Singer & Friedlander AIM 3 VCT plc

INTERIM REPORT
for the 6 months to 31 July 2006

AIM 3 VCT

SINGER & FRIEDLANDER

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Singer & Friedlander AIM 3 VCT plc

Interim Report for the six month period ended 31 July 2006

Board Review

Performance

During the six months to 31 July the AIM Index declined by 8.2%. Over the same period your Adjusted Net Asset Value ("Adjusted NAV") at 83.7 pence fell by 5.3% and your Net Asset Value ("NAV") at 82.2 pence fell by 7.1%. Adjusted NAV has been presented in this Interim Report to remove the distortion created by the requirement to include in the consolidated balance sheet negative goodwill arising on the merger of the Company with Singer & Friedlander AIM VCT and Singer & Friedlander AIM 2 VCT. This is explained in note 3.

It is disappointing to report a further decline in the NAV but it is important to consider the market background and that during the period the fund had to bear the costs of the merger and of restructuring the portfolio. Since launch in February 2001 shareholders in the Singer & Friedlander AIM 3 VCT have seen a fall in Adjusted NAV of 8.5% (after allowing for dividend payments of 3.25 pence) compared to a fall of 23.1% in the AIM Index.

Shareholders who invested in the 'C' Share issue of the Singer & Friedlander AIM 3 VCT in April 2005, adjusted for the conversion ratio used upon conversion in December 2005, have not seen a change in their effective Adjusted NAV whilst the AIM Index has fallen by 3.9%.

Shareholders in Singer & Friedlander AIM 2 VCT (after allowing for dividend payments of 5.25 pence and the relevant merger conversion ratio) have seen an effective decline in Adjusted NAV of 29.6% since launch in April 2000. Over the same period the AIM Index has declined by 52.8%.

Shareholders in the Singer & Friedlander AIM VCT, launched in late 1998, and after accounting for dividends totalling 32.4 pence and following conversion have seen a decline of 28.9%.

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

Dividends

As in previous years, the Directors are not declaring the payment of an interim dividend but do anticipate the payment of a final dividend which will be announced with our full year results. Since the interim date the Company has revoked its Investment Company status and will therefore be in a position to distribute capital profits as part of any year end dividend.

Investment Strategy

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

Portfolio commentary and developments

The merged portfolio continues to comply with the HM Revenue & Customs' criteria for VCT qualification and now consists of 81 investments. 77 of these are listed on AIM and 4 are unquoted. Unquoted investments represent 7% of the portfolio whilst fixed interest investments and cash account for some 16%. Following the merger the combined portfolio contained nearly 120 investments, the Manager has subsequently reduced that number to a more manageable level. The restructuring process is now largely complete.

We reported in the last annual report that a number of our investee companies had produced some disappointing results, although they appeared to be largely one off in nature; it is pleasing to note that recent news appears to confirm this view and we have seen a recovery in share prices of the majority of these companies.

During the period we have seen particularly good performance from Aquilo, Formation Group, Oasis Healthcare and Tanfield Group.

Merger Completion and Running Costs

The merger of the three Singer & Friedlander AIM VCTs was completed in February. Whilst this exercise incurred considerable costs which have been reflected in these results it is anticipated that the benefits will begin to accrue during the second half of our financial year. We have focussed on reducing the ongoing running costs of the Trust, with the annualised running costs being 2.38% of the value of the fund (before negative goodwill and excluding option costs) and the total annualised running costs (including option costs) of 2.65%.

We anticipate that the expense ratio at the end of the year, subject to market conditions, will be below that forecast in the merger documents.

Share Repurchases

During the period we repurchased 3,011,584 shares representing 5.7% of our post-merger issued share capital. The Trust 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 and on average the price paid was 75 pence thereby enhancing the NAV for remaining shareholders. The Trust will continue to repurchase its own shares from time to time as appropriate and within the powers granted at the AGM. These transactions are handled by our stockbroker, Teather & Greenwood.

