

18 May 2007

Investment Portfolio Summary

AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2007 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
1st Dental Laboratories	Healthcare equipment & services	Manufacture of dental appliances	450,000	273,000	0.62	4.13
Aero Inventory	Aerospace & defence	Procurement and inventory management for the aerospace industry	1,289,924	1,667,325	3.76	1.81
Aquilo	Support services	Specialist insurance claims management and advisory group	397,282	84,138	0.19	8.78
Asfare Group	Industrial engineering	Supplying specialist equipment in support of the Homeland Security market	370,835	549,399	1.24	16.67
ATA Group	Support services	Services encompassing assessment services in the contingency database and advertising selection recruitment businesses	220,375	286,219	0.65	7.72
Autoclenz Holdings	Support services	Car valeting and vehicle preparation services	131,440	106,934	0.24	3.40
Avingtrans	Industrial engineering	Provider of precision engineering components and services	443,333	787,499	1.78	4.93
BBI Holdings	Pharmaceuticals & biotechnology	Development and manufacture of non invasive lateral flow tests	239,708	684,698	1.54	3.24
Blooms of Bressingham Holdings	General retailers	Operation of retail garden centre	102,033	145,839	0.33	5.08
Bright Things	Leisure goods	Development and commercial exploitation of an educational childrens games platform associated software	452,500	97,543	0.22	12.06
Camaxys (suspended)	Software & computer services	Provision of health and safety software supply, consultancy and maintenance	254,825	23,874	0.05	15.83
Cello Group	Media	Core activities of market research, brand advertising and direct marketing and database management	257,625	287,438	0.65	1.45
Charteris	Software & computer services	Provide consultancy services which help clients improve business performance and create new business opportunities through information technology	84,500	40,950	0.09	0.60
Chromogenex	Healthcare equipment & services	Design, manufacture and distribute aesthetic and therapeutic laser and aesthetic light based technology devices	27,750	24,747	0.06	1.25
Clerkenwell Ventures	General financial	Investing company formed to acquire businesses in the leisure sector	190,489	169,296	0.38	6.18
CMS Webview	Media	Provision of data dissemination facilities and software	401,674	60,211	0.14	5.02
Conder Environmental	Industrial engineering	Provision of data dissemination facilities and software	385,241	166,912	0.38	6.24
Corpora	Software & computer services	Create, sell and support knowledge discovery technologies	945,280	428,732	0.97	5.16
Eagle Eye Telematics	Industrial transportation	A vehicle communication gateway which offers fleet/asset management and driver/vehicle security capabilities	3,830	3,828	0.01	0.12
First Artist Corporation	Media	Management and representation business for personalities in the football and television market	704,265	540,375	1.22	4.53
Fountains	Support services	An environmental services business undertaking vegetation management and forest management	155,852	143,136	0.32	4.22
Fujin Technology	Software & computer services	Consultancy, design, supply, implementation and ongoing support of IT networks	217,758	121,417	0.27	1.07
Fulcrum Pharma	Pharmaceuticals & biotechnology	Offering global virtual drug development and strategic outsourcing services to the pharmaceutical industry	279,532	115,435	0.26	2.12

AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2007 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Glisten	Food producers	The manufacture and sale of confectionery, ingredients and snacking products to retailers, manufacturers, organic market and food service sector	220,000	1,097,938	2.48	3.82
Huveaux	Media	The creation, development and distribution of information to business and professional markets	595,868	1,035,000	2.33	3.13
ID Data	Electronic & electrical equipment	Provision of secure card-based transaction systems and services using a range of smart and magnetic card solutions	939,736	487,776	1.10	5.47
ILX Group	Support services	Providers of financial training through traditional courses, paper-based training and innovative electronic based training	374,960	542,793	1.22	5.21
Imagesound	Media	Suppliers of in-store music, radio and TV services to the branded retail and leisure sectors	92,188	243,750	0.55	2.38
Imprint	Support services	Provision of executive search and selection services	360,062	1,055,000	2.38	1.53
Individual Restaurant Company	Travel & leisure	Operation of large stylish brassserie type restaurants	143,145	258,685	0.58	0.49
Intelligent Environments Group	Software & computer services	Provision of online software products for the credit card and investment markets	116,123	358,428	0.81	10.18
Inter Link Foods	Food producers	Manufacture and sale of cakes and pastry products	629,000	337,663	0.76	1.06
Just Car Clinics Group	General retailers	Owns car repair centres	95,865	148,731	0.34	2.12
Knowledge Technology Solutions	Media	Development and sale of proprietary software and publishing financial information service across the Internet	191,362	159,575	0.36	6.33
Lo-Q	Travel & leisure	Development and application of virtual queuing technologies	760,000	188,100	0.42	5.62
Medal Entertainment & Media	Media	Acquiring and exploiting intellectual property rights in the areas of TV, video and DVD	51,170	41,388	0.09	8.24
Mediwatch	Healthcare equipment & services	Development and supply of primary care products used in the diagnosis of urological disorders and prostate cancer detection	1,146,144	1,167,939	2.63	8.87
Music Copyright Solutions	Media	Music copyright administration and the exploitation of musical compositions	311,250	755,239	1.70	3.73
Neutrahealth	Food producers	Sale and distribution of nutraceutical products	279,470	273,741	0.62	6.01
Oasis Healthcare	Healthcare equipment & services	Operation of dental practices	914,525	1,331,431	3.00	5.92
Petards Group	Support services	Development and provision of security systems and monitoring equipment, CCTV, visual alarm systems, mobile data terminals	82,860	104,846	0.24	1.74
Pixology	Software & computer services	Development and sale of software and services to facilitate the printing of digital photographs	399,000	71,963	0.16	1.41
Playgolf Holdings	Travel & leisure	Golf course and driving range management	255,000	123,735	0.28	2.65
PM Group	Support services	Design, manufacture and service of vehicle mounted weighing systems	524,232	614,662	1.39	4.15
Prezzo	Travel & leisure	Restaurant operators	249,814	1,613,125	3.64	2.06
Pubs 'n' Bars	Travel & leisure	Operation of 95 pubs in London and the West of England	281,813	300,265	0.68	5.71
Quadnetics Group	Support services	Development, design, integration and management of advanced surveillance technology and security networks	341,381	522,108	1.18	1.62
Red Squared	Software & computer services	Provider of complete hosting and managed service solutions for companies wishing to outsource their IT requirements	57,292	69,887	0.16	3.23
Revenue Assurance Services	General financial	Supply of revenue assurance services and business enterprise software and solutions	297,500	288,125	0.65	0.59
Smallbone	Household goods	Design, manufacture, sale and installation of fitted kitchens, bedrooms and bathrooms	293,220	307,627	0.69	2.84

