

Artemis AiM VCT plc

Annual Report and Accounts

for the year ended 31 January 2008



ARTEMIS
The PROFIT Hunter

Contents

Corporate Policy and Financial Highlights	2
Chairman's Statement	3
Directors	6
Investment Manager's Review	7
Investment Portfolio	9
Sector Analysis of Investments	14
Market Analysis of Investments	14
Directors' Report	15
Corporate Governance	20
Directors' Remuneration Report	25
Statement of Directors' Responsibilities	27
Independent Auditors' Report	28
Income Statement	30
Balance Sheet	31
Cash Flow Statement	32
Reconciliation of Movements in Shareholders' Funds	33
Notes to the Financial Statements	34
Notice of Annual General Meeting	45
General Information	48
Reporting Calendar	48

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, PLUS traded and unquoted companies.

Venture Capital Trust ("VCT") 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 274 of the Income Tax Act 2007 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 2008	Year ended 31 January 2007	Since launch
Net asset value	(17.9)%	2.7%	(15.0)%
Share price	(13.4)%	(0.3)%	(21.5)%
FTSE AIM All-Share Index	(9.0)%	(4.6)%	(26.9)%
Capital	As at 31 January 2008	As at 31 January 2007	
Net assets	£30.52m	£40.36m	
Net asset value per share	72.46p	92.09p	
Share price	66.50p	80.00p	
Discount	8.2%	13.1%	
VCT qualifying holdings percentage	73.2%	74.9%	
Returns for the year	Year ended 31 January 2008	Year ended 31 January 2007	
Revenue return/(loss)	0.56p	(0.36)p	
Capital (loss)/return	(16.14)p	2.07p	
Total (loss)/return	(15.58)p	1.71p	
Dividend per share	4.00p [‡]	4.00p	
Cumulative dividends per share	13.85p	9.85p	

* Source: Artemis/Datastream.

‡ Proposed dividend.

Chairman's Statement

Introduction

Shareholders will be aware that the year to 31 January 2008 was a particularly difficult one for quoted investments and that this has been especially so for the smaller capitalisation stocks to which venture capital trusts are largely restricted. This has accordingly been a very disappointing year for your company.

Nevertheless, your board continues to believe that the balance of investments in our portfolio represent sound long term value and that, despite short term price mark downs, worthwhile capital growth will be possible in the long term.

Performance

The period from the second half of 2007 to 31 January 2008 showed a marked deterioration in investor sentiment, especially towards smaller companies. Over the twelve months to 31 January 2008, the broad market, as represented by the FTSE All-Share Index, declined by only 3.6* per cent, the smaller companies indices showed far greater declines, with the FTSE AIM All-Share Index falling by 9.0* per cent, the FTSE Actuaries Fledgling Index by 14.4* per cent, the Hoare Govett Smaller Companies Index by 15.6* per cent and the FTSE SmallCap Index by 26.0* per cent.

Against this background, your company suffered accordingly, with the net asset value, on a total return basis, falling by 17.9* per cent from 88.1 pence (net of the dividend paid during the year) to 72.5 pence. The Investment Manager's Review on pages 7 and 8 gives a more detailed account of individual investments. In summary, most shares in our AIM portfolio saw their prices marked down, some in response to specific news, or the lack of it, and all affected by the general market sentiment.

VCT Qualification

The company has continued to qualify comfortably for VCT status with 73.2 per cent of assets in "qualifying holdings" at the year end (2007: 74.9 per cent). Your board intends to continue to manage the affairs of the company in order that it should continue to qualify as a VCT.

Valued Added Tax ("VAT")

The Government announced on 12 March 2008 its intention to exempt VCTs from paying VAT on their investment management fees from 1 October 2008. The effect of this, had it been in force for the year ending 31 January 2008, would have been to increase your company's net profit for the year by £121,000, equivalent to almost 0.3 pence per share.

It is not yet known whether this ruling will become retroactive for VCTs in the same way it has for investment trusts. Your company has already given notice to the investment manager of its intention to seek to recover VAT previously charged on investment management fees, should it become possible to do so. To date, the company has incurred a total of £670,000 VAT on its investment management fees.

Realisations and Dividend

Proceeds from realisations during the year aggregated £9.3 million resulting in a total gain over book cost of £1.8 million, equivalent to 4.1 pence per share. In addition, an income gain of 0.56 pence per share has been achieved.

Your board is conscious of the attraction of a VCT's ability to pay tax free dividends to shareholders and it is our intention to continue a regular dividend payment going forward. Given the early stage nature of the majority of our holdings the company's investment income has been, and is likely to remain, relatively small and dividends to date have been largely supported by profitable realisations of investments.

* Source: Artemis/Datastream.

Chairman's Statement continued

It remains your board and investment manager's intention to seek to continue to achieve profitable realisations each year, but this requires to be balanced against our other objective of achieving long term capital growth in the portfolio and continuing compliance with VCT regulations. Too heavy a reliance on realisations in any one year might place a constraint upon the objective of achieving long term capital growth in the portfolio.

It is therefore satisfactory to report that following 29 April 2008, the third anniversary of the last issue of shares in the company, all of our distributable reserves are available for share buybacks and for eventual distribution as dividends without any adverse tax consequences for shareholders or for the company. At 31 January 2008 these amounted to £19.9 million equivalent to 47.3 pence per share.

The board considers that, given the long term nature of VCT investments and the flexibility that our significant distributable reserve position gives the company, a consistent dividend policy is appropriate and will therefore again recommend a final dividend of 4.0 pence per share (2007: 4.0 pence) for approval by shareholders at the Annual General Meeting ("AGM"). If approved the dividend will be paid on 27 June 2008 to shareholders on the register on 30 May 2008.

Share Buybacks

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 to 31 January 2008 1,712,000 shares (2007: 2,410,000 shares) were repurchased and cancelled at an aggregate cost of £1.4 million. This has enhanced the net asset value for remaining shareholders by 0.34 pence per share. Since the company's launch 8,360,929 shares have been repurchased at a total cost of £7.2 million, thus contributing 1.75 pence to net asset value per share.

Over recent weeks, shareholders may have noted a fall in the company's share price, which has consequently had the effect of increasing the discount to the underlying net asset value. This, in part, is due to there being a limited secondary market for VCT shares, and also in part due to the company being in a period where it is prohibited from buying its own shares, under the rules of the UK listing authority. Following the announcement of the annual results, your company will resume purchasing its own shares, in accordance with the guidelines outlined above, and we would expect to see the share price move back towards a 10 per cent discount to net asset value.

Auditors

During the course of the year, following consultation with our previous auditors, Ernst & Young LLP, your company's audit was put out to tender in order to ensure the best possible combination of service and cost. We received competitive quotations from three major audit firms and, following extensive examination, and the consequent resignation of Ernst & Young LLP, determined to appoint KPMG Audit Plc as the Company's auditors. Shareholders will be asked to approve the appointment of KPMG Audit Plc at the AGM.

Directors, Managers and Advisors

The 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 AGM will be held at 12.30 pm on Friday, 13 June 2008 at the offices of Artemis Investment Management, 42 Melville Street, Edinburgh EH3 7HA. Full details of all business to be conducted are set out in the Notice of the Meeting on pages 45 to 47, but I would particularly draw your attention to the following items.

Chairman's Statement continued

In accordance with its Articles of Association, your company is required to propose an ordinary resolution at its 2008 AGM, and at every third AGM thereafter, that the company continues as a VCT. This is set out in resolution 5 in the Notice of the Meeting. In the event that this resolution is not passed, your board is required to give shareholders the opportunity to vote for a winding up of the company. This is required to be done within nine months of the AGM and would be by way of special resolution.

Your board, following discussions with the investment manager, has concluded that the company should continue as a VCT. Notwithstanding the recent performance of smaller companies in general, your board believes that the maturing portfolio is well positioned to deliver positive returns in the coming years and this, together with the company's ongoing ability to pay tax free dividends, is likely to appeal to shareholders. Your board, having discussed the prospects for future investment opportunities with your investment manager, is satisfied there will be a sufficient number of attractive new deals in the future and your company will continue to seek to exploit these in pursuit of its objective. Accordingly, your board recommends that shareholders vote in favour of the company's continuation, as your directors intend to do so for their own shareholdings.

