

Artemis AiM VCT plc

Annual Report and Accounts

for the year ended 31 January 2007



ARTEMIS
The PROFIT Hunter

Contents

Corporate Policy and Financial Highlights	2
Chairman's Statement	3
Directors	6
Manager's Review	7
Top 25 Investments	9
Investment Portfolio	13
Sector Analysis of Investments	15
Directors' Report	16
Corporate Governance	21
Directors' Remuneration Report	26
Statement of Directors' Responsibilities	28
Independent Auditors' Report	29
Income Statement	31
Balance Sheet	32
Cash Flow Statement	33
Reconciliation of Movements in Shareholders' Funds	34
Notes to the Financial Statements	35
Notice of Annual General Meeting	46
General Information	48
Reporting Calendar	48
Form of Proxy	49

Corporate Policy and Financial Highlights

Investment Objective and Policy

The objective is to achieve long-term capital and income growth and to generate tax-free capital and income distributions. This is to be achieved through an investment policy focusing on companies to be traded on the Alternative Investment Market of London Stock Exchange plc ("AIM") and, to a lesser extent, companies traded on PLUS Markets (formerly the OFEX trading facility operated by OFEX plc) or its successors ("PLUS") 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 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, PLUS 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 PLUS traded and unquoted companies.

Venture Capital Trust Status

For the year under review the Directors have managed the Company's affairs in such a manner as to comply with the requirements of Section 842AA of the Income and Corporation Taxes Act 1988 and the Directors intend to continue to manage the business of the Company so as to comply with that section. Set out below is a summary of these conditions.

VCT Condition	Percentage required
Minimum income from shares and securities	70 per cent of the Company's income
Maximum investment in one company or group	15 per cent by value of the Company's investments
Maximum retention of income from shares and securities	15 per cent of such income
Minimum investment in qualifying holdings of shares or securities ("70 per cent test")	70 per cent by value of the Company's investments
Minimum investment in holdings of eligible shares ("30 per cent test")	30 per cent by value of the Company's qualifying holdings

Total Returns	Year ended 31 January 2007	Year ended 31 January 2006	Since launch
Net Asset Value	2.7%*	(12.6)%	3.5%
Share Price	(0.3)%	(9.6)%	(9.9)%
FTSE AIM All Share Index	(4.6)%	6.7%	(19.7)%
Capital	As at 31 January 2007	As at 31 January 2006	
Net Assets	£40.36m	£43.86m	
Net Asset Value per share	92.09p	94.85p	
Share Price	80.00p	85.00p	
Discount	13.1%	10.4%	
VCT qualifying holdings percentage	74.9%	75.5%	
Returns for the year	Year ended 31 January 2007	Year ended 31 January 2006	
Revenue loss	(0.36)p	(0.50)p	
Capital return/(loss)	2.07p	(14.20)p	
Total return/(loss)	1.71p	(14.70)p	
Dividend per share	4.00p‡	5.00p	
Cumulative dividends per share	9.85p	5.85p	

‡ Proposed dividend.

* Adjusted to reflect the payment of a dividend of 5.0p.

Chairman's Statement

Introduction

I referred in my interim statement to the poor performance of the FTSE AIM All Share Index against that of the market overall. I am glad to report that since 31 July 2006 there has been some correction in this phenomenon and that, while the FTSE AIM All Share Index still has a long way to go in order to make up its losses since our launch in February 2001, the final three months of our financial year saw a marked improvement in market sentiment towards smaller companies.

Performance

Since 31 July 2006 your Company's net asset value, on a total return basis, has grown by 4.4* per cent against a growth of 3.6* per cent for the FTSE AIM All Share Index and 8.3* per cent for the FTSE All Share Index. Our growth over the full year, including the deterioration in the first half, has been 2.7* per cent against a decline in the FTSE AIM All Share Index of 4.6* per cent and a gain by the FTSE All Share Index of 13.2* per cent.

The net asset value per share at the close of the year was 92.09 pence versus its value at the beginning of the year (net of the 5 pence dividend paid during the year) of 89.85 pence. As the Company's portfolio continues to mature it is encouraging to see more and more value arising from our largest investments. Your Manager's approach, fully supported by the Board, is to continue to hold those investments where it is considered the greatest future value lies and where value has been generated but the prospects for future growth remain strong. As a result of this approach, the Company now has an increasingly focused portfolio and the top 25 investments represent in excess of 72 per cent of net assets (2006: 63 per cent). More information on our largest holdings is set out on pages 9 to 12 and in the Manager's Review on pages 7 and 8.

Peer Group Comparison

One of the key performance indicators that your Board reviews in assessing the performance of the Company is that of our total return (net asset value and dividends) against that of other AIM focused venture capital trusts ("VCTs") launched in the same (2000/01) tax year. On this measure we are currently lying second in a group of four VCTs and are within seven percentage points of the achievement of the leader.†

VCT Qualification

The Company has continued comfortably to qualify for VCT status with 74.9 per cent of assets in "qualifying holdings" at the year end (2006: 75.5 per cent). Your Board intends to continue to manage the affairs of the Company in order that it will continue to qualify as a VCT.

A great deal of attention has been drawn recently to the VCT qualifying provisions following HM Treasury's statements on "inadvertent breaches" and the proposed withdrawal of the exemption for non interest bearing accounts from April 2007. The Association of Investment Companies ("AIC"), which we joined in October 2006, has been in the forefront of efforts to clarify the interpretation of the Treasury's statements and to ensure that VCTs have sufficient flexibility in pursuing their mission of financing smaller companies. We fully support the AIC in this activity. It is pleasing to report that in his recent Budget, the Chancellor announced the proposed introduction of new rules which should allow VCTs to manage disposals of qualifying holdings. From 6 April 2007, VCTs will be permitted to exclude from their calculation of the 70% test, proceeds from the disposal of qualifying investments for a period of six months. This will provide greater flexibility for VCTs to either reinvest or distribute sale proceeds in an orderly manner. Shareholders may have noticed that the same Budget has placed further restrictions on which companies qualify for VCT investment. Fortunately, however, these new restrictions apply only to VCT funds raised after 5 April 2007 and will consequently have no impact upon your Company.

* Source: Artemis Investment Management/Datastream – all figures are total returns.

† Source: The Allenbridge Group plc – The Tax Shelter Report: 27 April 2007.

Chairman's Statement continued

Investment Activity

Our funds are now 94.0 per cent invested in a wide spread of businesses, but some liquid capacity has been retained for follow-on investments where necessary and for exceptional opportunities. Over the course of the year £2.1 million has been invested in seven follow-on investments and three new purchases. Further information on the investment activity is given in the Manager's Review.

Realisations and Dividend

Over the course of the year investments in eleven different businesses were liquidated producing total proceeds of £5.4 million and an aggregate gain over our book cost of £1.8 million, equivalent to 4.1 pence per share.

The Board is therefore recommending a final dividend of 4.0 pence per share (2006: 5.0 pence) for approval by shareholders at the Annual General Meeting. If approved the dividend will be paid on 6 July 2007 to shareholders on the register on 8 June 2007.

Share Buy Backs

We have continued our policy of purchasing, through market makers, such shares as come to the market at a discount of approximately 10 per cent to net asset value. During the year under review 2,410,000 shares (2006: 2,727,756 shares) have been repurchased at an aggregate cost of £2.0 million. This has had the effect of raising net asset value per share for remaining shareholders by almost 0.5 pence. Since the Company's launch, 6,648,929 shares have been repurchased at a total cost of £5.8 million, thus contributing 1.4 pence to the net asset value per share.

Directors, Managers and Advisors

During the year your Board has thoroughly examined the performance of all the Company's service providers together with that of each Board member. We are satisfied that all parties are properly qualified and that they are offering a good service to the Company at a reasonable cost.

Annual General Meeting

The Annual General Meeting ("AGM") will be held at Cassini House, 57 St James's Street, London SW1A 1LD on Friday, 22 June 2007 at 12.30 pm. At the time of this year's AGM, Ian Fitz-Harris will step down from the Board. Ian has served the Company well since its foundation, both as a Director and, more recently, as Chairman of the Audit Committee and it is with considerable regret that we have accepted his decision to leave the Board on account of his growing business commitments elsewhere. I should like to take this opportunity to thank Ian for his major contribution to the Board and to the Company. He will be replaced as Chairman of the Audit Committee by Calum Paterson.

At the AGM Sir Bill Gammell and Calum Paterson will retire by rotation, as is required by the Company's Articles of Association, and will be proposed for re-election.

Shareholders will again be asked to renew the Company's authority to buy back its own shares in order for the Board to continue the policy that I referred to above. Full details of the business to be conducted are set out in the Notice of Meeting on pages 46 and 47.

Your Board welcomes your attendance at the AGM as it provides a useful opportunity for shareholders to ask questions of the Directors and Managers and for us to solicit your views.

Chairman's Statement continued

Outlook

A sound portfolio of investments has been assembled and is being actively managed with regular liquidations as opportunities allow. The objective of the Company is to achieve long-term capital and income growth and to generate tax-free distributions. We believe that as the portfolio matures we will see further growth which will allow these objectives to be achieved. The Company's net asset value on 30 April 2007 had increased to 96.7p.

We look forward to further dividend distributions and an appreciation of value over the long-term.

Robin Field

Chairman

10 May 2007

Directors

Robin Field (Chairman)^{†*}, aged 55,

began his commercial career with Jardine Matheson & Co. in the Far East where he fulfilled a number of managerial roles including that of general manager of the largest independent shipping agency in Taiwan. He then gained an MBA with distinction at INSEAD before serving as a strategy consultant with the LEK Partnership. He was subsequently chief executive of Filofax Group plc, when the company floated on the London Stock Exchange, and then chairman. He is also a director of Artemis AiM VCT 2 plc and several private companies.

Appointed as a Director on 30 January 2001.

Ian Fitz-Harris^{†*}, aged 45,

is currently chief executive of Hawk Group SA, a Luxembourg registered trade receivable securitisation fund. He was chief executive of Euro Sales Finance plc which was the first fund raising on AIM in June 1995. Prior to joining Euro Sales Finance, Ian was with the factoring arm of the Bank of Scotland, latterly as deputy managing director. He started his career as a chartered accountant.

Appointed as a Director on 30 January 2001.

