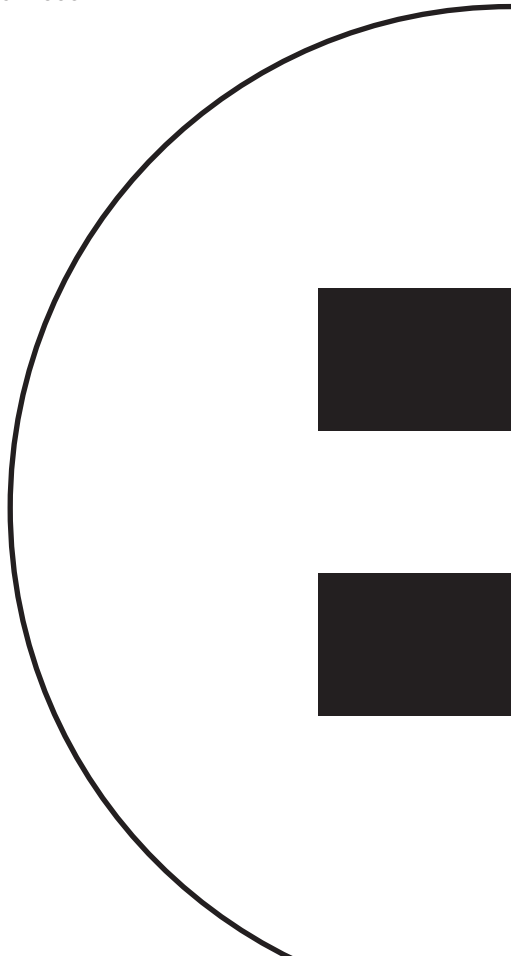




Electra Kingsway VCT 3

Newsletter

October 2006



Objective

The Company's objective is to maximise tax free income to shareholders from dividends and capital distributions. This will be achieved by investing in a portfolio of qualifying investments and in funds managed by Electra Partners.

Investment Strategy

The Company will seek to invest in a diversified portfolio of unquoted and AIM listed companies. Unquoted investments will typically be in companies that intend to float on a market within a two year period or those that have a well developed growth and cash generation strategy. Investments in start-up companies where levels of risk are unacceptably high, in particular the technology sector, will generally be avoided.

Investment Summary as at 30 September 2006

		Cost
February 2006	Electra Private Equity	£5.15m
March 2006	Jelf Group	£0.25m
April 2006	Electra Active Management	£0.5m
June 2006	Munro Global	£0.88m
June 2006	Worthington Nicholls	£1.00m
September 2006	Find Portal	£1.15m
		<hr/>
		£8.93m

Important Notice

The financial information in the Newsletter is unaudited and does not compromise the statutory accounts. The only purpose of this Newsletter is to provide information to existing shareholders of Electra Kingsway VCT 3 Plc. This Newsletter does not constitute or form any part of an offer or invitation to subscribe for or dispose of securities, nor shall this Newsletter form the basis of or be relied upon in connection with any contract. Investors are strongly advised to seek independent professional advice when considering an investment in a Venture Capital Trust ('VCT').

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Shareholder Information

Shareholder Communications

Shareholder communications including Newsletters are available on the Investment Manager's website www.electraquoted.com.

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References in this Newsletter to Electra Kingsway VCT 3 Plc have been abbreviated to 'the Company' or 'the Fund'. References to Electra Partners Group Limited and its subsidiaries, including the Investment Manager, Electra Quoted Management Limited, have been abbreviated to Electra Partners.

Investment Review

On 23rd June 2006, we were pleased to welcome Shareholders and make our maiden interim announcement. You may recall that we had closed the fundraising for the Fund on 5th April 2006 and had raised £35 million. At that time, we were able to announce to Shareholders that we had already made one qualifying investment in Jelf Group plc (www.jelfgroup.plc). We are now delighted to report that the Fund has made three subsequent investments in Find Portal, Munro Global and Worthington Nicholls. We describe the new investments in this newsletter. In each case, the Fund has invested alongside its sister fund, Electra Kingsway VCT 2 Plc. The investments bring the total cost of qualifying investments to £3.3 million. We are currently working on a number of potential investments and hope to report on these to you in due course.

We are also pleased to announce that we are welcoming Antony Fraser and Michael Kennedy to the investment team. Antony was formerly responsible for building up the Ingenious Ventures fund and has strong experience in unquoted investments and, in particular, the media and consumer sectors. Michael is joining the investment team from Yorkshire Fund Managers where he too has been responsible for investing in unquoted companies across a number of sectors. We believe that our team is well placed to meet our investment goals.