Outlook

There are at present many economic global uncertainties which make forecasting particularly difficult. These uncertainties include geo-political risk, slower economic growth, higher inflation and rising interest rates. This has led to considerable volatility in share prices which is unlikely to reduce in the immediate future. Our Fund Manager believes that most of the negative factors have been discounted by the market, however he continues to recognise that stock selection is as important as ever. Your Board and Fund Manager continue to believe that the portfolio has many attractive investments which have the ability to deliver superior returns in the medium to long term as the companies mature and deliver the expected results.

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

Singer & Friedlander AIM 3 VCT plc

12 October 2006

Summary Financial Information
Unaudited Consolidated Income Statement

	Note	Unaudited 6 months end 31 July 2006 Revenue £	Capital £	Total £	Unaudited 6 months end 31 July 2005* Revenue £	Capital £	Total £	Audited Year ended 31 Jan 2006 Revenue £	Capital £	Total £
Losses on investments at fair value		-	(2,121,751)	(2,121,751)	-	(1,958,550)	(1,958,550)	-	(3,318,759)	(3,318,759)
Negative goodwill released		-	261,213	261,213	-	-	-	-	-	-
Income		303,985	-	303,985	163,561	-	163,561	263,590	-	263,590
Investment management fees		(89,784)	(269,352)	(359,136)	(71,881)	(215,645)	(287,526)	(141,312)	(423,937)	(565,249)
Cost of share options	4	(13,896)	(41,686)	(55,582)	-	-	-	-	-	-
Other expenses		(133,320)	-	(133,320)	(157,735)	-	(157,735)	(304,617)	-	(304,617)
Return on ordinary activities before taxation		**66,985**	**(2,171,576)**	**(2,104,591)**	**(66,055)**	**(2,174,195)**	**(2,240,250)**	**(182,339)**	**(3,742,696)**	**(3,925,035)**
Taxation on ordinary activities		-	-	-	(93)	93	-	-	-	-
Return attributable to equity shareholders		**66,985**	**(2,171,576)**	**(2,104,591)**	**(66,148)**	**(2,174,102)**	**(2,240,250)**	**(182,339)**	**(3,742,696)**	**(3,925,035)**
Adjusted return per Ordinary share	2	0.14p	(4.96)p	(4.82)p	(0.21)p	(6.99)p	(7.20)p	(0.59)p	(12.06)p	(12.65)p
Return per Ordinary share	2	0.14p	(4.43)p	(4.29)p	(0.21)p	(6.99)p	(7.20)p	(0.59)p	(12.06)p	(12.65)p

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 Group's statutory accounts.

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

* The figures for the period ended 31 July 2005 include results for both the Ordinary share fund and C share fund. The return per share relates to the Ordinary share fund only.

Unaudited Consolidated Reconciliation of Movements in Shareholders' Funds

	Note	Called-up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemtion reserve £	Share option reserve £	Capital reserve £	Revenue reserve £	Total £
6 months 31 July 2006										
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 merger		-	(166,274)	-	-	-	-	-	-	(166,274)
Re-purchase and cancellation of ordinary shares		(150,579)	-	-	(2,268,516)	150,579	-	-	-	(2,268,516)
Cost of share options	4	-	-	-	-	-	55,582	-	-	55,582
Net return after taxation for the period		-	-	-	-	-	-	(2,171,576)	66,985	(2,104,591)
31 July 2006		**2,469,349**	**2,954,794**	**16,492,539**	**22,814,337**	**267,079**	**55,582**	**(4,415,465)**	**(49,654)**	**40,588,561**
Year ended 31 January 2006										
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 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		-	-	-	-	-	-	-	(155,304)	(155,304)
31 January 2006		**1,555,894**	**3,121,068**	**-**	**25,082,853**	**116,500**	**-**	**(2,243,889)**	**(116,639)**	**27,515,787**

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

Unaudited Consolidated Reconciliation of Movements in Shareholders' Funds (continued)

