

# Artemis Alpha Trust plc

## Annual Financial Report

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*for the year ended 30 April 2012*



**ARTEMIS**  
The PROFIT Hunter

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# Objective and Policy

The investment objective of the Company is to achieve above average rates of total return over the longer-term and to achieve a growing dividend stream. The investment policy is to invest mainly in UK and selected international equities, with the potential for investment in limited liability hedge funds, cash and bonds, unquoted investments, derivative instruments and other investments and securities as appropriate.

The Company will not invest more than 15 per cent of its gross assets in securities issued by other UK listed investment companies, including investment trusts.

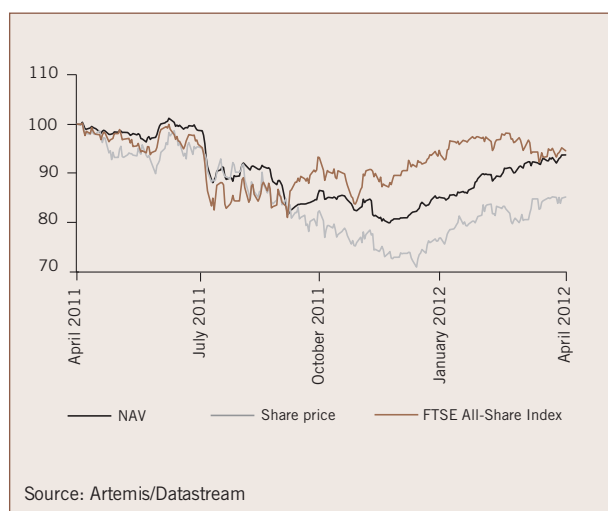
## Financial Highlights

### Returns for the year ended 30 April 2012

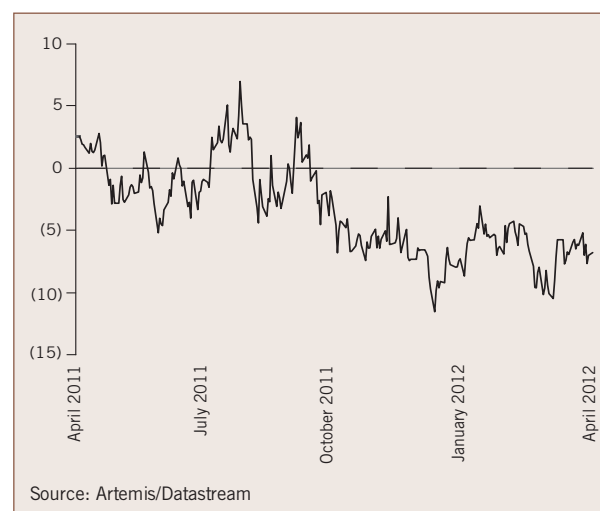
	Year ended 30 April 2012	Year ended 30 April 2011
<b>Total returns</b>		
Net asset value per ordinary share	(4.6)%	23.4%
Ordinary share price	(13.9)%	31.0%
FTSE All-Share Index	(2.0)%	13.7%
<b>Revenue and dividends</b>		
Revenue earnings per ordinary share	1.76p	3.64p
Dividends per ordinary share	2.95p	2.85p
Total expense ratio (excluding performance fees)	1.0%	0.9%
<b>Capital</b>	As at 30 April 2012	As at 30 April 2011
Net asset value per ordinary share	307.64p	325.70p
Ordinary share price	283.25p	332.38p
(Discount)/premium to net asset value	(7.9)%	2.1%
Gearing	10.5%	17.6%