At the AGM Richard Ramsay will retire by rotation, in accordance with 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 to continue the policy that I referred to above.

The board welcomes your attendance at the AGM as it provides an opportunity for you to ask questions of the directors and investment manager and for us to solicit your views.

Outlook

Despite a difficult year your board believes that the company's investment portfolio is, as a whole, maturing satisfactorily and that, notwithstanding market fluctuations, long term capital growth should be achieved. The company has a comfortable level of distributable reserves and we look forward to continued dividend distributions and an appreciation of shareholder value.

Robin Field

Chairman

18 April 2008

Directors

Robin Field (Chairman)^{†*}, aged 56,

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, a non-executive director of mForm Limited[‡] and a non-executive director of a number of private companies.

Appointed as a director on 30 January 2001.

[‡] The company has an investment in mForm Limited.

Sir Bill Gammell^{†*}, aged 55,

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 45,

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 holds BA and MBA degrees from the University of Strathclyde.

Appointed as a director on 30 January 2001.

Richard Ramsay^{*}, aged 58,

is an interim manager and also a non executive director of a number of public and private companies. He qualified as an accountant with Price Waterhouse later becoming an investment banker with Hill Samuel & Co and Barclays de Zoete Wedd. 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 has worked in the fund management and leisure sectors and as an energy regulator, and most recently as a non-executive director of Intelli Corporate Finance Limited, which has acted as an advisor to Artemis Investment Management Limited.

Appointed as a director on 30 January 2001.

[†] Independent director.

^{*} Member of audit, nomination, remuneration and management engagement committees.

Investment manager's review

Introduction

Over the year ended 31 January 2008, the net asset value of Artemis AiM VCT plc fell 17.9 per cent compared to a fall of 9.0 per cent in the FTSE AIM All-Share Index. Over the six months to 31 January 2008, the net asset value fell 22.0 per cent compared to a fall of 18.3 per cent in the benchmark index. Since inception, the net asset value has fallen 15.0 per cent compared to a fall of 26.9 per cent in the FTSE AIM All-Share Index.

Review of the period

The recent statistics paint a very clear picture of how difficult markets have been over the last year. The fallout from the global credit crisis has impacted UK stock market valuations, particularly small and micro cap stocks, where a lack of liquidity has deterred new investors and also caused sharp stock price declines, often on small disposal volumes. The FTSE AIM All-Share Index also benefits from the inclusion of significant weightings in Oil & Gas and Real Estate stocks which have fared relatively better than most other sectors over the last twelve months. Regulations specific to VCTs generally preclude companies in these sectors as qualifying investments, and thus restricts portfolio exposure to these areas.

Looking specifically at the last six months since the interim results, most stocks in the portfolio have suffered a de-rating as a result of market movements, but the impact has been felt most in your company's largest holdings where the top six by value accounted for around 65 per cent of the net asset value decline. The major contributor was Offshore Hydrocarbon Mapping ("OHM"), which alone accounted for almost a third of the net asset value fall. OHM has been a long-standing investment in the portfolio, and alongside many companies who seek to introduce new technology as an adjunct to existing practices, volatility has been a feature of its trading performance. OHM has developed a methodology utilising Controlled Source Electromagnetic Imaging that seeks to improve the probability of success for oil companies undertaking new exploration activities but adoption has been slower than planned, and impacted upon OHM's near term forecast revenues. The stock has been significantly de-rated in the period as a result, but the macro picture continues to look promising, with the methodology gaining traction within the industry, and still offering the prospect of eventually becoming as ubiquitous as 3D seismic testing for companies undertaking oil exploration.

Synergy Healthcare ("Synergy") has also been a long-standing successful investment for the company, but over the last six months profit taking on the stock has led to price falls adversely impacting net asset value by 2 per cent. However, the outlook for Synergy's global infection control and sterilisation services continues to look positive, supported by the last announced order book of £765 million.

Huveaux, the publishing group, eroded market confidence through a poor set of results which have derailed its strategy of creating value through acquisition. Remedial action, through cost reduction, has been implemented but it is hard to escape the view that shareholders' best interests will now be best served by a break up and divestment of the group.

The largest holding in the portfolio is Glisten, with a weighting of 9.7 per cent. The shares have held up relatively well in the period, and the latest set of interim numbers continue to demonstrate the confectionery foods company is making good progress with its focus on the manufacture of cereal, fruit snack bars and health bars, many of which have an organic or health orientation. When your company invested in Glisten in June 2002, turnover was £14.3 million. Through a mixture of acquisition and organic growth this has grown to over £60 million across a reassuringly wide range of UK customers.

During the year one of the portfolio's unquoted investments, Medicsight, the computer aided diagnosis company, successfully floated on AIM. There were also good uplifts in the year to the valuations of iQur, the Hepatitis C vaccine and therapeutic developer, and to Ilika, the novel materials developer, as trading progress at both allowed further third-party funds to be raised at increased valuations. However, the last six months has seen no further flotations from within the unquoted portfolio, reflecting the difficult market conditions for

Investment manager's review continued

any company seeking to raise fresh institutional money at this time. Nonetheless, a number of the companies continue to demonstrate good commercial progress and should be in a position to consider flotation anew once the window for new issues begins to open up again.

The company continues to seek new qualifying investment opportunities, however, activity in the period has been selective, reflecting the near fully invested nature of the portfolio, after allowing for the proposed dividend and share buy-back arrangements, and the below average deal flow as a result of general market uncertainty.

A number of portfolio investments were divested in the period. The largest realisation was luxury kitchen and flooring supplier Smallbone. The shares had performed well and rather than test the resilience of the company's ability to sell into a weakening consumer market, a profit of £0.6 million was realised.

The holding in Tanfield Group, the electric vehicle manufacturer was also sold, reflecting concerns over the sustainability of the valuation after a strong run in the shares and its exposure to the weakening US construction industry. The company's holdings in Glisten and Synergy were top sliced generating a combined profit of £1.7 million.

The company's remaining residual holdings in the Artemis unit trusts were sold in December 2007 to release funds for investment, generating proceeds of £2.6 million and a profit of £1.1 million.

Outlook

These are unsettled stock market times. Uncertainty abounds, fuelled currently by a steady drip feed of negative economic and corporate news. The AIM market has suffered through a lack of liquidity and preponderance of perceived higher risk in microcap stocks and investor interest in this end of the market is low at the moment. While it is a painful financial period to endure, at a fundamental level many of the stocks within the portfolio are now looking oversold. History suggests this scenario could endure for some while yet, but the very lack of liquidity that has impacted on these stocks in the current climate has proven in the past to be the catalyst for strong price recovery once buying interest returns.

Lindsay Whitelaw

Artemis Investment Management Limited
Investment Manager

18 April 2008

Investment Portfolio

As at 31 January 2008

Glisten (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 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 2007									
		£'000									
		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Profit before tax</td> <td style="width: 50%; text-align: right;">3,445</td> </tr> <tr> <td>Retained profit</td> <td style="text-align: right;">2,274</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">23,174</td> </tr> </table>						Profit before tax	3,445	Retained profit	2,274
Profit before tax	3,445										
Retained profit	2,274										
Net assets	23,174										
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets				
789,750	Ordinary Shares	5.7	5.7	858	2,946	Bid price	9.7				
Synergy Healthcare ² (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. It 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 1 April 2007									
		£'000									
		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Profit before tax</td> <td style="width: 50%; text-align: right;">8,816</td> </tr> <tr> <td>Retained profit</td> <td style="text-align: right;">4,863</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">190,211</td> </tr> </table>						Profit before tax	8,816	Retained profit	4,863
Profit before tax	8,816										
Retained profit	4,863										
Net assets	190,211										
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets				
359,000	Ordinary Shares	0.7	0.7	631	2,377	Bid price	7.8				
Eurovestech ^{1,2} (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 2007									
		£'000									
		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Profit before tax</td> <td style="width: 50%; text-align: right;">6,940</td> </tr> <tr> <td>Retained profit</td> <td style="text-align: right;">5,569</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">17,587</td> </tr> </table>						Profit before tax	6,940	Retained profit	5,569
Profit before tax	6,940										
Retained profit	5,569										
Net assets	17,587										
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	1,682	Bid price	5.5				
Advanced Medical Solutions (AIM)		www.admedsol.com									
<p>Advanced Medical Solutions is a leading company in the development and manufacture of products for the global wound care market. In-house natural and synthetic polymer technology is used to provide advanced wound dressings based on the moist healing principle. The company's resources ensure a unique position as a vertically integrated 'one stop shop' to provide all categories of moist wound healing products.</p>		Financial Summary									
		Accounts for the year									
		ended 31 December 2007									
		£'000									
		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Profit before tax</td> <td style="width: 50%; text-align: right;">1,905</td> </tr> <tr> <td>Retained profit</td> <td style="text-align: right;">2,236</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">15,746</td> </tr> </table>						Profit before tax	1,905	Retained profit	2,236
Profit before tax	1,905										
Retained profit	2,236										
Net assets	15,746										
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets				
5,882,352	Ordinary Shares	4.1	4.1	500	1,338	Bid price	4.4				

¹ Non qualifying investments for VCT purposes.

