

Artemis AiM VCT plc Interim Report

for the six months ended 31 July 2006



ARTEMIS
The PROFIT Hunter

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Company and Performance Summary

Investment Objective and Policy

The objective is to achieve long-term capital and income growth and to generate tax-free capital and income distributions through an investment policy focusing on companies to be traded on the Alternative Investment Market of the London Stock Exchange plc (“AIM”) and, to a lesser extent, companies traded on the OFEX trading facility operated by OFEX plc or its successors and unquoted companies with flexibility to invest in other assets for no more than 30 per cent of the Company’s funds. The Company is managed as a venture capital trust (“VCT”) in order that the shareholders in the Company may benefit from the potentially substantial tax reliefs available.

The policy is that at least 70 per cent of the Company’s funds are invested in qualifying holdings (within three years of such funds being raised) in a spread of AIM, OFEX traded and unquoted companies with the majority of the holdings comprising AIM-traded stocks. Subject to maintaining a prudent margin of safety over the 70 per cent level, the balance of the Company’s funds may be invested in liquid assets (such as cash or short-term money market deposits), fixed interest securities, smaller companies listed on the Official List of the UK’s Listing Authority and traded on London Stock Exchange plc’s market for listed securities, the market capitalisations of which meet the criteria of the Hoare Govett Smaller Companies Index (excluding investment companies), as well as AIM and OFEX-traded and unquoted companies.

Performance Summary

	As at 31 July 2006	As at 31 July 2005	As at 31 January 2006
Capital values			
Net asset value per ordinary share	88.19p*	99.70p	94.85p*
Cumulative dividends paid	5.85p	0.85p	0.85p
Share price	78.50p	88.50p	85.00p
Discount	11.0%	11.2%	10.4%
FTSE AIM Index	1,046.20	1,054.00	1,139.50
Net assets	£39.37m	£47.55m	£43.86m

*In accordance with current accounting standards the net asset value at 31 January 2006 did not include the proposed dividend of 5p per ordinary share as it had not been approved for payment at that date. The dividend was subsequently approved and paid, and the net asset value at 31 July 2006 reflects this.

	Six months ended 31 July 2006	Six months ended 31 July 2005	Year ended 31 January 2006
Returns			
Revenue loss per share	(0.08p)	(0.41p)	(0.50p)
Capital loss per share	(1.85p)	(9.09p)	(14.20p)
Total loss per share	(1.93p)	(9.50p)	(14.70p)

Capital Structure

The capital structure of the Company as at 31 July 2006 consisted of 44,646,878 shares of 10p each.

Chairman's Statement

Introduction

One of the most notable features of the UK equity markets over the recent past has been the way in which smaller companies' share prices have underperformed those of their larger brethren. Indeed while the FTSE All-Share Index climbed by 4.5* per cent in the six months ended 31 July 2006, the FTSE AIM Index fell 7.9* per cent and the FTSE Fledgling Index (excluding investment trusts) fell by 4.8* per cent. Our VCT, which in order to retain its tax benefits must invest overwhelmingly in smaller UK businesses, has not been immune to this phenomenon, and in the same period the net asset value per share has declined by 1.6* per cent.

Performance

Since inception our net asset value has declined by 0.9* per cent while the FTSE AIM Index has declined by 22.5* per cent. Net asset value plus dividends paid up to 31 July 2006 total 94.04p for every 100p originally invested. The out-performance of this index gives us no great satisfaction, as both the Board and the Investment Manager look to absolute returns for shareholders rather than comparative stability against a weakening sector. Having said that, we continue to believe that a sound portfolio of interesting businesses has been assembled, and that long term returns will follow.

As an example of this, of which more details will be given in the Investment Manager's report, two of our investments passed satisfactory milestones in the period. In May 2006 Bridgewell Group, in which we had invested £977,000 (£750,000 in August 2003 and £227,000 in October 2005), obtained a listing on AIM and the Company took advantage of this to fully realise the holding at a profit of £102,000. In July 2006, our holding in Neutec Pharma, which had cost £453,000 in February 2002 and was valued in our balance sheet at £788,000 on 31 January 2006, was disposed for a total consideration of £2,245,000. These events may serve as indications that while valuations on the AIM market, in which over 78 per cent of our assets are held, may not be generous, our patience may be rewarded in the long term through growth in the underlying businesses and, ultimately by profitable realisations.

