

# SINGER & FRIEDLANDER AIM 3 VCT plc

## Half-yearly Report for the six months ended 31 July 2007

### Board Review

#### Introduction

Your Company has enjoyed a successful start to the year with a further uplift in the Net Asset Value per share (NAV per share) continuing the trend witnessed in our last financial year. Running costs continue to be monitored closely and are currently in line with expectations and lower than predicted in the merger prospectus.

Whilst there is a substantial risk of the global credit squeeze triggered by the US sub-prime housing slump causing a severe collapse in confidence, your Directors believe that the Company's portfolio is well constructed and contains many investments that are likely to perform well over the medium term.

#### Performance

The Company's NAV at 31 July 2007 was 97.91 pence, an increase of 4.8% during the six months period (6.9% after adjusting for the 2.00 pence per share dividend paid on 3 July). Over the same period, the All Share Index increased by 4.3% and the AIM Index increased by 11.4%, again reflecting the very strong performance from mining and resource shares in which VCTs are not permitted to invest. Your Directors closely monitor our performance against that of our peers, particularly other AIM VCTs that were launched at the same time. We believe the Company's performance compares very favourably to that of our peers. It is also pleasing to note that on a rolling 12 month basis the fund has increased in value by 19.7% whilst the All Share Index has increased by 12.9% and the AIM Index by 15.4%.

Shareholders who originally invested in the 'C' Share issue of the Singer & Friedlander AIM 3 VCT in April 2005, adjusted for the conversion ratio from December 2005, have seen a return of 19.7% whilst the AIM Index has returned 12.3%.

Shareholders who originally invested in Singer & Friedlander AIM 2 VCT (after allowing for dividend payments from that fund of 5.25 pence) have seen an effective decline in NAV of 16.3% since launch in April 2000. Over the same period, the AIM Index has fallen by 37.7%.

Shareholders who originally invested in Singer & Friedlander AIM VCT, launched in late 1998/early 1999 (after allowing for dividend payments from that fund of 32.4 pence and the relevant conversion ratio) have seen a decline of 20.5%.

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

#### Results and Dividends

The total return for the period was £2.81m or 5.99p per share (31 July 2006: loss £1.35m, loss per share 2.74p). Some £37,000 of this came from revenues with the balance of £2.78m coming from capital gains. Shareholders' funds increased to £44.77m (31 July 2006: £41.35m) primarily as a result in the underlying increase in value of the investment portfolio and cash but reduced by the impact of our share buy back programme and the dividend paid on 3 July. Cashflow was positive with a net inflow of £3.54m after funding the final dividend costing £0.95m and the repurchase of shares at £1.57m. The inflow largely resulted from asset sales during the first half. Our cash at the period end amounted to £4.25m.

The Company has not previously paid an interim dividend but given the significant capital profits realised during the period (detailed in the Portfolio commentary) and our substantial cash balances, your Board has decided to pay a dividend of 2.00 pence per share. The dividend is payable on 2 November 2007 to shareholders on the register on 5 October 2007.

## **Investment Strategy**

The objective of 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). Returns will be enhanced as a consequence of dividends and capital gains being free of tax for private investors.

## **Portfolio commentary and developments**

The portfolio continues to comply with the HM Revenue & Customs' criteria for VCT qualification and at the period end consisted of 71 companies; of these companies 65 are quoted on AIM, one is traded on the PLUS Markets platform, one is fully listed and the remaining four are currently unquoted. Unquoted investments now represent 6.9% of net assets whilst fixed interest investments and cash presently account for 23.2%.

As anticipated in the last Annual Report, the portfolio has benefited from several successful takeover bids resulting in significant cash proceeds of £5.5m being received during the period. In addition to these takeovers, which included Blooms of Bressingham, Oasis Healthcare and PM Group, we have actively taken profits in other successful investments. These other disposals have netted proceeds of a further £6.2m, including some £1.7m from Tanfield Group. Realised net capital gains on investments in the first half were in excess of £4.6m, enabling the interim dividend payment referred to previously.