As our year ended on 30 September 2006, we anticipate announcing the Fund's results by the end of this year. We also anticipate dispatching the Fund's audited accounts to you in January.

October 2006

Worthington Nicholls

Founded in 1973, Worthington Nicholls Group plc (www.worthington-nicholls.co.uk) installs and maintains air conditioning units in the UK hotel and retail markets. The Company successfully floated on AIM in June 2006, raising £7.5 million of new money to fund acquisitions and £12.5 million of replacement capital to reduce the founding family's holding. The shares were placed at 50p per share.

Soon after its flotation, the Company announced the acquisition of Project Air, a specialist installer of air conditioning systems to the retail sector.



The estimated turnover of the Company is £25 million for the year ending September 2006. Given the timing of its recent acquisition, its full impact will only be seen in the year ending September 2007. Due to the shortage of qualified air conditioning providers, the Company had already contracted an estimated 100% and 50% respectively of its 2006 and 2007 turnover at flotation.

The future of the Company is linked to European Union legislation enforcing air conditioning standards and the age of the UK's hotel and retail estate. The likely impact of global warming will serve to accentuate the market's growth.

On flotation, the Fund invested £1,000,000 with Electra Kingsway VCT 2 Plc investing a further £1,000,000. The two funds each hold 3% respectively of Worthington Nicholls.

worthington nicholls group plc



Founded in 1972, FDS Market Research Holdings Limited (the 'FDS Group') owns two trading companies providing market research services in the UK. FDS (www.fds.co.uk) is a leader in customer satisfaction benchmarking and mystery shopping research, whilst the other trading company, Acefieldwork is one of the UK's Top 25 agencies and it provides fieldwork both in support of FDS and for other market research companies. The FDS Group has offices in London and Newcastle.

In June 2006, a new experienced management team, Charlotte Cornish and Richard Hepburn, acquired the FDS Group from the retiring founder. Charlotte is a highly experienced quantitative and qualitative researcher, who will take control of the day-to-day running of all aspects of the core research activities for FDS. Her most



recent previous role was as Managing Director of The Future Foundation. Richard will provide commercial leadership for the business, overseeing financial performance and promoting new initiatives to grow the Munro Global portfolio of businesses, both organically and through further acquisitions. The acquisition was made through a newco called Munro Global (www.munroglobal.net) which will form the platform for a "buy and build" strategy. For the year ended February 2006, the FDS Group's sales were in excess of £6 million.

The Fund supported the acquisition and invested £875,000 alongside Electra Kingsway VCT 2 Plc which also invested £875,000. Each fund holds a stake of 24.95% respectively of Munro Global.

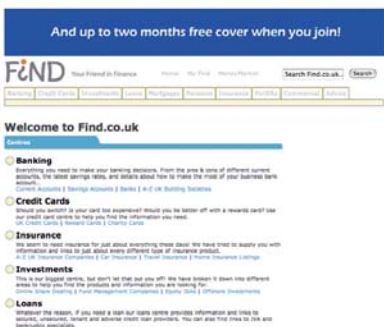


Find Portal

In May 2005, Electra Kingsway VCT Plc and Electra Kingsway VCT 2 Plc each invested £1,000,000 in Find Portal Limited to support the acquisition of Omnium Communications Limited, the owner of a leading consumer finance portal, www.find.co.uk. Since the acquisition, the Management has restructured Find Portal and completely renewed the technology of the site in order to enhance the website's ability to compete and service its customers, the financial product providers who advertise on the site. To enhance its brand recognition and gain higher search rankings Find Portal has more recently sought to increase the level of unique content found on the site.

As part of that strategy, as well as providing a stable stream of subscription income, Find Portal announced in September 2006 the acquisition of Independent Research Group ("IRG"), owner of Defaqto (www.defaqto.com), a leading independent product research business that originates, evaluates and distributes a vast array of data to the UK financial services industry. For the year ended 31st December 2005, IRG reported revenues of over £4 million.

To fund the acquisition and increase working capital Find Portal raised £6 million from existing shareholder groups. The Fund invested £1,150,000 alongside Electra Kingsway VCT 2 Plc, which also invested £1,150,000. After this round, Electra Kingsway VCT Plc, Electra Kingsway VCT 2 Plc and Electra Kingsway VCT 3 Plc hold 9.48%, 17.28% and 8.54% of Find Portal respectively.







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