Sir Bill Gammell^{†*}, aged 54,

holds a BA in economics and accounting from Stirling University. He is chief executive of Cairn Energy plc which he founded, and he is also the non-executive Chairman of Cairn India Limited. Sir Bill is Chairman of the Scottish Institute of Sport Foundation. In the 2006 New Year Honours List he was awarded a knighthood for services to industry in Scotland.

Appointed as a Director on 30 January 2001.

Calum Paterson^{†*}, aged 44,

is managing director of Scottish Equity Partners, a venture capital firm based in Glasgow. Scottish Equity Partners is a leading investor in early stage and emerging growth technology companies. He trained as a chartered accountant with Ernst & Young and he has BA and MBA degrees from the University of Strathclyde.

Appointed as a Director on 30 January 2001.

Richard Ramsay^{*}, aged 57,

is a consultant and interim manager. He qualified as an accountant with Price Waterhouse before becoming an investment banker with Grindlay Brandts, Hill Samuel & Co. and Barclays de Zoete Wedd where he was a managing director. Whilst at Hill Samuel & Co and Barclays de Zoete Wedd he was responsible for some of the largest fund raisings and takeovers in the investment trust sector. He joined Ivory & Sime plc as a director in 1993 and was responsible for the firm's marketing and its private client business. He left Ivory & Sime plc in 1996 and in 1997 joined Aberdeen Football Club as finance director and company secretary, leaving in 2000. From March 2001 to 2003, he was managing director, regulation and financial affairs, at Ofgem. He is now a non-executive director of Intelli Corporate Finance, an advisor to Artemis Investment Management Limited, having previously been an executive director.

Appointed as a Director on 30 January 2001.

[†] Independent Director.

^{*} Member of Audit, Nomination, Remuneration and Management Engagement Committees.

Manager's Review

Performance

In the twelve months ended 31 January 2007, the net asset value ("NAV") of Artemis AiM VCT plc increased by 2.7* per cent compared to a fall of 4.6* per cent in the FTSE AIM All Share Index. Since launch in February 2001 the Company's NAV has increased by 3.5* per cent compared to a fall of 19.7* per cent in the FTSE AIM All Share Index over the same period.

Review of the Period

Investment activity over the last twelve months has been highly selective, reflecting the near fully invested profile of the Company and the fact that qualifying investments comfortably exceed the 70 per cent regulatory threshold required to be met by VCTs.

The two principal investments made during the period were Medicsight and Ilika Technologies and a short summary on each is set out below.

Medicsight is a company that designs and provides software to clinical users to assist in the detection of lung and colon cancer. Federal drug agency approval is expected later this year, and the company's products are well positioned, providing a solution to the increasingly unmanageable quantities of data to be integrated, overcoming the on-going shortage of radiologists and radiology time and eliminating human error in diagnosis. Adoption rate will be a crucial factor in the company's success, but the high level of OEM interest in promoting the product is encouraging.

Ilika Technologies has developed proprietary technology that significantly speeds up the timescales involved in developing novel materials. Although relatively young, the company has already signed development contracts with Intel, Shell and Johnson Matthey. The opportunity to retain a royalty interest in the end product provides potential over and above any development fee generated.

Although both Medicsight and Ilika Technologies are unlisted, dependent on prevailing market conditions, it is intended that both will seek to float within twelve months.

As is to be expected with a maturing portfolio, a number of realisations occurred in the period. The largest was Neutec Pharma, the MRSA drug developer, which realised proceeds of £2.3 million and a profit of £1.8 million. The deal represented an attractive exit multiple given the state of development and the risk still inherent in the product on its disposal to Novartis. The investment in Bridgewell Group, the UK stockbroker, was fully realised in the period, generating proceeds of £1.1 million and a profit of £0.1 million. This reflected our more cautious view at that time over the short-term prospects for the company. The holding in Adventis, the marketing group, was sold at a profit of £0.1 million on proceeds of £0.6 million. While the company remained attractively valued, liquidity was limited and advantage was taken of the opportunity to realise the holding in one transaction. Media Square, the marketing services group, was fully divested in the period at a profit of £0.2 million on proceeds of £0.5 million, driven by concerns over short-term integration issues.

There have been a number of portfolio holdings that performed strongly in the year. Most notably Synergy Healthcare, the provider of sterilisation and decontamination services into both the linen and surgical instrument markets. Long-term contracts provide good visibility on earnings, while the government's national decontamination strategy offers further opportunities for growth. The business has, however, now undergone a scale change with the acquisition of UK quoted Isotron, which provides three different kinds of sterilisation technologies across Europe, the Middle East and South-East Asia. The wider geographical operations should provide a good base from which Synergy Healthcare can offer its sterilisation expertise to a wider international audience. The combined businesses are forecast to have a turnover in the year to March 2008 of over £200 million, and will start to appeal to a wider audience of investors as the company moves towards mid cap market capitalisation levels.

* Source: Artemis Investment Management/Datastream – all figures are total returns.

Manager's Review continued

Another significant portfolio investment that performed well was Glisten, the confectionary and snack food group, where strategically sensible acquisitions have been well integrated to enhance earnings per share performance and growth prospects. Performance has also been strong at Eurovestech, the development capital investment fund, where the primary investee company, Toluna, floated successfully in June 2006. Toluna is a leading European independent provider of online panels and technology services to the market research industry, growing its panel membership from 350,000 in May 2005 to more than 1.1 million today. The investment in Toluna when combined with realisations has grown in value by over twenty times its original cost. The Eurovestech portfolio also contains a number of investments with significant potential and we believe the overall valuation of Eurovestech still understates the true underlying value.

Within any maturing investment portfolio, not all companies will perform to plan. A disappointment in the year to 31 January 2007 has been Amino Technologies, the IPTV set top box designer and manufacturer. The deployment of triple play services (voice, data and video) by telecoms operators has been slower than forecast but the company also conspired to undermine sentiment by poorly communicating its prospects to the market. Board changes have resulted and, while it will take time to restore confidence, the underlying technology platform remains strong and the market potential significant.

In the Company's unlisted portfolio, the Directors, on the recommendation of the Manager, have taken the prudent step of writing down three of the unlisted investments to nil from the previous carrying value of £0.3 million (Capsant Neurotechnologies, Connectus Direct and Zyentia). This is due to the immediate uncertainty on trading prospects or further funding requirements, although it is hoped that in time some value may be generated.

Outlook

At the time of writing global markets are recovering after having suffered some sharp reductions in the face of an uncertain UK economic outlook and fears over the Chinese market. Microcap stocks will never be immune to reductions in valuation against this backdrop, but we are happy that the portfolio offers attractive underlying growth prospects. A number of the unlisted portfolio also look well placed to increase in valuation over the next twelve months either via flotation or corporate activity.

Lindsay Whitelaw
Investment Manager

10 May 2007

Top 25 Investments

As at 31 January 2007

Synergy Healthcare plc (AIM)				www.synergyhealthcareplc.com			
<p>Synergy Healthcare is a leading provider of outsourced healthcare support services. Its services are aimed at reducing operational risks for healthcare providers, maintaining high quality standards and promoting the achievement of efficiency targets. Synergy currently operates three main businesses: Surgical Support Services, Patient Support Services and Managed Equipment Services. The business operates throughout the United Kingdom, the Netherlands and Northern Germany.</p>				Financial Summary			
				Accounts for the year ended 2 April 2006		£'000	
				Profit before tax		10,299	
				Retained profit		6,615	
				Net assets		73,795	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
579,000	Ordinary Shares	1.1	1.1	1,018	4,215	Bid price	10.4
Glisten plc (AIM)				www.glisten.plc.uk			
<p>Glisten is a fast-growing confectionery, snack foods and specialist ingredients group. It serves a wide variety of customers including many high street retailers, major food manufacturers, the food service sector and global export markets. The principal activities of Glisten are the manufacture of chocolate and sugar-based confectionery, edible decorations, cereal and health bars, and specialist confectionery ingredients.</p>				Financial Summary			
				Accounts for the year ended 30 June 2006		£'000	
				Profit before tax		3,246	
				Retained profit		2,258	
				Net assets		20,831	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
964,750	Ordinary Shares	7.0	7.0	1,048	3,830	Bid price	9.5
Eurovestech plc (AIM)				www.eurovestech.co.uk			
<p>Eurovestech is a pan-European development capital fund focused on high-technology enterprises. Its main portfolio companies are Toluna, an online market researcher, and KSS, which provides pricing and revenue management systems to retailers.</p>				Financial Summary			
				Accounts for the year ended 31 March 2006		£'000	
				Loss before tax		(1,919)	
				Retained loss		(1,871)	
				Net assets		37,909	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
9,090,909	Ordinary Shares	2.9	2.9	500	1,886	Bid price	4.7

Top 25 Investments continued

As at 31 January 2007

Colliers CRE plc (AIM) www.colliers.com							
Real estate consultancy providing a range of agency, strategic, advisory and implementation services to property owners, investors, developers and occupiers. It is the independent UK member of Colliers International, which has offices in 54 countries across the world.				Financial Summary			
				Accounts for the year ended 31 December 2006 £'000			
				Profit before tax	9,762		
				Retained profit	6,579		
				Net assets	63,547		
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
521,738	Ordinary Shares	1.1	1.1	633	1,085	Bid price	2.7
Amino Technologies plc (AIM) www.aminocom.com							
Amino Technologies designs and supplies electronic systems, software and consultancy for IPTV (telco triple-play applications), on-demand video and in-home multimedia distribution.				Financial Summary			
				Accounts for the year ended 30 November 2006 £'000			
				Loss before tax	(1,496)		
				Retained loss	(1,448)		
				Net assets	26,841		
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
1,547,619	Ordinary Shares	2.6	2.6	650	1,052	Bid price	2.6
Quadnetics Group plc (AIM) www.quadnetics.com							
Provision of advanced CCTV and networked video systems and related services. Quadrant Security is the largest independent integrated security systems provider in the UK, whilst Synectics supplies surveillance technology equipment in the UK, USA and Asia.				Financial Summary			
				Accounts for the year ended 31 May 2006 £'000			
				Profit before tax	1,809		
				Retained profit	1,431		
				Net assets	28,578		
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
264,000	Ordinary Shares	1.6	1.6	700	990	Bid price	2.5
				Cost £'000	Valuation £'000		
Top ten investments				7,328	19,387	48.1	