We have, of course, reinvested part of these proceeds into additional VCT qualifying investments as well as funding our share buy back requirements. In fact during the period under review we have spent just over £3m on new and/or follow on fundraisings. Cash balances at the period end stood at over £4m.

## **Share Repurchases**

During the period, we repurchased 1,736,938 shares representing 3.7% of our issued share capital. These shares were bought at a 10% discount to the NAV prevailing at the time and on average the price paid was 90 pence, 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 AGM. These transactions are handled by our stockbroker, Teather & Greenwood.

## **Outlook**

Markets have been exceptionally volatile since mid July. Our strong cash balance provides some comfort against this background, but economic indicators remain relatively benign in the UK and it is to be hoped that these fundamentals assert themselves before too long and stability returns. As at 20 September 2007, the NAV per share was 94.00 pence. In the opinion of the Directors, the principal risks and uncertainties for the Company in the second half of the year and beyond are stock market related; the level of the NAV per share is dependent principally on market movements which, in the short term, are very difficult to predict.

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

**Singer & Friedlander AIM 3 VCT plc**

25 September 2007

## **Directors' Responsibility Statement**

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with applicable accounting standards in the United Kingdom, gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure and Transparency Rules ('DTR') 4.2.4R;
- (b) the report includes a fair review of the information required by DTR 4.2.7R; and
- (c) the report includes a fair review of the information required by DTR 4.2.8R

Christopher Moorsom  
Chairman

for and on behalf of the Board, the members of which are set out previously in the Board Review.

## **Independent review report to Singer & Friedlander AIM3 VCT plc**

### **Introduction**

We have been instructed by the Company to review the financial information for the six months ended 31 July 2007, which comprises the interim balance sheet as at 31 July 2007 and the related interim income statement, summarised cash flows and movements in shareholders' funds for the six months then ended and related notes. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The Half-yearly Report is the responsibility of, and has been approved by, the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This Half-yearly Report has been prepared in accordance with UK Generally Accepted Accounting Practice as set out in Note 1.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly, we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2007.

PricewaterhouseCoopers LLP

Chartered Accountants, London  
25 September 2007

## Summary Financial Information

### Unaudited Income Statement

	Note	Unaudited 6 months ended 31 July 2007			Unaudited 6 months ended 31 July 2006*			Audited Year ended 31 January 2007		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Net gains/(losses) on investments at fair value		-	3,177,731	3,177,731	-	(2,120,408)	(2,120,408)	-	2,731,638	2,731,638
Gain on acquisition and liquidation of subsidiaries (net of costs)		-	-	-	-	1,017,855	1,017,855	-	1,017,855	1,017,855
Income		335,127	-	335,127	303,985	-	303,985	556,956	-	556,956
<b>Administrative expenses</b>										
Investment management fees		(101,476)	(304,427)	(405,903)	(89,784)	(269,352)	(359,136)	(184,861)	(554,582)	(739,443)
Cost of share options	3	(32,361)	(97,084)	(129,445)	(13,896)	(41,686)	(55,582)	(39,794)	(119,383)	(159,177)
Other expenses		(164,087)	-	(164,087)	(133,320)	-	(133,320)	(338,198)	-	(338,198)
Total administrative expenses		(297,924)	(401,511)	(699,435)	(237,000)	(311,038)	(548,038)	(562,853)	(673,965)	(1,236,818)
<b>Return/(deficit) on ordinary activities before taxation</b>		<b>37,203</b>	<b>2,776,220</b>	<b>2,813,423</b>	<b>66,985</b>	<b>(1,413,591)</b>	<b>(1,346,606)</b>	<b>(5,897)</b>	<b>3,075,528</b>	<b>3,069,631</b>
Taxation on ordinary activities	4	-	-	-	-	-	-	-	-	-
<b>Return/(deficit) on ordinary activities after taxation</b>		<b>37,203</b>	<b>2,776,220</b>	<b>2,813,423</b>	<b>66,985</b>	<b>(1,413,591)</b>	<b>(1,346,606)</b>	<b>(5,897)</b>	<b>3,075,528</b>	<b>3,069,631</b>
Adjusted return per ordinary share	5	-	-	-	0.14p	(4.95)p	(4.81)p	(0.01)p	4.21p	4.20p
Return per ordinary share	5	0.08p	5.91p	5.99p	0.14p	(2.88)p	(2.74)p	(0.01)p	6.29p	6.28p