AIM Quoted Companies	Sector	Nature of business	Purchase cost	Valuation at 31 January 2007	Percentage of net assets	Percentage of company managed by Investment Manager
			£	£	%	%
Symphony Plastic Technologies	General industrials	Supply of environmental polythene products	460,339	331,289	0.75	4.31
Synergy Healthcare	Healthcare equipment & services	Provision of healthcare products and services	297,267	1,425,900	3.21	0.67
Tanfield Group	Support services	Engaged in the engineering and electric vehicle industries	585,438	1,620,000	3.65	0.91
Tasty	Travel & leisure	Restaurant operator	72,377	130,140	0.29	1.08
The Clapham House Group	Travel & leisure	Operation of restaurants and food delivery outlets	395,992	1,150,244	2.59	1.56
The Food & Drink Group	Travel & leisure	Restaurant and bar proprietor	59,851	97,407	0.22	1.05
The Real Good Food Company	Food producers	Manufacturer and supplier of prepared foods	596,112	393,961	0.89	1.01
Thomson Intermedia	Media	Provide marketing services via innovative systems and consultancy	729,005	474,199	1.07	1.10
Tikit Group	Software & computer services	Provision and maintenance of information technology products and solutions	400,000	1,013,043	2.28	2.79
Tissue Science Laboratories	Healthcare equipment & services	Development of medical device products for surgical implant and wound management therapies	706,267	464,141	1.05	1.71
Torex Retail (suspended)	Software & computer services	Independent provider of point of sale software, systems and services and productivity tools	694,691	292,220	0.66	0.32
TripleArc	Support services	Provision of print management services and e-procurement solutions for the print industry	84,814	94,574	0.21	3.81
UBC Media Group	Media	Provision of audio and data services to the radio industry	663,754	403,225	0.91	1.29
Vianet Group	Technology hardware & equipment	Developed a system which facilitates the collection, management, processing and control of data from remote sources	969,989	752,351	1.70	9.57
Xpertise Group	Support services	Operates IT training centres which can lead to industry recognised qualifications	573,508	213,450	0.48	17.70
Zytronic	Electronic & electrical equipment	Manufacture of optical filters to enhance electronic display performance	610,958	558,790	1.26	5.28
			25,909,393	**29,723,399**	**67.03**	

All investments are in ordinary shares unless otherwise stated

Fully Listed Companies	Sector	Nature of business	Purchase cost	Valuation at 31 January 2007	Percentage of net assets	Percentage of company managed by Investment Manager
			£	£	%	%
Connaught	Support services	Provision of integrated asset management and compliance services	421,685	626,326	1.41	0.44
			421,685	**626,326**	**1.41**	

All investments are in ordinary shares unless otherwise stated

Private Companies	Sector	Nature of business	Purchase cost	Valuation at 31 January 2007	Percentage of net assets	Percentage of company managed by Investment Manager
			£	£	%	%
Flexbenefits	Software & computer services	Employee benefits and financial services	681,828	757,125	1.71	7.70
Lilestone Holdings	General retailers	Lingerie design and retail	648,175	292,187	0.66	6.63
Sportsweb.com	Support services	Healthcare recruitment company	352,128	352,128	0.79	11.36
U4EA	Technology hardware & equipment	Data transfer management	399,126	60,337	0.14	1.49
U4EA (Preference Shares)	Technology hardware & equipment	Data transfer management	1,403,995	1,406,995	3.17	11.66
U4EA Loan Stock	Technology hardware & equipment	Data transfer management	250,000	250,000	0.56	4.72
			3,735,252	**3,118,772**	**7.03**	

Other qualifying investments	Sector	Nature of business	Purchase cost	Valuation at 31 January 2007	Percentage of net assets	Percentage of company managed by Investment Manager
			£	£	%	%
Aquilo Loan Stock	Support services	Specialist insurance claims management and advisory group	112,500	112,500	0.25	33.33
Xpertise Group Loan Stock	Support services	Operates IT training centres which can lead to industry recognised qualifications	200,000	200,000	0.45	100.00
			312,500	**312,500**	**0.70**	

Other fixed interest securities	Purchase cost	Valuation at 31 January 2007	Percentage of net assets	Percentage of company managed by Investment Manager
	£	£	%	%
Debentures and loan stocks				
Financial Objects VAR RTE Unsecured Loan Notes 2007	9,304	10,150	0.02	2.73
	9,304	**10,150**	**0.02**	
UK Government loans				
Treasury 4.75% Stock 7/6/2010	498,891	490,204	1.11	0.02
Treasury 4.5% Stock 7/3/2007	3,547,095	3,546,567	8.00	0.11
Treasury 4% Stock 7/3/2009	1,832,300	1,797,009	4.05	0.09
	5,878,286	**5,833,780**	**13.16**	

Other non qualifying investments	Sector	Nature of business	Purchase cost	Valuation at 31 January 2007	Percentage of net assets	Percentage of company managed by Investment Manager
			£	£	%	%
Aquilo	Support services	Specialist insurance claims management and advisory group	1,340,441	283,886	0.64	8.78
Blooms of Bressingham Holdings	General retailers	Operation of retail garden centre	941,180	1,345,255	3.03	5.08
Cardpoint	Support services	Owns and/or operates independent automated teller machines (ATMs) and mobile phone e-topup terminals	645,994	1,100,770	2.48	1.09
Formation Group	Media	Provision of management and marketing services in the football sector, and the provision of worldwide hospitality and event management	519,751	642,246	1.45	2.70
Medal Entertainment & Media	Media	Acquiring and exploiting intellectual property rights in the areas of TV, video and DVD	602,509	487,326	1.10	8.24
The Food & Drink Group	Travel & leisure	Restaurant and bar proprietor	18,662	30,372	0.07	1.05
			4,068,537	**3,889,855**	**8.77**	

Investments held at nil valuation*	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2007 £	Percentage of net assets %	Percentage of company managed by Investment Manager %
Adval Group	Support services	On-line training company	287,265	-	-	-
Award International Holdings	Media	Suppliers of promotional goods and services, corporate hospitality, event management and corporate travel	209,990	-	-	-
Coinmaster Gaming	Travel & leisure	Production of electronic gaming machines	350,000	-	-	-
Disperse Group	Personal goods	The research, design development formulation and manufacture of high quality health and beauty products	315,104	-	-	-
Flying Scotsman	Travel & leisure	Owner of a steam locomotive	400,800	-	-	-
Global Money Transfer (Loan Notes)	Speciality & other finance	Money transfer service	300,000	-	-	-
Laminate Flooring	General retailers	Specialise in supplying real wood and laminate flooring	450,000	-	-	-
Monotub Industries	Household goods	Washing machine manufacturer	260,000	-	-	-
NWD Group	Media	Marketing services group	518,312			
Recycled Waste	Support services	Environmental control	374,994	-	-	-
Ringprop	Industrial engineering	Exploitation of the potential of marine propeller technology	366,999	-	-	-
Stanhope Telecom	Telecommunications	Telecom products	500,000	-	-	-
			4,333,464			

**These companies are in liquidation and, with the exception of Global Money Transfer, they are shown within the Investment Portfolio Summary since they count towards the VCT investment test which states that 70% of the Company's assets will be invested in VCT qualifying investments by January 2004.*

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

Summary	Purchase cost £	Valuation at 31 January 2007 £	Percentage of net assets %
Total qualifying portfolio*	30,378,830	33,780,997	76.17
Fixed interest/non-qualifying portfolio	9,956,127	9,733,785	21.95
Investments held at nil valuation	4,333,464	-	-
Subtotal	**44,668,421**	**43,514,782**	**98.12**
Net current assets	-	834,236	1.88
Total	**44,668,421**	**44,349,018**	**100.00**

**The figure of 76.17% 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 80.07% (2006: 80.60%).*

Table of largest ten investments by value

Name of undertaking	Percentage of net assets %	Percentage held by company %	Profit/(loss) before tax £000's	Retained profit/ (accumulated loss) £000's	Net asset value £000's	Accounting reference date
Treasury 4.5% Stock 7/3/2007	8.00	-	-	-	-	-
Treasury 4% Stock 7/3/2009	4.05	-	-	-	-	-
Aero Inventory	3.76	1.81	10,501	10,996	135,077	30/06/2006
Tanfield Group	3.65	0.91	2,000	8,339	23,926	31/12/2005
Prezzo	3.64	2.06	6,436	7,204	32,015	01/01/2006
Blooms of Bressingham Holdings	3.36	5.08	3,556	14,524	23,191	29/01/2006
Synergy Healthcare	3.21	0.67	10,299	13,962	73,795	02/04/2006
U4EA (Preference Shares)	3.17	11.66	(4,324)	(24,585)	499	31/03/2006
Oasis Healthcare	3.00	5.92	(366)	(5,479)	8,906	31/03/2006
Mediwatch	2.63	8.87	(1,056)	(10,601)	2,840	30/04/2005