Top 25 Investments continued

As at 31 January 2007

Company	Description of business	Cost £'000	Valuation £'000	% of net assets
OneClick HR (AIM)	OneClickHR is one of the largest HR solutions providers in the UK offering HR software, training services and outsourced HR solutions	750	900	2.2
Ffastfill (AIM)	Ffastfill designs and delivers application services for the electronic trading community	749	829	2.1
Advanced Medical Solutions Group (AIM)	Advanced Medical Solutions is a UK based company supplying advanced woundcare dressings and tissue adhesives for wound closure	500	809	2.0
Rurelec (AIM)	Rurelec develops rural electrification projects in Latin America	750	787	1.9
Vienco Group (Unquoted)	Vienco is an independent oil company which specialises in the extraction of heavy oil deposits and consultancy services	650	740	1.8
Hallin Marine Subsea International (AIM)	Hallin Marine provides high quality underwater services to the marine, survey, cable and offshore oil & gas industries	800	725	1.8
Medal Entertainment & Media (AIM)	Medal is engaged in the production and distribution of programmes for television and home entertainment	867	695	1.6
FSG Security (PLUS)	FSG offer security solutions including manned guarding services	1,050	641	1.6
Sphere Medical Holdings (Unquoted)	Sphere Medical specialises in monitoring equipment which provides real time measurement of clinical conditions	500	596	1.5
Vitesse Media (AIM)	Vitesse Media is a specialist media business, with titles such as Growth Company Investor and associated websites	700	558	1.4
Sectorguard (AIM)	SectorGuard is a leading provider of security & fire protection services for business and home	250	531	1.3
The Capital Pub Company (Unquoted)	Capital Pub Company manage and operate 20 non branded pubs in the Greater London area	500	523	1.3
Andor Technology (AIM)	Andor develop and manufacture high technology digital cameras for scientific and industrial markets	400	511	1.3
Medicsight (Unquoted)	Medicsight have developed computer-aided detection (CAD) software used by the imaging community to aid in earlier detection of diseases of the lung and colon	500	500	1.2
Ilika Technologies (Unquoted)	Ilika specialises in the development and application of high throughput, combinatorial R&D techniques for the discovery of new materials	475	475	1.2
Top twenty five investments		16,769	29,207	72.3
Other investments (51)		21,182	11,216	27.9
Net current liabilities		(64)	(64)	(0.2)
Net assets		37,887	40,359	100.0

Investment Portfolio

As at 31 January 2007

Company	Sector	Cost £'000	Valuation £'000	% of net assets
AIM traded				
1st Dental Laboratories	Health Care Equipment & Services	500	250	0.6
Advanced Medical Solutions Group	Health Care Equipment & Services	500	809	2.0
Amino Technologies ²	Technology Hardware & Equipment	650	1,052	2.6
Andor Technology	Electronic & Electrical Equipment	400	511	1.3
Asfare Group	Industrial Engineering	280	398	1.0
Avionic Services	Industrial Transportation	450	–	–
Bankers Petroleum ^{1,2}	Oil & Gas Producers	291	179	0.4
Coal International	Mining	75	37	0.1
Cobra Bio-Manufacturing	Pharmaceuticals & Biotechnology	219	142	0.4
Colliers CRE	Real Estate	633	1,085	2.7
Dream Direct Group	General Retailers	550	147	0.4
EBT Mobile China ²	General Retailers	247	139	0.3
Eurogold ¹	Mining	408	87	0.2
Eurovestech ¹	General Financial	500	1,886	4.7
Ffastfill ²	Software & Computer Services	749	829	2.1
Frontier Mining ¹	Mining	190	122	0.3
Fulcrum Pharma	Pharmaceuticals & Biotechnology	374	146	0.4
Gasol ^{1,2}	Oil & Gas Producers	125	138	0.3
Glisten ¹	Food Producers	1,048	3,830	9.5
Goindustry ¹	Support Services	293	468	1.2
Hallin Marine Subsea International ¹	Oil Equipment, Services & Distribution	800	725	1.8
Huveaux ¹	Media	1,000	1,857	4.6
ID Data	Electronic & Electrical Equipment	711	294	0.7
Imprint ²	Support Services	529	1,507	3.7
Lighthouse Group	General Financial	549	156	0.4
Maelor	Pharmaceuticals & Biotechnology	183	72	0.2
Medal Entertainment & Media	Media	867	695	1.6
The Medical House	Health Care Equipment & Services	500	298	0.7
Mission Marketing	Media	250	240	0.6
Neutrahealth ²	Food Producers	215	226	0.6
Offshore Hydrocarbon Mapping ²	Oil Equipment, Services & Distribution	350	1,607	4.0
Oneclick HR	Software & Computer Services	750	900	2.2
Oriel Resources ¹	Mining	30	20	–
PM Group	Support Services	300	345	0.9
Portrait Software	Software & Computer Services	1,000	278	0.7
Quadnetics Group ²	Support Services	700	990	2.5
Rurelec ¹	Electricity	750	787	1.9
Sectorguard	Support Services	250	531	1.3
Smallbone	Household Goods	900	1,358	3.4
Strathdon Investment ¹	Equity Investment Instruments	492	285	0.7
Surface Transforms	Industrial Engineering	655	121	0.3
Symphony Plastic Technologies	General Industrials	491	184	0.5
Synaigen	Pharmaceuticals & Biotechnology	494	293	0.7
Synergy Healthcare ^{1,2}	Health Care Equipment & Services	1,018	4,215	10.4
Synigence	General Financial	414	1	–

Investment Portfolio continued

As at 31 January 2007

Company	Sector	Cost £'000	Valuation £'000	% of net assets
AIM traded (continued)				
Tanfield Group	Support Services	500	219	0.5
Tepnel Life Sciences	Pharmaceuticals & Biotechnology	729	354	0.9
Tissue Science Laboratories	Health Care Equipment & Services	496	275	0.7
Top Ten Holdings	Travel & Leisure	371	323	0.8
TripleArc	Support Services	500	54	0.1
UBC Media Group	Media	410	234	0.6
VI Group	Software & Computer Services	500	291	0.7
Vitesse Media	Media	700	558	1.4
Zoo Digital Group	Software & Computer Services	299	29	0.1
		27,185	32,577	80.7
UK listed				
Armor Group ^{1,2}	Support Services	597	344	0.8
Trafficmaster ¹	Technology Hardware & Equipment	988	108	0.3
		1,585	452	1.1
PLUS traded				
FSG Security ³	Support Services	1,050	641	1.6
Coinmaster Gaming	Media	250	–	–
		1,300	641	1.6
Unlisted				
Avionic Services Loan Notes ¹	Industrial Transportation	310	–	–
The Capital Pub Company	Travel & Leisure	500	523	1.3
Capsant Neurotechnologies	Pharmaceuticals & Biotechnology	100	–	–
Connectus Direct Solutions ¹	Support Services	272	–	–
Digit (Online) ³	General Retailers	450	–	–
E-Point Group	Electronic & Electrical Equipment	600	–	–
Ilika Technologies	General Industrials	475	475	1.2
iQur ²	Pharmaceuticals & Biotechnology	300	429	1.1
Medicsight ¹	Software & Computer Services	500	500	1.2
McLaren ³	Electronic & Electrical Equipment	658	409	1.0
Nanotecture	Pharmaceuticals & Biotechnology	375	375	0.9
Signature Brands Group	General Retailers	650	163	0.4
Sphere Medical Holdings	Pharmaceuticals & Biotechnology	500	596	1.5
Vienco Group	Oil Equipment, Services & Distribution	650	740	1.8
Zyentia	Pharmaceuticals & Biotechnology	100	–	–
		6,440	4,210	10.4
Unit Trusts				
Artemis Income Fund ¹		349	512	1.3
Artemis UK Smaller Companies Fund ¹		370	756	1.9
Artemis UK Growth Fund ¹		140	224	0.6
Artemis UK Special Situations Fund ¹		582	1,051	2.6
		1,441	2,543	6.4
Net current liabilities		(64)	(64)	(0.2)
Net assets		37,887	40,359	100.0

¹ Non qualifying investments for VCT purposes.

² Held by other Artemis managed clients.

³ A proportion of the investment is a fixed interest security.

⁴ Bankers Petroleum is traded on both the AIM market and the Toronto Stock Exchange.

All holdings in companies are Ordinary Shares unless denoted otherwise.

Sector Analysis of Investments

	As at 31 January 2007 % of net assets*	As at 31 January 2006 % of net assets*
Health Care Equipment & Services	15.4	11.3
Support Services	13.4	14.1
Food Producers	10.8	8.0
Media	9.4	8.6
Oil Equipment, Services & Distribution	8.1	6.3
Software & Computer Services	7.5	5.3
Pharmaceuticals & Biotechnology	6.5	8.4
General Financial	5.4	8.7
Household Goods	3.6	3.1
Electronic & Electrical Equipment	3.2	3.4
Technology Hardware & Equipment	3.1	6.1
Real Estate	2.9	1.9
Travel & Leisure	2.2	2.4
Electricity	2.0	2.3
General Industrials	1.8	0.4
Industrial Engineering	1.4	0.9
General Retailers	1.2	2.2
Oil & Gas Producers	0.8	1.6
Equity Investment Instruments	0.7	2.1
Mining	0.6	2.0
Food & Drug Retailers	–	0.6
Automobiles & Parts	–	0.2
Aerospace & Defence	–	0.1
	100.0	100.0

Sectors are those used by FTSE AIM All Share Index.

* Excludes unit trust investments and cash.

Directors' Report

The Directors have pleasure in presenting their report and audited accounts for the year ended 31 January 2007.

Business Review

Operating environment

The Company operates as a venture capital trust ("VCT"). As a VCT, the Company is required to meet the requirements of Section 842AA of the Income and Corporation Taxes Act 1988 ("S842AA") (summarised on page 2). HM Revenue & Customs has confirmed that the Company has been approved as a VCT for the year ended 31 January 2006. VCT status is monitored through regular reports from the Manager and Administrator. The Directors have managed, and continue to manage, the business in order to comply with the legislation applicable to VCTs. In this regard the Company has retained Ernst & Young LLP to oversee compliance with the relevant tax regulations. The Company does not have any employees and delegates most of its operational functions to service providers, details of which are set out below.