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

All revenue and capital items in the above statement derive from continuing operations. No operations were discontinued during the period.

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

These accounts are unaudited and are not the Company's statutory accounts. The accounts have been prepared using accounting standards and policies adopted at the previous year end.

\* The comparative information is in relation to the Company and differs to that presented in the Half-yearly Report for the period ended 31 July 2006, which was based on the Group. The subsidiary undertakings, Singer & Friedlander AIM VCT plc and Singer & Friedlander AIM 2 VCT plc passed into members voluntary liquidation on 23 November 2006 and were dissolved on 17 July 2007. Details of the changes to the comparative information are set out in Note 1.

## Unaudited Reconciliation of Movements in Shareholders' Funds

	Note	Called-up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve* £	Revenue reserve £	Total* £
<b>6 months ended 31 July 2007</b>										
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
Re-purchase and cancellation of ordinary shares		(86,847)	-	-	(1,572,553)	86,847	-	-	-	(1,572,553)
Cost of share options	3	-	-	-	-	-	129,445	-	-	129,445
Net return after taxation for the period		-	-	-	-	-	-	2,776,220	37,203	2,813,423
Capital dividend paid	6	-	-	-	-	-	-	(949,240)	-	(949,240)
<b>31 July 2007</b>		<b>2,286,252</b>	<b>2,954,794</b>	<b>16,492,539</b>	<b>19,724,424</b>	<b>450,176</b>	<b>288,622</b>	<b>2,658,619</b>	<b>(85,333)</b>	<b>44,770,093</b>
<b>Year ended 31 January 2007</b>										
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		(246,829)	-	-	(3,785,876)	246,829	-	-	-	(3,785,876)
Cost of share options	3	-	-	-	-	-	159,177	-	-	159,177
Net return/(deficit) after taxation for the year		-	-	-	-	-	-	3,075,528	(5,897)	3,069,631
<b>31 January 2007</b>		<b>2,373,099</b>	<b>2,954,794</b>	<b>16,492,539</b>	<b>21,296,977</b>	<b>363,329</b>	<b>159,177</b>	<b>831,639</b>	<b>(122,536)</b>	<b>44,349,018</b>
<b>6 months ended 31 July 2006</b>										
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	3	-	-	-	-	-	55,582	-	-	55,582
Net (deficit)/return after taxation for the period		-	-	-	-	-	-	(1,413,591)	66,985	(1,346,606)
<b>31 July 2006</b>		<b>2,469,349</b>	<b>2,954,794</b>	<b>16,492,539</b>	<b>22,814,337</b>	<b>267,079</b>	<b>55,582</b>	<b>(3,657,480)</b>	<b>(49,654)</b>	<b>41,346,546</b>

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

\* The comparative information is in relation to the Company and differs to that presented in the Half-yearly Report for the period ended 31 July 2006, which was based on the Group. The subsidiary undertakings, Singer & Friedlander AIM VCT plc and Singer & Friedlander AIM 2 VCT plc passed into members voluntary liquidation on 23 November 2006 and were dissolved on 17 July 2007. Details of the changes to the comparative information are set out in Note 1.