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

The aggregate value of these top ten holdings is £17,067,385

Sector analysis	Purchase cost £	Valuation at 31 January 2007 £	Percentage of net assets %
Aerospace & defence	1,289,924	1,667,325	3.76
Electronic & electrical equipment	1,550,694	1,046,566	2.36
Fixed interest	5,887,590	5,843,930	13.18
Food producers	1,724,582	2,103,303	4.75
General financial	487,989	457,421	1.03
General industrials	460,339	331,289	0.75
General retailers	1,787,253	1,932,012	4.36
Healthcare equipment & services	3,541,953	4,687,158	10.57
Household goods	293,220	307,627	0.69
Industrial engineering	1,199,409	1,503,810	3.40
Industrial transportation	3,830	3,828	0.01
Leisure goods	452,500	97,543	0.22
Media	5,120,421	5,129,972	11.57
Pharmaceuticals & biotechnology	519,240	800,133	1.80
Software & computer services	3,851,297	3,177,639	7.16
Support services	6,904,952	8,063,470	18.17
Technology hardware & equipment	3,023,110	2,469,683	5.57
Travel & leisure	2,236,654	3,892,073	8.77
Investments held at nil valuation	4,333,464	-	-
Subtotal	**44,668,421**	**43,514,782**	**98.12**
Net current assets	-	834,236	1.88
Total	**44,668,421**	**44,349,018**	**100.00**

Review of Investments

1st Dental Laboratories
1st Dental is the UK's largest provider of services and products to the dental industry. The company has 15 laboratories and further acquisitions are expected.

Aero Inventory
The company is a provider of e-based procurement and inventory management solutions to the aerospace industry. The company raised significant further funds last year to exploit new customer prospects and has subsequently signed a major new contract with Qantas.

Aquilo
Aquilo provides support services to the insurance industry. Services include claims management and consultancy.

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. With the acquisition of Todd, the company has added X-ray scanners to the product range.

ATA Group
ATA Group's principal activities are in recruitment and training services. The recruitment division is focussed on the technical engineering sector throughout the UK. The training company specialises in the provision of services and audits of training standards to the railway industry.

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

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

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.

Blooms of Bressingham
Blooms operates 8 retail garden centres. The company has been redeveloping and extending existing centres as well as opening new sites where opportunities arise.

Bright Things
Bright Things has developed an educational games console called ‘Bubble’ and associated software aimed at the pre-school market. It has also developed interactive DVD games based on popular licences and has also sold rights to use it's proprietary technology.

Camaxys (suspended)
Following the disposal of it's trading subsidiary Camaxys is an AIM listed cash shell company looking to acquire a suitable new business.

Cardpoint
Cardpoint is the UK's leading independent owner and operator of ATMs. The company levies 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.

Cello Group
Cello has rapidly established itself as a leading marketing services business. The company is involved in market research, direct marketing and brand advertising. Further acquisitions by the experienced management team are expected.

Charteris
Charteris is an IT management consultancy specialising in e-business integration and related services to 'blue chip' clients.

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

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

CMS Webview
CMS has developed extensive expertise in the area of real-time data dissemination facilities and software to financial market customers.

Conder Environmental
Following the disposal of it's Vikoma division, Conder is now involved solely in manufacturing of pollution control tanks and sewage treatment systems.

Connaught
Connaught is a facilities management group providing a range of services to the owners and occupiers of property across mainland UK. The services include maintenance, refurbishment, cleaning and industrial and commercial gas appliance testing and servicing. The company's order book continues to grow strongly as local authorities outsource their requirements.

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.

Eagle Eye Telematics
Eagle Eye has developed a vehicle tracking system offering both fleet/asset management and driver/vehicle security services. The system, designed on scaleable open platforms and architecture, incorporates a mobile vehicle unit containing a GPS chip and GSM modem linked to base station software for monitoring and remote control of the vehicle.

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

Flexbenefits (unquoted)
Flexbenefits has developed a system for the management, delivery and communication of employee benefits and financial services information. These services enable employers and financial institutions to reduce costs and improve communication and understanding. The shares are valued on the basis of a fundraising carried out last summer.

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

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

Fujin Technology
Fujin is engaged in the design, provision and support of bespoke technology solutions for mobile phone service providers.

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

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

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

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

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

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

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

Individual Restaurant Company
An operator of branded restaurants including Piccolinos, Bank and Zinc.

Intelligent Environments Group
Intelligent Environments is a leading provider of integrated e-finance products for the payment card and retail investment markets and has an excellent list of ‘blue chip’ clients. Market conditions have recently improved and the company has a good pipeline of prospects which it hopes to convert to firm orders in due course.

InterLink Foods
Interlink Foods is a Lancashire based supplier of cakes to the major supermarket chains. Interlink has consistently grown via both organic and acquisitive means.

Just Car Clinics Group
The company owns a network of car repair centres and works with several major insurance and car dealership companies to fulfil their repair requirements. The company has been consistently profitable and cash generative over the last few years.

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.

Lilestone Holdings (unquoted)
Lilestone has established the Myla brand of lingerie. The company is designing its own brand products as well as sourcing product from other designers throughout the world. The products are being sold via mail order, the internet and through conventional retail channels such as Selfridges and the company's own stores both in the UK and overseas. The shares are valued on the basis of the last funding round in 2006.

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.

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, a specialist video/DVD publisher and a TV production company.

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.

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 has made 3 significant acquisitions in this area to date.

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.

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

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

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

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 sector expects to see good growth here also.

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. The company has approximately 100 sites and is operating profitably.

Pubs 'n' Bars
Pubs 'n' Bars is a chain of community style pubs primarily in the London area but also with several units in the West Country. The company manages over 90 pubs following the deal to manage the Community Taverns chain on behalf of Bank of Scotland.

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

Red Squared
Red Squared is an IBM hosting and managed services company with a capability to provide secure and scaleable internet hosting solutions. Utilising IBM servers and storage systems, Red Squared provides its customers with services such as web hosting, co-location and managed services, all of which are delivered to specific customer service levels.

Revenue Assurance Services
Revenue Assurance specialises in revenue assurance and debt management for non-residential utility customers.

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

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

Symphony 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 has just acquired Isotron which adds depth to the product and customer range.

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

Tasty

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

The Clapham House Group

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

The Food & Drink Group

Food & Drink operates a portfolio of restaurants and bars within London and the Home Counties. The acquisition of Henry J Bean's has enhanced the growth potential of the group.

The Real Good Food Company

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

Thomson Intermedia

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

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 (suspended)

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

TripleArc

TripleArc is a provider of technology led procurement solutions to the fast growing print management sector. The merger with Access Plus has created critical mass and given the company a 'blue chip' customer base with several important new contracts having been signed in the last year.

U4EA (unquoted)

U4EA is a specialist provider of solutions for data transfer management by large corporates. This has particular implications in improving the performance of transfers of large amounts of data across networks. The shares are currently unquoted and are valued on the basis of a funding round carried out in November 2006.

UBC Media Group

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

Vianet Group

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

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.

Zytronic

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

Board of Directors

Christopher Moorsom (Chairman)

Christopher has over 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 non-executive Chairman of the Bath Building Society, non-executive Director of Chepstow Racecourse Limited, Bath Racecourse Co Limited and the Western Area NHS Trust. He is also a member of the Securities Institute.