² Held by other Artemis managed clients.

Investment Portfolio continued

As at 31 January 2008

Vitesse Media (AIM)				www.vitessemedia.co.uk			
<p>Vitesse Media are the leading specialists in growth businesses – entrepreneurs, their investors, advisers and IT professionals. The company offers award-winning publications, fast-growing web sites, exciting events and much-acclaimed research. Their flagship titles include SmallBusiness.co.uk, Growth Company Investor, Information Age, GrowthBusiness.co.uk, What Investment, Business XL and M & A magazine.</p>				Financial Summary			
				Accounts for the year ended 6 February 2007			
				Loss before tax		(340)	
				Retained loss		(340)	
				Net assets		976	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
3,436,232	Ordinary Shares	14.0	14.0	900	1,203	Bid price	3.9
Offshore Hydrocarbon Mapping ² (AIM)				www.ohmsurveys.com			
<p>Offshore Hydrocarbon Mapping (OHM) is the world's leading provider of Controlled Source Electromagnetic Imaging (CSEMI) services, including surveying, data processing, and data interpretation services to the offshore oil industry. CSEMI has been used for over 20 years by researchers to examine hydrothermal and volcanic systems on mid-ocean ridges. OHM has assembled a team of leading scientists in this field to further refine and develop the CSEMI technique and transform it into a potent tool for optimising hydrocarbon exploration and production.</p>				Financial Summary			
				Accounts for the year ended 31 August 2007			
				Loss before tax		(998)	
				Retained loss		(1,092)	
				Net assets		35,957	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
1,143,236	Ordinary Shares	2.7	2.7	341	1,063	Bid price	3.5
McLaren Software ³ (Unquoted)				www.mclarensoftware.com			
<p>McLaren Software develops engineering-centric intellectual work management applications for the oil and gas, process manufacturing, utilities, life sciences, and engineering, design and construction sectors.</p>				Financial Summary			
				Accounts for the year ended 31 December 2006			
				Loss before tax		(1,602)	
				Retained loss		(1,603)	
				Net deficit		(2,411)	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
2,228	B Ordinary Shares	19.2	13.1	97	97	Recent Transaction Price	
871,503	Loan Stock	–	–	913	913	Recent Transaction Price	
				1,010		1,010	
						3.3	

² Held by other Artemis managed clients.

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

Investment Portfolio continued

As at 31 January 2008

Ilika Technologies ² (Unquoted)					www.ilika.com		
Ilika specialises in the development and application of high throughput, combinatorial R&D techniques for the discovery of new materials.					Financial Summary		
					Accounts for the year ended 30 April 2007		
					Loss before tax	(1,183)	
					Retained loss	(1,111)	
					Net assets	830	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
3,910	Ordinary Shares	5.2	5.2	850	949	Recent Transaction Price	3.1
Rurelec (AIM)					www.rurelec.com		
Rurelec develops, owns and operates power generation capacity in Latin America and supervises rural electrification projects. Rurelec is managed by a team with a strong track record in developing power projects worldwide and with considerable experience in the electricity sector in Latin America.					Financial Summary		
					Accounts for the year ended 31 December 2006		
					Profit before tax	17,688	
					Retained profit	14,458	
					Net assets	64,248	
Holding	Security	% of class held	% of equity held	Cost £'000	Valuation £'000	Basis of valuation	% of net assets
1,875,000	Ordinary Shares	2.6	2.6	750	900	Bid price	2.9
Amino Technologies ² (AIM)					www.aminocom.com		
Amino Technologies designs and supplies electronic systems, software and consultancy for IPTV (telco triple-play applications: TV, data and voice communications over broadband Internet), video-on-demand and in-home multimedia distribution.					Financial Summary		
					Accounts for the year ended 30 November 2007		
					Profit before tax	1,383	
					Retained profit	2,316	
					Net assets	29,049	
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	886	Bid price	2.9
				Cost £'000	Valuation £'000	% of net assets	
Ten largest investments				6,990	14,354	47.0	

² Held by other Artemis managed clients.

Investment Portfolio continued

As at 31 January 2008

Company		Description of business	Cost £'000	Valuation £'000	% of net assets
iQur ²	Unquoted	Hepatitis C testing & treatment	550	882	2.9
Medicsight ^{1,2}	AIM	Medical imaging software	500	822	2.7
AssetCo ²	AIM	Emergency & homeland security services	483	788	2.6
Ffastfill ²	AIM	Risk management software	799	713	2.3
FSG Security ³	PLUS	Manned guarding & security services	1,050	635	2.1
Sphere Medical Holdings	Unquoted	Clinical diagnostic and monitoring equipment	500	596	2.0
Quadnetics Group ²	AIM	Advanced surveillance technologies	700	520	1.7
Imprint ²	AIM	International recruitment services	529	515	1.7
Capital Pub Company (The)	AIM	Independent pub company	500	500	1.6
Huveaux ²	AIM	Publishing & media group	1,000	437	1.4
Top twenty investments			13,601	20,762	68.0
Vienco Oil & Gas ^{2,3}	Unquoted	Independent oil services company	757	396	1.3
Vero Software	AIM	Design & manufacturing software	500	384	1.3
Tepnel Life Sciences	AIM	Molecular diagnostics and research products	729	377	1.2
Oneclick HR	AIM	HR solutions provider	450	315	1.0
Colliers CRE	AIM	Real estate consultancy	633	271	0.9
Bankers Petroleum ^{1,4}	AIM	Oil & gas exploration & production	292	266	0.9
Andor Technology	AIM	High performance cameras	400	249	0.8
mForm ²	Unquoted	Online mortgage arrangement	249	249	0.8
Sectorguard	AIM	Security & fire protection services	250	219	0.7
ID Data	AIM	Plastic payment card solutions	811	208	0.7
Top thirty investments			18,672	23,696	77.6
Gasol ^{1,2}	AIM	African gas exploration & production	125	206	0.7
Lighthouse Group	AIM	Independent financial advisors	549	201	0.7
Nanotecture	Unquoted	Energy technology company	375	200	0.7
Mission Marketing ²	AIM	Internet marketing & design	250	200	0.7
Synaigen ²	AIM	Respiratory disease drug research	494	194	0.6
Medical House (The)	AIM	Design of innovative medical devices	500	188	0.6
Portrait Software	AIM	Customer relationship software	1,000	186	0.6
Tissue Science Laboratories	AIM	Tissue implant research & development	496	180	0.6
1st Dental Laboratories	AIM	Manufacture of dental appliances	500	171	0.6
Neutrahealth ²	AIM	Nutritional supplements	215	167	0.5
Top forty investments			23,176	25,589	83.9

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.