## Unaudited Balance Sheet

		Unaudited 31 July 2007 £	Unaudited 31 July 2006* £	Audited 31 January 2007 £
<b>Fixed assets</b>	<b>Note</b>			
Investments at fair value				
Qualifying investments		33,791,012	32,563,778	33,780,997
Fixed interest securities and other non-qualifying investments		7,322,082	8,828,276	9,733,785
Investment in subsidiary undertakings		-	2,068,358	-
		<u>41,113,094</u>	<u>43,460,412</u>	<u>43,514,782</u>
<b>Current assets</b>				
Debtors		57,994	720,893	458,894
Accrued interest on fixed interest securities		71,544	112,858	98,110
Cash at bank		4,254,057	233,508	716,918
		<u>4,383,595</u>	<u>1,067,259</u>	<u>1,273,922</u>
<b>Creditors: amounts falling due within one year</b>				
Other creditors and accruals		(726,596)	(3,181,125)	(439,686)
<b>Net current assets/(liabilities)</b>		<u>3,656,999</u>	<u>(2,113,866)</u>	<u>834,236</u>
<b>Total net assets</b>		<b><u>44,770,093</u></b>	<b><u>41,346,546</u></b>	<b><u>44,349,018</u></b>
<b>Capital &amp; reserves</b>				
Called-up share capital		2,286,252	2,469,349	2,373,099
Share premium account		2,954,794	2,954,794	2,954,794
Merger reserve		16,492,539	16,492,539	16,492,539
Special reserve		19,724,424	22,814,337	21,296,977
Capital redemption reserve		450,176	267,079	363,329
Share options reserve	3	288,622	55,582	159,177
Capital reserve – realised		5,254,539	1,802,675	1,985,278
Capital reserve – unrealised		(2,595,920)	(5,460,155)	(1,153,639)
Revenue reserve		(85,333)	(49,654)	(122,536)
<b>Equity shareholders' funds</b>		<b><u>44,770,093</u></b>	<b><u>41,346,546</u></b>	<b><u>44,349,018</u></b>
Net asset value per ordinary share	7	97.91p	83.72p	93.44p

During the period, the Company has purchased 1,736,938 ordinary shares for cancellation in accordance with the Company's share buy back policy.

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

\* The comparative information is in relation to the Company and differs to that presented in the Half-yearly Report for the period ended 31 July 2006, which was based on the Group. The subsidiary undertakings, Singer & Friedlander AIM VCT plc and Singer & Friedlander AIM 2 VCT plc passed into members voluntary liquidation on 23 November 2006 and were dissolved on 17 July 2007. Details of the changes to the comparative information are set out in Note 1.

## Unaudited Summarised Cash Flow Statement

		Unaudited 6 months ended 31 July 2007 £	Unaudited 6 months ended 31 July 2006 £	Audited Year ended 31 January 2007 £
Net cash outflow from operating activities	Note 8	(63,239)	(128,729)	(897,196)
Net cash inflow from capital expenditure and financial investment		6,124,495	1,887,812	4,824,584
Capital dividend paid		(949,240)	-	-
Net cash inflow before financing		5,112,016	1,759,083	3,927,388
Net cash outflow from financing		(1,574,877)	(1,938,010)	(3,622,905)
Net funds at the beginning of the period		716,918	412,435	412,435
<b>Net funds at end of the period</b>		<b>4,254,057</b>	<b>233,508</b>	<b>716,918</b>

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

## Notes to the Unaudited Financial Statements

The financial statements for the year ended 31 January 2007 have been audited whilst the results for the six months ended 31 July 2006 and 31 July 2007 are unaudited. Therefore the Half-yearly Report does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. The financial information for the year ended 31 January 2007 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. Basis of Preparation

The Half-yearly Report sets out the financial statements of the Company for the six months ended 31 July 2007, together with comparative financial information for the Company for the six months ended 31 July 2006 and for the year ended 31 January 2007 and has been prepared under UK Generally Accepted Accounting Practice.