Objective and Strategy

The objective of the Company is to achieve long-term capital and income growth and to generate tax-free distributions, through a diversified portfolio of growth orientated companies, with a particular emphasis on companies whose shares are traded on AIM. In seeking to achieve this objective, the Company's investment portfolio is managed by Artemis Investment Management Limited. The portfolio is managed in order to meet the investment requirements of S842AA, which, *inter alia*, requires at least 70 per cent of the investments to be qualifying holdings, of which 30 per cent must be in eligible shares. Investments are selected on their individual merits, including their ability to meet the criteria above. As a result of the portfolio having to meet certain investment tests, the universe of investable companies is reduced and therefore it is unlikely that the performance of the Company will track that of any particular benchmark indices.

Performance

The performance of the Company is reviewed regularly by the Board and a number of key performance indicators (KPIs) are used to measure the progress of the Company. The KPIs which have been established for this purpose are:

- Net asset value total return performance
- Dividend/distributions
- Share price performance
- Peer group performance

Details of the Company's performance against the first three KPIs can be found on the Financial Highlights summary on page 2. The Board also measures the performance of the Company relative to a range of other VCTs. Details are set out in the Chairman's Statement.

In addition to the above KPIs, the Board monitors the activity in the Company's shares and any discount to the net asset value. As the secondary market for VCT shares is often limited, any significant sales could have an adverse effect on the Company's share price and therefore the discount. In order to try to mitigate this, the Company has obtained shareholders' authority to buy back its own shares and carries out buy backs from time to time within guidelines established by the Board for this purpose. Current guidelines are that shares will be purchased at a discount of no more than 10 per cent to net asset value. Details of the shares bought back during the year can be found on page 42.

Current and Future Developments

Details of the Company's developments during the year to 31 January 2007, together with its prospects for the future are contained in the Chairman's Statement and Manager's Review on pages 3 to 5 and 7 and 8.

Directors' Report continued

The Board's main focus is to seek to deliver successful long-term investment returns for shareholders and regular consideration is given to the investment process and factors that may have an influence on this process in the future. The Board regularly considers the ongoing development and direction of the Company, including developments in the VCT marketplace, promotion and marketing of the Company, and the effectiveness of communication with shareholders and other external parties.

Principal Risks and Uncertainties

As a VCT, the principal risks faced by the Company relate to the nature of the individual investments and the investment activities generally. As the Company has a focus of AIM traded companies, as well as general market price risk, liquidity in such shares can often be an issue and it may not always be possible to realise investments at prices which the Manager considers to be representative of their fair value. In addition, the nature of the investable universe of companies, younger growth orientated, carries a higher degree of risk than investment in companies which are larger and have mature businesses. Further details of these risks and how they are managed are set out in note 16 of the notes to the financial statements on pages 44 and 45.

The Company, and consequently its shareholders, can benefit from certain tax reliefs extended to VCTs. These are, however, subject to the Company satisfying the conditions of S842AA and failure to do so could result in these tax reliefs being withdrawn by HM Revenue & Customs.

Life of the Company

The Company's Articles of Association require the Directors to put forward a resolution for the continuation of the Company as a VCT at its Annual General Meeting ("AGM") in 2008 and thereafter at three-year intervals.

Results and Dividend

The profit on ordinary activities after tax for the year ended 31 January 2007 was £768,000 (2006: loss £6,915,000). Further details can be found in the Income Statement on page 31.

The Directors are recommending a final dividend for the year of 4.0 pence per Ordinary Share (2006: 5.0 pence), which if approved by shareholders at the AGM will be paid on 6 July 2007 to shareholders on the register as at 8 June 2007. This dividend will be paid from realised capital gains for the year.

Issue and Buy Back of Shares

During the year ended 31 January 2007, the Company purchased for cancellation a total of 2,410,000 (2006: 2,727,756) of its own Ordinary Shares, representing 5.3 per cent of those shares in issue as at 30 May 2006, at a cost of £2,013,000, including stamp duty.

The authorised and issued share capital of the Company is detailed in note 12 of the notes to the financial statements on page 42.

Directors

The Directors of the Company and their biographies are set out on page 6. All the Directors held office throughout the year under review.

In accordance with the Company's Articles of Association, Sir Bill Gammell and Mr Paterson will be retiring by rotation and, being eligible, will be seeking re-election by shareholders at the forthcoming AGM. The Nomination Committee, having reviewed their individual performance as Directors and their contribution to the operation of the Company, concluded that the Company benefited from the services and advice of both Directors. Accordingly, the Nomination Committee recommended to the Board that resolutions be put to

Directors' Report continued

shareholders at the 2007 AGM that Sir Bill Gammell and Mr Paterson be recommended for re-election. The Board concurred with this view and recommends that shareholders vote in favour of their re-election. Mr Fitz-Harris will retire from the Board at the conclusion of the AGM on 22 June 2007.

Directors' Interests

The interests of the Directors in the Ordinary Shares of the Company at the beginning and end of the financial year, all of which were beneficial, were as follows:

Director	31 January 2007	1 February 2006
Robin Field	145,752	145,752
Ian Fitz-Harris	103,000	103,000
Sir Bill Gammell	480,710	480,710
Calum Paterson	19,049	19,049
Richard Ramsay	105,061	105,061

There have been no changes to the above holdings up to the date of this Report.

None of the Directors, nor any persons connected with them, had a material interest in any of the Company's transactions, arrangements or agreements during the year under review.

None of the Directors has a contract of service with the Company.

Management and Administration Agreements

The Company's investments are managed by Artemis Investment Management Limited ("Artemis") subject to an Investment Management Agreement dated 1 February 2001. The principal terms of this agreement, including the management fee which was agreed at launch, are set out in note 3 of the notes to the financial statements. Artemis' appointment may be terminated by either party on not less than twelve month's written notice. Artemis is also the appointed Company Secretary.

Artemis is authorised and regulated by the Financial Services Authority and as at 31 January 2007 had £14.0 billion of assets under management.

Administration services are provided to the Company by BNP Paribas Fund Services UK Limited subject to an agreement dated 15 December 2004. The fees for these services are set at £63,000 per annum (excluding VAT). Either party may terminate the agreement on not less than six months' written notice.

Continuing Appointment of the Manager

The Board has reviewed the performance of the Manager throughout the year under review, taking into account investment performance, its management processes, resources and ability to continue to produce satisfactory results. It is the Board's opinion that the continuing appointment of the Manager, on the current terms, is in the interests of shareholders.

VCT Status Monitoring

The Company has retained Ernst & Young LLP as advisers to oversee compliance with relevant tax regulations. The Directors monitor the Company's VCT status through regular reports from the Manager and Administrator.

Substantial Shareholdings

As at the date of this Report, the Directors are not aware of any person who is interested in 3 per cent or more of the Company's Ordinary Share capital.

Directors' Report continued

Creditor Payment Policy and Practice

The Company does not subscribe to a particular creditor payment policy, however, it agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. Investment purchases are settled in accordance with the stated terms. At the year end, there were no trade creditors (2006: £nil).

Going Concern

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as, after due consideration, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Auditors

The Company's Auditors, Ernst & Young LLP, have expressed its willingness to continue in office. The Audit Committee has considered the effectiveness of Ernst & Young LLP during the year and has recommended to the Board that they be re-appointed as the Company's Auditor. Accordingly, a resolution to re-appoint Ernst & Young LLP and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The sixth AGM of the Company will be held at 12.30 pm on Friday, 22 June 2007 at the offices of Artemis Investment Management Limited, Cassini House, 57 St James's Street, London SW1A 1LD. The formal Notice convening this Meeting can be found on pages 46 and 47.

Authority to Allot Shares

The Directors are seeking authority to allot shares without first offering them to existing shareholders. Resolution 8 will, if approved, authorise the Directors to allot new Ordinary Shares for cash up to an aggregate nominal amount of £438,268, being 10 per cent of the Company's issued share capital as at 10 May 2007, without first offering such shares to existing shareholders *pro rata* to their existing holdings. Resolution 8 will be proposed as a special resolution and this authority will continue in effect until the conclusion of the AGM to be held in 2008, or, if earlier 22 September 2008. The Directors will only issue new Ordinary Shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and in no circumstances would result in a dilution of net asset value per share.

Authority to Buy Back Shares

At the AGM held on 30 May 2006 shareholders authorised the Company to make market purchases of its Ordinary Shares up to a maximum of 6,755,525 shares. The authority remains valid until the conclusion of the forthcoming AGM.

The Directors consider that the Company should continue to have authority to make market purchases of its own shares for cancellation or to be held in treasury as the Directors may determine from time to time. The maximum number of shares that can be held in treasury is limited to 10 per cent of the Company's issued share capital and such shares would not be re-sold at a price below the prevailing net asset value per share. Accordingly, an ordinary resolution will be proposed at the forthcoming AGM to authorise the Company to make market purchases of up to 14.99 per cent of the Ordinary Shares in issue as at the date of the AGM, such authority to expire on 22 December 2008, or, if earlier, at the conclusion of the AGM to be held in 2008.

Directors' Report continued

The price paid for shares will not be less than the nominal value of 10 pence per share nor more than 5 per cent above the average of the market values of those shares for the five business days before the shares are purchased. This power will be exercised if the Directors consider it to be in the best interest of shareholders generally. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Directors. Current guidelines are that shares will, where possible, be purchased through market makers at a discount of no more than 10 per cent to net asset value.

Audited Information

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

By order of the Board

Artemis Investment Management Limited
Company Secretary

10 May 2007

Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code on Corporate Governance (the “Combined Code”), as issued by the Financial Reporting Council in July 2003 and updated in June 2006.

This statement aims to set out how the Company has complied with these provisions throughout the year under review and up to the date of approval of the Annual Report.

Corporate Governance Principles

Throughout the year to 31 January 2007, and up to the date of this Annual Report, the Company complied with the provisions of the Combined Code subject to the exceptions set out in the Statement of Compliance on page 25 and due to its special circumstances as a VCT.

It should be noted that as a VCT all the Directors are non-executive and the Company’s day to day responsibilities are delegated to third party service providers.

Board

The Board currently consists of five non-executive Directors, four of whom are deemed to be independent. Mr Ramsay is deemed non-independent by virtue of being a director of Intelli Corporate Finance, an advisor to the Manager. The Chairman was at the time of his appointment, and, as mentioned above, remains independent. All Directors are considered to be independent in character and judgment. Continued Director independence is examined as part of the annual Board evaluation process.

Biographical details of the Directors are set out on page 6 of this Annual Report and demonstrate the wide range of skills and experience they bring to the Board. No chief executive has been appointed as the Company has no staff and management of its assets has been delegated to the Manager. No single individual has unfettered powers of decision.