Investment

As previously noted, we have moved into a stage of relative maturity in which the majority of our funds are already invested and the 70 per cent threshold of qualifying investments necessary to maintain our VCT status has been comfortably exceeded; 78 per cent met the qualifying criteria at 31 July 2006. Nevertheless in the period under review our Investment Manager did invest a further £1,284,000 in 3 new qualifying holdings and 5 follow-on investments. At 31 July 2006 only 8.5 per cent of net assets remained in unit trusts and other liquid assets.

Share Issues and Buybacks

No new shares were issued in the period. In the absence of any satisfactory secondary market for VCT shares, and in accordance with our previously declared policy, the Company continued to buy back those shares that were offered through market makers at a discount of approximately 10 per cent to net asset value. In the period we repurchased and cancelled 1,590,000 shares at an aggregate cost of £1,354,000. This resulted in an accretion of value to remaining shareholders of approximately 0.32p per share.

*Source: Artemis Investment Management/Datastream (total return).

Chairman's Statement continued

Dividend

As shareholders are aware, a capital dividend of 5p per share was paid on 7 July 2006. This related to the year ended 31 January 2006 and represented a distribution of substantially all the realised capital gains for that year. As stated previously, it is the Board's intention to make such distributions of capital where possible and the position will be considered following the Company's year end at 31 January 2007, in light of the gains realised for the year.

Outlook

While always anxious for better returns for shareholders, your Board believes performance to date to have been satisfactory and is optimistic that our portfolio of investments will offer sound value in the medium and long term.

Robin Field
Chairman

26 September 2006

Investment Manager's Review

Performance

In the six months ended 31 July 2006 the net asset value of the Company decreased by 1.6* per cent, compared to a fall of 7.9* per cent in the FTSE AIM Index. Since launch the net asset value of the Company has decreased by 0.9* per cent, compared to a fall of 22.5* per cent in the FTSE AIM Index over the same period.

The performance of the last six months should be set in the context of a particularly difficult market for micro cap stocks. Institutional investor interest in this sub sector of the market has been weak, with the superior liquidity of large cap stocks proving more attractive during this time of higher economic uncertainty. This lack of buying interest has meant relatively small sell orders have had a disproportionate effect on many stock prices, and the Company has not been immune to this impact. As Managers we believe a number of the price falls are over done, however, it is also the case that these anomalies can persist for some time before a catalyst appears to provoke a re-rating.

Investment Activity

Within the portfolio, the success story of the period has been Neutec Pharma which contributed an uplift of over 3 per cent to the net asset value. Neutec is a biotech company specialising in the development of antibody fragments for the treatment of life threatening infections. The company's lead products, Mycograb and Aurograb, both target the ever growing problem of hospital acquired infections, and there is a good platform of earlier stage products. The Company has held this investment since its float in 2002 and the strong progress of the last few years was recognised in June when Novartis tabled an agreed £305 million bid, representing an uplift of five times the original investment cost. The bid also represented an uplift of over 100 per cent to the price that existed before the announcement of the offer, highlighting that with earlier stage companies the stock market can fail to recognise the value being accrued through commercial progress.

Another strong positive contributor in the period has been Synergy Healthcare, which has now grown into one of the leading providers of support services to the UK and Dutch healthcare markets. The group now provides decontamination services to fifteen facilities in the UK, annually processing around 40 million instruments. The current order book of £600 million includes recent contract wins under the Government's far reaching overhaul of sterilisation services in England & Wales, and this helped underpin the strong performance of the shares in the period. The listing on AIM of Bridgewell Group, the UK investment bank and stockbroker, also provided an uplift to net asset value, and the opportunity was taken to realise profits on this investment through a full disposal of the holding. This company had previously been held within the unquoted portfolio.

The major underperformer in the period was Amino Technologies, a platform supplier of IPTV products that enable telecommunication companies to supply data, voice and video-on-demand services over their networks. Operationally the company has made solid enough progress, but profit expectations in the market were badly mismanaged and additionally Tier 1 and Tier 2 telecoms companies have been slower to deploy networks than market commentators anticipated, leading to downgrades. The stock will require positive newsflow, particularly on the progress of licensing the technology, to allow share price momentum to be regained.

*Source: Artemis Investment Management/Datastream (total return).

