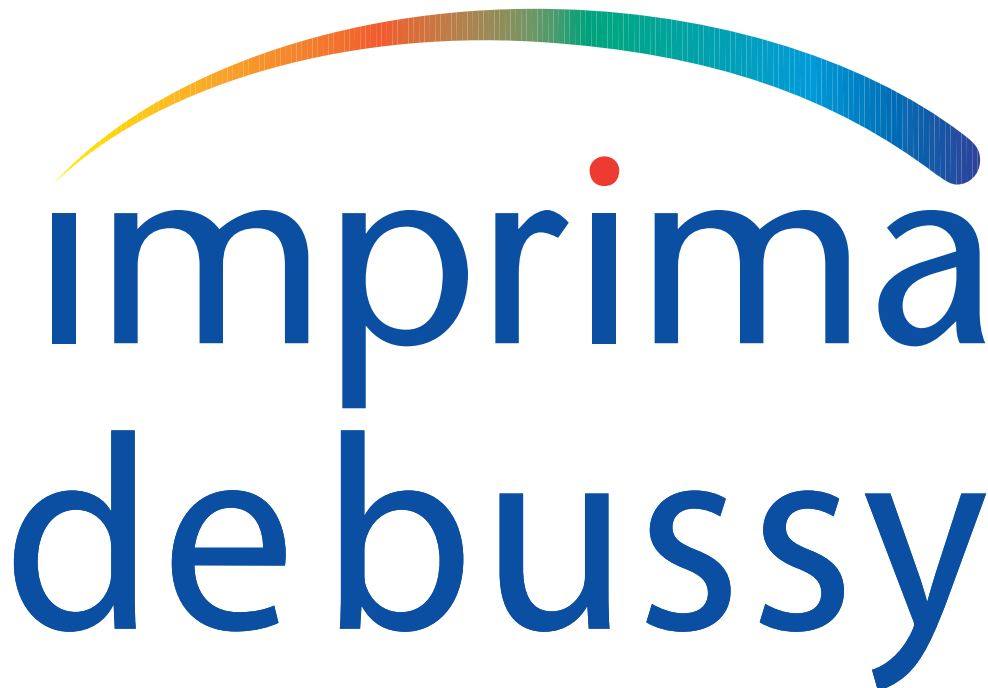


E L E C T R O N I C P R O O F

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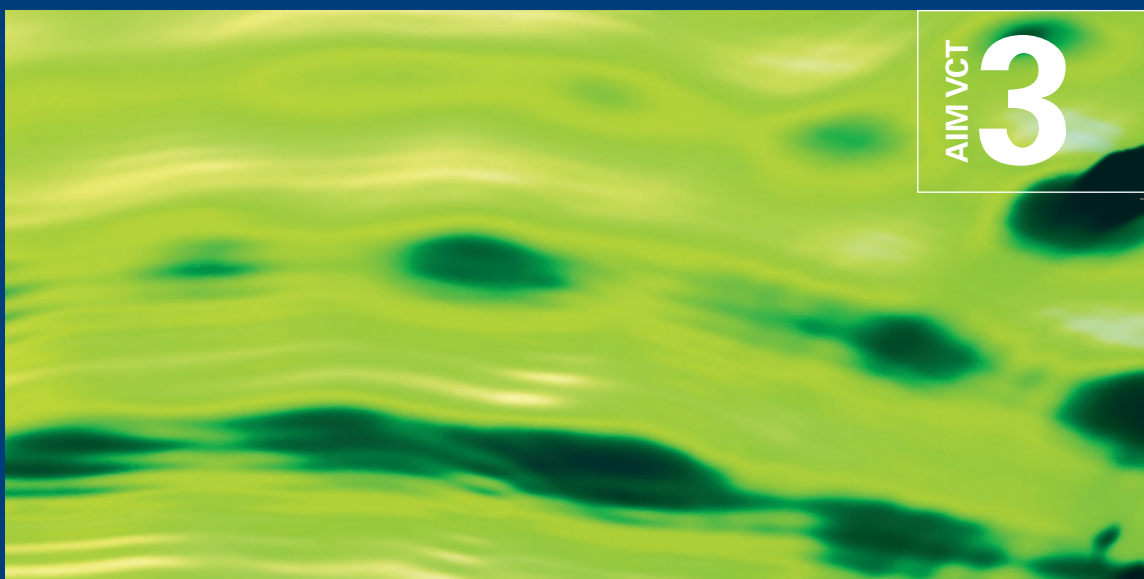
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Singer & Friedlander AIM 3 VCT plc
Interim Report