The Chairman is responsible for leading the Board to ensure it remains effective and for ensuring that Directors receive accurate, timely and clear information. The Chairman also ensures that there is effective communication with shareholders.

A senior independent director has not been appointed as the Board considers that each of the Directors has individual areas of expertise which would enable them to lead on any issues that arise. This matter is reviewed annually.

Board Responsibilities

There is a clear division of responsibility between the Board, Manager and other third party service providers and a formal schedule of matters reserved for Board consideration has been adopted by the Board. The Board determines the strategic direction of the Company and sets the boundaries within which the Manager operates. It regularly reviews the Company’s portfolio, financial position and matters of investment policy, strategy and compliance. Investment decisions are made at the discretion of the Manager and the Board measures the Manager’s performance against the Company’s investment objectives and a number of KPIs.

The Manager ensures that the Board is provided with financial information in a timely manner and its representatives attend each Board meeting to enable the Board to seek clarification on specific issues. The Board takes responsibility for the content of major corporate communications.

During the year under review the Board evaluated its own performance and that of its Chairman and the Board Committees. This evaluation was one of self-assessment of the Board’s strengths and weaknesses. The Chairman reviewed the findings of these assessments and reported back to the Board with recommendations to improve the performance where necessary. The evaluation concluded that the Board and its Committees were well balanced and performed effectively and accordingly there were no recommendations for change.

Corporate Governance continued

An induction programme has been developed, under which new Directors will be briefed on the key aspects of the Company's strategy, policy and practices. A Directors' handbook is provided following appointment.

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense. The Directors have access to the advice and services of the Company Secretary, through its appointed representatives, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Chairman is responsible for ensuring that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses as appropriate.

Board Committees

The Board has established four standing Committees to assist Directors in discharging their duties by making specific recommendations to the Board. These comprise the Audit, Nomination, Remuneration and Management Engagement Committees.

Each Committee comprises all the non-executive members of the Board and is chaired by the Chairman of the Board, with the exception of the Audit Committee, which is chaired by Mr Fitz-Harris. Following Mr Fitz-Harris's retirement from the Board, Mr Paterson will assume the Chair of the Audit Committee. Under the provisions of the Combined Code, members of the Audit, and Remuneration Committees should be independent. Mr Ramsay, who is not considered independent, has been appointed to these committees, as the Board considers that he makes a valuable contribution to their operation. Each Committee operates within written terms of reference. Copies of the terms of reference of all the Board Committees are available from the Company Secretary upon request.

Audit Committee

The Audit Committee meets at least twice a year. Its responsibilities include monitoring the integrity of the Company's financial statements, considering the appropriateness of its accounting policies and making recommendations to the Board regarding the appointment of the auditors, the auditors' independence and objectivity, together with the effectiveness of the audit process. The Committee is responsible for reviewing internal control systems and the risk to which the Company is exposed. Further details of this are set out under the disclosures relating to Internal Controls on pages 24 and 25.

The Audit Committee has approved and implemented a policy on the engagement of the auditors to supply non-audit services. The policy allows for auditor objectivity and independence to be safeguarded through a restriction on the level of fees paid for such services and a requirement for the prior approval by the Audit Committee of specified services. The policy also prohibits the auditors from performing accounting and other services related to the Company's accounting records that would involve them auditing their own work.

The Board considers that all the Directors have relevant and recent financial experience as a result of their professional positions in the financial services and other industries. Mr Fitz-Harris, the current Chairman of the Audit Committee and Mr Paterson, who will take over as Chairman of the Audit Committee from 22 June 2007, are both chartered accountants.

As the Company has no employees there is no dedicated resource to the Audit Committee. Representatives from BNP Paribas Fund Services UK Limited ("BNP Paribas"), which produces the financial information for the Company, are invited to attend the meetings of the Audit Committee to report on issues as required. In addition, representatives of the Manager are invited to attend the Audit Committee meetings and are asked to present on specific issues.

The Company does not have an internal audit function as most of its day to day operations are delegated to third parties. Both the Manager and Administrator have established frameworks to provide reasonable assurance as to the effectiveness of internal controls operated on behalf of their clients. Both third parties report, on a quarterly basis, any breaches of law or regulation as and when they arise. The Audit Committee

Corporate Governance continued

considers annually whether there is any need for an internal audit function, and it has agreed that it is appropriate for the Company to rely on the internal audit controls that exist within its third party providers and therefore there is no requirement for an internal audit function.

A whistleblowing policy and procedure has not been formalised. The Board has agreed that it is appropriate for the Company to rely on the whistleblowing policies of the principal third party service providers, which they deem to be of industry standard.

Nomination Committee

The Nomination Committee meets at least annually. It is responsible for leading the annual Board evaluation process and making recommendations to the Board regarding succession planning, the identification and nomination of new Directors to the Board and proposing their election by shareholders. The Committee also proposes the re-election of retiring Directors. In instances where the Committee is considering the performance or succession of the Chairman, the Committee elects another of its members to chair proceedings.

Remuneration Committee

The Remuneration Committee meets annually. It is responsible for reviewing the remuneration of the Directors and for making recommendations to the Board as appropriate, taking into account relevant factors such as industry research, peer group comparisons, Directors' time commitments and the need to recruit and retain individuals of sufficient calibre to optimise the Board's effectiveness. Further details of Directors' Fees can be found in the Directors' Remuneration Report on pages 26 and 27.

Management Engagement Committee

The Management Engagement Committee meets annually. It is responsible for reviewing the terms of engagement and performance of the Company's third party service providers, including the Manager, and making recommendations to the Board as appropriate.

Board and Committee Meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year.

Director	Board Meetings		Audit Committee Meetings		Nomination Committee Meetings		Management Engagement Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
	Robin Field	5	5	3	3	1	1	1	1	1
Ian Fitz-Harris	5	4	3	2	1	–	1	1	1	–
Sir Bill Gammell	5	5	3	3	1	1	1	1	1	–
Calum Paterson	5	5	3	3	1	1	1	1	1	1
Richard Ramsay	5	4	3	2	1	–	1	1	1	1

Board Succession Planning

The Board has considered the matter of succession planning and determined that, in light of the continuation vote in 2008, the Company would benefit from the knowledge and experience of the current Board composition until that time. Therefore, while Directors remain subject to periodic re-election by shareholders, there is no fixed tenure policy. This position will be reviewed following the results of the continuation vote in 2008.

Corporate Governance continued

The Board has agreed a procedure for the appointment of new Directors. Formal consideration of the skills and experience of the Board would be given in the event of a vacancy arising.

The Directors have considered the composition of the Board in light of Mr Fitz-Harris's forthcoming retirement and concluded that in view of the skills and experience of the remaining Directors, it is not intended that a replacement Director will be appointed at this time.

Relations with Shareholders

The Directors are available to respond to any shareholder questions or enquiries. The Board aims to keep the Company's shareholders fully informed of significant developments in the Company's business through its published annual and interim reports.

Shareholders are encouraged to attend and vote at the AGM, during which the Board and Manager are available to discuss issues affecting the Company. Proxy votes and abstentions are declared at the AGM and made available on the Company's dedicated page on the Manager's website at www.artemisonline.co.uk where you can also find further information on the Company.

Following the implementation in the United Kingdom of the EU's Transparency Directive in January 2007 a number of new requirements were introduced for listed companies. As a result, the Company will now be required to prepare Interim Management Statements. These will be prepared during the six months between the interim and annual reporting periods and will be announced to the Stock Exchange and available on the Manager's website.

All Directors intend to attend this year's AGM, details of which are set out in the Notice of Meeting on pages 46 and 47 of this Annual Report.

Voting Policy

The Directors have given the Manager discretion to exercise the Company's voting rights and the Manager exercises these in respect of all resolutions proposed by investee companies.

Internal Controls

The Board recognises its responsibility for the implementation, review and maintenance of effective systems of internal control to manage the risks to which the Company is exposed. As the majority of the Company's systems are maintained by third party service providers under contract, the Board fulfils its obligations by requiring that these service providers report and provide assurances on their internal control systems. In light of the Board's reliance on these reporting structures, it can only provide reasonable but not absolute assurance against material misstatement or loss. In addition, the Board ensures that these service providers are employed subject to clearly defined contracts.

The Manager and Administrator have both established internal control frameworks to provide reasonable assurance as to the effectiveness of the internal control systems operated on behalf of their clients. The Board receives a report on these processes on a quarterly basis, which identify any known internal control failures.

The key procedures that have been established to provide effective internal controls are as follows:

- The Board has identified and evaluated the Company's risks and controls and these have been recorded in a Risk Map, which is subject to annual review. The existing Risk Map was last reviewed and revised in February 2007.
- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement each other.

Corporate Governance continued

- The Board clearly defines the duties and responsibilities of the Company's agents and advisors in the terms of their contracts. Appointments are made based on the Board's assessment of the quality of service offered by the parties involved. Once appointed, the Board monitors the ongoing performance of its agents and advisors to ensure that they remain effective and competitive.
- Investment management and company secretarial services are provided by Artemis Investment Management Limited. The Board is responsible for setting the Company's overall investment policy and monitors the actions of the Manager at regular Board meetings. The Board reviews information produced by the Manager in detail on regular basis.
- Administration services are provided by BNP Paribas, which reports to the Board on a quarterly and ad hoc basis as necessary. In addition, the Board reviews BNP Paribas' annual report on internal controls.
- Custody of assets is undertaken by HSBC Global Investor Services ("HSBC"). HSBC's services are monitored by Artemis and BNP Paribas. The Board reviews HSBC's annual report on internal controls.
- Mandates for the authorisation of investment transactions and expense payments are set and monitored by the Board.

By the procedures set out above and in accordance with the "Turnbull Guidance for Directors on the Combined Code" published by the Institute of Chartered Accountants in England and Wales, the Directors have kept under review the effectiveness of the Company's internal control systems throughout the year and up to the date of this Report.

Statement of Compliance with the Combined Code

The Board has reviewed the principles outlined in the Combined Code and considers that, subject to the exception of the appointment of a senior independent director (as required by code provision A3.3) Richard Ramsay's membership of the Audit Committee (code provision C3.1) and the Remuneration Committee (code provision B2.1) and taking into account its specific circumstances as a VCT, the Company has complied with provisions set out in Section 1 of Combined Code during the year ended 31 January 2007 and up to the date of this Annual Report.