	Called-up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemtion reserve £	Share option reserve £	Capital reserve £	Revenue reserve £	Total £
6 months ended 31 July 2005									
31 January 2005	1,576,043	2,721,969	-	25,774,626	73,500	-	1,498,807	221,004	31,865,949
Re-purchase and cancellation ordinary shares	(43,000)	-	-	(691,773)	43,000	-	-	-	(691,773)
Net return after taxation for the period	-	-	-	-	-	-	(2,185,245)	(66,777)	(2,252,022)
Dividends paid	-	-	-	-	-	-	-	(155,304)	(155,304)
31 July 2005 (Ordinary shares)	**1,533,043**	**2,721,969**	**-**	**25,082,853**	**116,500**	**-**	**(686,438)**	**(1,077)**	**28,766,850**
31 July 2005 (C shares)	20,101	362,072	-	-	-	-	11,143	629	393,945
31 July 2005 Total	**1,553,144**	**3,084,041**	**-**	**25,082,853**	**116,500**	**-**	**(675,295)**	**(448)**	**29,160,795**

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

Unaudited Consolidated Balance Sheet

	Note	Unaudited 31 July 2006 £	Unaudited 31 July 2005* £	Audited 31 January 2006 £
Fixed assets				
Investments at fair value	5	41,392,054	28,738,967	27,200,217
Negative goodwill		(757,985)	-	-
Current assets				
Debtors		720,893	401,767	228,184
Accrued interest on fixed interest securities		112,858	77,359	36,141
Cash at bank		233,508	409,458	412,435
		1,067,259	**888,584**	**676,760**
Creditors: amounts falling due within one year				
Other creditors and accruals		1,112,767	466,756	361,190
Net current (liabilities)/assets		**(45,508)**	**421,828**	**315,570**
Total net assets		**40,588,561**	**29,160,795**	**27,515,787**
Capital & reserves				
Called-up share capital		2,469,349	1,553,144	1,555,894
Share premium account		2,954,794	3,084,041	3,121,068
Merger reserve		16,492,539	-	-
Special reserve		22,814,337	25,082,853	25,082,853
Capital redemption reserve		267,079	116,500	116,500
Share option reserve	4	55,582	-	-
Capital reserve – realised		1,044,690	1,510,881	1,568,267
Capital reserve – unrealised		(5,460,155)	(2,186,176)	(3,812,156)
Revenue reserve		(49,654)	(448)	(116,639)
Equity shareholders' funds		**40,588,561**	**29,160,795**	**27,515,787**
Adjusted net asset value per Ordinary share	3	83.72p	93.82p	88.42p
Net asset value per Ordinary share	3	82.18p	93.82p	88.42p

Since the period end the Company has not purchased any ordinary shares for cancellation.

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

* The figures for the period ended 31 July 2005 include results for both the Ordinary share fund and C share fund. The net asset value per share relates to the Ordinary share fund only.

Unaudited Summarised Cash Flow Statement

	Unaudited 6 months ended 31 July 2006 £	Unaudited 6 months ended 31 July 2005* £	Audited Year ended 31 January 2006 £
Net cash outflow from operating activities	(128,729)	(535,346)	(610,584)
Net cash inflow from capital expenditure and financial investment	1,887,812	967,421	1,276,418
Equity dividends paid	-	(155,304)	(155,304)
Net cash inflow before financing	1,759,083	276,771	510,530
Net cash outflow from financing	(1,938,010)	(295,530)	(526,312)
Net funds at the beginning of the period	412,435	428,217	428,217
Net funds at end of the period	**233,508**	**409,458**	**412,435**

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

* The figures for the period ended 31 July 2005 include results for both the Ordinary share fund and C share fund.

Notes to the unaudited financial statements

The financial statements for the year ended 31 January 2006 have been audited whilst the results for the six months ended 31 July 2005 and 31 July 2006 are unaudited. The Interim Report is unaudited and does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. The financial information for the year to 31 January 2006 is an abridged statement of the financial statements for that year which were prepared under UK Generally Accepted Accounting Practice and were delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under S237(2) or S237(3) of the Companies Act 1985.

1. Principal Accounting Policies

The financial statements have been prepared using the accounting policies adopted in the Company's audited financial statements for the year ended 31 January 2006. The basis of consolidation 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.

b) Basis of preparation

The financial statements are presented as consolidated financial statements and incorporate the results, assets and liabilities of the Company and its subsidiary undertakings, Singer & Friedlander AIM VCT plc ("AIM") and Singer & Friedlander AIM 2 VCT plc ("AIM2") following the merger of the Company with AIM and AIM2 on 22 February 2006.