Source: Artemis/Datastream

### Performance for the year ended 30 April 2012



### Premium/(discount) during the year ended 30 April 2012



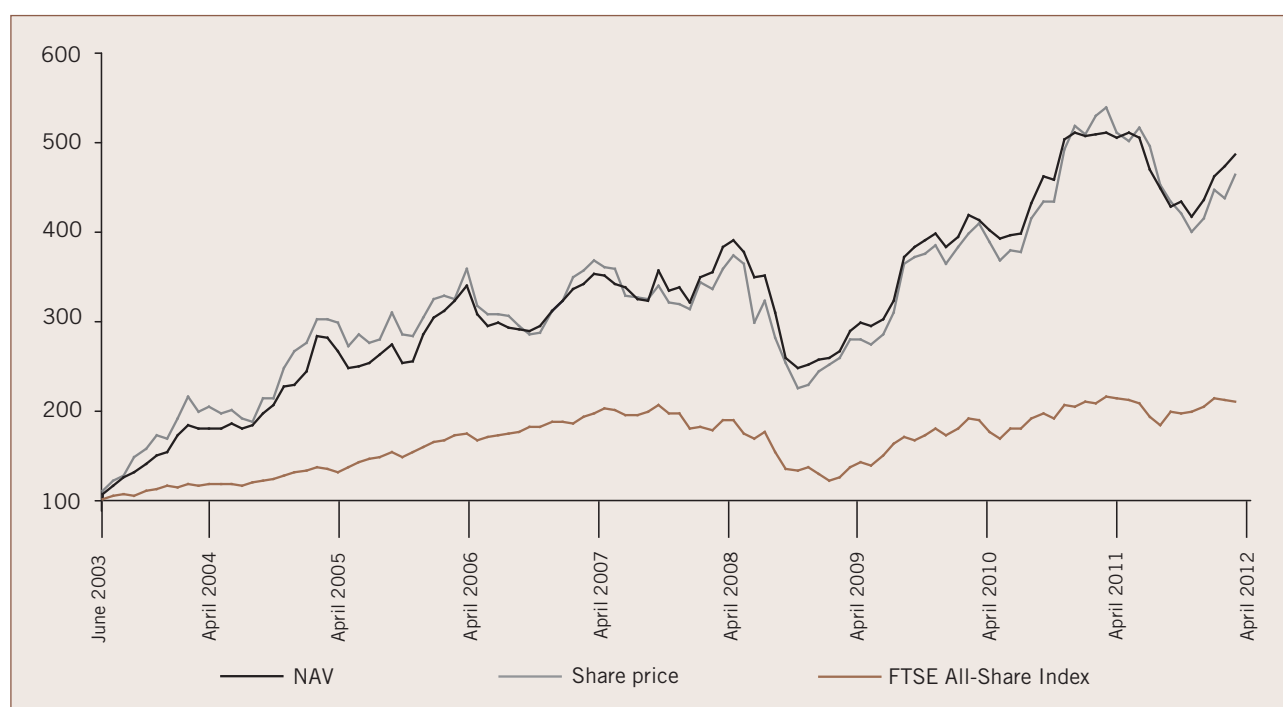
## Financial Highlights (continued)

Total returns	3 years	5 years	Since 1 June 2003*
Net asset value per ordinary share	67.5%	37.5%	373.5%
Ordinary share price	64.8%	25.9%	350.1%
FTSE All-Share Index	52.2%	6.5%	105.8%

\* The date when Artemis was appointed as Investment Manager.

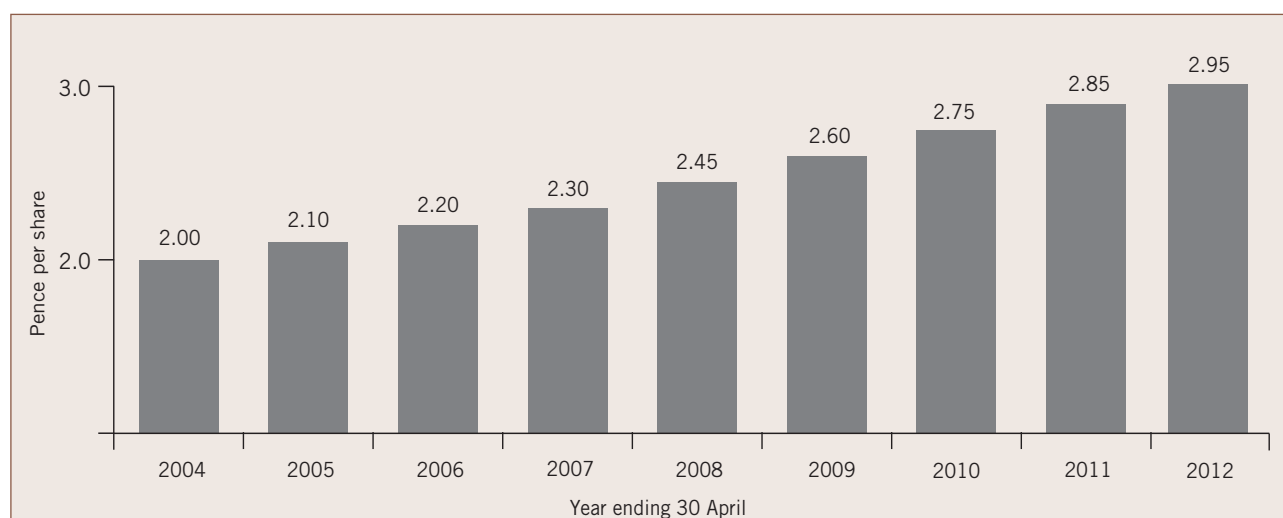
Source: Artemis/Datastream

Performance from 1 June 2003 to 30 April 2012



Source: Artemis/Datastream

Dividends paid/payable to shareholders



This chart shows the Company's dividend history since Artemis was appointed as Investment Manager.

# Chairman's Statement

## Performance

The year to 30 April 2012 proved a challenging one for the Company and for stockmarkets generally. Continuing uncertainty over the debt crisis in Europe, together with concerns over the rate of the global economic recovery, has resulted in volatile markets. Against this background, the Company's net asset value per ordinary share fell by 4.6 per cent on a total return basis, which compares to a fall of 2.0 per cent for the FTSE All-Share Index. The share price lagged the net asset value and fell 13.9 per cent.