Investment Manager's Review continued

As the Company is almost fully invested, purchases in the period have been at a slower pace than has previously been the case. The largest new investment was Ilika Technologies, an unquoted company which plans to float within the next 18 months. The company has developed proprietary technology that materially accelerates the development of novel materials for the energy, electronics and biomedical markets, and while at an early stage, is already generating revenue from an impressive blue chip client list. Progress on any one of a number of current developments should see a material uplift to the cost of this investment.

The holdings in Adventis and Media Square, together with the majority of Coal International were profitably realised in the period. Taken together with the disposal of Neutec Pharma and Bridgewell Group, all disposals in the period realised gains of £2.2 million.

Outlook

The Company will continue to seek out new investment opportunities, on a selective basis, and realise cash from existing investments as appropriate opportunities arise. The portfolio as it matures, is demonstrating expected characteristics with 25 companies representing in excess of 70 per cent of the total investment portfolio valuation. We believe these companies, and a number of other investments which are still maturing within the portfolio, continue to offer attractive growth potential.

Lindsay Whitelaw
Artemis Investment Management Limited

26 September 2006

Top 10 Investments*

As at 31 July 2006

Company	Cost £'000	Valuation £'000	Valuation as % of net assets	Business description
Synergy Healthcare	1,018	3,185	8.1	Synergy Healthcare is a specialist provider of medical support services to the UK healthcare market.
Glisten	1,048	3,085	7.8	Glisten is a manufacturer of chocolate and sugar based confectionery.
Huveaux	1,000	1,593	4.1	Huveaux is a media and publishing group.
Smallbone	900	1,575	4.0	Smallbone is a kitchen and furniture designer and installer.
Eurovestech	500	1,568	4.0	Eurovestech is a pan European development capital fund focussed on high technology enterprises.
Imprint	529	1,485	3.8	Imprint is a recruitment consultancy group.
Offshore Hydrocarbon Mapping	350	1,376	3.5	Offshore Hydrocarbon Mapping is a leader in the use of electromagnetic sounding.
Amino Technologies	650	1,192	3.0	Amino Technologies is a broadband network software and systems manufacturer.
Medal Entertainment & Media	867	916	2.3	Medal Entertainment and Media produces and distributes programmes for television and other home entertainment.
Colliers CRE	450	893	2.3	Colliers CRE is a leading real estate advisor.
Total	7,312	16,868	42.9	

*Excluding unit trust investments which are held for liquidity purposes.

Investment Portfolio

As at 31 July 2006

Company	Sector	Cost £'000	Valuation £'000	% of net assets
AIM Listed				
1st Dental Laboratories	Health Care Equipment & Services	500	279	0.7
Advanced Medical Solutions Group	Health Care Equipment & Services	500	588	1.5
Aero Inventory#	Aerospace & Defence	11	16	–
Amino Technologies#	Technology Hardware & Equipment	650	1,192	3.0
Andor Technology	Electronic & Electrical Equipment	400	361	0.9
Asfare Group	Industrial Engineering	280	254	0.7
Avionic Services	Industrial Transportation	760	–	–
Bankers Petroleum*	Oil & Gas Producers	291	213	0.5
Bridgewell Group	General Financial	576	688	1.7
Coal International*	Mining	75	57	0.2
Cobra Bio-Manufacturing	Pharmaceuticals & Biotechnology	219	129	0.3
Colliers CRE	Real Estate	450	893	2.3
Dream Direct Group	General Retailers	550	223	0.6
EBT Mobile China#	General Retailers	386	226	0.6
Empire Interactive	Software & Computer Services	500	49	0.2
Eurogold*	Mining	408	153	0.4
Eurovestech*	General Financial	500	1,568	4.0
Ffastfill#	Software & Computer Services	749	374	0.9
Frontier Mining	Mining	190	158	0.4
Fulcrum Pharma	Pharmaceuticals & Biotechnology	374	122	0.3
Gasol*#	Oil & Gas Producers	125	275	0.7
Glisten	Food Producers	1,048	3,085	7.8
Goindustry#	Support Services	300	480	1.2
Hallin Marine Subsea International*	Oil Equipment, Services & Distribution	800	872	2.2
Huveaux	Media	1,000	1,593	4.1
ID Data	Electronic & Electrical Equipment	711	230	0.6
Imprint	Support Services	529	1,485	3.8
Lighthouse Group	General Financial	549	158	0.4
Maelor	Health Care Equipment & Services	183	44	0.1
Medal Entertainment & Media	General Financial	867	916	2.3
Medical House (The)	Health Care Equipment & Services	500	320	0.8
Mission Marketing Group#	Media	250	251	0.6
Neutrahealth#	Food & Drug Retailers	215	269	0.7
Offshore Hydrocarbon Mapping#	Oil Equipment, Services & Distribution	350	1,376	3.5
Oneclick HR	Software & Computer Services	750	581	1.5
Oriel Resources*#	Mining	30	16	–
PM Group	Support Services	300	734	1.9
Portrait Software#	Software & Computer Services	1,000	367	0.9
Quadnetics Group#	Support Services	700	560	1.4
Rurelec*	Electricity	750	755	1.9
Sectorguard	Support Services	250	531	1.3
Smallbone	Household Goods	900	1,575	4.0
Strathdon Investment*	Equity Investment Instruments	492	379	1.0
Surface Transforms	Industrial Engineering	655	107	0.3
Symphony Plastic Technologies	General Industrials	491	192	0.5
Synaigen#	Pharmaceuticals & Biotechnology	494	404	1.0
Synergy Healthcare#	Health Care Equipment & Services	1,018	3,185	8.1
Synigence#	General Financial	414	1	–
Tanfield Group	Support Services	500	77	0.2
Tepnel Life Sciences	Pharmaceuticals & Biotechnology	729	348	0.9