Investment Portfolio continued

As at 31 January 2008

Company		Description of business	Cost £'000	Valuation £'000	% of net assets
Strathdon Investment ¹	AIM	Technology venture capital investments	492	135	0.4
Armor Group ^{1,2}	UK Listed	Protective security & risk management	597	131	0.4
Surface Transforms	AIM	Advanced carbon fibre technology	655	113	0.4
UBC Media Group	AIM	Services to the radio industry	410	110	0.4
Fulcrum Pharma	AIM	Drug development services	374	98	0.3
Top Ten Holdings	AIM	UK bingo club operator	371	93	0.3
Maelor	AIM	Specialist hospital medicine group	183	88	0.3
Trafficmaster	UK Listed	Intelligent driving technology	988	65	0.2
Cobra Bio-Manufacturing	AIM	Manufacturer of biopharmaceuticals	219	63	0.2
Eurogold ¹	AIM	Gold exploration and mining	408	58	0.2
Top fifty investments			27,873	26,543	87.0
Frontier Mining ¹	AIM	Kazakhstan gold exploration and mining	190	55	0.2
Symphony Environmental Technologies	AIM	Plastic products and technology	491	37	0.1
Oriel Resources ^{1,2}	AIM	Chrome and nickel mining and processing	30	28	0.1
Coal International ¹	AIM	US coal mining	75	26	0.1
Zoo Digital Group	AIM	Digital media software	299	21	0.1
TripleArc	AIM	Print management solutions	500	17	–
Dream Direct Group	Unquoted	Entertainment home shopping	550	–	–
Medal Entertainment & Media	Unquoted	Television production and distribution	867	–	–
Synigence ²	Unquoted	Healthcare information technology	414	–	–
Capsant Neurotechnologies	Unquoted	Neurological disease research	100	–	–
Top sixty investments			31,389	26,727	87.6
Connectus Direct Solutions ^{1,2}	Unquoted	Online marketing technologies and services	272	–	–
E-Point Group	Unquoted	Technology company	600	–	–
Zyentia	Unquoted	Protein therapeutics	100	–	–
Total investments			32,361	26,727	87.6
Net current assets			3,788	3,788	12.4
Net assets			36,149	30,515	100.0

¹ Non qualifying investments for VCT purposes.

² Held by other Artemis managed clients.

All holdings in companies are Ordinary Shares unless denoted otherwise.

Sector Analysis of Investments

As at 31 January 2008

	31 January 2008 % of net assets*	31 January 2007 % of net assets*
Health Care Equipment & Services	15.9	15.4
Food Producers	11.0	10.8
Support Services	10.6	13.4
Pharmaceuticals & Biotechnology	9.4	6.5
Software & Computer Services	9.2	7.5
General Financial	8.0	5.4
Media	7.3	9.4
Oil Equipment, Services & Distribution	5.5	8.1
Electronic & Electrical Equipment	5.3	3.2
General Industrials	3.7	1.8
Technology Hardware & Equipment	3.6	3.1
Electricity	3.4	2.0
Travel & Leisure	2.2	2.2
Oil & Gas Producers	1.8	0.8
Real Estate	1.0	2.9
Food & Drug Retailers	0.6	–
Mining	0.6	0.6
Equity Instrument Investments	0.5	0.7
Industrial Engineering	0.4	1.4
General Retailers	–	1.2
Household Goods	–	3.6
	100.0	100.0

Sectors are those used by FTSE AIM All-Share Index.

* Excludes unit trust investments.

Market Analysis of Investments

As at 31 January 2008

	31 January 2008 % of net assets	31 January 2007 % of net assets
AIM	70.8	80.7
Unquoted	14.1	10.4
PLUS	2.1	1.6
UK Listed	0.6	1.1
Unit Trusts	–	6.4
Net current assets/(liabilities)	12.4	(0.2)
	100.0	100.0

Directors' Report

The directors have pleasure in presenting their report and audited accounts for the year ended 31 January 2008.

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 274 of the Income Tax Act 2007 ("S274") (summarised on page 2). HM Revenue & Customs has confirmed in writing that the company has been granted approval as a VCT for the year ended 31 January 2007. VCT status is monitored by the directors through regular reports from the investment manager and administrator. The directors have managed, and continue to manage, the business in order to comply with the legislation applicable to VCTs. The company does not have any employees and delegates most of its operational functions to service providers, details of which are set out below.

Investment objective and strategy

The company's objective is to achieve long-term capital and income growth and to generate tax free capital and income distributions.

The company's policy is to invest in a diversified portfolio of growth orientated companies across a broad range of industries, with a particular emphasis on companies whose shares are traded on AIM. Investments will also include companies whose shares are traded on PLUS markets and unquoted companies. The portfolio is managed in order to meet the investment requirements of S274, that, *inter alia*, require at least 70 per cent of the investments to be qualifying holdings, of which 30 per cent must be in eligible shares. Subject to maintaining a prudent margin of safety over the 70 per cent level, the company's remaining assets may be invested in cash or money market deposits, fixed interest securities, unit trusts or UK listed securities with a market capitalisation which would meet the criteria of the Hoare Govett Smaller Companies Index (excluding investment companies).

The portfolio will normally contain between 50 and 70 investments of which approximately 75 per cent will be in qualifying holdings, through a mixture of AIM, PLUS and unquoted companies. Investments in unquoted companies will be targeted at those who intend to have an IPO within 18 months from the date of investment. The investment manager will exercise its discretion to vary the composition of this portfolio, taking in account market conditions. The company does not currently use gearing or derivatives. Prior board approval is required before either can be utilised by the investment manager. No investment of £1 million or above can be made without prior board approval.

Investments are selected on their individual merits, including their ability to meet the investment test criteria above. As a result of the portfolio having to meet certain investment tests which apply to VCTs, the universe of investable companies is restricted and therefore it is unlikely that the performance of the company will track that of any particular benchmark indices.

The company achieves an appropriate spread of risk through investing in a diversified portfolio of companies, across a broad range of industrial sectors. Information on the company's investment exposures are set out in the Investment Portfolio, on pages 9 to 13, and on the Sector Analysis and Market Analysis of Investments on page 14.

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 performance
- Dividend/distributions
- Share price performance
- Peer group performance

Details of the first three KPIs can be found on the Corporate Policy and Financial Highlights summary on page 2.

Directors' Report continued

Your board continues to monitor a peer group of other AIM focused VCTs launched in the same tax year (2000/01) as a key performance indicator in assessing the company's progress and the investment manager's performance. All four VCTs in our cohort have suffered sharp falls in value over the year but we continue to lie second in the group and have narrowed our gap from the leader.

In addition to the aforementioned KPIs, the board monitors the activity in the company's shares and the discount to net asset value at which they trade. As the secondary market for VCT shares remains under-developed, liquidity in VCT shares can be an issue, with the result that, any significant sales may have an adverse effect on the company's share price and therefore the discount to the underlying net asset value. In order to try to manage this, the company has obtained, and will seek a renewal at the AGM, shareholders' authority to buy back its own shares. Such buy backs will be made from time to time within guidelines established by the board for this purpose, which currently are to buy shares at a discount of no more than 10 per cent.

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 on 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 investment manager considers to be representative of their fair value.

The nature of the investable universe of companies, being younger and growth orientated, carries a higher degree of risk than investment in companies that are larger and have mature businesses. Further details of the risks faced by the company and how they are managed are set out in note 16 of the notes to the financial statements on pages 42 to 44.

The company, and consequently its shareholders, can benefit from certain tax reliefs extended to VCTs. The tax regulatory environment is complex and any breaches of these regulations could result in a loss of tax relief for shareholders. In addition, failure by the company to meet the requirements of S274 could result in the company becoming liable for capital gains tax on the gains it generates from the sale of investments. The board receives regular updates from the investment manager in order to monitor compliance with the applicable tax regulations.

Current and future developments

Details of the company's developments during the year ended 31 January 2008 are set out in the Chairman's Statement on pages 3 to 5 and Investment Manager's Review on pages 7 and 8.

The board's main focus is to seek to deliver successful long term investment returns for shareholders and it meets regularly to discuss the investment process, and factors that may have an influence in the future, with the investment manager. The board considers the ongoing development and direction of the company, and the effectiveness of communication with shareholders and other external parties on a regular basis.