## Investments

The Company continues to maintain its large exposure to unquoted investments and, at a sector level, to oil & gas. As reported at the half year, various unquoted investments had to delay their planned flotations. This resulted, as a prudent measure, in some being written down in value. There was some more encouraging news in the second half of the year, with several companies raising additional capital at higher valuations. The oil & gas sector of the portfolio performed well over the year. It was particularly strong in the second half. A number of holdings reported significant new discoveries and this resulted in improved share price performance.

Further details on the portfolio can be found in the Investment Manager's Review which follows.

## Dividends

In view of the challenging conditions faced by investee companies, the Board considered it prudent at the half year to maintain the first interim dividend at the same level as the previous year. Having now considered the revenue account for the year as a whole, and being mindful of the Company's objective to pay a growing dividend, your Board has declared a second interim dividend of 1.75p (2011: 1.65p) per ordinary share, bringing total dividends for the year ended 30 April 2012 to 2.95p (2011: 2.85p), an increase of 3.5 per cent. This dividend will be paid on 17 August 2012 to those shareholders on the register on 27 July 2012.

Any shareholders who wish to re-invest their dividends can do so using the dividend reinvestment plan, details of which are set out on page 56.

## Discount and share capital

The Company's share price started the reporting period trading at a small premium to net asset value. However, following a period of disappointing performance in the first half of the year, and in line with a general widening of discounts across the AIC UK Growth sector, the share price then moved to a discount.

As shareholders are aware, the Company seeks to have its shares trading at a low and stable discount and, where appropriate, it will buy-back its own ordinary shares from time to time to achieve this. Accordingly it bought back 622,048 ordinary shares during the year at an average discount of 7.3 per cent to the net asset value prevailing at the time the shares were purchased.

At the year end, the share price stood at a discount of 7.9 per cent to the net asset value, having been at an average discount of approximately 3.5 per cent during the year. The AIC UK Growth sector average discount at 30 April 2012 was 12.8 per cent.

The Company issued 19,231 ordinary shares during the year, all of which were as a result of conversions of subscription shares.

## Investment trust tax rules

New legislation for investment trusts has recently been introduced and one of the changes has resulted in the removal of the prohibition on the distribution of capital profits by way of dividend.

The Board therefore intends to seek shareholder approval at the Annual General Meeting to amend the Articles of Association to permit the distribution of capital profits by way of a dividend. It should be noted that this does not in any way indicate that there will be a change in the Company's dividend policy, or how profits for dividends are generated or calculated. The Board believes this change will provide greater flexibility for future dividends, in the context of the Company's objective of providing shareholders with a growing dividend. The forthcoming Annual General Meeting provides an appropriate opportunity for this change to be considered by shareholders.

Further information is set out in the Directors' Report on page 20.

## Industry developments

There are a number of proposed regulatory changes which will have an impact on the Company. In particular, the introduction of the Alternative Investment Fund Managers Directive will result in the introduction of further regulatory oversight for investment trusts and other fund types. This is due to come into effect in 2013, and the final details of the directive are due to be published shortly.

The Retail Distribution Review will result in the removal of the payment of commission to advisers. This is generally viewed as a positive development for

## Chairman's Statement (continued)

investment trusts. Your Board and Investment Manager will continue to monitor developments in this area in the lead up to its introduction on 1 January 2013.

### Annual General Meeting ("AGM")

The Company's AGM will take place on Thursday, 13 September 2012 at 12.30 pm at the offices of Artemis Investment Management LLP, Cassini House, 57 St James's Street, London SW1A 1LD. The Notice of Meeting, containing full details of the business to be conducted at the meeting, is set out on pages 51 to 55.

The Directors look forward to welcoming you to the AGM. The fund managers, John Dodd and Adrian Paterson, will make a short presentation at the meeting. There will be light refreshments and a buffet lunch following the meeting, at which shareholders will have an opportunity to meet with the Directors and the fund managers. Should you be unable to attend the AGM in person, the Board would encourage you to use your proxy votes by completing and returning the form of proxy enclosed with this report.

### Investment Plan and ISA

Shareholders are reminded that the Investment Manager operates an Investment Plan and ISA which enable investors to acquire shares in the Company either through lump sum or regularly monthly investments. More details are set out in the Information for Shareholders section on page 56.

### Outlook

The debt crisis in the Eurozone remains unresolved and this continues to weigh heavily on markets. The UK is not immune to events in Europe and its economy has been adversely impacted.

Notwithstanding, many companies are in relatively good health, with reduced levels of debt and increased cash balances. Corporate activity in the last six months has helped the Company's performance and the Investment Manager expects this run to continue.

At the time of writing the Company's net asset value was 298.63p per ordinary share, with the share price at 270.00p resulting in a discount of 9.6 per cent.