Directors' Remuneration Report

The Directors are pleased to present their Report on Remuneration for the year ended 31 January 2007, in accordance with the Directors' Remuneration Report Regulations.

The Company's Auditors are required to report on certain information contained within this Report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in the Independent Auditors' Report on pages 29 and 30.

Policy on Directors' Fees

The Company's Articles of Association limit the aggregate fees payable to Directors to £85,000 per annum. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other VCTs that are similar in size, structure and investment objective. Furthermore, the level of remuneration should be sufficient to attract and retain Directors of a calibre needed to properly oversee the Company and to reflect its specific circumstances, as well as the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 31 January 2008 and subsequent years.

It is the Company's policy that no Director shall be entitled to any benefits in kind, share options, long-term incentives, pension or other retirement benefits, or compensation for loss of office.

Directors' Fees

The Board consists solely of non-executive directors who are independent, with the exception of Mr Ramsay. The members of the Board are detailed on page 6. The Remuneration Committee considers, at least annually, the level of the Directors' fees and makes recommendations to the Board on its conclusions. Following a review of the fees in April 2007, the Committee recommended to the Board that fees be maintained at their present level, which was approved. Accordingly, Directors' fees remain at £12,500 for each Director and £17,500 for the Chairman.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts, but are each appointed subject to the terms of a letter of appointment. These letters contain no notice period nor provision for compensation for loss of office.

In accordance with the Company's Articles of Association, new Directors are required to stand for election at the first Annual General Meeting following their appointment and, thereafter, are required to retire by rotation, so that over a three-year period all Directors will have retired from the Board and have been offered up for re-election at least once.

	Date of last Re-election	Due date for Re-election
Sir Bill Gammell	4 June 2004	AGM 2007
Calum Paterson	4 June 2004	AGM 2007
Richard Ramsay	31 May 2005	AGM 2008
Robin Field	30 May 2006	AGM 2009
Ian Fitz-Harris	30 May 2006	—*

*Mr Fitz-Harris will retire from the Board following the conclusion of the AGM on 22 June 2007.

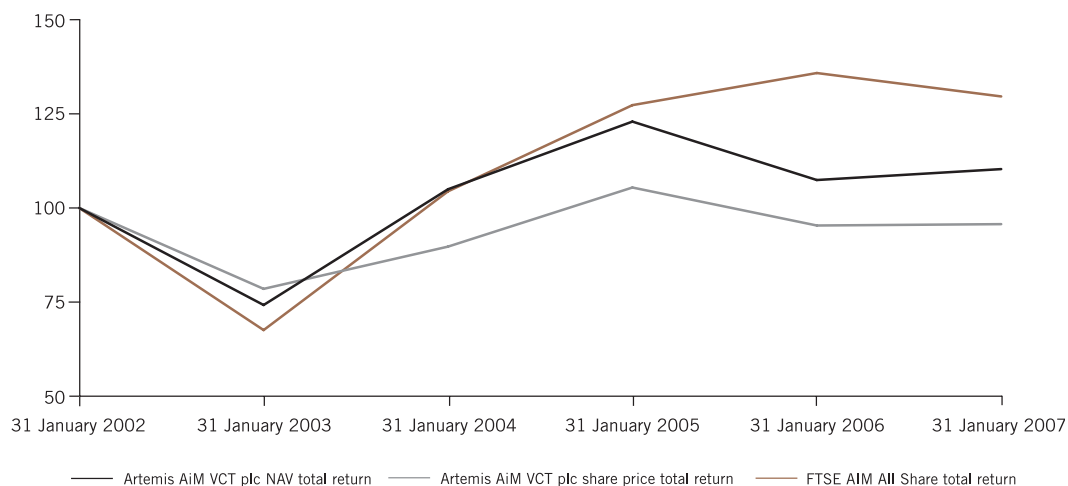
Directors' and Officers' Liability Insurance

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors and is renewed annually.

Directors' Remuneration Report continued

Performance Chart

The graph below charts the Company's share price total return (with all dividends reinvested) for the last five years compared to the total return on a notional investment in the FTSE AIM All Share Index over the same period. This index was chosen for comparison purposes, as it represents a comparable broad equity market index. However, as not all the constituents of this index are suitable for the Company, there is likely to be a divergence between the performance of each.



Directors' Emoluments for the Year (audited)

The Directors who served during the year have received the following emoluments:

Director	2007	2006
Robin Field	£17,500	£17,500
Ian Fitz-Harris	£12,500	£12,500
Sir Bill Gammell	£12,500	£12,500
Calum Paterson	£12,500	£12,500
Richard Ramsay	£12,500	£12,500
Total	£67,500	£67,500

Notes

Of the fees payable to Directors as set out above, the following sums were paid to, or receivable by, third parties for making available the services of the person as a Director in respect of the year ended 31 January 2007.

- Mr Paterson's fees were paid to Scottish Equity Partners Limited.
- Mr Ramsay's fees were paid to Intelli Corporate Finance Limited.

On behalf of the Board

Robin Field

Chairman

10 May 2007

Statement of Directors' Responsibilities

in respect of the Financial Statements

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss for that year. In preparing such statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards have been followed.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report, Directors' Remuneration Report and other information included in the Annual Report are prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Independent Auditors' Report

to the members of Artemis AiM VCT plc

We have audited the Company's financial statements for the year ended 31 January 2007 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards (UK Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you, if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Corporate Policy and Financial Highlights, Chairman's Statement, Directors, Manager's Review, Top 25 Investments, Investment Portfolio, Sector Analysis of Investments, Directors' Report, Corporate Governance, unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting and General Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2007 and of its net gain for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Ernst & Young LLP

Registered Auditor
Edinburgh

10 May 2007

Income Statement

For the year ended 31 January 2007

	Notes	Year ended 31 January 2007			Year ended 31 January 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on investments held at fair value	8	–	1,593	1,593	–	(5,882)	(5,882)
Income	2	328	–	328	430	–	430
Investment management fees	3	(221)	(663)	(884)	(266)	(799)	(1,065)
Other expenses	4	(266)	–	(266)	(398)	–	(398)
(Loss)/gain on ordinary activities before interest and taxation		(159)	930	771	(234)	(6,681)	(6,915)
Interest payable		(3)	–	(3)	–	–	–
(Loss)/gain on ordinary activities before taxation		(162)	930	768	(234)	(6,681)	(6,915)
Tax on ordinary activities	5	–	–	–	–	–	–
(Loss)/gain on ordinary activities after taxation		(162)	930	768	(234)	(6,681)	(6,915)
(Loss)/gain per ordinary share (pence)	7	(0.36)	2.07	1.71	(0.50)	(14.20)	(14.70)

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

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

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

The Company has only one class of business and derives its income from investments made in shares, securities, loans and bank deposits.

The accompanying notes on pages 35 to 45 are an integral part of the financial statements.

Balance Sheet

As at 31 January 2007

	Notes	As at 31 January 2007 £'000	As at 31 January 2006 £'000
Fixed assets			
Investments	8	40,423	42,227
Current assets			
Debtors	10	149	645
Cash at bank	15	281	1,648
		430	2,293
Creditors: amounts falling due within one year	11	(494)	(662)
Net current (liabilities)/assets		(64)	1,631
Net assets		40,359	43,858
Equity shareholders' funds			
Share capital	12	4,383	4,624
Capital redemption reserve		4,211	3,970
Share premium		7,637	7,637
Special reserve		23,682	27,949
Capital reserve – unrealised		2,472	2,671
Capital reserve – realised		(957)	(2,086)
Profit and loss reserve		(1,069)	(907)
Equity shareholders' funds		40,359	43,858
Net asset value per ordinary share (pence)	13	92.09	94.85

The financial statements were approved and authorised for issue by the Board of Directors on 10 May 2007 and were signed on their behalf by:

Robin Field
Chairman
10 May 2007

The accompanying notes on pages 35 to 45 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 January 2007

	Notes	Year ended		Year ended	
		31 January 2007		31 January 2006	
		£'000	£'000	£'000	£'000
Operating activities					
Investment income received		276		378	
Bank interest received		15		18	
Income from unit trust investments		19		30	
Investment management fees paid		(915)		(1,092)	
Administrator's fees paid		(74)		(59)	
Overdraft interest paid		(3)		–	
Other cash payments		(263)		(255)	
Net cash outflow from operating activities	14		(945)		(980)
Financial investment					
Sale of investments		6,082		7,315	
Purchase of investments		(2,081)		(8,497)	
Net cash inflow/(outflow) from financial investment			4,001		(1,182)
Dividends paid			(2,254)		–
Net cash inflow/(outflow) before financing			802		(2,162)
Financing					
Share issues		–		4,897	
Share issue expenses		–		(257)	
Repurchases of shares		(2,169)		(2,326)	
Net cash (outflow)/inflow from financing			(2,169)		2,314
(Decrease)/increase in cash	15		(1,367)		152

The accompanying notes on pages 35 to 45 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 January 2007

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve* £'000	Capital reserve - unrealised £'000	Capital reserve - realised* £'000	Profit and loss reserve* £'000	Total £'000
At 1 February 2006	4,624	3,970	7,637	27,949	2,671	(2,086)	(907)	43,858
Return on ordinary activities after taxation	-	-	-	-	153	777	(162)	768
Transfer on disposal of investments	-	-	-	-	(352)	352	-	-
Repurchases of shares	(241)	241	-	(2,013)	-	-	-	(2,013)
Capital dividend paid	-	-	-	(2,254)	-	-	-	(2,254)
At 31 January 2007	4,383	4,211	7,637	23,682	2,472	(957)	(1,069)	40,359
	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve - unrealised £'000	Capital reserve - realised £'000	Profit and loss reserve £'000	Total £'000
At 1 February 2005	4,478	3,698	3,415	30,430	10,911	(3,645)	(673)	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	27,949	2,671	(2,086)	(907)	43,858

* The aggregate of these reserves, being £21,656,000, represents the distributable reserves of the Company at 31 January 2007.

The accompanying notes on pages 35 to 45 are an integral part of the financial statements.

Notes to the Financial Statements

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared and 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.

(b) Investments

All investments are classified as fair value through profit or loss and recognised on the trade date at cost which is measured at fair value of the consideration paid. Investments are de-recognised on the trade date of disposal. All investments are held at fair value, which for listed investments and investments traded on AIM/PLUS is deemed to be the bid market prices as at 31 January 2007.

