

To Shareholders in
Singer & Friedlander AIM 3 VCT Plc

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Report on the S & F AIM 3 VCT Annual General Meeting on 27/6/2005

Dear Shareholder,

Firstly let me thank all those shareholders who submitted proxy voting forms for Singer & Friedlander AIM 3 VCT Annual General Meeting. Unfortunately only a few shareholders attended the meeting in person (although this was certainly more than last year).

The meeting commenced by me putting a summary of our main points to the board, which were:

1. As the total return (income plus capital gains) of the company over the last three years had averaged about 3% per annum, when total expenses were 2.8% per annum, as a result the profits for shareholders had been negligible. Effectively most of the profits had ended up in the hands of Singer & Friedlander or other parties. However, I pointed out that I was not criticising the fund management as such (S&F AIM 3 VCT is achieving comparable returns to other AIM VCTs, and at least has generated a small positive return unlike the other S&F AIM VCTs).
2. I made the point that the audit fees of £19,975 plus other fees payable to the auditors (PWC) of over £24,000 were in my view ridiculous for the size of the company, particularly when verifying the holdings and values of AIM investments should not be difficult.
3. I pointed out that the director's remuneration had increased substantially last year and it appeared that it would exceed the UKSA guidelines of no more than £50,000 per annum in total for a VCT, going forward.

I therefore asked three questions:

4. What anticipated returns from AIM investments do they expect over the next few years, as clearly if returns were no better over the next four years than they had been over the last four, then the return to shareholders would again be negligible. The Chairman refused to provide any guidance on this issue.
5. What does the board intend to do about the auditor's fees? The Chairman indicated that this was being examined, and some small, negotiated reduction was likely.
6. What will be the impact of IFRS on the Net Asset Value (NAV). The Chairman pointed out that the Annual Report contains this figure on page 36 - a reduction of 2.8%.
7. What does the board plan to do so that performance going forward gives a reasonable return to shareholders? There was no clear answer on this point.

As there was no clear commitment from the board to make substantial changes that will have any impact on the cost structure of the company, I recommended that people attending the meeting voted against some of the resolutions, and called a poll (there was no "show of hands" vote). On behalf of those people who gave me proxies without guidance as to how I should vote, I used those proxies to vote against resolutions 2, 5, 6, 7, and 8.

The results of the poll on all resolutions were as follows, as declared by the company after the meeting:

Resolution	For	%	Against	%	Withheld	%	Total
1. Approval of the Report & Accounts	2,834,920	100	10,000	0	0	0	2,844,920
2. Approval of Directors Remuneration	1,845,450	65	994,470	35	5,000	0	2,844,920
3. Dividend declaration	2,839,920	100	5,000	0	0	0	2,844,920
4. Re-Election of Mr A.N.Banks	2,057,294	72	359,225	13	428,401	15	2,844,920
5. Re-Election of J.M. Edelson	1,850,450	65	989,470	35	5000	0	2,844,920
6. Election of D.M. Page	1,845,450	65	994,470	35	5000	0	2,844,920
7. Election of D.M.D.A. Wheatley	1,840,375	65	999,545	35	5000	0	2,844,920
8. Reappointment of PWC as Auditors	1,773,225	62	1,071,695	38	0	0	2,844,920
9. Authorisation of Share Purchases	2,834,845	100	10,075	0	0	0	2,844,920

According to the Annual Report, the issued share capital is 31,520,860 shares, so the overall turnout was about 9%, which is obviously a relatively low number although higher than is normal for most proxy votes at VCTs. It is also worth pointing out that UKSA only asked for proxy votes from the shareholders who had previously responded to our initial letter, plus a few larger shareholders. In total these only represented about 10% of the shareholders, yet we still managed to obtain more than 35% of the votes on some of the key resolutions.

There is no doubt that our proportion of the votes clearly demonstrates major concerns among many shareholders about the way this company is operated.

It will therefore clearly be worth our while to promote our arguments more widely to the shareholders in this company prior to the next AGM if no action is taken by the board on the concerns we have raised in the meantime. And it will also justify further action at the other Singer & Friedlander AIM VCTs where the fund performance is much worse than at this company.

Yours sincerely

Roger Lawson
Communications Director