At 31 July 2006, the Company had not completed the liquidation of Singer & Friedlander AIM VCT plc ("AIM") and Singer & Friedlander AIM2 VCT plc ("AIM2") and, accordingly, the 31 July 2006 Half-yearly Report of the Company was prepared on a consolidated basis incorporating the results and net assets of AIM and AIM2. As the Company is now presenting unconsolidated financial information, as it did in its annual financial statements for the year ended 31 January 2007, the comparative financial information has been presented on a comparable unconsolidated basis.

The effect of this change on the income statement for the six months ended 31 July 2006 has been to increase the reported capital return by £757,985, being the inclusion of a gain on acquisition and liquidation of investments in subsidiary companies of £1,017,855, an additional gain of £1,343 arising on investments held at fair value, less the elimination of negative goodwill released of £261,213, as previously recorded.

The effect of this change on the balance sheet as at 31 July 2006 has been to include £2,068,358 of investments in subsidiaries and £2,068,358 of amounts owing to subsidiaries and to eliminate a credit balance of £757,985 in respect of negative goodwill previously recorded and credit this amount to capital reserves.

### 2. 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 2007.

#### 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) 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.

### 3. Manager's option

In accordance with the arrangements agreed on the merger of the Company with Singer & Friedlander AIM VCT plc and Singer & Friedlander AIM 2 VCT plc, the Manager has 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 p.a. (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 Manager 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 £129,445 has been charged to the income statement in the period ended 31 July 2007, with a separate reserve being created in the balance sheet.

### 4. Taxation on ordinary activities

The tax charge for the half-year is nil (31 July 2006: nil, 31 January 2007: nil). This is based on an estimated effective tax rate of 0% for the year ending 31 January 2008. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as a Venture Capital Trust and there is expected to be an excess of management expenses over taxable income.

### 5. 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 £37,203 (31 July 2006: gain £66,985, 31 January 2007: loss £5,897) and on 46,988,423 (31 July 2006: 49,081,147, 31 January 2007: 48,906,148) 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 gain for the period of £2,776,220 (31 July 2006: loss £1,413,591, 31 January 2007: gain £3,075,528) and on 46,988,423 (31 July 2006: 49,081,147, 31 January 2007: 48,906,148) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Adjusted returns per share figures have been presented, for the period ended 31 July 2006 and the year ended 31 January 2007, 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 which is based on the net loss for the period ended 31 July 2006 of £2,431,446 and 49,081,147 ordinary shares, being the weighted average number of ordinary shares in issue during the period and the net gain for the year ended 31 January 2007 of £2,057,673 and 48,906,148 ordinary shares, being the weighted average number of ordinary shares in issue during the year.

### 6. Dividends in respect of equity shares

	<b>Unaudited 6 months ended 31 July 2007 £</b>	<b>Unaudited 6 months ended 31 July 2006 £</b>	<b>Audited Year ended 31 January 2007 £</b>
<b>Declared and paid</b>			
Relating to prior period:			
Final dividend of 2.00p (31 July 2006: 0.00p, 31 January 2007: 0.00p) per ordinary share	949,240	-	-
	<hr/> 949,240	<hr/> -	<hr/> -

The Directors are declaring the payment of an interim dividend of 2.00 pence per ordinary share (£914,501 based on 45,725,054 shares in issue at the date of this report) in respect of the period ended 31 July 2007. This dividend is payable on 2 November 2007 to shareholders on the register on 5 October 2007.

## 7. Net asset value per share

The net asset value per ordinary share at 31 July 2007 has been calculated by reference to net assets of £44,770,093 (31 July 2006: £41,346,546, 31 January 2007: £44,349,018) and 45,725,054 (31 July 2006: 49,386,992, 31 January 2007: 47,461,992) ordinary shares, being the number of ordinary shares in issue at the period end.