Other Matters

Life of the company

The company's Articles of Association require the directors to put an ordinary resolution to shareholders at the AGM in 2008 and at every third AGM thereafter, for the continuation of the company as a VCT. In considering whether to recommend to shareholders that the company should continue as a VCT, as set out in the Chairman's Statement, the directors believe that the maturing portfolio and the ability to pay tax-free dividends will continue to be attractive to shareholders, as they are to the directors. The directors have also discussed with the investment manager the prospects for future investment opportunities and are satisfied that there will be a sufficient deal flow to enable the company to make future investments in pursuit of its objective. We therefore recommend that shareholders to vote in favour of the resolution that the company continues as a VCT.

Directors' Report continued

Results and dividend

The loss on ordinary activities after tax for the year ended 31 January 2008 was £6,711,000 (2007: profit £768,000). Further details can be found in the Income Statement on page 30.

The directors are recommending a final dividend for the year of 4.0 pence per ordinary share (2007: 4.0 pence), which if approved by shareholders at the AGM will be paid on 27 June 2008 to shareholders on the register as at 30 May 2008. This dividend will be paid from a combination of revenue profits and realised capital gains for the year.

Share capital

The company's share capital consists of 42,114,878 ordinary shares of 10 pence each (2007: 43,826,878). On a show of hands every member present in person or by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him/her. There are no restrictions in relation to the transfer of the company's shares nor are there any special rights attached to these shares.

During the year ended 31 January 2008, the company purchased for cancellation a total of 1,712,000 (2007: 2,410,000) of its own ordinary shares, representing 3.8 per cent of those shares in issue as at 22 June 2007, at a cost of £1,407,000, including stamp duty.

Further information on the share capital of the company is detailed in note 12 of the notes to the financial statements on page 41.

Directors

The directors of the company and their biographies are set out on page 6. Each of these directors held office throughout the year under review. Mr Fitz-Harris retired as a director on 22 June 2007. None of the directors has a contract of service with the company.

In accordance with the company's Articles of Association, Mr Ramsay will be retiring by rotation and, being eligible, will be seeking re-election by shareholders at the forthcoming AGM. The nomination committee, having reviewed his individual performance as director and his contribution to the operation of the company, concluded that the company benefited from the services and advice of Mr Ramsay. Accordingly, the nomination committee recommended to the board that a resolution be put to shareholders at the 2008 AGM that Mr Ramsay be recommended for re-election. The board concurred with this view and recommends that shareholders vote in favour of his re-election.

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 2008	1 February 2007
Robin Field	145,752	145,752
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.

Directors' Report continued

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 fee which was agreed at launch, are set out in note 3 of the notes to the financial statements on page 36. Artemis' appointment may be terminated by either party on not less than twelve months written notice. Artemis also acts as company secretary.

Artemis is authorised and regulated by the Financial Services Authority and as at 31 January 2008 had £15.1 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 investment manager

The board has reviewed the performance of the investment 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 investment manager, on the current terms, is in the interests of shareholders.

VCT status monitoring

The company has appointed KPMG Audit Plc as advisers to oversee compliance with relevant tax regulations. Previously this was undertaken by Ernst & Young LLP. The directors monitor the company's VCT status through regular reports from the investment 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.

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 (2007: £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

Following a review of audit services during the year, Ernst & Young LLP resigned as auditors and KPMG Audit Plc were appointed by the directors to fill the casual vacancy pursuant to sections 489(3) and 526 of the Companies Act 2006. Accordingly, a resolution to appoint KPMG Audit Plc as auditors of the company (having previously been appointed by the board to fill the casual vacancy arising by reason of the resignation of Ernst & Young LLP), to hold office until the conclusion of the next general meeting at which accounts are laid before the company and that their remuneration be fixed by the directors will be proposed at the forthcoming AGM. At the time of resignation, Ernst & Young LLP confirmed in writing to the board that there were no circumstances connected with their ceasing to hold office that ought to be brought to the attention of the company's shareholders or creditors in accordance with section 519 of the Companies Act 2006.

Directors' Report continued

AGM

The seventh AGM of the company will be held at 12.30 pm on Friday, 13 June 2008 at the offices of Artemis Investment Management Limited, 42 Melville Street, Edinburgh EH3 7HA. The formal Notice convening this Meeting can be found on pages 45 to 47.

Authority to buy back shares

At the AGM held on 22 June 2007 shareholders authorised the company to make market purchases of its ordinary shares up to a maximum of 6,468,916 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 13 December 2009, or, if earlier, at the conclusion of the AGM to be held in 2009.

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 interests 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.

Authority to allot shares

The directors are seeking authority to be generally and unconditionally authorised to allot shares in the company. Resolution 8 will, if approved, empower the directors to allot shares.

Subject to the passing of Resolution 8, the directors are seeking authority to allot shares without first offering them to existing shareholders. Resolution 9 will, if approved, authorise the directors to allot new ordinary shares for cash up to an aggregate nominal amount of £421,148, being 10 per cent of the company's issued share capital as at 18 April 2008, without first offering such shares to existing shareholders *pro rata* to their existing holdings. Resolution 9 will be proposed as a special resolution and this authority will continue in effect until the conclusion of the AGM to be held in 2009, or, if earlier, 13 September 2009. The directors will only issue new ordinary shares pursuant to this authority 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.

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

18 April 2008

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 2008, 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 24 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 four non-executive directors, three of whom are deemed to be independent. Mr Ramsay is deemed not to be independent by virtue of being a non-executive director of Intelli Corporate Finance Limited, which has acted as an advisor to the investment manager. Mr Field is a non-executive director of Artemis AiM VCT 2 plc, which is also managed by the investment manager. The chairman, at the time of his appointment was, and 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. Directors are appointed subject to the provisions of the Companies Act and the company's Articles of Association.

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 investment 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, investment 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 investment 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 investment manager and the board measures the investment manager's performance against the company's investment objectives and a number of KPIs.

The investment 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, led by the Nomination Committee, evaluated its own performance and that of the 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

Corporate Governance continued

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. New directors will be briefed, by both the board and investment manager, 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 and remuneration committees, which are chaired by Mr Paterson. 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 23 and 24.

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 Paterson, the current chairman of the audit committee, is a chartered accountant.

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 investment 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 investment manager and administrator have established frameworks to provide reasonable assurance as to the effectiveness of internal controls operated on behalf of their clients. Both

Corporate Governance continued

third parties report, on a quarterly basis, any breaches of law or regulation. The audit committee considers annually whether there is any need for an internal audit function, and it has been 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 25 and 26.

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 investment 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	6	5	4	4	2	2	1	1	1	1
Sir Bill Gammell	6	5	4	3	2	2	1	1	1	1
Calum Paterson	6	6	4	4	2	2	1	1	1	1
Richard Ramsay	6	6	4	4	2	2	1	1	1	1
Ian Fitz-Harris*	3	1	2	1	1	1	–	–	1	1

* Mr Fitz-Harris retired on 22 June 2007.

Corporate Governance continued

Board succession planning

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.

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. The company prepares interim management statements during the six months between the interim and annual reporting periods and these are announced to the London Stock Exchange and available on the investment manager's website.

Shareholders are encouraged to attend and vote at the AGM, during which the board and investment manager will be 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 investment manager's website at www.artemisonline.co.uk where you can also find further information on the company.

All directors intend to attend this year's AGM, details of which are set out in the Notice of Meeting on pages 45 and 47 of this annual report.

Voting policy

The directors have given the investment manager discretion to exercise the company's voting rights and the investment 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 investment 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 November 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.
- 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 investment manager at regular board meetings. The board reviews information produced by the investment manager in detail on a regular basis.

Corporate Governance continued

- 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) Mr 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 the provisions set out in Section 1 of Combined Code during the year ended 31 January 2008 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 2008, 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 28 and 29.