Investments in unlisted companies, in accordance with generally accepted accounting practice are valued at fair value which is determined by the Directors, through discussion with the Manager and with reference to the International Private Equity and Venture Capital Valuation Guidelines.

All changes in fair value are included in the Income Statement as capital items.

Realised and unrealised gains and losses on investments are taken to Capital reserve – realised and Capital reserve – unrealised respectively.

(c) Income

Income from unit trusts and dividends receivable on listed and AIM traded equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company’s right to receive payment is established and there is no reasonable doubt that payment will be received. Interest from fixed interest securities is recognised on an effective yield basis. Bank and deposit interest is included on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of:

- Expenses which are incidental to the acquisition or disposal of an investment are charged to capital.
- Management fees payable to Artemis which are charged 25 per cent to revenue and 75 per cent to Capital reserve – realised, based on the Directors’ estimated long-term split of revenue and capital returns.

(e) Deferred Tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more, or right to pay less tax in the future have occurred at the Balance Sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the Financial Statements continued

2. Income

	Year ended 31 January 2007 £'000	Year ended 31 January 2006 £'000
Investment Income		
– UK dividends	251	353
– Unit trust distributions	19	30
– Interest from fixed interest securities	25	25
Total investment income	295	408
Other Income		
– Bank interest	33	22
Total income	328	430

3. Investment management fee

	Year ended 31 January 2007			Year ended 31 January 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	188	564	752	227	680	907
Irrecoverable VAT thereon	33	99	132	39	119	158
	221	663	884	266	799	1,065

The Company pays Artemis an annual management fee (exclusive of VAT and payable quarterly in arrears) of 2 per cent of the value of the Company's net assets adjusted as follows:

- no fee is paid in respect of funds invested in Artemis unit trusts (the unit trusts each pay Artemis Fund Managers Limited a fee of 1.5 per cent per annum of the value of the fund).
- no fee is paid by the Company to Artemis in respect of the funds invested in the fixed interest portfolio.
- no fee is paid in respect of funds held as cash.

Artemis is also entitled to receive a performance fee from the Company equal to 20 per cent of the amount by which the increase in the adjusted net assets of the Company in an accounting period and all prior accounting periods exceeds a hurdle amount equal to simple interest on the gross proceeds of the Offers for Subscription at a rate of 8 per cent per annum less the amount of any performance fee paid in respect of prior accounting periods as determined by the Directors. To date no performance fee is due.

The management agreement may be terminated by either party on giving twelve months' notice. If less than twelve months' notice is given to terminate then a termination fee is payable to the Artemis. This is calculated at 2 per cent of the value of the portfolio at that date and adjusted *pro rata* for any notice period given. This appointment may also be terminated in circumstances of material breach by either party.

Notes to the Financial Statements continued

4. Other expenses

	Year ended 31 January 2007 £'000	Year ended 31 January 2006 £'000
Directors' remuneration (excluding VAT)	68	68
Administrator's fees	75	75
Auditors' fees – for audit services	18	15
Auditors' fees – interim review	4	5
Auditors' fees – for tax services	12	6
Corporate finance advisory fees	13	134
Other expenses	76	95
	266	398

The above expenses include irrecoverable VAT where charged, except where indicated.

The Company has no employees (2006 – none).

The corporate finance advisory fee payable to Noble & Company Limited was for the provision of investor relations and corporate finance assistance. This arrangement expired on 31 July 2006.

5. Tax on ordinary activities

	Year ended 31 January 2007 £'000	Year ended 31 January 2006 £'000
Loss on ordinary activities before taxation	(162)	(234)
Loss on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2006: 30%)	(49)	(70)
Effects of:		
Non taxable UK dividends	(81)	(115)
Unutilised management expenses	329	425
Expenses charged to capital available to be utilised	(199)	(240)
Tax on ordinary activities	–	–

Capital returns are not included as VCTs are exempt from tax on realised gains.

The Company has not recognised a deferred tax asset of £1,495,000 (2006: £1,166,000) arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains made by VCT's changes, or the Company's taxable investment income increases significantly.

Notes to the Financial Statements continued

6. Dividends

	Year ended 31 January 2007 £'000	Year ended 31 January 2006 £'000
Dividend paid (5.0 pence per share)	2,254	–

7. (Loss)/return per share

	Year ended 31 January 2007			Year ended 31 January 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
(Loss)/return per share (pence)	(0.36)	2.07	1.71	(0.50)	(14.20)	(14.70)

Revenue return per share is based on the net loss from ordinary activities after taxation of £162,000 and on 44,964,179 shares, being the weighted number of shares in issue during the year (2006: £234,000 and on 47,055,628 shares).

Capital return per share is based on net capital gains after taxation of £930,000 and 44,964,179 shares, being the weighted number of shares in issue during the year (2006: net capital losses of £6,681,000 on 47,055,628 shares).

The total return per share is the sum of the revenue return and capital return.

Notes to the Financial Statements continued

8. Investments

Movements in investments during the year are summarised as follows:

	AIM & UK Listed £'000	PLUS & Unlisted £'000	Unit Trusts £'000	Total £'000
Opening book cost	30,797	7,334	1,425	39,556
Opening unrealised gains/(losses) at 31 January 2006	3,945	(2,099)	825	2,671
Valuation at 31 January 2006	34,742	5,235	2,250	42,227
Purchases at cost	679	1,386	16	2,081
Disposals – proceeds	(4,367)	(1,111)	–	(5,478)
– realised gains	1,661	131	–	1,792
Increase/(decrease) in unrealised gains/(losses)	314	(790)	277	(199)
Valuation at 31 January 2007	33,029	4,851	2,543	40,423
Book cost at 31 January 2007	28,770	7,740	1,441	37,951
Unrealised gains/(losses) at 31 January 2007	4,259	(2,889)	1,102	2,472
Valuation at 31 January 2007	33,029	4,851	2,543	40,423
Realised gains/(losses) on disposal Net (gains)/losses thereon already recognised in earlier periods	1,661 (202)	131 (150)	– –	1,792 (352)
Realised gains in current year	1,459	(19)	–	1,440
Movement in unrealised (losses)/gains	519	(640)	274	153
(Losses)/gains on investments	1,978	(659)	274	1,593

Realised and unrealised gains/(losses) for the year ended 31 January 2007 were £1,440,000 (2006: £1,225,000) and £153,000 (2006: losses of £7,107,000) respectively.

The cost and carrying value of investments held as at 31 January 2007 are given on pages 13 and 14. At 31 January 2007, total provisions against the unquoted portfolio amounted to £3,227,000 (2006: £2,100,000, 2005: £1,000,000).

Income of £251,000 was received from equity investments in the year ended 31 January 2007 (2006: £353,000).

Notes to the Financial Statements continued

8. Investments continued

Transaction costs

Included in (losses)/gains on investments are expenses incurred on purchases and disposals of investments, as shown below.

	Year ended 31 January 2007 £'000	Year ended 31 January 2006 £'000
Purchases	–	–
Sales	14	21
	14	21

The following unlisted investments were sold during the year:

Company	Cost £'000	Disposal Proceeds £'000	Valuation at 31 January 2006 £'000
Bridgewell Group	977,485	1,079,868	1,127,485
Rhetorical Group (residual proceeds)	–	19,783	–

Notes to the Financial Statements continued

9. Significant interests

At 31 January 2007 the Company held shares amounting to 3 per cent or more of the nominal value of any class of share in the following investee companies:

Company	Class Held	Investment at Cost £'000	Percentage of Class Held %
Vitesse Media	Ordinary Shares	700	14.0
OneClick HR	Ordinary Shares	750	10.1
Medal Entertainment & Media	Ordinary Shares	867	9.0
Signature Brands Group	Ordinary Shares	650	8.7
Glister	Ordinary Shares	1,048	7.0
Smallbone	Ordinary Shares	900	6.8
Nanotecture	Ordinary Shares	375	6.4
VI Group	Ordinary Shares	500	6.2
Surface Transforms	Ordinary Shares	655	5.8
Asfare Group	Ordinary Shares	280	5.6
FSG Security	Ordinary Shares	1,050	5.4
E-Point Group	Ordinary Shares	600	5.2
Dream Direct Group	Ordinary Shares	550	5.1
Vienco Group	Ordinary Shares	650	5.1
Advanced Medical Solutions Group	Ordinary Shares	500	4.1
Sectorguard	Ordinary Shares	250	4.0
1st Dental Laboratories	Ordinary Shares	500	4.0
Ffastfill	Ordinary Shares	749	3.7
Offshore Hydrocarbon Mapping	Ordinary Shares	350	3.7
ID Data	Ordinary Shares	711	3.5
Ilika Technologies	Ordinary Shares	475	3.2
Hallin Marine Subsea International	Ordinary Shares	800	3.1
iQur	Ordinary Shares	300	3.1

It is considered that, as permitted by FRS 9 "Associates and Joint Ventures", the above investments are held as part of an investment portfolio as their value to the Company is through their marketable value as part of a portfolio of investments rather than as a medium through which the Company carries out its business. Therefore the investments are not considered to be associated undertakings.

10. Debtors

	As at 31 January 2007 £'000	As at 31 January 2006 £'000
Accrued income	28	10
Due from brokers	112	616
Prepayments	3	2
Income tax recoverable	6	17
	149	645

Notes to the Financial Statements continued

11. Creditors: amounts falling due within one year

	31 January 2007 £'000	31 January 2006 £'000
Accrued expenses	494	506
Amount due for share repurchases	–	156
	494	662

12. Share capital

	31 January 2007 £'000	31 January 2006 £'000
Authorised:		
84,608,365 Ordinary Shares of 10p each (2006: 84,608,365)	8,461	8,461
Allotted, called-up and fully paid:		
43,826,878 Ordinary Shares of 10p each (2006: 46,236,878)	4,383	4,624

During the year the Company repurchased 2,410,000 shares (2006: 2,727,756) for a consideration of £2,013,000 (2006: £2,481,000). The amount of £241,000 (2006: £272,000) by which the called-up share capital has been diminished has been transferred to the Capital Redemption Reserve.

13. Net asset value per share

The net asset value per share at the year end is calculated in accordance with the Articles of Association and was as follows:

	As at 31 January 2007	As at 31 January 2006
Net asset value per share (pence)	92.09	94.85

Net asset value per share is based on net assets of £40,359,000 and on 43,826,878 shares, being the number of shares in issue at 31 January 2007 (2006: net assets of £43,858,000 and 46,236,878 shares in issue).