## 8. Reconciliation of net return/(deficit) before taxation to net cash outflow from operating activities

	Unaudited 6 months ended 31 July 2007 £	Unaudited 6 months ended 31 July 2006 £	Audited Year ended 31 January 2007 £
Net return/(deficit) before taxation	2,813,423	(1,346,606)	3,069,631
Net (gains)/losses on investments at fair value	(3,177,731)	2,120,408	(2,731,638)
Net gain on acquisition and liquidation of subsidiaries	-	(1,017,855)	(1,017,855)
Cost of share options	129,445	55,582	159,177
(Increase)/decrease in debtors	(17,610)	26,860	67,127
Increase/(decrease) in creditors and accruals	189,234	32,882	(443,638)
Net cash outflow from operating activities	(63,239)	(128,729)	(897,196)

## 9. Related party transactions

Under the terms of agreements dated 22 January 2001, the Company 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 below:

	Unaudited 6 months ended 31 July 2007 £	Unaudited 6 months ended 31 July 2006 £	Audited Year ended 31 January 2007 £
Investment management fee	345,449	305,648	629,313
Irrecoverable VAT thereon	60,454	53,488	110,130
	405,903	359,136	739,443
Company secretarial fees	7,500	7,343	14,844
Irrecoverable VAT thereon	1,312	1,285	2,598
	8,812	8,628	17,442
Total	414,715	367,764	756,885

Singer & Friedlander Investment Management Limited advise the Company on investments under the terms of the agreement. 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. The fee is allocated 75% to capital and 25% to revenue. At 31 July 2007, £274,407 (31 July 2006: £597,344, 31 January 2007: £66,336) including VAT of £40,869 (31 July 2006: £88,966, 31 January 2007: £9,880) was owed to the Manager.

**9. Related party transactions** *(continued)*

Singer & Friedlander Secretaries Limited performs Company secretarial duties for an annual fee of £17,625 (31 July 2006: £17,625, 31 January 2007 £17,625) including irrecoverable VAT of £2,625 (31 July 2006: £2,625, 31 January 2007 £2,625). At 31 July 2007, £17,625 (31 July 2006: £25,308, 31 January 2007: £8,813) including VAT of £2,625 (31 July 2006: £3,769, 31 January 2007: £1,313) was owed to Singer & Friedlander Secretaries Limited.