Following the merger the third party assets and liabilities of AIM and AIM2 were transferred to the Company and it is proposed that AIM and AIM2 will be liquidated.

c) Basis of consolidation

AIM and AIM2 have been included in the financial statements from their acquisition date using the acquisition method of accounting. Accordingly, the consolidated income statement and consolidated statement of cash flows include the results of AIM and AIM2 for the period since the merger.

Negative goodwill arose on the acquisition being the difference between the fair value of the net tangible assets acquired and the aggregate of the fair value of the Company's shares issued and the expenses of the merger.

In accordance with FRS 10 "Goodwill and intangible assets" the negative goodwill has been treated as a negative asset in the consolidated balance sheet. This negative asset has been released to the capital column of the consolidated income statement to the extent that it has been subsequently realised through either the disposal of investments or their write down to an amount below their fair value on acquisition.

d) 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.

Notes to the unaudited financial statements (continued)

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.

2. Return per share and adjusted return per share

Basic and diluted revenue return per ordinary share is based on the net gain on ordinary activities after taxation of £66,985 (31 July 2005: loss £66,777, 31 January 2006: loss £182,339) and on 49,081,147 (31 July 2005: 31,243,676, 31 January 2006: 31,025,626) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Basic and diluted capital return per ordinary share is based on net capital losses for the period of £2,171,576 (31 July 2005: £2,185,245, 31 January 2006: £3,742,696) and 49,081,147 (31 July 2005: 31,243,676, 31 January 2006: 31,025,626) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Adjusted return per share

As the financial statements have been distorted by the need under accounting standards to record negative goodwill, which will not result in an outflow of resources from the Company or its subsidiaries, adjusted return per share figures have been presented which eliminate the effect of negative goodwill. The adjusted figures have been presented so as to better reflect the underlying investment performance.

The adjusted return per share affects the six months ended 31 July 2006 only and has been determined as follows:

	6 months ended 31 July 2006		
	Revenue	**Capital**	**Total**
	£	**£**	**£**
Return attributable to equity shareholders	66,985	(2,171,576)	(2,104,591)
Adjustment for negative goodwill	-	(261,213)	(261,213)
Adjusted return attributable to equity shareholders	**66,985**	**(2,432,789)**	**(2,365,804)**
Weighted average number of shares during the period	49,081,147	49,081,147	49,081,147
Adjusted return per share	0.14p	(4.96)p	(4.82)p

Notes to the unaudited financial statements (continued)

3. Net asset value per share and adjusted net asset value per share

The net asset value per ordinary share at 31 July 2006 has been calculated by reference to net assets of £40,588,561 (31 July 2005: £28,766,850, 31 January 2006: £27,515,787) and 49,386,992 (31 July 2005: 30,660,860, 31 January 2006: 31,117,880) ordinary shares, being the number of ordinary shares in issue at the period end.

Adjusted net asset value per share

As stated in note 2, the financial statements have been distorted by the need under accounting standards to record negative goodwill. An adjusted net asset value per share has been presented which eliminates the effect of negative goodwill and better reflects the underlying investment performance.

The adjusted net asset value affects the six months ended 31 July 2006 only and has been determined as follows:

	As at 31 July 2006 £
Net assets	40,588,561
Adjustment for negative goodwill	757,985
Adjusted net assets	**41,346,546**
Number of shares in issue at the period end	49,386,992
Adjusted net asset value per share	83.72p

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

4. Managers' option

In accordance with the arrangements agreed on the merger of the Company with AIM and AIM2, 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 FRS20. This right or option has been valued on the date that it was granted to the Managers and this cost is being charged to the consolidated income statement as part of the management fee evenly over the period over which it vests. An amount of £55,582 has been charged to the consolidated income statement in the period to 31 July 2006 with a separate reserve being created in the consolidated balance sheet.