James Hambro

James is Chairman of J O Hambro Capital Management Limited. He has over 25 years' experience in the merchant banking and investment management industry, 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 also a Director of a number of investment companies including the Enterprise Capital Trust plc and Capital Opportunities Trust plc, which invest in private equity and small to medium capitalised companies respectively.

Mike Killingley

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

David Page

David who originally trained as a teacher was for 19 years the Managing Director of and a major shareholder in the largest franchise group of Pizza Express. The franchise group eventually merged with the franchisor and upon the IPO in 1993, David was appointed CEO of the new combined group, Pizza Express plc until 2003.

He is currently the Chairman of The Clapham House Group plc ("the Group") which acquires and operates profitable restaurant Brands; the Group floated on AIM in November 2003. The Group has since acquired The Real Greek Food Company and the Bombay Bicycle Club. The Clapham House Group plc is an investee company of the Company.

Dominic Wheatley

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

He is currently a non-executive Director of Statpro plc and Chairman of Highway Capital plc. In early 2002 he was co-founder of Bright Things plc which is developing a unique new gaming platform; Bright Things plc was floated on AIM in April 2004 and is held in the investment portfolio of the Company.

Corporate Governance Statement

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

The Board considers that the Company has complied with the provisions contained within the 2003 Combined Code during the year ended 31 January 2007 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 until 2 May 2006; and
- no performance evaluation of the Directors having been undertaken.

This statement describes how the Company has complied or explains non-compliance with the provisions of the Combined Code during the year ended 31 January 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 2007 on 1 May 2007.

The Board

The Board currently consists of five non-executive Directors, four of whom are independent under the Combined Code. Their biographical details, set out on page 19, demonstrate a breadth of investment, commercial and professional experience.

Messrs C Moorsom, D Page and D Wheatley have served as Directors throughout the year. Messrs A Banks and M Edelson served as Directors until their resignations from the Board on 22 February 2006. Messrs J Hambro and M Killingley have served as Directors since their appointments to the Board 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 four meetings have been held and attendance was as follows:

	2006			
	2 May	6 Jul	12 Sep	5 Dec
C J L Moorsom	*	*	*	*
J D Hambro	*		*	*
M S Killingley	*	*	*	*
D M Page	*	*	*	*
D M D A Wheatley	*	*	*	*

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.

Following the changes made to the composition of the Board and Audit Committee upon the merger of the Singer & Friedlander AIM VCTs, the Board decided to defer conducting performance evaluations during the year. The Board are currently considering which process of evaluation is most appropriate for the Company.

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

Whilst formal performance evaluations have not been conducted during the year, the Board considers that Messrs D Page and D Wheatley continue to be effective in their roles and continue to demonstrate commitment to the Company. The Board recommends their re-election as Directors at the 2007 Annual General Meeting.

Senior Independent Director

Mr J Hambro was appointed as the Senior Independent Director on 2 May 2006. Prior to the merger, the Board 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 Venture Capital Trust Company it has been decided that a nomination committee does not need to be formed. The appointment of new Directors is decided by the whole Board. The appointments of Messrs 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 AIM VCTs. As both Directors joined 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 pages 28 and 29 under the Listing Rules of the Financial Services Authority, where a Venture Capital Trust Company has no executive directors, the Combined Code principles relating to directors' remuneration do not apply and as such no Remuneration Committee has been appointed. The remuneration of the Directors is reviewed by the whole Board.

Audit Committee

The Board has an Audit Committee which was chaired by Mr J M Edelson until his resignation. Mr M Killingley was appointed as Chairman of the Audit Committee on 2 May 2006. Messrs C Moorsom, J Hambro, D Page and D Wheatley are also members. The Combined Code recommends that the Audit Committee should comprise independent non-executive Directors only and exclude the Chairman. However, the Board considers that given the size and nature of the Company, Mr Moorsom should be a member of the Audit Committee. This Committee is responsible for reviewing all matters relating to the audit, financial reporting and internal control systems. The Audit Committee meets at least twice a year and the independent auditors may be asked to attend those meetings. During the year two meetings have been held and attendance was as follows:

Director	2 May 2006	12 September 2006
C J L Moorsom	*	*
J D Hambro	*	*
M S Killingley	*	*
D M Page	*	*
D M D A Wheatley	*	*

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

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

Relations with Shareholders

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

The Company's proxy forms have been updated so that for each resolution shareholders will be provided with the option to withhold their vote. The proxy form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolutions. This amendment has been introduced as it is considered best practice to bring the Company in line with the 2006 Combined Code which is to be implemented for accounting periods starting on or after 1 November 2006. The Company is also taking advantage of a new electronic proxy evaluation service being offered by Capita Registrars, for which a new format of proxy form is required.

The Notice of Annual General Meeting on page 51 sets out the business of the meeting. Separate resolutions are proposed for each substantive issue.

Accountability and Audit

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

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

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

The Directors acknowledge that they are responsible for the internal financial and non-financial control systems ('the controls') of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication of information, and that the assets of the Company are safeguarded.

The controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance.

The Board has considered the need for an internal audit function, but currently believes there is no need to have one, in view of the other controls and procedures in place. The need for an internal audit function will be reviewed annually. As stated above, the Board has delegated contractually the services the Company requires to external 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.

The Audit Committee reviews and authorises the need for non-audit services, giving consideration to the cost effectiveness, the independence and objectivity of the auditor. On the recommendation of the Audit Committee, the Board is satisfied that the auditor continues to be independent and proposes the resolution for re-appointment at the Annual General Meeting.

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

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

Going Concern

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

By order of the Board
C J L Moorsom
Director
18 May 2007

Report of the Directors

The Directors present their Report and audited Accounts of the Company for the year ended 31 January 2007.

Principal Activity

The principal activity of the Company is to provide shareholders with an attractive return from a portfolio of investments in companies whose shares are principally traded on the AIM market. Details of all investments made by the Company are given in the Investment Portfolio Summary on pages 6 to 10. A review of the Company's business during the year is contained in the Board Review of the Year on pages 4 and 5.

Review of the Business

The information that fulfils the requirements of the Business Review (as required by Section 234ZZB of the Companies Act 1985), which is incorporated in this Report of the Directors by reference, including the review of the Company's business for the year and the board's view of the outlook is included in the Board Review of the Year on pages 4 and 5.

Results and Dividends

Net loss after taxation for the year amounted to £5,897 (2006: £182,339).

The Directors recommend a final dividend of 2.0 pence (2006: nil) per share for the year ended 31 January 2007.

Directors

The names of the Directors of the Company appear on page 19 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 as Directors until their resignations from the Board on 22 February 2006. Messrs J Hambro and M Killingley have served as Directors since their appointments to the Board on 22 February 2006.

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

Director	31 January 2007*	31 January 2007
C J L Moorsom**	22,741	22,741
A N Banks	21,676	10,100
J M Edelson	50,000	50,000
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

* or at date of resignation if earlier

** 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. There have been no changes in the holdings of the Directors between 31 January 2007 and 18 May 2007.

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

At the forthcoming Annual General Meeting of the Company Messrs D Page and D Wheatley will retire and, being eligible, offer themselves for re-election as Directors of the Company.

Performance Measurement

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

The Board regularly reviews the performance of the Company against its peers, but direct comparisons are not always relevant due to differences in investment focus. Performance is also reviewed against the AIM Index as it is the benchmark used for investment performance purposes.

This is not, however, a particularly relevant index given the restrictions placed upon the Company in respect of the industry sectors it may and may not invest in.

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

Principal risks and the Board's approach to risk management

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

Objectives, strategy and investment performance risks

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

Regulatory risks

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

Operational risk

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

Management Agreements

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

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

Singer & Friedlander Secretaries Limited is the Corporate Secretary of the Company. 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 sole purpose of assessing VCT status eligibility and carries out reviews of the Company's investment portfolio as instructed by the Company.