### And finally ...

Your Board is always keen to hear from shareholders. Should you wish to do so, you can contact me at [Simon.Miller@artemisfunds.com](mailto:Simon.Miller@artemisfunds.com). You can find regularly updated information on the Company, including a factsheet and performance data, on the Company's dedicated web pages on the Investment Manager's website at [artemisonline.co.uk](http://artemisonline.co.uk).

A summary of these details and some additional information for shareholders is set out on pages 56 and 57 of this report.

Simon Miller  
Chairman

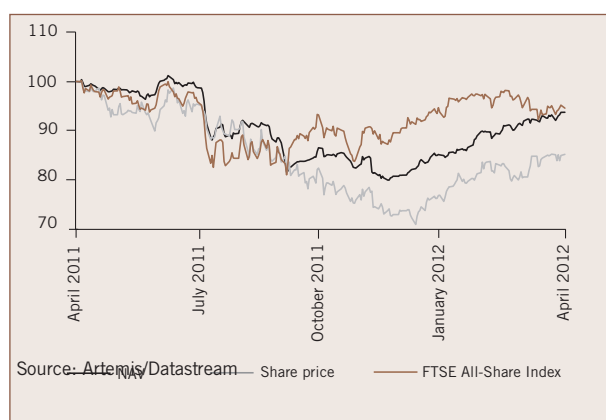
16 July 2012

# Investment Manager's Review

## Performance

The performance of your Company over the year to 30 April 2012 saw the net asset value fall by 4.6 per cent against the fall in the FTSE All-Share Index of 2.0 per cent. Underlying the performance over the year was a sharp contrast between the disappointing first six months of the period, where we wrote down the value of a number of our unquoted investments, versus a much stronger second half performance. In the second half of the year, the net asset value increased by 13.7 per cent compared to a rise of 6.2 per cent in the FTSE All-Share Index. The portfolio's significant exposure to oil & gas and financials resulted in strong positive contributions to performance.

## Performance over one year to 30 April 2012



The Company's long term performance record remains good – as summarised below:

	3 years	5 years	Since 1 June 2003*
Net asset value	67.5%	37.5%	373.5%
Share price	64.8%	25.9%	350.1%
FTSE All-Share Index	52.2%	6.5%	105.8%

\* The date when Artemis was appointed as Investment Manager. All figures are total return to 30 April 2012.

Our investment strategy continues to focus predominately on small and mid-cap companies and in sectors where we believe we can continue to add value.

## Review

The period under review was characterised by severe worries over the debt crisis in the peripheral countries in Europe and the extent to which contagion could damage "core" Europe and constrain global growth. Governments have changed across Europe and austerity measures have been implemented as countries have recognised the need to get public finances under control. Greece needed to be bailed out and far bigger economies, such as Spain and Italy, have seen their borrowing costs soar.

This has all raised the spectre of the break-up of the Euro, something most politicians are keen to avoid.

We in the UK have not been immune from this. While our funding costs through the bond markets remain near record lows, George Osborne's efforts to cut government borrowing are leading to anaemic growth prospects here.

Even China has been showing signs of economic slowdown, as the government has had to deal with inflationary pressures and a property boom that is showing signs of unravelling. These concerns have been reflected in the weak performance of most mining shares. Nonetheless, growth in China's GDP of 7 per cent remains comfortably ahead of almost anywhere else in the world.

The one relative bright spot is in the US, where there are tentative signs of recovery in some of the economic data, indicating that this most flexible of economies will be the first to pull away from the recent turmoil.

In short, it has been a difficult 12 months with huge swings in both investor sentiment and stockmarkets.

## Portfolio

Continued efforts have been made over the last 12 months to reduce the number of stocks in the portfolio which, following the merger with Gartmore Growth Opportunities in December 2010, reached a peak of 237 holdings. As at 30 April 2012 there were 118 positions in the portfolio. This number will continue to decrease in line with the philosophy of the fund managers – which is to manage a relatively concentrated portfolio.

Set out below are the five largest stock contributors and detractors to absolute performance over the year:

## Five largest stock contributors

Company	Market	Contribution %
Africa Oil	Toronto SE	3.6
Cove Energy	AIM	3.0
Providence Resources	AIM	2.9
Collins Stewart	LSE Main Market	1.3
Lansdowne Oil & Gas	AIM	0.8

## Five largest stock detractors

Company	Market	Contribution %
The Hut Group	Unquoted	(3.5)
Vostok Energy	Unquoted	(3.4)
Reaction Engines	Unquoted	(1.3)
Noventa	AIM	(1.1)
Oxford Catalysts Group	AIM	(0.8)

## Investment Manager's Review (continued)

Our greatest area of exposure over the period has remained oil & gas, where we have a diversified portfolio, including a number of exploration plays, which have assets with the potential to produce sizeable discoveries, as well as oil & gas producers and industry support service providers. Four of the five top performance contributors over the year were in this sector.