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 of similar 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 2009 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 2008, 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 AGM 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
Richard Ramsay	31 May 2005	AGM 2008
Robin Field	30 May 2006	AGM 2009
Sir Bill Gammell	22 June 2007	AGM 2010
Calum Paterson	22 June 2007	AGM 2010

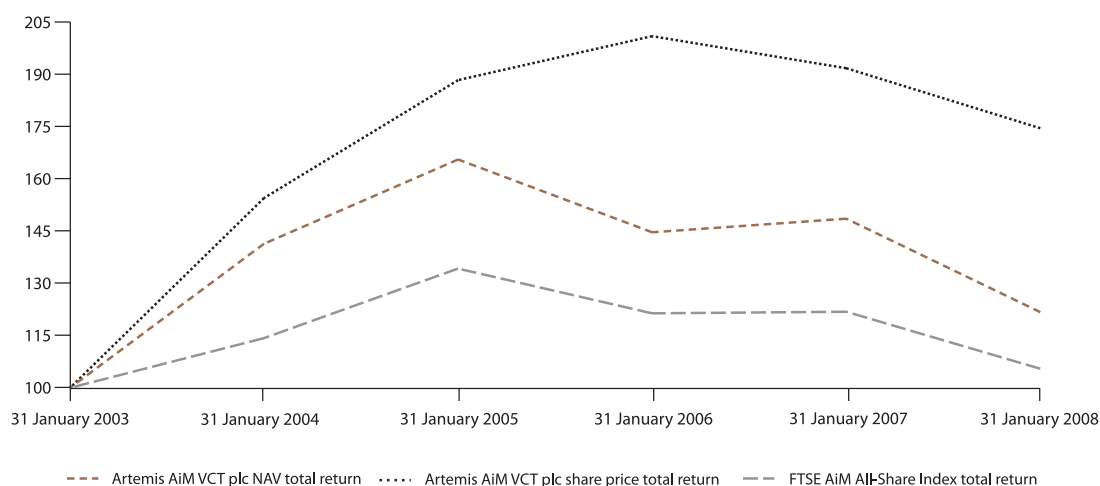
Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is held by the company in respect of the directors. This is reviewed and renewed on an annual basis.

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	2008	2007
Robin Field	£17,500	£17,500
Ian Fitz-Harris*	£4,933	£12,500
Sir Bill Gammell	£12,500	£12,500
Calum Paterson	£12,500	£12,500
Richard Ramsay	£12,500	£12,500
Total	£59,933	£67,500

* Mr Fitz-Harris retired on 22 June 2007.

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 2008.

- Mr Paterson's fees were paid to Scottish Equity Partners Limited.

On behalf of the board

Robin Field

Chairman

18 April 2008

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 net result of the company for the year. In preparing these financial 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 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.

The financial statements are published on a website, www.artemisonline.co.uk, maintained by the company's investment manager, Artemis Investment Management Limited. The maintenance and integrity of the corporate and financial information relating to the company is the responsibility of the investment manager. Visitors to the website should note that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that, to the best of their knowledge:

- the financial statements have been prepared on a going concern basis using appropriate accounting standards which have been consistently applied; have been prepared in accordance with applicable accounting standards; and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.
- the directors' report includes a fair review of the development and performance of the company and the principal risks faced by the company.

On behalf of the board

Robin Field

Chairman

18 April 2008

Independent Auditors' Report

to the members of Artemis AiM VCT plc

We have audited the financial statements of Artemis AiM VCT plc for the year ended 31 January 2008 which comprise the Income Statement, Balance Sheet, Cash Flow Statement and Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 27.

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. We also report to you whether in our opinion, the information given in the Directors' Report (including the Business Review) is consistent with the financial statements. The information given in the Directors' Report (including the Business Review) includes that specific information presented in the Financial Highlights, Investment Portfolio, Sector Analysis and Market Analysis of Investments, the Investment Manager's Review and Chairman's Statement that is cross referenced from the Business Review. We also 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 FRC 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. 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 judgments 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 the 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2008 and of its loss 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.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
Edinburgh

18 April 2008

Income Statement

For the year ended 31 January 2008

	Notes	Year ended 31 January 2008			Year ended 31 January 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(6,343)	(6,343)	–	1,593	1,593
Income	2	664	–	664	328	–	328
Investment management fee	3	(202)	(607)	(809)	(221)	(663)	(884)
Other expenses	4	(223)	–	(223)	(266)	–	(266)
Return on ordinary activities before interest and taxation		239	(6,950)	(6,711)	(159)	930	771
Interest payable		–	–	–	(3)	–	(3)
Return on ordinary activities before taxation		239	(6,950)	(6,711)	(162)	930	768
Tax on ordinary activities	5	–	–	–	–	–	–
Return on ordinary activities after taxation		239	(6,950)	(6,711)	(162)	930	768
Return per ordinary share (pence)	7	0.56	(16.14)	(15.58)	(0.36)	2.07	1.71

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

No separate Statement of Recognised Gains and Losses is presented as all gains and losses 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 34 to 44 are an integral part of the financial statements.

Balance Sheet

As at 31 January 2008

	Notes	As at 31 January 2008 £'000	As at 31 January 2007 £'000
Fixed assets			
Investments	8	26,727	40,423
Current assets			
Debtors	10	93	149
Cash at bank	15	4,162	281
		4,255	430
Creditors: amounts falling due within one year	11	(467)	(494)
Net current assets/(liabilities)		3,788	(64)
Net assets		30,515	40,359
Equity shareholders' funds			
Share capital	12	4,212	4,383
Capital redemption reserve		4,382	4,211
Share premium		7,637	7,637
Special reserve		20,549	23,682
Capital reserve – unrealised		(5,634)	2,472
Capital reserve – realised		199	(957)
Profit and loss reserve		(830)	(1,069)
Equity shareholders' funds		30,515	40,359
Net asset value per ordinary share (pence)	13	72.46	92.09

The financial statements were approved and authorised for issue by the board of directors on 18 April 2008 and were signed on their behalf by:

Robin Field

Director

18 April 2008

The accompanying notes on pages 34 to 44 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 January 2008

	Notes	Year ended		Year ended	
		31 January 2008		31 January 2007	
		£'000	£'000	£'000	£'000
Operating activities					
Investment income received		321		276	
Deposit and similar interest received		66		15	
Income from unit trust investments		9		19	
Investment management fees paid		(873)		(915)	
Administrator's fees paid		(74)		(74)	
Overdraft interest paid		–		(3)	
Other cash payments		(209)		(263)	
Net cash outflow from operating activities	14		(760)		(945)
Financial investment					
Sale of investments		9,271		6,082	
Purchase of investments		(1,650)		(2,081)	
Net cash inflow from financial investment			7,621		4,001
Equity dividends paid			(1,726)		(2,254)
Net cash inflow before financing			5,135		802
Financing					
Repurchases of shares		(1,254)		(2,169)	
Net cash outflow from financing			(1,254)		(2,169)
Increase/(decrease) in cash	15		3,881		(1,367)

The accompanying notes on pages 34 to 44 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 January 2008

	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 2007	4,383	4,211	7,637	23,682	2,472	(957)	(1,069)	40,359
Return on ordinary activities after taxation	-	-	-	-	(5,735)	(1,215)	239	(6,711)
Transfer on disposal of investments	-	-	-	-	(2,371)	2,371	-	-
Repurchases of shares	(171)	171	-	(1,407)	-	-	-	(1,407)
Capital dividend paid	-	-	-	(1,726)	-	-	-	(1,726)
At 31 January 2008	4,212	4,382	7,637	20,549	(5,634)	199	(830)	30,515
	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

* The aggregate of these reserves, being £19,918,000 (2007: £21,656,000), represents the distributable reserves of the Company at 31 January 2008.

The accompanying notes on pages 34 to 44 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 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 designated as fair value through profit or loss on initial recognition, and recognised on the trade date at the 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 2008.

Investments in unquoted companies, in accordance with generally accepted accounting practice, are valued at fair value which is determined by the directors, through discussion with the investment 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.

(c) Income

Income from unit trusts and dividends receivable on listed and AIM/PLUS equity shares are brought into account on ex-dividend date. Dividends receivable on unquoted 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 interest rate basis. Bank and deposit interest is recognised on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis through the Income Statement. 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.

Notes to the Financial Statements continued

1. Accounting policies continued

(f) Capital reserves

Capital reserve – realised.

The following are accounted for in this reserve:

- gains and losses on the realisation of investments and changes in fair value of investments which are readily convertible to cash; and;
- expenses, together with any related taxation effect, in accordance with the above policies.

Capital reserve – unrealised.