Independent Auditors

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

Directors' statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Report are listed on page 19. Each of those Directors confirms that:

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

Issued Share Capital

During the year the Company purchased 4,936,584 ordinary shares of 5p each for cancellation at an aggregate cost of £3,785,876 plus £nil commission, representing 10.4% 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 6 July 2006. As at 31 January 2007, this authority remained valid over 2,859,000 ordinary shares of 5p each.

The issued share capital of the Company as at 31 January 2007 was 47,461,992 ordinary shares of 5p each. There have been no repurchases of shares made subsequent to the year end.

Substantial Interests

As at 31 January 2007 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 (2006: nil).

Allocation of Annual Management Fee

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

Statement of Directors' Responsibilities

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

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

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

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

Annual General Meeting

The Annual General Meeting will be held at One Hanover Street, London W1S 1AX at 11.30am on 26 June 2007.

The Notice of Annual General Meeting is set out in page 51.

Resolutions 1 to 6 set out in the Notice are concerned with the ordinary business customarily transacted at annual general meetings. Resolutions 7 and 8 will be proposed as special business at the Annual General Meeting.

Resolution 7 – Authority for the Company to purchase its own shares

The Directors consider that in certain circumstances it may be advantageous for the Company to purchase its own shares when the shares may be bought for a price which is below the Net Asset Value per share. At an Annual General Meeting held on 6 July 2006, 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 4,742,000 ordinary shares (representing approximately 9.99% of the issued share capital of the Company) and will expire on the earlier of 26 December 2008 and the conclusion of the Annual General Meeting in 2008. 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.

Resolution 8 – Adoption of New Articles of Association

On 8 November 2006, the Companies Act 2006 (the **"2006 Act"**), which amends and replaces the majority of the existing Companies Act 1985 (the **"1985 Act"**), received Royal Assent. The 2006 Act is being brought into force in stages with the aim that the whole of the 2006 Act will be in force by October 2008. Certain provisions of the 2006 Act have already come into force and, consequently, a number of changes are required to be made with effect from the time of the AGM to the Company's existing articles of association (the **"Existing Articles"**) to reflect these developments. Given of the number of changes required to the Existing Articles to give effect to these new provisions, Resolution 8 proposes the adoption of new articles of association (the **"New Articles"**) in substitution for the Existing Articles.

On the basis of the Government's published implementation timetable for the 2006 Act, further changes to the Company's articles of association will also be required at next year's Annual General Meeting to reflect those provisions of the 2006 Act to be brought into force later this year and during 2008.

As well as the changes relating to the 2006 Act, the New Articles contain some other minor updating amendments.

Changes proposed in the New Articles

The New Articles will incorporate the following principal changes from the Existing Articles:

Electronic communications

The 2006 Act has increased the ways in which companies can use electronic communications. In particular, the 2006 Act permits all communications between shareholders and the Company to be made in electronic form and documents or information to be sent or supplied via the Company's website to shareholders who have not either requested a hard copy of the relevant document or information or provided an email address to which the document or information can be sent.

The Board believes that it may be in the interests of the Company to take advantage of these broader powers and, subject to the passing of Resolution 8, the Company may in future make use of these provisions in order to facilitate communications between the Company and its shareholders and to reduce the current considerable cost associated with sending paper copies of documents to a large number of shareholders.

If Resolution 8 is approved by shareholders and the Company decides to make use of the electronic communication provisions, the Company will write to you explaining the process for electronic communications.

The overall effect of this proposed change to the Company's articles of association will be to allow the Company to increase its use of electronic communications with shareholders. However, the rights of those shareholders who wish to receive documents in paper form (hard copy) will be fully protected.

Investigations into interests in shares

The provisions of the 1985 Act which allowed public companies to investigate who holds interests in its shares have been replaced by new (but similar) provisions of the 2006 Act. The New Articles replace the out of date references to the relevant sections of the 1985 Act with references to the new section numbers in the 2006 Act.

Maximum age of directors

The 1985 Act, subject to a company's articles of association providing otherwise, prevented a person from being appointed a director of a company if he had reached the age of 70 (subject to certain exceptions) and imposed a duty on a director to disclose his age, if over 70. The 2006 Act has repealed this requirement and not replaced it.

The Existing Articles substantially disapplied these provisions of the 1985 Act to the Company, but the New Articles take advantage of the 2006 Act by going further and removing the requirement for the Board to give notice of the age of a director who is 70 or more in the notice or any document accompanying the notice of the general meeting at which he is proposed to be appointed.

Documents available for inspection

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

By order of the Board
C J L Moorsom
Director
18 May 2007

Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are so indicated. The auditor's opinion is included in its report on pages 30 to 31.

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 £90,000 per annum. During the year ended 31 January 2007 the Directors' fees were £15,000 per annum for the Chairman and £12,500 per annum for each other Director. Mr Banks is employed by the Manager and waived his 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 2008 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 2007 £	Year ended 31 January 2006* £
C J L Moorsom	6	15,000	14,866
J M Edelson (resigned 22 February 2006) (includes irrecoverable VAT)	6	945	14,557
J D Hambro** (appointed 22 February 2006)	6	11,682	-
M S Killingley (appointed 22 February 2006)	6	11,682	-
D M Page (includes irrecoverable VAT)	6	11,953	14,557
D M D A Wheatley*** (includes irrecoverable VAT)	6	12,865	14,557
		64,127	**58,537**

* The prior year figures have been restated in line with the presentation requirements of the Companies Act 1985.

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

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

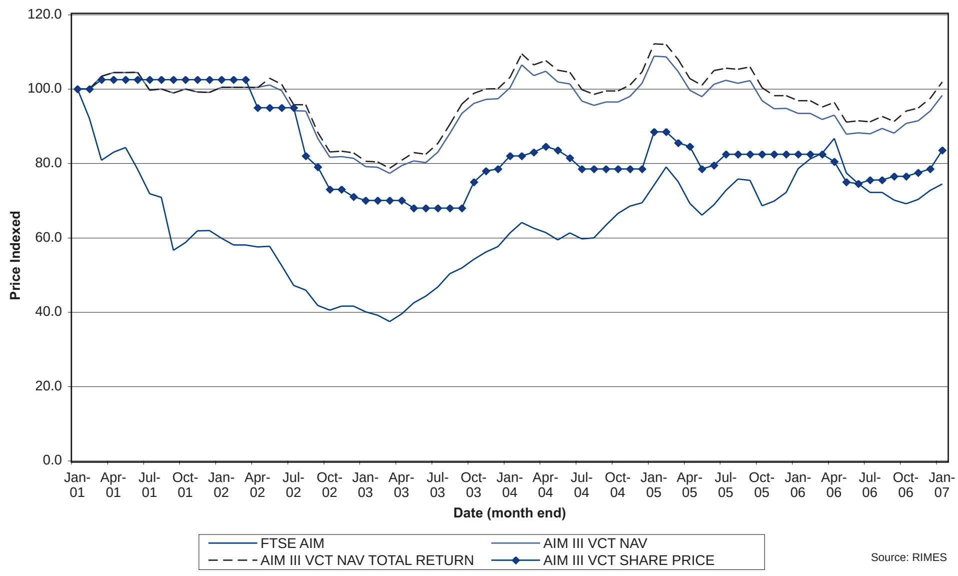
Service Contracts

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

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

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

Your Company's Performance



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

By order of the Board
C J L Moorsom
Director
18 May 2007

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

We have audited the financial statements of Singer & Friedlander AIM 3 VCT plc for the year ended 31 January 2007 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2007 and of its net return and cash flows for the year then ended;
- the financial statements and the part of Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