The stand-out performers over the year were three of the oil stocks: Africa Oil, Providence Resources and Cove Energy. Africa Oil announced that it had discovered oil at its Ngamia-1 exploration well in Kenya. This was the first well in a multiple well campaign and it is believed that this goes some way to de-risking the other nearby prospects which are due to be drilled. Providence Resources announced that it had found oil and gas at its Barryroe prospect in the southern Irish Sea and it appears that the potential quantities will be considerably greater than the pre-drill expectations. Cove Energy is in the middle of a ferocious bidding war between Shell and PTT over its highly prospective acreage off West Africa.

Elsewhere, among the main contributors to performance were: Collins Stewart, which was bid for by Canaccord Financial, a large Canadian financial institution which was attracted to Collins Stewart's wealth management business; and Mulberry, the luxury handbag maker which benefitted from the apparently insatiable demand for luxury goods from China and other parts of the Far East.

At the smaller end of the market cap spectrum, Telford Homes performed strongly as Asian and domestic buyers snapped up its east London developments. The company specialises in building apartments in this part of London; and the investment and infrastructure that has been put in place for the Olympics has generated considerable interest.

On the negative side, as indicated above and reported at the interim stage, we wrote down the carrying value in three of our unquoted holdings: Vostok, The Hut and Reaction Engines. This followed equity issues by each of the three companies at lower prices than they were being held at. The Company's policy is to update carrying values whenever there has been a significant issue of new equity or a secondary transaction in an unquoted investment. These three holdings reduced the net asset value return by 8.2 per cent.

In the case of Vostok, the funding, which was supported by existing investors and the directors, was required to provide further working capital to enable it to meet a number of operational commitments.

The Hut had a small equity injection funded by existing shareholders and management to strengthen its balance sheet. It is satisfying to note that, subsequent to this, the business has continued to grow strongly in what have been challenging times for all consumer-facing businesses.

As for Reaction Engines, there was a short-term funding requirement due to delays in finalising the prototype for testing the company's heat exchanging technology. The equity raised was fully underwritten by the chairman, and we stood our corner in the placing. The testing has recently been completed and we are awaiting the results.

While it is always disappointing to be reporting valuation declines, we continue to believe that our significant exposure to unquoted investments will, as it has to date, continue to produce positive results for shareholders. We anticipate that some of the more established companies in this part of the portfolio will move to IPO their businesses as and when some stability returns to markets. That will hopefully generate further value and an opportunity to realise part of this area of the portfolio.

Our second largest sector exposure is to financial services but, notably, this does not include any exposure to banks. As we have often commented before, we believe that most banks are impossible to analyse and it has proven to be wise to avoid them. We have preferred to invest in fund management companies, an industry in which we work and have a greater understanding. Over the period we made decent sized investments in Polar Capital, Brewin Dolphin, Ashcourt Rowan and Liontrust. Ashcourt Rowan and Brewin Dolphin, being wealth managers that are both undergoing internal restructurings, appear undervalued if one looks at their market capitalisations as percentages of their funds under management. Polar Capital and Liontrust are in much stronger growth modes, with strong inflows into their respective businesses and robust balance sheets.



## Investment Manager's Review (continued)

The five largest sector contributors and detractors to performance are set out below:

### Five largest sector contributors

Sector	Contribution %
Oil & Gas Producers	5.4
Financial Services	2.3
Software & Computer Services	0.4
Household Goods	0.4
Forestry & Paper	0.3

### Five largest sector detractors

Sector	Contribution %
General Retailers	(3.5)
Mining	(2.7)
Aerospace & Defence	(1.6)
Equity Investment Instruments	(1.4)
Support Services	(0.9)

### Gearing

Gearing continues to be a feature of the investment strategy. Over the first half of the year we reduced the level to around 9 per cent from 18 per cent at the start of the period, reflecting our concerns over the direction of equity markets. In the second half, as we have seen some improvement in markets, we started to re-deploy some of the borrowings into new opportunities and at 30 April 2012 gearing stood at just below 11 per cent.

### Outlook

As we write, the problems posed by the over-indebtedness of southern Europe in particular seem intractable. Successive "solutions" have proved to be mere palliatives. Each new action by policy-makers and/or central banks has lifted confidence and markets for a shorter and shorter time. The bond market does not share politicians' emollient, nor electorates' distaste for austerity.

In short, the way out of this mess is far from patent. European federalism would – or will – take years. Until then, unless things end suddenly and badly with the enforced break-up of the eurozone, the best investors can hope for is more of the same: more emergency summits, and more actions by ill-defined acronyms like the ESM and the ESF. As the Americans say, more "kicking the can down the road".

If, in the meantime, the US recovery was to resume and China was to confound its critics, then this strategy (if it is one) might well work. That is, overall global growth might be enough to help resuscitate Europe. But macro-matters remain finely balanced.