The following is accounted for in this reserve:

- changes in fair value of investments that are not readily convertible to cash and amounts by which other assets and liabilities valued at market value differ from their book value.

2. Income

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Investment income*		
UK dividend income	279	270
UK fixed interest	303	25
	582	295
Other income⁺		
Bank interest	82	33
	664	328
Total income comprises		
Dividends	279	270
Interest	385	58
	664	328
Income from investments		
UK listed investments	270	251
UK unquoted investments	312	44
	582	295

* All investments have been designated as fair value through profit or loss on initial recognition, therefore all investment income arises on investments at fair value through profit or loss.

⁺ Income on financial assets not designated as fair value through profit or loss.

Notes to the Financial Statements continued

3. Investment management fee

	Year ended 31 January 2008			Year ended 31 January 2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	172	516	688	188	564	752
Irrecoverable VAT thereon	30	91	121	33	99	132
	202	607	809	221	663	884

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 quoted fixed interest securities.
- 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 funds raised by company 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. No performance fee is due for the year ended 31 January 2008 (2007: £nil).

As stated above 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 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.

4. Other expenses

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Directors' remuneration (excluding VAT and NIC)	60	68
Administrator's fees	74	75
Auditors' remuneration:		
Fees for the audit of the company's annual accounts – KPMG	16	–
Fees for the audit of the company's annual accounts – Ernst & Young	–	15
Other services supplied pursuant to legislation (interim review)		
– Ernst & Young	4	4
Other services supplied relating to taxation – Ernst & Young	8	10
Other services supplied relating to taxation – KPMG	6	–
Corporate finance advisory fees	–	13
Other expenses	55	81
	223	266

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

The company has no employees (2007 – none).

Notes to the Financial Statements continued

5. Tax on ordinary activities

There is no tax charge for the year (2007: £nil).

The tax charge for the year is lower than the standard rate of corporation tax in the UK (30 per cent).

The differences are explained in the table below:

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Revenue return on ordinary activities before taxation	239	(162)
Revenue return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2007: 30%)	72	(49)
Effects of:		
UK dividends	(84)	(81)
Unutilised management expenses	194	329
Expenses charged to capital available to be utilised	(182)	(199)
Tax on ordinary activities	–	–

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

The company has not recognised a deferred tax asset of £1,689,000 (2007: £1,495,000) arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains made by VCTs changes or the company's taxable investment income increases significantly.

6. Dividends

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Final dividend for the year ended 31 January 2007: 4.0p (2006: 5.0p)	1,726	2,254

Under FRS 21, dividends are recognised in the accounting period in which they are authorised for payment and are shown in the Reconciliation of Movements in Shareholders' Funds. Set out below are the total dividends proposed in each financial year.

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Final dividend of 4.0p per ordinary share (2007: 4.0p per share)	1,685	1,726

Notes to the Financial Statements continued

7. Return per ordinary share

	Year ended 31 January 2008			Year ended 31 January 2007		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share (pence)	0.56	(16.14)	(15.58)	(0.36)	2.07	1.71

Revenue return per ordinary share is based on the revenue gain from ordinary activities after taxation of £239,000 and on 43,049,075 ordinary shares, being the weighted number of ordinary shares in issue during the year (2007: loss of £162,000 and on 44,964,179 ordinary shares).

Capital return per ordinary share is based on the capital loss from ordinary activities after taxation of £6,950,000 and 43,049,075 ordinary shares, being the weighted number of ordinary shares in issue during the year (2007: gains of £930,000 on 44,964,179 ordinary shares).

8. Investments

All investments are designated as fair value through profit or loss at initial recognition and all gains and losses arise on investments designated as fair value through profit or loss. In view of the nature of the company's investments, the fair value gains recognised in these financial statements are treated as unrealised as the investments are not considered to be readily convertible to cash in full at the balance sheet date.

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
AIM traded	21,614	32,577
UK listed	196	452
PLUS & unquoted	4,917	4,851
Unit trusts	–	2,543
	26,727	40,423
Equity shares	24,543	39,084
Preference shares	633	446
Interest bearing securities	1,551	893
	26,727	40,423

Notes to the Financial Statements continued

8. Investments continued

Movements in investments during the year are summarised as follows:

	AIM Traded £'000	UK Listed £'000	PLUS & Unquoted £'000	Unit Trusts £'000	Total £'000
Opening book cost	27,185	1,585	7,740	1,441	37,951
Opening unrealised gains/(losses) at 31 January 2007	5,392	(1,133)	(2,889)	1,102	2,472
Valuation at 31 January 2007	32,577	452	4,851	2,543	40,423
Purchases at cost	553	–	1,286	20	1,859
Reclassification of investments	(831)	–	831	–	–
Amortisation of book cost	–	–	47	–	47
Disposals – proceeds	(6,609)	–	(78)	(2,572)	(9,259)
– realised gains/(losses)	2,234	–	(1,582)	1,111	1,763
Increase/(decrease) in unrealised losses	(6,310)	(256)	(438)	(1,102)	(8,106)
	21,614	196	4,917	–	26,727
Book cost at 31 January 2008	22,532	1,585	8,244	–	32,361
Unrealised gains/(losses) at 31 January 2008	(918)	(1,389)	(3,327)	–	(5,634)
	21,614	196	4,917	–	26,727
Realised gains/(losses) on disposal	2,234	–	(1,582)	1,111	1,763
Net (gains)/losses thereon already recognised in earlier periods	(1,886)	–	597	(1,082)	(2,371)
Realised gains/(losses) in current year	348	–	(985)	29	(608)
Movement in unrealised losses	(4,424)	(256)	(1,035)	(20)	(5,735)
(Losses)/gains on investments	(4,076)	(256)	(2,020)	9	(6,343)

The cost and value of investments held as at 31 January 2008 are given on pages 9 to 13.

During the year, the company incurred transaction costs on purchases of £nil (2007: £nil) and on sales of £31,000 (2007: £14,000) which are included in (losses)/gains on investments.

The following unquoted investment was sold during the year:

Company	Cost £'000	Disposal Proceeds £'000	Valuation at 31 January 2007 £'000
Signature Brands Group	650	78	163

Notes to the Financial Statements continued

9. Significant interests

At 31 January 2008 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:

Investment	Class Held	Investment at Cost £'000	Percentage of Class Held %
McLaren Software	B Ordinary Shares	97	19.2
Vitesse Media	Ordinary Shares	900	14.0
Medal Entertainment & Media	Ordinary Shares	867	9.0
Nanotecture	Ordinary Shares	375	6.4
Vero Software	Ordinary Shares	500	6.2
Oneclick HR	Ordinary Shares	451	6.1
Glisten	Ordinary Shares	858	5.7
Ilika Technologies	Ordinary Shares	850	5.2
Vienco Group	Ordinary Shares	650	5.2
Dream Direct Group	Ordinary Shares	550	5.2
E-Point	Ordinary Shares	600	5.1
FSG Security	Ordinary Shares	550	4.8
iQur	Ordinary Shares	550	4.3
Surface Transforms	Ordinary Shares	655	4.2
Advanced Medical Solutions	Ordinary Shares	500	4.1
1st Dental Laboratories	Ordinary Shares	500	4.0
Sectorguard	Ordinary Shares	250	4.0
ID Data	Ordinary Shares	811	3.9
Ffastfill	Ordinary Shares	799	3.1

It is considered that, as permitted by FRS9 "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 2008 £'000	As at 31 January 2007 £'000
Accrued income	40	28
Prepayments	13	103
Income tax recoverable	11	6
Amounts due from brokers	–	12
Other debtors	29	–
	93	149

Notes to the Financial Statements continued

11. Creditors: amounts falling due within one year

	As at 31 January 2008 £'000	As at 31 January 2007 £'000
Accrued expenses	314	494
Amount due for share repurchases	153	–
	467	494

12. Share capital

	As at 31 January 2008 £'000
Authorised: 84,608,365 ordinary shares of 10p each (2007: 84,608,365)	8,461
Allotted, called-up and fully paid: 43,826,878 ordinary shares of 10p each at 31 January 2007 1,712,000 ordinary shares of 10p each repurchased and cancelled	4,383 (171)
42,114,878 ordinary shares of 10p each at 31 January 2008	4,212

The capital of the company is managed in accordance with its investment objective and policy as set out on page 2.