18 May 2007

Financial Statements

Income Statement

for the year ended 31 January 2007

	Notes	Revenue	Capital	Total	Revenue	Capital	Total
			Year ended 31 January 2007			**Year ended 31 January 2006**	
		£	£	£	£	£	£
Net gains/(losses) on investments at fair value	10	-	2,731,638	2,731,638	-	(3,318,759)	(3,318,759)
Gain on acquisition and liquidation of subsidiaries (net of costs)	11	-	1,017,855	1,017,855	-	-	-
Income	2	556,956	-	556,956	263,590	-	263,590
Administrative expenses							
Investment management fees	3	(184,861)	(554,582)	(739,443)	(141,312)	(423,937)	(565,249)
Cost of share options	4	(39,794)	(119,383)	(159,177)	-	-	-
Other expenses	5	(338,198)	-	(338,198)	(304,617)	-	(304,617)
Total administrative expenses		(562,853)	(673,965)	(1,236,818)	(445,929)	(423,937)	(869,866)
Return on ordinary activities before taxation		**(5,897)**	**3,075,528**	**3,069,631**	**(182,339)**	**(3,742,696)**	**(3,925,035)**
Tax on ordinary activities	7	-	-	-	-	-	-
Return on ordinary activities after taxation for the financial year		**(5,897)**	**3,075,528**	**3,069,631**	**(182,339)**	**(3,742,696)**	**(3,925,035)**
Basic and diluted return per ordinary share	9	(0.01)p	6.29p	6.28p	(0.59)p	(12.06)p	(12.65)p
Adjusted return per ordinary share	9	(0.01)p	4.21p	4.20p	(0.59)p	(12.06)p	(12.65)p

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

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

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

The notes on pages 35 to 50 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January 2007

	Notes	Called-up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve £	Revenue reserve £	Total £
31 January 2005		1,576,043	2,721,969	-	25,774,626	73,500	-	1,498,807	221,004	31,865,949
Conversion of C shares into ordinary shares		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)
Year ended 31 January 2006		**1,555,894**	**3,121,068**	**-**	**25,082,853**	**116,500**	**-**	**(2,243,889)**	**(116,639)**	**27,515,787**
Issue of shares on merger		1,064,034	-	-	-	-	-	-	-	1,064,034
Premium on merger		-	-	16,492,539	-	-	-	-	-	16,492,539
Share issue costs on merge		-	(166,274)	-	-	-	-	-	-	(166,274)
Re-purchase and cancellation of ordinary shares		(246,829)	-	-	(3,785,876)	246,829	-	-	-	(3,785,876)
Cost of share options	4	-	-	-	-	-	159,177	-	-	159,177
Net return after taxation for the year		-	-	-	-	-	-	3,075,528	(5,897)	3,069,631
Dividends paid	8	-	-	-	-	-	-	-	-	-
Year ended 31 January 2007		**2,373,099**	**2,954,794**	**16,492,539**	**21,296,977**	**363,329**	**159,177**	**831,639**	**(122,536)**	**44,349,018**

The notes on pages 35 to 50 form part of these financial statements.

Balance Sheet

as at 31 January 2007

	Notes	As at 31 January 2007 £	As at 31 January 2006 £
Fixed assets			
Investments at fair value			
Qualifying investments		33,780,997	22,926,971
Fixed interest securities and other non-qualifying investments		9,733,785	4,273,246
	10	43,514,782	27,200,217
Current assets			
Debtors	12	557,004	264,325
Cash at bank		716,918	412,435
		1,273,922	676,760
Creditors: amounts falling due within one year			
Other creditors and accruals	13	(439,686)	(361,190)
Net current assets		834,236	315,570
Net assets		**44,349,018**	**27,515,787**
Capital and reserves			
Called-up share capital	15	2,373,099	1,555,894
Share premium account	16	2,954,794	3,121,068
Merger reserve	16	16,492,539	-
Special reserve	16	21,296,977	25,082,853
Capital redemption reserve	16	363,329	116,500
Share options reserve	16	159,177	-
Capital reserve – realised	16	1,985,278	1,568,267
Capital reserve – unrealised	16	(1,153,639)	(3,812,156)
Revenue reserve	16	(122,536)	(116,639)
Equity shareholders' funds		**44,349,018**	**27,515,787**
Net asset value per ordinary share	17	**93.44p**	**88.42p**

The financial statements on pages 31 to 50 were approved by the Board of Directors on 18 May 2007 and signed on their behalf by:

C J L Moorsom
Chairman

The notes on pages 35 to 50 form part of these financial statements.

Cash Flow Statement

for the year ended 31 January 2007

	Notes	Year ended 31 January 2007 £	Year ended 31 January 2006 £
Operating activities			
Investment income received		543,145	265,600
Deposit interest received		43,951	18,064
Investment management fees paid		(1,048,725)	(587,355)
Other expenses paid		(435,567)	(306,893)
Net cash outflow from operating activities	18	(897,196)	(610,584)
Taxation			
Corporation tax paid		-	-
Net cash outflow from taxation		-	-
Capital expenditure and financial investment			
Purchases of investments		(1,983,485)	(2,959,275)
Disposals of investments		6,309,897	4,235,693
Cash received from subsidiary undertakings		1,008,376	-
Share issue costs paid		(166,274)	-
Merger costs paid		(343,930)	-
Net cash inflow from capital expenditure and financial investment		4,824,584	1,276,418
Equity dividends paid		-	(155,304)
Net cash inflow before financing		3,927,388	510,530
Financing			
Proceeds of C share issue		-	397,000
Cost of C share issue		(5,869)	(8,958)
Cost of ordinary shares purchased for cancellation		(3,617,036)	(914,354)
Net cash outflow from financing		(3,622,905)	(526,312)
Increase/(decrease) in cash for the year	19	**304,483**	**(15,782)**

The notes on pages 35 to 50 form part of these financial statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

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

a) Basis of accounting

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

b) Investments

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

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

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

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

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

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

c) Investment in subsidiaries

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

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

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

d) Income

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

e) Expenses

All expenses are 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.

f) 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.

g) 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.

h) Share based payments

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

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

i) Dividends payable to shareholders

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

2 INCOME

	Year ended 31 January 2007	Year ended 31 January 2006
Income from investments	**£**	**£**
- from fixed interest securities	264,669	131,361
- from UK equities	245,992	114,189
	510,661	245,550
Other income		
- deposit interest	46,246	18,040
- other income	49	-
	46,295	18,040
Total income	**556,956**	**263,590**

	Year ended 31 January 2007	Year ended 31 January 2006
Total income comprises:	**£**	**£**
Dividends	245,992	114,189
Interest	310,915	149,401
Other income	49	-
	556,956	**263,590**
Income from investments comprises:		
Quoted UK securities	488,161	180,536
Listed overseas securities	22,500	65,014
	510,661	**245,550**

3 INVESTMENT MANAGEMENT FEES

	Year ended 31 January 2007			Year ended 31 January 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
Investment management fee	157,328	471,985	629,313	120,266	360,797	481,063
Irrecoverable VAT thereon	27,533	82,597	110,130	21,046	63,140	84,186
	184,861	**554,582**	**739,443**	**141,312**	**423,937**	**565,249**

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

Singer & Friedlander Investment Management Limited receives an annual management fee of 1.5% (from 22 February 2006, previously 1.65%) of the net asset value of the Company. The annual management fee is calculated based on the quarter end net asset value and payable calendar quarterly in arrears together with any applicable VAT. At 31 January 2007 £66,336 (2006: £181,725) including VAT of £9,880 (2006: £27,065) was owed to the Manager.