Happily, your Company does not invest in economies or countries but in companies. In general, the corporate sector is in ruder health than it has been for two generations. Companies have responded to the shocks of 2008/09 by strengthening their balance sheets and stewarding their cash. Those that do need to borrow have, in the absence of bank lending, turned with success to the corporate bond market – where money is inexpensive.

And so we find in the investible universe of stocks many companies with excellent free cashflow, eminent positions in their sectors and strong and growing franchises. Nor are these companies expensive by historical standards. There are, in short, a wealth of investment opportunities. We intend to exploit these to the full.

John Dodd and Adrian Paterson

Fund managers

Artemis Investment Management LLP

16 July 2012

# Portfolio of Investments

As at 30 April 2012

Investment	Sector	Country	Market value £'000	% of total investments
Hurricane Exploration <sup>2</sup>	Oil & Gas Producers	UK	12,151	7.5%
Providence Resources <sup>1</sup>	Oil & Gas Producers	Ireland	8,368	5.2%
Vostok Energy <sup>2</sup>	Oil & Gas Producers	UK	7,817	4.8%
Africa Oil	Oil & Gas Producers	Canada	7,134	4.4%
New Britain Palm Oil	Food Producers	Papua New Guinea	6,090	3.7%
Cove Energy <sup>1</sup>	Oil & Gas Producers	UK	6,002	3.7%
Lynton Holding Asia <sup>2</sup>	Aerospace & Defence	Denmark	5,659	3.5%
Salamander Energy	Oil & Gas Producers	UK	4,224	2.6%
R.E.A. Holdings <sup>3</sup>	Food Producers	UK	3,997	2.5%
Asian Plantations <sup>1</sup>	Food Producers	Singapore	3,987	2.4%
<b>Top 10 investments</b>			<b>65,429</b>	<b>40.3%</b>
Brewin Dolphin Holdings	Financial Services	UK	3,270	2.0%
Emis Group <sup>1</sup>	Software & Computer Services	UK	2,868	1.8%
Igas Energy <sup>1</sup>	Oil & Gas Producers	UK	2,771	1.7%
Polar Capital Holdings <sup>1</sup>	Financial Services	UK	2,612	1.6%
Ashcourt Rowan <sup>1</sup>	Financial Services	UK	2,600	1.6%
City of London Investment Group	Financial Services	UK	2,445	1.5%
Telford Homes <sup>1</sup>	Household Goods & Home Construction	UK	2,369	1.5%
Ithaca Energy <sup>1</sup>	Oil & Gas Producers	Canada	2,281	1.4%
The Hut Group <sup>2</sup>	General Retailers	UK	2,177	1.3%
Faroe Petroleum <sup>1</sup>	Oil & Gas Producers	UK	2,130	1.3%
<b>Top 20 investments</b>			<b>90,952</b>	<b>56.0%</b>
Skywest Airlines <sup>1</sup>	Travel & Leisure	Singapore	2,025	1.2%
Oxford Nanopore Technologies <sup>2</sup>	Pharmaceuticals & Biotechnology	UK	1,975	1.2%
Mulberry Group <sup>1</sup>	Personal Goods	UK	1,972	1.2%
Claremont Partners <sup>2</sup>	Travel & Leisure	UK	1,945	1.2%
Helical Bar	Real Estate Investment & Services	UK	1,897	1.2%
Madagascar Oil <sup>1</sup>	Oil & Gas Producers	UK	1,814	1.1%
Liontrust Asset Management	Financial Services	UK	1,794	1.1%
Genel Energy	Oil & Gas Producers	UK	1,762	1.1%
Continental Farmers Group <sup>1</sup>	Food Producers	UK	1,761	1.1%
Lansdowne Oil & Gas <sup>1</sup>	Oil & Gas Producers	UK	1,757	1.1%
<b>Top 30 investments</b>			<b>109,654</b>	<b>67.5%</b>
Consort Medical	Healthcare Equipment & Services	UK	1,729	1.1%
The Vitec Group	Industrial Engineering	UK	1,666	1.0%
Singer Capital Markets <sup>2</sup>	Financial Services	UK	1,651	1.0%
World Titanium Resources	Mining	Australia	1,616	1.0%
Management Consulting Group	Support Services	UK	1,540	1.0%
Lamp Group <sup>2</sup>	Non-Life Insurance	UK	1,500	0.9%
Intelligent Energy <sup>2</sup>	Alternative Energy	UK	1,500	0.9%
Metapack <sup>2</sup>	Industrial Transportation	UK	1,476	0.9%
Ashmore Group	Financial Services	UK	1,475	0.9%
Patagonia Gold <sup>1</sup>	Mining	UK	1,470	0.9%
<b>Top 40 investments</b>			<b>125,277</b>	<b>77.1%</b>