**Fixed Asset Investments**  
**Summary of Investments at 31 July 2007**  
**Ordinary Shares**

AIM Quoted Companies	Sector Analysis	Purchase cost £	Current valuation £	% of net assets by value
1st Dental Laboratories	Healthcare equipment & services	450,000	203,667	0.45
Aero Inventory	Aerospace & defence	1,289,924	1,912,425	4.27
Aquilo	Support services	1,448,018	177,950	0.40
AssetCo	Support services	370,835	866,033	1.93
ATA Group	Support services	220,375	202,344	0.68
Autoclenz Holdings	Support services	131,440	103,378	0.23
Avingtrans	Industrial engineering	443,333	419,166	0.94
BBI Holdings	Pharmaceuticals & biotechnology	239,708	855,554	1.91
Bright Things	Leisure goods	452,500	81,284	0.18
Cello Group	Media	257,625	333,563	0.75
Chromogenex	Healthcare equipment & services	13,875	10,499	0.02
Clerkenwell Ventures	General financial	190,489	169,296	0.38
CMS Webview	Media	401,674	14,018	0.03
Conder Environmental	Industrial engineering	385,241	199,016	0.44
Coolabi	Media	210,865	245,869	0.55
Debts.co.uk	General financial	500,000	453,571	1.01
Expansys	General retailers	449,500	501,813	1.12
First Artist Corporation	Media	704,265	607,376	1.36
Fountains	Support services	155,852	143,136	0.32
Fulcrum Pharma	Pharmaceuticals & biotechnology	379,532	209,237	0.47
Glisten	Food producers	220,000	1,122,688	2.51
Huveaux	Media	595,868	635,000	1.42
ID Data	Electronic & electrical equipment	1,089,736	520,002	1.16
Idox	Software & computer services	270,500	369,683	0.83
ILX Group	Support services	374,960	377,145	0.84
Imagesound	Media	92,188	143,750	0.32
Imprint	Support services	360,062	801,000	1.79
Individual Restaurant Company	Travel & leisure	143,145	263,668	0.59
Infonic	Software & computer services	1,195,327	562,156	1.26
Intelligent Environments Group	Software & computer services	116,123	388,721	0.87
Just Car Clinics Group	General retailers	95,865	260,103	0.58
Knowledge Technology Solutions	Media	191,362	122,316	0.27
Lo-Q	Travel & leisure	760,000	321,100	0.72
Mediwatch	Healthcare equipment & services	1,059,611	1,040,833	2.32
Mount Engineering	Industrial engineering	409,277	422,433	0.94
Music Copyright Solutions	Media	311,250	581,305	1.30
Neutrahealth	Food producers	279,470	316,351	0.71
Ovidia Investments	General financial	518,312	4,196	0.01
Petards Group	Support services	82,860	90,484	0.20
Playgolf Holdings	Travel & leisure	255,000	127,485	0.28
Prezzo	Travel & leisure	171,221	1,242,875	2.78
Pubs 'n' Bars	Travel & leisure	281,813	306,975	0.69
Quadnetics Group	Support services	341,381	450,399	1.01
Red Squared	Software & computer services	57,292	84,782	0.19
Revenue Assurance Services	General financial	297,500	485,625	1.08
Smallbone	Household goods	293,220	339,830	0.76
Symphony Plastic Technologies	General industrials	460,339	154,813	0.35
Synergy Healthcare	Healthcare equipment & services	297,267	1,759,100	3.93
Tanfield Group	Support services	286,214	1,900,250	4.24
Tasty	Travel & leisure	215,377	301,663	0.67
The Clapham House Group	Travel & leisure	395,992	1,210,108	2.70
The Food & Drink Group	Travel & leisure	18,662	34,476	0.08
The Real Good Food Company	Food producers	596,112	344,545	0.77
Thomson Intermedia	Media	729,005	391,279	0.87
Tikit Group	Software & computer services	400,000	1,169,565	2.61
Tissue Science Laboratories	Healthcare equipment & services	706,267	411,804	0.92
TripleArc	Support services	84,814	123,932	0.28
UBC Media Group	Media	663,754	241,910	0.54
Vianet Group	Technology hardware & equipment	969,989	882,103	1.97
Xpertise Group	Support services	573,508	430,324	0.96
Xploite (formerly Fujin Technology)	Software & computer services	217,758	140,361	0.31
Zytronic	Electronic & electrical equipment	610,958	459,832	1.03
		<b>25,784,410</b>	<b>29,146,165</b>	<b>65.10</b>