Investment Portfolio continued

As at 31 July 2006

Company	Sector	Cost £'000	Valuation £'000	% of net assets
Tissue Science Laboratories	Health Care Equipment & Services	496	441	1.1
Top Ten Holdings	Travel & Leisure	371	446	1.1
TripleArc	Support Services	500	50	0.1
UBC Media Group	Media	410	293	0.7
VI Group	Software & Computer Services	500	203	0.5
Vitesse Media	Media	700	678	1.7
Zoo Digital Group	Software & Computer Services	299	140	0.4
		28,545	30,960	78.4
UK Listed				
Armor Group*	Support Services	598	305	0.8
Trafficmaster	Automobiles & Parts	988	73	0.2
		1,586	378	1.0
OFEX Traded				
FSG Security	Support Services	950	584	1.5
Coinmaster Gaming	Media	250	-	-
		1,200	584	1.5
Other				
Capsant Neurotechnologies	Pharmaceuticals & Biotechnology	100	100	0.3
Connectus Direct Solutions*#	Support Services	272	148	0.4
Digit (Online)	General Retailers	450	-	-
E-Point Group	Electronic & Electronic Equipment	600	-	-
Ilika Technologies#	Chemicals	475	475	1.2
iQur#	Pharmaceuticals & Biotechnology	300	429	1.1
McLaren	Electronic & Electronic Equipment	658	408	1.0
Nanotecture	Pharmaceuticals & Biotechnology	375	375	1.0
Signature Brands Group	General Retailers	650	325	0.8
Sphere Medical Holdings	Pharmaceuticals & Biotechnology	500	596	1.5
The Capital Pub	Travel & Leisure	500	523	1.3
Vienco Oil & Gas#	Oil Equipment, Services & Distribution	650	650	1.7
Zyentia	Pharmaceuticals & Biotechnology	100	100	0.3
		5,630	4,129	10.6
Unit Trusts				
Artemis Income Fund*		341	455	1.2
Artemis UK Smaller Companies Fund*		370	673	1.7
Artemis UK Growth Fund*		140	201	0.5
Artemis UK Special Situations Fund*		582	923	2.4
		1,433	2,252	5.8
Net current assets		1,072	1,072	2.7
Net assets		39,466	39,375	100.0

* Non-qualifying investment for VCT purposes.

Other funds managed by members of the Artemis Investment Management group also hold this investment.

Sector Analysis of Investments

As at 31 July 2006

	% of investment portfolio 31 July 2006	% of investment portfolio 31 January 2006
Support Services	13.7	14.1
Health Care Equipment & Services	13.5	11.3
General Financial	9.2	8.7
Food Producers	8.5	8.0
Oil Equipment, Services & Distribution	8.1	6.3
Media	7.9	8.6
Pharmaceuticals & Biotechnology	7.2	8.4
Software & Computer Services	4.6	5.3
Household Goods	4.4	3.1
Technology Hardware & Equipment	3.3	6.1
Electronic & Electrical Equipment	2.8	3.4
Travel & Leisure	2.6	2.4
Real Estate	2.5	1.9
General Retailers	2.3	2.2
Electricity	2.1	2.3
Oil & Gas Producers	1.3	1.6
Chemicals	1.3	–
Equity Investment Instruments	1.1	2.1
Industrial Engineering	1.1	0.9
Mining	1.0	2.0
Food & Drug Retailers	0.8	0.6
General Industrials	0.5	0.4
Automobiles & Parts	0.2	0.2
Aerospace & Defence	–	0.1
	100.0	100.0

Sectors are those used by the FTSE AIM Index.