For the 6 months to 31st July 2004

Singer & Friedlander AIM 3 VCT plc

Interim Report for the six month period ending 31st July 2004

Chairman's Statement

I am pleased to present the Interim Report for the 6 months to 31st July 2004. Markets peaked during February and since then, in response to rising interest rates, higher oil prices and geopolitical uncertainties have drifted lower. On AIM the heavy supply of new issues and fund-raising has caused some indigestion. However, newsflow from our investee companies has generally been positive in spite of the likelihood of further interest rate rises.

During the period under review the AIM index fell 2.6% and our net asset value (NAV) fell 3.6%, however, after adjusting for the payment of the final dividend, fell 3.4%. Since launch, after adjusting for dividend payments, the NAV is unchanged, however, the AIM index over that period has declined 36.4%.

We have completed the investment of the funds raised at the time of the launch and the Inland Revenue has confirmed our qualifying status. In the last Budget the Chancellor announced a change to the tax rules for individuals investing in VCTs. This allows for 40% tax relief on an investment of up to £200,000 each year, provided the investment is held for at least three years. This change and the excellent performance of the VCT has encouraged us to seek to raise additional funds. We are therefore proposing to raise up to £30m via a "C" share issue and anticipate a prospectus being published in September. Existing shareholders will have priority over new investors.

Due to his other substantial business commitments, David Lloyd resigned as a Director of the Company on 19th March 2004. I would like to thank David for his invaluable contribution over the past three years.

I would like to welcome to your Board two new Non-Executive Directors. David Page and Dominic Wheatley joined the Board on the 1st August 2004. David was Managing Director of Pizza Express at the time of its floatation and subsequently became Chairman and Chief Executive. He is now Chairman of The Clapham House Group plc, which floated on AIM in November 2003. Dominic was involved in the significant early success of Eidos as Chief Operating Officer and Chief Executive of their US subsidiary. He recently founded and is Chief Executive of Bright Things which listed on AIM in April. Bright Things is developing a unique new gaming platform. Dominic is also Non-Executive Chairman of Kuju plc. The Trust has shareholdings in The Clapham House Group, Bright Things and Kuju.

The Directors do not propose to recommend an interim dividend, but as in previous years, anticipate recommending the payment of a final dividend.

C J L Moorsom
Chairman
1st September 2004

Manager's Report

The portfolio now consists of 53 companies carrying out a diverse range of activities, primarily in the UK. Of these, 45 are quoted on the AIM, 4 are unquoted and 4 are listed on OFEX. We are now fully invested and as at 31st July we had some 82% of the initial funds invested in qualifying companies as defined by the Inland Revenue, with the balance mainly in fixed interest investments.

The first half started well enabling us to take profits of approximately £1m in the period. We are committed, over time, to returning gains to shareholders in the form of tax free dividends. To date we have realised gains of approximately 4.35p per share. Over the past couple of months the market has become more difficult, however, we would anticipate renewed progress later this year.

We can report some successes from our unquoted investments with the IPO of XN Checkout resulting in an uplift of some 60% over the cost of our investment. In addition, ITS Ecco is close to concluding an agreement to sell the company for cash to a US company. This should result in a significant profit being achieved on this investment.

During the first half we repurchased 530,000 shares for cancellation at a discount of 15% to NAV. It is our continuing intention to repurchase shares within the powers granted at the AGM.