4 MANAGERS' OPTION

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

This right is a share based payment under FRS 20. This right or option has been valued on the date that it was granted to the Managers and this cost is being charged to the income statement as part of the management fee evenly over the period over which it vests. An amount of £159,177 has been charged to the income statement in the year ended 31 January 2007 with a separate reserve being created in the balance sheet.

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

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

5 OTHER EXPENSES

	Year ended 31 January 2007	**Year ended 31 January 2006**
	£	**£**
Directors' emoluments (note 6)	68,337	59,820
Auditors' fees – annual audit	17,839	19,756
Auditors' fees – taxation services	598	2,938
Auditors' fees – other services	17,646	14,047
Registrar's fees	7,767	9,391
Secretarial fees	17,442	14,556
Administration fees	56,286	43,549
Printing	14,208	7,951
Insurance	39,572	19,992
Liquidation costs	23,500	-
Trail commission	50,703	88,929
Other	24,300	23,688
	338,198	**304,617**

Total Auditors fees	31 January 2007	31 January 2006
	£	£
Annual audit	17,839	19,756
Taxation services	598	2,938
Other services		
- VCT monitoring	17,646	14,047
- Fees in connection with the merger	11,163	-
- Fees relating to the share issue	65,212	-
	94,021	14,047
	112,458	**36,741**

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

Singer & Friedlander Secretaries Limited performs Company secretarial duties for an annual fee of £17,625 (2006: £14,687) including irrecoverable VAT of £2,625 (2006: £2,187). At 31 January 2007 £8,813 (2006: £7,344) including VAT of £1,313 (2006: £1,094) was owed to Singer & Friedlander Secretaries Limited.

Capita Sinclair Henderson Limited provide book keeping and accounting services for an annual fee of 0.1% of the gross amounts raised under the original Offer for Subscription of the Company's ordinary share capital, subject to annual review in line with the RPI. The agreement can be terminated by not less than one year's notice in writing. At 31 January 2007 £4,768 (2006: £3,562) including VAT of £710 (2006: £531), was owed to Capita Sinclair Henderson Limited.

6 DIRECTORS' EMOLUMENTS

	Fees	Irrecoverable VAT	Employers' NI	2007 Total	2006 Total
	£	£	£	£	£
C J L Moorsom	15,000	-	1,276	16,276	16,149
J M Edelson	804	141	-	945	14,557
J D Hambro*	11,682	-	778	12,460	-
M S Killingley	11,682	-	778	12,460	-
D M Page	12,500	(547)	689	12,642	14,557
D M D A Wheatley**	12,500	365	689	13,554	14,557
	64,168	**(41)**	**4,210**	**68,337**	**59,820**

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

The Company has no employees. Mr A N Banks is a Director of Singer & Friedlander Investment Management Limited. Mr A N Banks received an emolument from his employer, Singer & Friedlander Investment Management Limited. The proportion of emoluments for Mr A N Banks that relate to the affairs of the Company amounted to approximately £1,984 pro rated for the period up to his resignation from the Board on 22 February 2006 (2006: £41,409) which included pension contributions made on his behalf of £133 (2006: £6,671).

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

7 TAX ON ORDINARY ACTIVITIES

	Revenue	Capital	Year ended 31 January 2007 Total	Revenue	Capital	Year ended 31 January 2006 Total
	£	£	£	£	£	£
Based on the profits for the period:						
UK corporation tax charge/ (credit) at 19% (2006: 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%) (2006: 30%). The differences are explained below:

Reconciliation of tax charge

	Revenue	Capital	Year ended 31 January 2007 Total	Revenue	Capital	Year ended 31 January 2006 Total
	£	£	£	£	£	£
Return on ordinary activities after taxation	(5,897)	3,075,528	3,069,631	(182,339)	(3,742,696)	(3,925,035)
Theoretical tax at UK corporation tax charge of 30%	(1,769)	922,658	920,889	(54,702)	(1,122,809)	(1,177,511)
Effects of:						
- UK dividends which are not taxable	(73,798)	-	(73,798)	(34,257)	-	(34,257)
- Non-taxable gains on investments	-	(819,491)	(819,491)	-	995,628	995,628
- Non-taxable gains on acquisition and liquidation of subsidiaries	-	(305,357)	(305,357)	-	-	-
- Expenses which are not allowable for corporation tax purposes	27,149	35,815	62,964	26,679	-	26,679
- Excess expenses of current period	48,418	166,375	214,793	62,280	127,181	189,461
Actual current tax charge	-	-	-	-	-	-

Deferred taxation

There is no potential liability to deferred tax (2006: £nil). There is an unrecognised deferred tax asset of £417,570 (2006: £260,657). 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.

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	31 January 2007	31 January 2006
	£	£
Declared and paid		
Relating to prior period:		
Final dividend of 0.00p (2006: 0.50p) per ordinary share	-	155,304
Total	**-**	**155,304**
Proposed		
Final dividend of 2.00p (2006: 0.00p) per ordinary share	949,240	-
Total	**949,240**	**-**

9 RETURN PER ORDINARY SHARE AND ADJUSTED RETURN PER ORDINARY SHARE

Basic and diluted revenue return per ordinary share is based on the net loss on ordinary activities after taxation of £5,897 (2006: loss £182,339) and on 48,906,148 (2006: 31,025,626) 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 gain for the year of £3,075,528 (2006: loss £3,742,696) and 48,906,148 (2006: 31,025,626) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

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

10 INVESTMENTS

	31 January 2007	31 January 2006
	£	£
Valuation		
Listed investments	6,470,256	2,092,093
Quoted investments	33,613,254	23,773,172
Unquoted investments	3,431,272	1,334,952
Total	**43,514,782**	**27,200,217**

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

Movements in investments during the year to 31 January 2007 are summarised as follows:

	Unquoted Investments*	Investments in companies traded on AIM	Investments in companies traded on OFEX	Listed securities	Total
	£	£	£	£	£
Opening book cost	6,042,376	22,893,573	-	2,076,424	31,012,373
Opening unrealised (depreciation) /appreciation	(4,707,424)	879,599	-	15,669	(3,812,156)
Opening valuation	1,334,952	23,773,172	-	2,092,093	27,200,217
Transfer between categories	1,487,680	(1,909,365)	-	421,685	-
Transfer from subsidiaries	1,367,096	12,415,788	6,250	4,353,145	18,142,279
Purchases	362,508	1,131,390	-	498,891	1,992,789
Sale proceeds	(155,850)	(5,362,812)	(6,116)	(1,027,363)	(6,552,141)
Realised (losses)/gains on sales	(722,594)	809,356	(134)	(13,507)	73,121
(Decrease)/increase in unrealised appreciation	(242,520)	2,755,725	-	145,312	2,658,517
Closing valuation at 31 January 2007	3,431,272	33,613,254	-	6,470,256	43,514,782
Closing book cost at 31 January 2007	8,381,216	29,977,930	-	6,309,275	44,668,421
Closing unrealised (depreciation) /appreciation at 31 January 2007	(4,949,944)	3,635,324	-	160,981	(1,153,639)
Closing valuation at 31 January 2007	**3,431,272**	**33,613,254**	**-**	**6,470,256**	**43,514,782**

*Included within unquoted investments are four fixed income securities representing £862,500 (2006: £685,000) by book cost and £562,500 (2006: £285,000) by market value.