Notes to the unaudited financial statements (continued)

5. Fixed Asset Investments
Ordinary Shares
Summary of Investments at 31 July 2006

AIM Quoted Companies	Sector Analysis	Purchase cost £	Current valuation £	% of portfolio by value
1st Dental Laboratories	Healthcare equipment & services	450,000	290,333	0.72
Adval Group	Support services	287,265	64,884	0.16
Aero Inventory	Aerospace & defence	1,394,420	1,497,927	3.69
Aquilo	Support services	1,017,454	651,842	1.61
Asfare Group	Industrial engineering	370,835	342,078	0.84
ATA Group	Support services	220,375	382,969	0.94
Autoclenz Holdings	Support services	131,440	110,998	0.27
Avingtrans	Industrial engineering	443,333	442,500	1.09
Bank Restaurant Group	Travel & leisure	62,500	58,563	0.14
BBI Holdings	Pharmaceuticals & biotechnology	239,708	546,993	1.35
Blooms of Bressingham Holdings	General retailers	941,180	1,033,312	2.55
Bright Things	Leisure goods	352,500	17,625	0.04
Camaxys Group	Software & computer services	254,825	17,901	0.04
Cello Group	Media	257,625	263,813	0.65
Charteris Group	Software & computer services	84,500	39,650	0.10
Chromogenex	Healthcare equipment & services	27,750	26,997	0.07
Clerkenwell Ventures	Non-equity investment instruments	190,489	134,020	0.33
CMS Webview	Media	401,674	60,211	0.15
Conder Environmental	Industrial engineering	385,241	192,595	0.48
Connaught	Support services	421,685	435,779	1.07
Corpora	Software & computer services	945,280	532,233	1.31
Disperse Group	Personal goods	315,104	246,354	0.61
Eagle Eye Telematics	Industrial transportation	3,830	3,828	0.01
First Artist Corporation	Media	704,265	393,207	0.97
Fountains	Support services	155,852	117,704	0.29
Fujin Technology	Software & computer services	310,000	210,972	0.52
Fulcrum Pharma	Pharmaceuticals & biotechnology	279,532	91,127	0.23
Glisten	Food producers	240,000	959,250	2.36
Gourmet Holdings	Travel & leisure	29,200	18,200	0.05
Huveaux	Media	664,082	975,168	2.40
ID Data	Electronic & electrical equipment	939,736	357,529	0.88
ILX Group	Support services	374,960	542,793	1.34
Imagesound	General financial	92,188	128,125	0.32
Imprint	Support services	422,558	1,219,339	3.00
Intelligent Environments Group	Software & computer services	116,123	206,962	0.51
Inter Link Foods	Food producers	629,000	395,038	0.97
Just Car Clinics Group	General retailers	95,865	110,667	0.27
Knowledge Technology Solutions	Media	127,362	42,412	0.11
Kuju	Software & computer services	549,999	106,800	0.26
Lo-Q	Travel & leisure	760,000	134,892	0.33
Maelor	Healthcare equipment & services	32,710	16,700	0.04
Medal Entertainment & Media	General financial	602,509	633,288	1.56
Mediwatch	Healthcare equipment & services	1,046,144	930,370	2.29
Music Copyright Solutions	Media	375,000	118,544	0.29
Neutrahealth	Food & drug retailers	279,470	304,184	0.75
NWD Group	Media	518,312	73,735	0.18
Oasis Healthcare	Healthcare equipment & services	914,525	936,296	2.31
Petards Group	Support services	82,860	88,274	0.22

Notes to the unaudited financial statements (continued)