A N Banks
Singer and Friedlander Investment
Management Ltd
1st September 2004

QUALIFYING INVESTMENTS MADE IN THE 6 MONTHS TO 31st JULY 2004

Award International Holdings	Provider of promotional goods and services to enhance brand awareness
BBI Holdings	Developer and manufacturer of rapid result diagnostic tests
Bright Things	Developer of intellectual property for a new educational games platform
Camaxys Group	Developer of computerised management systems for health & safety applications
1st Dental Laboratories	Dental laboratories group
Laminate Flooring	Specialist retailer of laminate, real wood and solid wood flooring
Matrix Communications Group	Delivering customer focused IT solutions

Summary Financial Information
Unaudited Statement of Total Return (incorporating the revenue account*)

	Unaudited 6 months ended 31st July 2004			Unaudited 6 months ended 31st July 2003			Audited Year ended 31st January 2004		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
(Losses)/gains on investments	–	(963,290)	(963,290)	–	1,334,994	1,334,994	–	6,908,453	6,908,453
Income	211,587	–	211,587	359,054	–	359,054	645,846	–	645,846
Investment management fees	(76,115)	(228,347)	(304,462)	(60,132)	(180,396)	(240,528)	(135,209)	(405,628)	(540,837)
Other expenses	(153,789)	–	(153,789)	(137,367)	–	(137,367)	(294,584)	–	(294,584)
Return on ordinary activities before taxation	(18,317)	(1,191,637)	(1,209,954)	161,555	1,154,598	1,316,153	216,053	6,502,825	6,718,878
Taxation on ordinary activities	–	–	–	(36,098)	36,098	–	(49,029)	49,029	–
Return attributable to equity shareholders	(18,317)	(1,191,637)	(1,209,954)	125,457	1,190,696	1,316,153	167,024	6,551,854	6,718,878
Dividends in respect of equity shareholders	450	–	450	–	–	–	(82,227)	–	(82,227)
Transfer (from)/to reserves	(17,867)	(1,191,637)	(1,209,504)	125,457	1,190,696	1,316,153	84,797	6,551,854	6,636,651
Return per ordinary share	(0.05)p	(3.64)p	(3.69)p	0.38p	3.61p	3.99p	0.51p	19.89p	20.40p

The accounts have been prepared using accounting standards and policies adopted at the previous year end. All revenue and capital items in the above statement derive from continuing operations. No operations were discontinued during the period.

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

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

Unaudited Balance Sheet

	Unaudited 31st July 2004 £	Unaudited 31st July 2003 £	Audited 31st January 2004 £
Fixed assets			
Investments	29,671,925	25,960,804	31,158,785
Current assets			
Debtors	71,477	29,622	16,390
Accrued interest on fixed interest securities	65,840	165,962	173,184
Cash at bank	338,883	149,561	982,144
	<u>476,200</u>	<u>345,145</u>	<u>1,171,718</u>
Creditors: amounts falling due within one year			
Corporation tax	–	47,730	–
Other creditors and accruals	420,301	167,002	958,247
	<u>420,301</u>	<u>214,732</u>	<u>958,247</u>
Net current assets	<u>55,899</u>	<u>130,413</u>	<u>213,471</u>
Total net assets	<u>29,727,824</u>	<u>26,091,217</u>	<u>31,372,256</u>
Capital & reserves			
Called-up share capital	1,618,043	1,647,043	1,644,543
Share premium account	2,721,969	2,721,969	2,721,969
Special reserve	26,461,805	26,936,192	26,896,733
Capital redemption reserve	31,500	2,500	5,000
Capital reserve – realised	270,878	(702,748)	(463,440)
Capital reserve – unrealised	(1,694,495)	(4,890,390)	231,460
Revenue reserve	318,124	376,651	335,991
	<u>29,727,824</u>	<u>26,091,217</u>	<u>31,372,256</u>
Equity shareholders' funds	<u>29,727,824</u>	<u>26,091,217</u>	<u>31,372,256</u>
Net asset value per ordinary share (31 July figures exclude current period revenue)	91.92p	78.83p	95.38p

Since the year end the Company has purchased 530,000 ordinary shares of 5p each for cancellation at an average price of 81.56p.