		Purchase	Current	% of
	Sector Analysis	cost	valuation	net assets
		£	£	by value
<b>Fully listed companies</b>				
Connaught	Support services	421,685	759,371	1.69
		<b>421,685</b>	<b>759,371</b>	<b>1.69</b>
<b>PLUS Markets traded companies</b>				
Award International Holdings	General financial	209,990	4,725	0.01
		<b>209,990</b>	<b>4,725</b>	<b>0.01</b>
<b>Private companies</b>				
Flexbenefits	Software & computer services	681,828	757,125	1.69
Lilestone Holdings	General retailers	798,175	504,166	1.13
Sportsweb.com	Support services	352,128	352,128	0.79
U4EA	Technology hardware & equipment	399,126	60,337	0.13
U4EA (Preference Shares)	Technology hardware & equipment	1,403,995	1,406,995	3.14
U4EA Loan Stock	Technology hardware & equipment	500,000	500,000	1.12
		<b>4,135,252</b>	<b>3,580,751</b>	<b>8.00</b>
<b>Other qualifying investments</b>				
Lilestone Holdings Loan Stock	General retailers	100,000	100,000	0.22
Xpertise Group Loan Stock	Support services	200,000	200,000	0.45
		<b>300,000</b>	<b>300,000</b>	<b>0.67</b>
<b>UK Government loans</b>				
Treasury 4.75% Stock 7/6/2010		1,980,672	1,960,780	4.38
Treasury 4.25% Stock 7/3/2011		1,940,103	1,918,580	4.29
Treasury 4% Stock 7/3/2009		1,485,650	1,464,885	3.27
		<b>5,406,425</b>	<b>5,344,245</b>	<b>11.94</b>
<b>Other non qualifying investments</b>				
Aquilo	Support services	403,879	49,633	0.11
Cardpoint	Support services	645,994	1,121,823	2.51
Formation Group	Media	504,173	695,814	1.55
The Food & Drink Group	Travel & leisure	59,851	110,567	0.25
		<b>1,613,897</b>	<b>1,977,837</b>	<b>4.42</b>
<b>Investments held at nil valuation*</b>				
Adval Group	Support services	287,265	-	-
Camaxys Group (suspended)	Software & computer services	254,825	-	-
Coinmaster Gaming	Travel & leisure	350,000	-	-
Disperse Group	Personal goods	315,104	-	-
Flying Scotsman	Travel & leisure	400,800	-	-
Global Money Transfer (Loan Notes)	Speciality & other finance	300,000	-	-
Inter Link Foods	Food producers	629,000	-	-
Laminate Flooring	General retailers	450,000	-	-
Medal Entertainment & Media	Media	653,679	-	-
Monotub Industries (suspended)	Household goods	260,000	-	-
Recycled Waste	Support services	374,994	-	-
Ringprop	Industrial engineering	366,999	-	-
Stanhope Telecom	Telecommunications	500,000	-	-
Torex Retail (suspended)	Software & computer services	694,691	-	-
		<b>5,837,357</b>	-	-
		<b>43,709,016</b>	<b>41,113,094</b>	<b>91.83</b>

\* These companies are in liquidation or their shares suspended from trading and the Directors consider it appropriate to value them at zero. With the exception of Global Money Transfer and Medal Entertainment & Media (purchase cost £51,170), 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.

<b>Summary</b>	<b>Purchase cost £</b>	<b>Current valuation £</b>	<b>% of net assets by value</b>
Total qualifying portfolio	30,851,337	33,791,012	75.47
Fixed interest/non-qualifying portfolio	7,020,322	7,322,082	16.36
Investments held at nil valuation	5,837,357	-	-
<b>Sub-total</b>	<b>43,709,016</b>	<b>41,113,094</b>	<b>91.83</b>
Net current assets	-	3,656,999	8.17
<b>Total</b>	<b>43,709,016</b>	<b>44,770,093</b>	<b>100.00</b>

**Directors**

C J L Moorsom  
J D Hambro  
M S Killingley  
D M Page  
D M D A Wheatley

**Singer & Friedlander AIM 3 VCT plc**

Registered in England & Wales No. 4138683  
Registered office  
One Hanover Street  
London W1S 1AX

**Secretary**

Singer & Friedlander Secretaries Limited  
One Hanover Street  
London W1S 1AX  
Tel: 0203 205 5900

**Manager**

Singer & Friedlander Investment Management Limited  
(Authorised and regulated by the Financial Services Authority)  
One Hanover Street  
London W1S 1AX

E-mail: [info@sfim.co.uk](mailto:info@sfim.co.uk)  
Website: [www.sfim.co.uk](http://www.sfim.co.uk)

**Registrar**

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

Website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

**Auditors**

PricewaterhouseCoopers LLP  
Hays Galleria  
1 Hays Lane  
London  
SE1 2RD