The figures above are calculated excluding unit trust investments, which are held for liquidity purposes.

Independent Review Report to Artemis AiM VCT plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 July 2006 which comprises the Income Statement, Balance Sheet, Cash Flow Statement, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 4.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which 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.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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 accounting policies and presentation have been consistently applied, unless otherwise disclosed. 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 performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

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 2006.

Ernst & Young LLP
Edinburgh

26 September 2006

Income Statement (unaudited)

For the six months ended 31 July 2006

	Six months ended 31 July 2006			Six months ended 31 July 2005			Year ended 31 January 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value:									
Realised	-	1,493	1,493	-	342	342	-	1,225	1,225
Unrealised	-	(1,986)	(1,986)	-	(4,224)	(4,224)	-	(7,107)	(7,107)
	-	(493)	(493)	-	(3,882)	(3,882)	-	(5,882)	(5,882)
Income	213	-	213	140	-	140	430	-	430
Investment management fees	(114)	(341)	(455)	(142)	(425)	(567)	(266)	(799)	(1,065)
Currency gains	-	-	-	-	1	1	-	-	-
Other expenses	(137)	-	(137)	(194)	-	(194)	(398)	-	(398)
Loss on ordinary activities before interest and taxation	(38)	(834)	(872)	(196)	(4,306)	(4,502)	(234)	(6,681)	(6,915)
Interest payable	(3)	-	(3)	-	-	-	-	-	-
Loss on ordinary activities before taxation	(41)	(834)	(875)	(196)	(4,306)	(4,502)	(234)	(6,681)	(6,915)
Tax on ordinary activities	-	-	-	-	-	-	-	-	-
Loss on ordinary activities after taxation	(41)	(834)	(875)	(196)	(4,306)	(4,502)	(234)	(6,681)	(6,915)
Loss per ordinary share (pence)	(0.08)	(1.85)	(1.93)	(0.41)	(9.09)	(9.50)	(0.50)	(14.20)	(14.70)

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

Although the Company is no longer an investment company the Directors believe that the presentation of the Income Statement is enhanced by showing the returns attributable to revenue and capital.

No separate Statement of Recognised Gains and Losses is presented as gains are included within the Income Statement.

Balance Sheet (unaudited)

As at 31 July 2006

	As at 31 July 2006 £'000	As at 31 July 2005 £'000	As at 31 January 2006 £'000
Fixed assets			
Investments	38,303	49,358	42,227
Current assets			
Debtors	323	47	645
Cash at bank	1,501	–	1,648
	1,824	47	2,293
Creditors: Amounts falling due within one year	(752)	(1,853)	(662)
Net current assets/(liabilities)	1,072	(1,806)	1,631
Net assets	39,375	47,552	43,858
Equity shareholders' funds			
Share capital	4,465	4,769	4,624
Capital redemption reserve	4,129	3,825	3,970
Share premium	7,637	7,637	7,637
Capital reserve – unrealised	(91)	6,700	2,671
Capital reserve – realised	(2,412)	(3,740)	(2,086)
Profit and loss reserve	25,647	28,361	27,042
Equity shareholders' funds	39,375	47,552	43,858
Net asset value per ordinary share (pence)	88.19	99.70	94.85

Cash Flow Statement (unaudited)

For the six months ended 31 July 2006

	Six months ended 31 July 2006 £'000	Six months ended 31 July 2005 £'000	Year ended 31 January 2006 £'000
Operating activities			
Investment income received	174	105	378
Deposit interest received	35	13	18
Income from unit trust investments	7	6	30
Investment management fees paid	(478)	(543)	(1,092)
Administrator's fees paid	(37)	(3)	(59)
Interest paid	(3)	–	–
Other cash payments	(34)	(173)	(255)
Net cash outflow from operating activities	(336)	(595)	(980)
Financial investment			
Sale of investments	5,059	2,006	7,315
Purchase of investments	(1,292)	(7,703)	(8,497)
Net cash inflow/(outflow) from financial investment	3,767	(5,697)	(1,182)
Dividends paid	(2,254)	–	–
Net cash inflow/(outflow) before financing	1,177	(6,292)	(2,162)
Financing			
Share issues	–	4,897	4,897
Share issue expenses	–	(257)	(257)
Repurchase of shares	(1,324)	(1,077)	(2,326)
Net cash (outflow)/inflow from financing	(1,324)	3,563	2,314
(Decrease)/increase in cash	(147)	(2,729)	152