<sup>1</sup> AIM quoted

<sup>2</sup> Unquoted investment

<sup>3</sup> Includes fixed interest element

# Portfolio of Investments (continued)

As at 30 April 2012

Investment	Sector	Country	Market value £'000	% of total investments
Bumi	Mining	UK	1,296	0.8%
NewRiver Retail <sup>1</sup>	Real Estate Investment & Services	UK	1,269	0.8%
Eland Oil & Gas <sup>2,3</sup>	Oil & Gas Producers	UK	1,250	0.8%
Avation	Industrial Transportation	UK	1,250	0.8%
Elementis	Chemicals	UK	1,249	0.8%
Powerflute <sup>1</sup>	Forestry & Paper	Finland	1,237	0.8%
Trinity Exploration And Production <sup>2</sup>	Oil & Gas Producers	UK	1,232	0.7%
Real Estate Investors <sup>1</sup>	Real Estate Investment & Services	UK	1,170	0.7%
H&T Group <sup>1</sup>	Financial Services	UK	1,160	0.7%
Reaction Engines <sup>2</sup>	Aerospace & Defence	UK	1,160	0.7%
<b>Top 50 investments</b>			<b>137,550</b>	<b>84.7%</b>
Parity Group	Software & Computer Services	UK	1,150	0.7%
Gresham Computing	Software & Computer Services	UK	1,067	0.7%
Oxford Catalysts Group <sup>1</sup>	Chemicals	UK	1,057	0.7%
Indigovision Group <sup>1</sup>	Software & Computer Services	UK	1,041	0.6%
Buried Hill Energy (Cyprus) <sup>2</sup>	Oil & Gas Producers	Cyprus	1,026	0.6%
Valiant Petroleum <sup>1</sup>	Oil & Gas Producers	UK	1,024	0.6%
Ten Alps <sup>1,3</sup>	Media	UK	1,000	0.6%
MBA Polymers <sup>2</sup>	Industrial Engineering	USA	924	0.6%
Rubicon Diversified Investments <sup>2</sup>	Software & Computer Services	UK	888	0.5%
Reneuron Group <sup>1</sup>	Pharmaceuticals & Biotechnology	UK	880	0.5%
<b>Top 60 investments</b>			<b>147,607</b>	<b>90.8%</b>
Maxima Holdings <sup>1</sup>	Software & Computer Services	UK	837	0.5%
Randall & Quilter <sup>1</sup>	Non-Life Insurance	UK	795	0.5%
Penna Consulting <sup>1</sup>	Support Services	UK	747	0.5%
Cupid <sup>1</sup>	Travel & Leisure	UK	742	0.5%
Trap Oil Group <sup>1</sup>	Oil & Gas Producers	UK	721	0.4%
Wasabi Energy <sup>1</sup>	Alternative Energy	Australia	701	0.4%
Mwana Africa <sup>1</sup>	Mining	UK	690	0.4%
Sandvine <sup>1</sup>	Technology Hardware & Equipment	UK	641	0.4%
MWB Group Holdings <sup>3</sup>	Real Estate Investment & Services	UK	577	0.4%
Chateau Lafite Rothschild 2009 <sup>2</sup>	Beverages	France	562	0.4%
<b>Top 70 investments</b>			<b>154,620</b>	<b>95.2%</b>
Chaarat Gold Holdings <sup>1</sup>	Mining	UK	559	0.3%
Chateau Lafite Rothschild 2010 <sup>2</sup>	Beverages	France	525	0.3%
Communis	Support Services	UK	519	0.3%
Acal	Support Services	UK	513	0.3%
African Mining & Exploration <sup>1</sup>	Mining	UK	479	0.3%
Noventa <sup>1</sup>	Mining	Jersey	467	0.3%
Cathay International Holdings	Pharmaceuticals & Biotechnology	UK	454	0.3%
Senhouse Southeast	Equity Investment Instruments	Bermuda	445	0.3%
Asian Focus				
Symphony International <sup>2</sup>	Financial Services	UK	415	0.3%
Lochard Energy Group <sup>1</sup>	Oil Equipment, Services & Distribution	UK	414	0.2%
<b>Top 80 investments</b>			<b>159,410</b>	<b>98.1%</b>