	Sector Analysis	Purchase cost £	Current valuation £	% of portfolio by value
Pixology	Software & computer services	399,000	80,513	0.20
Playgolf Holdings	Travel & leisure	255,000	119,985	0.30
PM Group	Support services	524,232	1,283,058	3.16
Prezzo	Travel & leisure	275,076	1,286,250	3.17
Pubs 'n' Bars	Travel & leisure	281,813	283,490	0.70
Quadnetics Group	Support services	341,381	289,908	0.71
Red Squared	Software & computer services	57,292	38,949	0.10
Ringprop	Industrial engineering	366,999	50,109	0.12
Smallbone	Household goods	293,220	350,000	0.86
Symphony Plastic Technologies	General industrials	460,339	338,490	0.83
Synergy Healthcare	Healthcare equipment & services	379,167	1,374,375	3.39
Tanfield Group	Support services	1,175,391	1,151,926	2.84
Tasty	Travel & leisure	52,000	103,250	0.25
The Celltalk Group	General retailers	40,500	5,247	0.01
The Clapham House Group	Travel & leisure	453,872	828,269	2.04
The Food & Drink Group	Travel & leisure	16,625	17,143	0.04
The Real Good Food Company	Food producers	596,112	358,271	0.88
Thomson Intermedia	Media	729,005	716,049	1.76
Tikit Group	Software & computer services	400,000	715,652	1.76
Tissue Science Laboratories	Healthcare equipment & services	656,267	596,850	1.47
Torex Retail	Software & computer services	694,691	769,514	1.90
Triplearc	Support services	84,814	78,264	0.19
UBC Media Group	Media	663,754	496,277	1.22
Vianet Group	Technology hardware & equipment	894,990	649,841	1.60
XKO Group	Software & computer services	297,500	238,125	0.59
Xpertise Group	Support services	573,508	215,733	0.53
Zytronic	Electronic & electrical equipment	610,958	554,487	1.37
		31,114,771	**29,495,006**	**72.66**
Private Companies				
Flexbenefits	Software & computer services	681,828	757,125	1.87
Lilestone Holdings	General retailers	648,175	292,187	0.72
Sportsweb.com	Support services	352,128	352,128	0.87
U4EA	Technology hardware & equipment	1,803,122	1,467,332	3.62
		3,485,253	**2,868,772**	**7.08**
Other qualifying investments				
Xpertise Group Loan Stock	Support services	200,000	200,000	0.49
		200,000	**200,000**	**0.49**
Other fixed interest securities and non-qualifying investments				
Debentures and loan stocks				
Financial Objects VAR RTE Unsecured Loan Notes 2007		9,304	10,150	0.03
Kreditanstalt Fur Wiederaufbau 4.5% NTS 7/12/2006		501,570	499,495	1.23
		510,874	**509,645**	**1.26**

	Sector Analysis	Purchase cost £	Current valuation £	% of portfolio by value
UK Government loans				
Treasury 7.5% Stock 7/12/2006		512,800	504,795	1.24
Treasury 4.5% Stock 7/3/2007		3,547,095	3,546,415	8.74
Treasury 4% Stock 7/3/2009		1,832,300	1,817,237	4.48
		5,892,195	**5,868,447**	**14.46**
Other non-qualifying investments				
Aero Inventory	Aerospace & defence	87	94	-
Aquilo	Support services	432,769	277,258	0.68
Blooms of Bressingham Holdings	General retailers	488,228	536,021	1.32
Cardpoint	Support services	645,994	935,353	2.30
Formation Group	Media	519,751	583,860	1.44
Medal Entertainment & Media	General financial	51,170	53,784	0.13
The Food & Drink Group	Travel & leisure	61,888	63,814	0.16
		2,199,887	**2,450,184**	**6.03**
Investments held at nil valuation*				
Award International Holdings (delisted)	Media	209,990	-	-
Coinmaster Gaming	Travel & leisure	350,000	-	-
Exertris	Software & computer services	503,445	-	-
Exertris Conv Debt	Software & computer services	100,000	-	-
Flying Scotsman	Travel & leisure	400,800	-	-
Global Money Transfer (Loan Notes)	Speciality & other finance	300,000	-	-
Laminate Flooring	General retailers	450,000	-	-
Monotub Industries	Household goods	260,000	-	-
Recycled Waste	Support services	374,994	-	-
Stanhope Telecom	Telecommunication services	500,000	-	-
		3,449,229	**-**	**-**
Summary				
Total qualifying portfolio		34,800,024	32,563,778	80.23
Fixed interest/non-qualifying portfolio		8,602,956	8,828,276	21.75
Investments held at nil valuation		3,449,229	-	-
Subtotal		**46,852,209**	**41,392,054**	**101.98**
Negative goodwill			(757,985)	(1.87)
Net current liabilities			(45,508)	(0.11)
Total		**46,852,209**	**40,588,561**	**100.00**

The purchase cost of AIM and AIM2 investments is the cost to the parent company, being the market value of investments as at the date of the merger and not the original purchase cost.

* 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 2004.

Notes to the unaudited financial statements (continued)

6. Dividends
The Directors are not declaring the payment of an interim dividend in respect of the period ended 31 July 2006.

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J D Hambro
M S Killingley
D M Page
D M D A Wheatley

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