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 July 2006

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Profit and loss reserve £'000	Total £'000
For the six months ended 31 July 2006							
At 1 February 2006	4,624	3,970	7,637	2,671	(2,086)	27,042	43,858
Return on ordinary activities after taxation	–	–	–	(1,986)	1,152	(41)	(875)
Transfer on disposal of investments	–	–	–	(776)	776	–	–
Dividends paid	–	–	–	–	(2,254)	–	(2,254)
Repurchases of shares	(159)	159	–	–	–	(1,354)	(1,354)
At 31 July 2006	4,465	4,129	7,637	(91)	(2,412)	25,647	39,375
For the six months ended 31 July 2005							
At 1 February 2005	4,478	3,698	3,415	10,911	(3,645)	29,757	48,614
Return on ordinary activities after taxation	–	–	–	(4,224)	(82)	(196)	(4,502)
Transfer on disposal of investments	–	–	–	13	(13)	–	–
Issues of new shares less expenses	418	–	4,222	–	–	–	4,640
Repurchases of shares	(127)	127	–	–	–	(1,200)	(1,200)
At 31 July 2005	4,769	3,825	7,637	6,700	(3,740)	28,361	47,552
For the year ended 31 January 2006							
At 1 February 2005	4,478	3,698	3,415	10,911	(3,645)	29,757	48,614
Return on ordinary activities after taxation	–	–	–	(7,107)	426	(234)	(6,915)
Transfer on disposal of investments	–	–	–	(1,133)	1,133	–	–
Issues of new shares less expenses	418	–	4,222	–	–	–	4,640
Repurchases of shares	(272)	272	–	–	–	(2,481)	(2,481)
At 31 January 2006	4,624	3,970	7,637	2,671	(2,086)	27,042	43,858

Notes to the Interim Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”).

The Company is no longer an investment company within the meaning of Section 266 of the Companies Act 1985, having revoked investment company status on 5 June 2006 in order to permit the distribution of realised capital gains. The financial statements are presented in accordance with Schedule 4 of the Companies Act 1985 (“Companies Act”), and the requirements of the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” (“the SORP”), where the requirements of the SORP are consistent with the Companies Act.

In the balance sheet, the revenue reserve and special reserve, as presented in prior periods, have been combined into the profit and loss reserve.

2. Shares in issue

There were 44,646,878 ordinary shares in issue as at 31 July 2006 (31 July 2005: 47,694,878; 31 January 2006: 46,236,878). The weighted average number of shares during the six months ended 31 July 2006 was 45,094,549 (six months ended 31 July 2005: 47,396,437; year ended 31 January 2006: 47,055,628).

3. Transaction costs

During the six months ended 31 July 2006, the Company incurred transaction costs on purchases of £nil (six months ended 31 July 2005: £nil; year ended 31 January 2006: £nil), and on sales, £10,000 (six months ended 31 July 2005: £9,000; year ended 31 January 2006: £21,000).

4. The financial information for the six months ended 31 July 2006 and 31 July 2005 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act. The financial information for the year ended 31 January 2006 has been abridged from the Company’s full financial statements for that year and those statements have been filed with the Registrar of Companies. The auditors have reported on those financial statements and that report was unqualified and did not contain a statement under Section 237 (2) of the Companies Act. The interim financial statements have been prepared under the same accounting policies as the annual financial statements with the exception of the disclosures in note 1.

Corporate Information

Directors

Robin Anthony Field (Chairman)
Robert Ian Fitz-Harris
Sir Bill Gammell
Calum MacDonald Paterson
Richard Alexander McGregor Ramsay

Investment Manager, Secretary and Registered Office

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HSBC Global Investor Services
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Reporting Calendar

Year end: 31 January
Results announced: Interim – September
Annual – April
Annual General meeting: May/June

Registered in Scotland, Company Registration Number SC214871.



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