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

Unaudited Summarised Cash Flow Statement

	Unaudited 6 months ended 31st July 2004 £	Unaudited 6 months ended 31st July 2003 £	Audited Year ended 31st January 2004 £
Net cash (outflow)/inflow from operating activities	(62,088)	65,083	(60,741)
Corporation tax paid	–	–	(48,204)
Net cash (outflow)/inflow from capital expenditure and financial investment	(64,468)	(417,945)	628,125
Equity dividends paid	(81,777)	(263,527)	(263,527)
Net cash (outflow)/inflow before financing	(208,333)	(616,389)	255,653
Net cash outflow from financing	(434,928)	–	(39,459)
Net funds at the beginning of the period	982,144	765,950	765,950
Net funds at end of the period	338,883	149,561	982,144

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Principal Accounting Policies

The following accounting policies have been applied consistently throughout the period. Full details of principal accounting policies are disclosed in the Annual Report.

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The financial statements have been prepared in accordance with applicable accounting standards and are in compliance with the 2003 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ("SORP").

b) Investments

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

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

Unquoted investments will not normally be revalued upwards for a period of at least six months from the date of acquisition. 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.

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

2. The figures and financial information for the year ended 31st January 2004 have been compiled from an extract of the latest published accounts and do not constitute the statutory accounts for the year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors, which was unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 1985.

3. Fixed Asset Investments

Summary of Investments at 31st July 2004

	Sector Analysis	Purchase cost £	Current valuation £	% of portfolio by value
AIM Quoted Companies				
1st Dental Laboratories	Health	350,000	420,000	1.41
Aero Inventory	Aerospace & defence	481,041	603,816	2.03
Asfare Group	Engineering & machinery	321,393	353,532	1.19
Award International Holdings	Media	209,990	194,241	0.65
BBI Holdings	Pharmaceuticals & biotechnology	239,708	247,358	0.83
Blooms of Bressingham Holdings	General retailers	470,000	323,921	1.09
Bright Things	Household goods & textiles	375,000	260,417	0.88
Camaxys Group	Software & computer services	254,825	270,752	0.91
Capcon Holdings	Speciality & other finance	700,000	546,000	1.84
Cardpoint	Speciality & other finance	380,843	926,810	3.12
Centurion Electronics	Automobiles & parts	190,950	467,827	1.57
CMS Webview	Media & entertainment	401,674	200,837	0.68
Corpora	Software & computer services	489,706	539,181	1.81
Fulcrum Pharma	Pharmaceuticals & biotechnology	279,532	151,920	0.51
Glisten	Food producers & processors	327,143	981,430	3.30
Huveaux	Media & entertainment	813,049	1,637,373	5.51
ID Data	Information technology hardware	348,250	271,250	0.91
Imprint Search & Selection	Support services	400,000	762,500	2.57
Intellexis	Support services	324,960	395,368	1.33
Knowledge Technology Solutions	Media & entertainment	127,362	244,111	0.82
Kuju	Software & computer services	549,999	329,356	1.11
Lloyds British Testing	Support services	362,400	265,171	0.89
Lo-Q	Leisure & hotels	760,000	37,050	0.13
Matrix Communications Group	Software & computer services	400,000	640,000	2.15
Medal Entertainment & Media	Media & entertainment	602,509	805,148	2.71
Mediwatch	Health	693,515	440,509	1.48
Monstermob Group	Media & entertainment	141,750	68,250	0.23
NWD Group	Media & entertainment	466,750	359,038	1.21
Oasis Healthcare	Health	631,180	256,417	0.86
Pixology	Software & computer services	399,000	342,000	1.15
PM Group	Transport	604,232	1,238,676	4.17
Prezzo	Leisure & hotels	369,927	1,140,824	3.84
Quadnetics Group	Electronic & electrical equipment	225,632	219,246	0.74
Real Good Food Company	Food producers & processors	596,113	716,543	2.40
Ringprop	Engineering & machinery	366,999	903,382	3.04
Symphony Plastic Technologies	Chemicals	409,339	336,652	1.13
Synergy Healthcare	Health	448,000	896,493	3.02
Tanfield Group	Support services	737,403	29,049	0.10
The Clapham House Group	Leisure & hotels	453,872	523,427	1.76
Tikit Group	Software & computer services	400,000	460,869	1.55
Tissue Science Laboratories	Health	834,600	836,550	2.81
UBC Media Group	Media & entertainment	409,908	359,170	1.21
Vianet Group	Information technology hardware	450,000	614,583	2.07
XN Checkout Holdings	Software & computer services	408,819	644,673	2.17
Xpertise Group	Support services	485,179	212,321	0.71
		19,692,552	22,474,041	75.60

SINGER & FRIEDLANDER AIM 3 VCT PLC

Summary of Investments at 31st July 2004 (cont).