The company does not have any externally imposed capital requirements.

13. Net asset value

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

	As at 31 January 2008 p	As at 31 January 2007 p
Net asset value per ordinary share	72.46	92.09

Net asset value per ordinary share is based on net assets of £30,515,000 on 42,114,878 ordinary shares, being the number of ordinary shares in issue at 31 January 2008 (2007: net assets of £40,359,000 and 43,826,878 ordinary shares in issue).

Notes to the Financial Statements continued

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

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Net (loss)/return before taxation	(6,711)	768
Losses/(gains) on investments	6,343	(1,593)
Decrease/(increase) in debtors	44	(108)
Decrease in creditors and accruals	(180)	(12)
Non cash adjustments	(256)	–
Net cash outflow from operating activities	(760)	(945)

15. Analysis of changes in net funds

	Cash £'000
At 1 February 2007	281
Cash flows for the year	3,881
At 31 January 2008	4,162
At 1 February 2006	1,648
Cash flows for the year	(1,367)
At 31 January 2007	281

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 (2007: none).

16. Financial instruments

The company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources which include debtors and creditors. The company holds such financial assets in accordance with its investment policy which is to invest mainly in a portfolio of AIM traded companies.

The company is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks to which the company is exposed are market risk, credit risk and liquidity risk.

Market risk

Market risk, which includes interest rate risk and other price risk, arises mainly from uncertainty about future values of financial instruments held in the company's investment portfolio. 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.

The day to day management of the portfolio is the responsibility of the investment manager, in accordance with the company's investment policy. This includes ongoing detailed analysis of existing and potential investee companies. No derivatives or hedging instruments are used by the company to manage market risk. The board monitors the company's overall market positions on a regular basis.

Details of the company's investments at the balance sheet date are disclosed in the investment portfolio set out on pages 9 to 13. An analysis of investments between debt and equity instruments is disclosed in note 8.

Notes to the Financial Statements continued

16. Financial instruments continued

Interest rate risk

As the majority of the company's financial assets are non-interest bearing, the company is only subject to limited exposure to fair value interest rate risk, due to fluctuations in levels of market interest rates.

The table below sets out the weighted average effective interest rates for the fixed interest-bearing financial instruments:

Fixed rate

	31 January 2008			31 January 2007		
	Fixed rate investments	Weighted average interest rate	Weighted average period for which rate is fixed	Fixed rate investments	Weighted average interest rate	Weighted average period for which rate is fixed
	£'000	%	Years	£'000	%	Years
Financial assets	1,551	7.68	3.70	893	5.00	1.99

The company retains its cash balances on interest bearing accounts. The benchmark rate which determines the interest payments on these cash balances is the bank base rate which was 5.25 per cent at 31 January 2008 (2007: 5.5 per cent).

Floating rate

	31 January 2008	31 January 2007
	£'000	£'000
Cash	4,162	281

Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate and credit risk), whether caused by factors specific to an investment or wider issues affecting the market generally.

81 per cent of the company's financial instruments are equity securities (2007: 97 per cent). A 5 per cent increase in their value would have the effect of increasing net assets by £1,227,000 and reducing the loss for the year by the same amount (2007: £1,954,000). A 5 per cent decrease would have an equal and opposite effect.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company, resulting in a financial loss.

The largest counterparty risk is with HSBC, the company's custodian and banker, who holds the company's investments and maintain the bank accounts. Bankruptcy or insolvency of HSBC may cause the company's rights with respect to securities and cash held by the custodian to be delayed or limited. The board receives and reviews the custodian's annual report on its internal controls.

Notes to the Financial Statements continued

16. Financial instruments continued

The company is also exposed to counterparty risk through holding specific financial instruments. At the reporting date, the company's financial assets exposed to this risk amounted to the following:

	As at 31 January 2008 £'000	As at 31 January 2007 £'000
Investments in fixed interest instruments	1,551	893
Cash and cash equivalents	4,162	281
Balances due from brokers	–	12
Interest, dividends and other receivables	80	34
	5,793	1,220

There were no significant concentrations of credit risk to counterparties other than to the custodian bank, HSBC, at 31 January 2008 or 31 January 2007. At the balance sheet date, no individual investment with an exposure to credit risk exceeded 13.7 per cent (2007: 1.2 per cent) of the net assets attributable to the company's shareholders.

Liquidity risk

A substantial proportion of the company's financial instruments include companies that are traded on AIM and a number of unquoted investments which may not always be readily realisable. As a result, the company may not be able to realise some of its investments quickly at their fair value to meet any future liquidity requirements. In order to mitigate this risk, the company seeks to maintain sufficient cash to pay accounts payable and accrued expenses. At 31 January 2008 £4,162,000 was held in cash (2007: £281,000). The company also has a [£5 million] borrowing facility with HSBC which can be drawn on immediate notice.

Notice of Annual General Meeting

Notice is hereby given that the seventh Annual General Meeting of Artemis AiM VCT plc will be held on Friday, 13 June 2008 at the offices of Artemis Investment Management Limited, 42 Melville Street, Edinburgh EH3 7HA 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 accounts for the year ended 31 January 2008.
- Resolution 2. To approve the directors' remuneration report for the year ended 31 January 2008.
- Resolution 3. To approve a final dividend of 4.0 pence per ordinary share.
- Resolution 4. To re-elect Richard Ramsay as a director.
- Resolution 5. To approve the continuation of the company as a venture capital trust, pursuant to the company's Articles of Association.

Special Business

To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution.

- Resolution 6. To appoint KPMG Audit Plc as auditors of the company and to authorise the directors to determine their remuneration.

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

- Resolution 7. 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:
- (a) 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;
 - (b) the minimum price which may be paid for a share shall be 10 pence (exclusive of expenses);
 - (c) 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
 - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 13 December 2009, or, if earlier, at the conclusion of the Annual General Meeting of the company to be held in 2009, 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 Resolutions

- Resolution 8. That the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £421,148 in substitution for any existing authority under section 80 of the Act but without prejudice to any exercise of any such authority prior to the date hereof, such authority to expire on (unless previously renewed, varied or revoked by the company in general meeting) 13 June 2013 but so that such authority shall allow the company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.
- Resolution 9. To consider and, if thought fit, pass the following resolution as a special resolution: THAT, subject to the passing of Resolution 8 above and 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

Notice of Annual General Meeting continued

meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred by Resolution 8, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) 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 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 £421,148 (being 10 per cent of the equity share capital in issue on 18 April 2008) and shall expire on 13 September 2009, 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 2009, 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

18 April 2008

Notes:

1. Pursuant to Regulation 41(i) of the Uncertificated Securities Regulations 2001, only those shareholders registered on the register of members of the company at 6.00 pm on Wednesday, 11 June 2008 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 6.00 pm on Wednesday, 11 June 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Pursuant to Section 324 of the Companies Act 2006 a member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote on his behalf. A proxy or corporate representative need not be a member of the company. A form of proxy is enclosed and to be valid must be lodged with the company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, not less than forty-eight hours before the time fixed for the meeting. This right does not apply to persons nominated to receive information rights pursuant to Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they were nominated to be appointed, to have someone else appointed, as a proxy for this meeting. If they have such a right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
3. 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.

4. 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.

5. As at 18 April 2008 (being the latest business day prior to the publication of this Notice), the company's issued share capital consists of 42,114,878 ordinary shares, carrying one vote each. The company holds no ordinary shares in Treasury. The total voting rights in the company are 42,114,878.

General Information

Directors

Robin Anthony Field (Chairman)
Sir Bill Gammell
Calum MacDonald Paterson
Richard Alexander McGregor Ramsay

Investment 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

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Administrator

BNP Paribas Fund Services UK Limited
2nd Floor
Aurora
120 Bothwell Street
Glasgow G2 7JS

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZR
Telephone: 0871 384 2030

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 – April
Annual General Meeting:	June

Registered in Scotland, Company Registration Number: SC214871.



ARTEMIS
The PROFIT Hunter