Notes to the Financial Statements continued

14. Reconciliation of net return/(loss) before taxation to net cash outflow from operating activities

	Year ended 31 January 2007 £'000	Year ended 31 January 2006 £'000
Net return/(loss) before taxation	768	(6,915)
(Gains)/losses on investments	(1,593)	5,882
Increase in debtors	(108)	(10)
(Decrease)/increase in creditors and accruals	(12)	63
Net cash outflow from operating activities	(945)	(980)

15. Analysis of changes in net funds

	Cash £'000
At 1 February 2006	1,648
Cash flows for the year	(1,367)
At 31 January 2007	281
At 1 February 2005	1,496
Cash flows for the year	152
At 31 January 2006	1,648

A statement reconciling the movements in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

Notes to the Financial Statements continued

16. Risk management and financial instruments

The Company's objectives are detailed on page 2. The Company's financial instruments comprise equity and fixed interest investments, cash balances, debtors and creditors that arise directly from its operations. The Company holds financial assets in accordance with its investment policy to invest in a diverse portfolio of companies whose shares are traded on AIM, PLUS markets and other UK quoted companies. The Company also holds a number of unlisted investments.

The main risks the Company faces from its financial instruments are:

- (i) market price risk;
- (ii) liquidity risk; and
- (iii) interest rate risk.

The Board reviews and agrees policies for managing each of these risks which the Manager has applied throughout the year. The numerical disclosures exclude short-term debtors and creditors.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held in the Company's investment portfolio. This represents the potential loss the Company could suffer as a consequence of price movements. It is the Board's policy that the Company should maintain an appropriate spread of investments in the portfolio to seek to reduce the risks arising from factors specific to a particular company or sector.

Liquidity risk

A substantial portion of the Company's portfolio comprises companies traded on AIM and a number of unlisted investments which may not be readily realisable. The Company has investments in unit trusts as detailed in the investment portfolio and in note 8 and these are readily realisable securities which can be sold to meet funding commitments if necessary. The Company has also established an overdraft facility of £5 million with HSBC.

Notes to the Financial Statements continued

16. Risk management and financial instruments continued

Interest rate risk

The interest rate risk of the Company's financial assets at the 31 January 2007 was as follows:

	31 January 2007			31 January 2006		
	Floating	Non-Interest	Fixed Rate	Floating	Non-Interest	Fixed Rate
	Rate	Bearing		Rate	Bearing	
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	281	39,712	893	1,648	40,706	862
Canadian Dollar	–	247	–	–	659	–

Floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The maturity of unlisted fixed interest investments at 31 January 2007 was as follows:

	31 January 2007	31 January 2006
	£'000	£'000
Less than one year	–	–
One to two years	350	–
Two to three years	150	350
Three to four years	–	150
Four to five years	–	–
Over five years	393	362
	893	862

Foreign currency risk

The majority of the Company's assets and liabilities are denominated in Sterling. At the year end the Company held two investments which were denominated in Canadian dollars (2006: two), which were valued at £247,000 (2006: £659,000). The value of these investments can be affected by movements in foreign exchange rates.

Fair value of financial assets and liabilities

The fair values of the Company's financial assets and liabilities are the same as the carrying values in the balance sheet.

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of Artemis AiM VCT plc will be held on Friday, 22 June 2007 at the offices of Artemis Investment Management Limited, Cassini House, 57 St James's Street, London SW1A 1LD at 12.30 pm for the purpose of transacting the following business:

To consider and if thought fit, to pass the following as ordinary resolutions:

- Resolution 1. To receive the Report of the Directors and the audited financial statements for the year ended 31 January 2007.
- Resolution 2. To approve the Directors' remuneration report for the year ended 31 January 2007.
- Resolution 3. To approve a final dividend of 4.0 pence per Ordinary Share.
- Resolution 4. To re-elect Sir Bill Gammell as a Director.
- Resolution 5. To re-elect Calum Paterson as a Director.
- Resolution 6. To re-appoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

- Resolution 7. To consider and, if thought fit, pass the following resolution as an ordinary resolution:
- THAT, the Company be and is hereby generally and unconditionally authorised, in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares of 10 pence each in the Company ("Shares"), provided that:
- the maximum number of Shares hereby authorised to be purchased shall not exceed 14.99 per cent of the total number of Shares in issue immediately following the passing of this resolution;
 - the minimum price which may be paid for a Share shall be 10 pence (exclusive of expenses);
 - the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 105 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares for the five business days immediately preceding the date of purchase; and
 - unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 22 December 2008, or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority as if the authority conferred hereby had not expired and may make a purchase of Shares pursuant to any such contract which will or may be executed wholly or partly after the expiry of this authority.

Special Resolution

- Resolution 8. To consider and, if thought fit, pass the following resolution as a special resolution:
- THAT, in substitution for any existing powers under Section 95 of the Companies Act 1985 (as amended and from time to time in force) (the "Act") but without prejudice to the exercise of any such powers prior to the date hereof, the Directors be and are hereby authorised to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred on the Directors under Section 80 of the Act, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- the allotment of equity securities in connection with an offer or issue to or in favour of the holders of equity securities in the Company ("Shares") on a date fixed by the Directors where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective number of

Notice of Annual General Meeting continued

Shares held (or deemed or notionally held) by them on that date but subject to such exclusions or other arrangements as the Directors may think fit in relation to fractional entitlements or to deal with problems under the laws of any territory, or requirements of any regulatory body or stock exchange; and;

- (b) the allotment (other than pursuant to paragraph (a) of this resolution) of equity securities up to an aggregate nominal value of £438,268 (being 10 per cent of the equity share capital in issue on 10 May 2007) and shall expire on 22 September 2008, or, if earlier, (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance to such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Artemis Investment Management Limited

42 Melville Street

Edinburgh

EH3 7HA

Company Secretary

10 May 2007

Notes:

Pursuant to Regulation 41(i) of the Uncertificated Securities Regulations 2001, only those shareholders registered on the register of members of the Company at the start of business on Wednesday, 20 June 2007 shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after the start of business on Wednesday, 20 June 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A member entitled to vote at this meeting may appoint one or more proxies to attend and vote in his or her stead. A proxy need not be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a member from attending and voting at the meeting.

Members (and any proxies or corporate representatives appointed) agree, by attending the Annual General Meeting, that they are expressly requesting and that they are willing to receive any communications relating to the Company's securities made at the Annual General Meeting.

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Public Holidays) until the date of the meeting:

- (a) A statement of all transactions of each Director and of their family interests in the share capital of the Company;
- (b) The Memorandum and Articles of Association; and
- (c) Terms and conditions of appointment of non-executive Directors.

None of the Directors has a contract of service with the Company, however, copies of the Directors' letters of appointment are available for inspection at the Company's registered office and for 15 minutes prior to, and at, the meeting.

General Information

Directors

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

Manager, Secretary and Registered Office

Artemis Investment Management Limited
42 Melville Street
Edinburgh EH3 7HA

Telephone: 0800 092 2051
Email: investorsupport@artemisfunds.com
Website: www.artemisonline.co.uk

Auditors and VCT Status Adviser

Ernst & Young LLP
Registered Auditor
Ten George Street
Edinburgh EH2 2DZ

Administrator

BNP Paribas Fund Services UK Limited
55 Moorgate
London EC2R 6PA
Telephone: 020 7410 3132

Registrars

Lloyds TSB Registrars Scotland
PO Box 28506
Finance House
Orchard Brae
Edinburgh EH4 1XZ

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Bankers and Custodian

HSBC Global Investor Services
8 Canada Square
London E14 5HQ

Reporting Calendar

Year end:	31 January
Results announced:	Interim – September Annual – May
Annual General Meeting:	June

Registered in Scotland, Company Registration Number: SC214871.

Form of Proxy

Artemis AiM VCT plc

I/We*
(BLOCK LETTERS PLEASE)

of
being the registered holder(s) of Ordinary Shares of 10 pence each in the capital of Artemis AiM VCT plc (the "Company"), hereby appoint the Chairman of the meeting (see note 3)

or
as my/our proxy to attend for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12.30 pm on Friday, 22 June 2007 at the offices of Artemis Investment Management Limited, Cassini House, 57 St James's Street, London SW1A 1LD and at any adjournment thereof.

I/We hereby direct that our votes be case as follows on the resolutions to be proposed at the meeting:

	For	Against	Vote Withheld (see note 1)	Discretionary
Ordinary Resolutions				
1. To receive the Report of the Directors and the audited financial statements for the year ended 31 January 2007.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report for the year ended 31 January 2007.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve a final dividend of 4.0 pence per Ordinary Share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Sir Bill Gammell as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Calum Paterson as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Business				
Ordinary Resolution				
7. To authorise the Directors to purchase up to 14.99% of the issued share capital.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution				
8. To empower the Directors to disapply pre-emption rights when allotting equity securities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Please indicate by marking "X" in the appropriate box how you wish your votes to be cast. Unless so indicated the proxy will vote or abstain as he or she thinks fit.

Signature(s)..... Dated 2007

Notes

- If this form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his discretion as to how he or she votes or whether he or she abstains from voting. The "Vote Withheld" option is provided to enable you to abstain on any particular resolution, however, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of votes "For" and "Against".
- The form of proxy, duly signed and any power of attorney or other authority (if any) under which it is executed (for a notarially certified copy of such power or authority) must be deposited at the offices of the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.
- A member may appoint a proxy of his or her own choice by deleting the reference to the Chairman and inserting the name of the proxy in the space provided. A proxy need not be a member but must attend the meeting in person to represent his or her appointor.
- A corporation should execute this form under its seal or under the hand of a duly authorised officer, attorney or by an other authorised representative of the corporation.
- In the case of joint members, this form may be signed by any one of the members, but the names of all of them should be stated. The vote of the senior who tends a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members.
- If this form is returned without indication as to how the person appointed proxy shall vote and in relation to any adjournment or other motions proposed at the meeting, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
- The completion of a proxy does not preclude a member from subsequently attending the meeting and voting at the meeting in person.
- Pursuant to Regulation 41(i) of the Uncertificated Securities Regulations 2001, the Company has specified that, to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Company's register of members at 9.30 a.m. on Wednesday, 20 June 2007. If the meeting is adjourned, then to be so entitled, members must be entered on the Company's register of members 48 hours before the time of any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting, as the case may be. Postage has been paid.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA10850

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**Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZR**

FIRST FOLD

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