		Purchase cost	Current valuation	% of portfolio by value
OFEX Quoted Companies				
Aquilo	Speciality & other finance	589,375	269,960	0.91
Flying Scotsman	Leisure & hotels	400,800	15,012	0.05
Laminate Flooring Direct	Construction & building materials	375,000	416,250	1.40
Music Copyright Solutions	Media & entertainment	375,000	419,118	1.41
		1,740,175	1,120,340	3.77
Private Companies				
Flexbenefits	Software & computer services	517,500	129,375	0.44
ITS Ecco	Support services	400,000	547,500	1.84
Lilestone	General retailers	405,000	405,000	1.36
U4EA	Information technology hardware	374,989	36,201	0.12
U4EA (preference shares)	Information technology hardware	404,581	407,581	1.37
		2,102,070	1,525,657	5.13
Other qualifying investments				
ID Data Conv Loan Stock	Information technology hardware	225,000	225,000	0.76
Tanfield Group 8.5% Conv Loan Stock	Support services	250,000	250,000	0.84
XN Checkout Holdings (loan stock) 2007	Software & computer services	45,000	45,000	0.15
Xpertise Group Loan Stock	Support services	200,000	200,000	0.67
		720,000	720,000	2.42
Total Qualifying Companies		24,254,797	25,840,038	86.92
Fixed income investments				
Debentures and loan stocks				
BK Ned Gemeenten 6.375% MTN		255,026	252,000	0.85
Euro Inv Bank 6.125% BDS		1,118,922	1,112,925	3.74
		1,373,948	1,364,925	4.59
UK Government loans				
Treasury 4.5% STK 2007		740,219	740,100	2.49
		740,219	740,100	2.49
Other non-qualifying investments				
Aquilo	Speciality & other finance	487,500	223,296	0.75
Blooms of Bressingham Holdings	General retailers	534,992	368,713	1.24
Blooms of Bressingham Holdings (warrants)	General retailers	20,007	8,100	0.03
Cardpoint	Speciality & other finance	156,597	381,089	1.28
First Artist Corp	Media & entertainment	400,000	28,000	0.10
Formation Group	Media & entertainment	519,751	271,078	0.91
Medal Entertainment & Media	Media & entertainment	51,170	68,379	0.23
Synergy Healthcare	Health	189,000	378,207	1.27
		2,359,017	1,726,862	5.81
Total Fixed Income and other non-qualifying investments		4,473,184	3,831,887	12.89

Summary of Investments at 31st July 2004 (cont).

	Purchase cost £	Current valuation £	% of portfolio by value
Companies in liquidation*			
Coinmaster Gaming	350,000	-	-
Exertris	503,445	-	-
Exertris Conv Debt	100,000	-	-
Firmgrowth	250,000	-	-
Global Money Transfer (loan notes)	300,000	-	-
Monotub Industries	260,000	-	-
Recycled Waste	374,994	-	-
Stanhope Telecom	500,000	-	-
	2,638,439	-	-
Summary			
Total qualifying portfolio	24,254,797	25,840,038	86.92
Fixed interest/non qualifying portfolio	4,473,184	3,831,887	12.89
Investments held at nil valuation	2,638,439	-	-
	31,366,420	29,671,925	99.81
Sub total		55,899	0.19
Net current assets	-		
	31,366,420	29,727,824	100.00

*These companies are in liquidation and the Directors consider it appropriate to value them at zero. With the exception of Exertris Conv Debt and Global Money Transfer, 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 2005.

4. Dividends

The Directors do not recommend the payment of an interim dividend in respect of the period ended 31st July 2004.

Directors

C J L Moorsom (appointed as Chairman 12th June 2003)
A N Banks
J M Edelson
M C Ellisdon
D A Lloyd (resigned 19th March 2004)
D Page (appointed 1st August 2004)
D Wheatley (appointed 1st August 2004)

Secretary and Registered Office

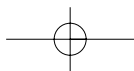
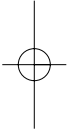
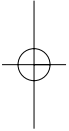
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Manager

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