	31 January 2007	31 January 2006
	£	£
Realised gains on sales of investments	73,121	1,566,772
Movement in unrealised appreciation/(depreciation)	2,658,517	(4,885,531)
Total gains/(losses) on investments	**2,731,638**	**(3,318,759)**

Transaction costs – during the year the Company incurred transaction costs of £156 (2006: £248) and £10,530 (2006: £6,101) 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 2007	31 January 2006
	£	£
Total provisions	616,480	1,218,185
Total write offs	4,333,464	3,489,239
	4,949,944	**4,707,424**

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

		31 January 2007		31 January 2006
	Book Cost	Carrying Value	Provision	Provision
	£	£	£	£
Award International Holdings	-	-	-	173,242
Lilestone	648,175	292,187	355,988	364,500
Flexbenefits	681,828	757,125	(75,297)	344,655
U4EA	1,803,121	1,467,332	335,789	335,788
	3,133,124	**2,516,644**	**616,480**	**1,218,185**

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

11 INVESTMENT IN SUBSIDIARIES

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

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

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

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

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

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

12 DEBTORS

	31 January 2007	31 January 2006
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	111,928	52,189
Disposals awaiting settlement	445,076	212,136
	557,004	**264,325**

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 January 2007	31 January 2006
	£	£
Other tax and social security	1,116	160
Purchase of shares for cancellation	168,000	-
Accrued expenses	270,570	361,030
	439,686	**361,190**

The shares purchased for cancellation relate to 200,000 ordinary shares of 5p bought back at 84 pence per share on 31 January 2007 which settled after the balance sheet date. These shares have been deducted from total issued share capital as at 31 January 2007.

14 SIGNIFICANT INTERESTS

The Company has a holding of 3% or more that is material in the context of the financial statements in the following investments. No consolidation is required because no significant influence is exercised over their operating and financial policies.

Name of undertaking	Percentage of ordinary shares held by Company %
Recycled Waste	10.354
Adval Group	9.904
Flying Scotsman	9.690
Laminate Flooring	9.438
Vianet Group	9.349
Mediwatch	8.871
Camaxys	8.812
Aquilo	8.776
Xpertise Group	8.614
Asfare Group	7.583
NWD Group	7.348
Medal Entertainment & Media	6.767
ATA Group	6.553
Award International Holdings	6.461
ID Data	5.466
Lo-Q	5.147
CMS Webview	5.021
Blooms of Bressingham Holdings	4.954
Coinmaster Gaming	4.916
Conder Environmental	4.486
First Artist Corporation	4.473
Corpora	4.436
Bright Things	4.272
Oasis Healthcare	4.208
Symphony Plastic Technologies	4.134
1st Dental Laboratories	4.125
Clerkenwell Ventures	4.095
PM Group	3.530
Ringprop	3.495
Music Copyright Solutions	3.423
Red Squared	3.233
ILX Group	3.052

15 CALLED-UP SHARE CAPITAL

	Authorised	Number of shares	Issued and fully paid	Number of shares
	£		£	
As at 31 January 2006	2,000,000	40,000,000	1,555,894	31,117,880
Increase in authorised shares	3,000,000	60,000,000	-	-
Ordinary shares 5p bought for cancellation	-	-	(246,829)	(4,936,584)
Ordinary shares 5p issued*	-	-	1,064,034	21,280,696
As at 31 January 2007	**5,000,000**	**100,000,000**	**2,373,099**	**47,461,992**

* These shares were issued to the shareholders of AIM and AIM 2 following the merger on 22 February 2006. Further details of the shares bought for cancellation are given in the Report of the Directors under the heading Issued Share Capital on page 25.

16 RESERVES

	Share premium account	Merger reserve	Special reserve	Capital redemption reserve	Share options reserve	Capital reserve (realised)	Capital reserve (unrealised)	Revenue reserve
	£	£	£	£	£	£	£	£
31 January 2006	3,121,068	-	25,082,853	116,500	-	1,568,267	(3,812,156)	(116,639)
Premium on merger	-	16,492,539	-	-	-	-	-	-
Share issue costs on merger	(166,274)	-	-	-	-	-	-	-
Re-purchase and cancellation of ordinary shares	-	-	(3,785,876)	246,829	-	-	-	-
Net gain on liquidation of subsidiary undertakings	-	-	-	-	-	1,017,855	-	-
Net gain on the realisation of investments	-	-	-	-	-	1,207,385	-	-
Increase in unrealised appreciation	-	-	-	-	-	-	1,524,253	-
Transfer on disposal of investments	-	-	-	-	-	(1,134,264)	1,134,264	-
Cost of share options	-	-	-	-	159,177	(119,383)	-	-
Costs charged to capital	-	-	-	-	-	(554,582)	-	-
Retained net revenue for the year	-	-	-	-	-	-	-	(5,897)
31 January 2007	**2,954,794**	**16,492,539**	**21,296,977**	**363,329**	**159,177**	**1,985,278**	**(1,153,639)**	**(122,536)**

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

17 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share at 31 January 2007 been calculated by reference to net assets of £44,349,018 (2006: £27,515,787) and 47,461,992 (2006: 31,117,880) ordinary shares, being the number of ordinary shares in issue at the year end.

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

	Year ended 31 January 2007 £	Year ended 31 January 2006 £
Net return before taxation	3,069,631	(3,925,035)
Net (gains)/losses on investments at fair value	(2,731,638)	3,318,759
Net gain on acquisition and liquidation of subsidiaries	(1,017,855)	-
Cost of share options	159,177	-
Decrease in debtors	67,127	28,763
Decrease in creditors and accruals	(443,638)	(33,071)
Net cash inflow/(outflow) from operating activities	**897,196**	**(610,584)**

19 RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Opening net funds £	Movement in period £	Closing net funds £
Cash at bank	412,435	304,483	716,918
	412,435	**304,483**	**716,918**

20 COMMITMENTS AND CONTINGENCIES

At 31 January 2007 (2006: £nil) there were no commitments or contingent liabilities.

21 USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The 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 6 to 10.

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

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

The 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		
Total	**25,087,669**	**2,376,873**	**412,435**	**27,876,977**		

The variable rate is based on the banks' deposit rate (2006: 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 13. 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.

22 RELATED PARTY TRANSACTIONS

Under the terms of agreements dated 22 January 2001, the Company has appointed Singer & Friedlander Investment Management Limited to be the Investment Manager and Singer & Friedlander Secretaries Limited as Company Secretary. The fee arrangements for these services and the fees payable are set out in notes 3 and 5. Accrued balances at the year end were £66,336 (2006: £181,725) and £8,813 (2006: £7,344) including VAT respectively. The interests of the Directors are set out on page 23.

Notice of Annual General Meeting

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at One Hanover Street, London W1S 1AX on 26 June 2007 at 11.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and Accounts for the year ended 31 January 2007, together with the Directors' report and the auditors' report on those accounts and on the auditable part of the Directors' remuneration report.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2007.
3. To declare a final dividend of 2.0 pence per share payable on 3 July 2007 to holders of ordinary shares registered at the close of business on 8 June 2007.
4. To re-elect Mr D Page as a Director.
5. To re-elect Mr D Wheatley as a Director.
6. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company until the conclusion of the next Annual General Meeting of the Company.
7. To authorise the Directors to fix the Auditors' remuneration

SPECIAL BUSINESS

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

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

   (i) The maximum number of ordinary shares hereby authorised to be purchased is 4,742,000; 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.

   (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.

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

By order of the Board
Secretary
Singer & Friedlander Secretaries Ltd
18 May 2007

Notes

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, 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 that 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 11:30am on 24 June 2007 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 11:30am on 24 June 2007 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. The following documents are available for inspection at the registered office of the Company, One Hanover Street, London W1S 1AX, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:

   (a) the register of interests of the Directors and their families in the share capital of the Company;

   (b) copies of service contracts between the Directors and the Company or its subsidiary undertakings; and

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

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