<sup>1</sup> AIM quoted

<sup>2</sup> Unquoted investment

<sup>3</sup> Includes fixed interest element

# Portfolio of Investments (continued)

As at 30 April 2012

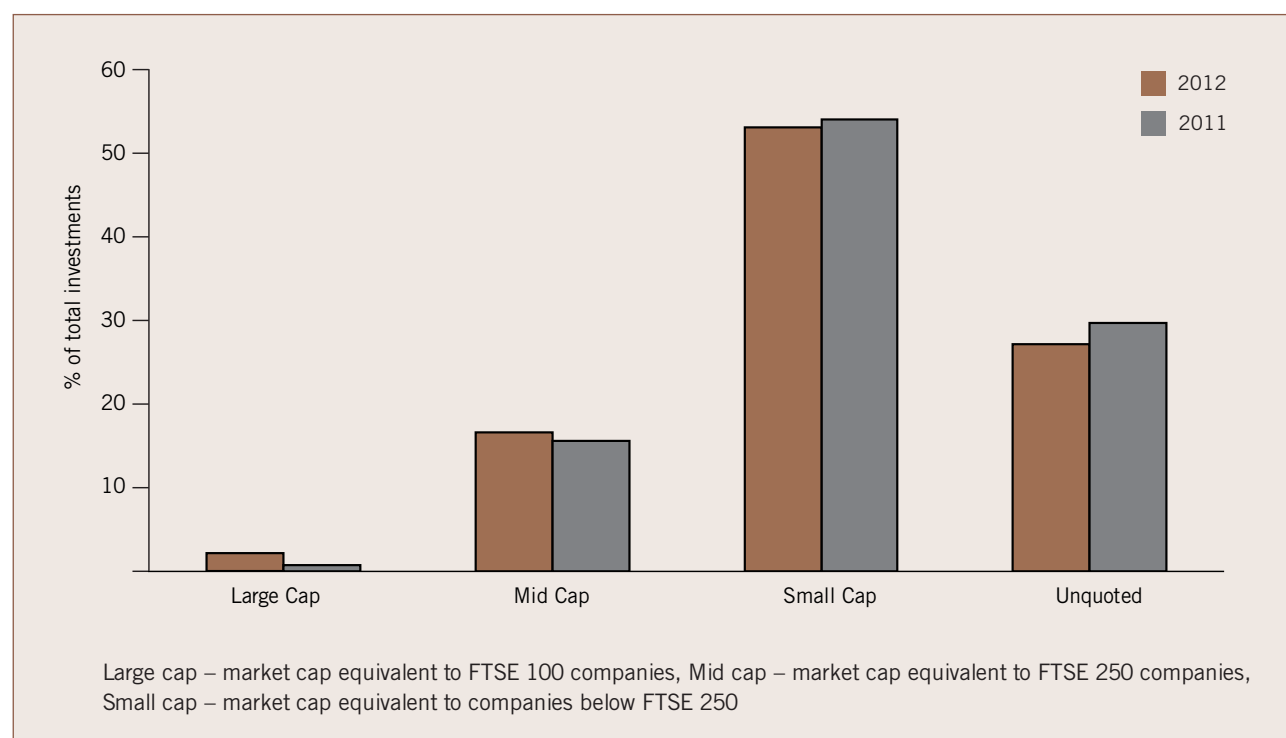
Investment	Sector	Country	Market value £'000	% of total investments
Supergroup	Personal Goods	UK	348	0.2%
Lok'N Store Group	Real Estate Investment & Services	UK	307	0.2%
Transaction Solutions	Gas, Water & Multiutilities	Australia	306	0.2%
Genmark Diagnostics	Healthcare Equipment & Services	USA	304	0.2%
MDM Engineering Group <sup>1</sup>	Industrial Engineering	UK	280	0.2%
DEO Petroleum <sup>1</sup>	Oil & Gas Producers	UK	267	0.1%
Equus Petroleum <sup>2</sup>	Oil & Gas Producers	UK	234	0.1%
Niche Group <sup>1</sup>	Financial Services	UK	175	0.1%
Hambledon Mining <sup>1</sup>	Mining	UK	144	0.1%
Infusion 2002 <sup>2</sup>	Industrial Transportation	UK	143	0.1%
<b>Top 90 investments</b>			<b>161,918</b>	<b>99.6%</b>
Juridica Investments <sup>1</sup>	Equity Investment Instruments	UK	133	0.1%
Datong <sup>1</sup>	Electronic & Electrical Equipment	UK	96	0.1%
Jubilant Energy <sup>1</sup>	Oil & Gas Producers	Netherlands	94	0.1%
Flying Brands	General Retailers	UK	72	0.1%
Marwyn Value Investors B	Equity Investment Instruments	UK	59	0.0%
Resaca Exploitation <sup>1</sup>	Oil & Gas Producers	USA	31	0.0%
Chateau Rieussec 2010 <sup>2</sup>	Beverages	France	24	0.0%
MBL Group <sup>1</sup>	Media	UK	22	0.0%
Conexion Media Group <sup>1</sup>	Media	UK	13	0.0%
Eatonfield Group <sup>2</sup>	Real Estate Investment & Services	UK	7	0.0%
<b>Top 100 investments</b>			<b>162,469</b>	<b>100.0%</b>
Other investments (18)			11	0.0%
<b>Total investments</b>			<b>162,480</b>	<b>100.0%</b>

<sup>1</sup> AIM quoted

<sup>2</sup> Unquoted investment

<sup>3</sup> Includes fixed interest element

## Market cap analysis of the portfolio as at 30 April 2012

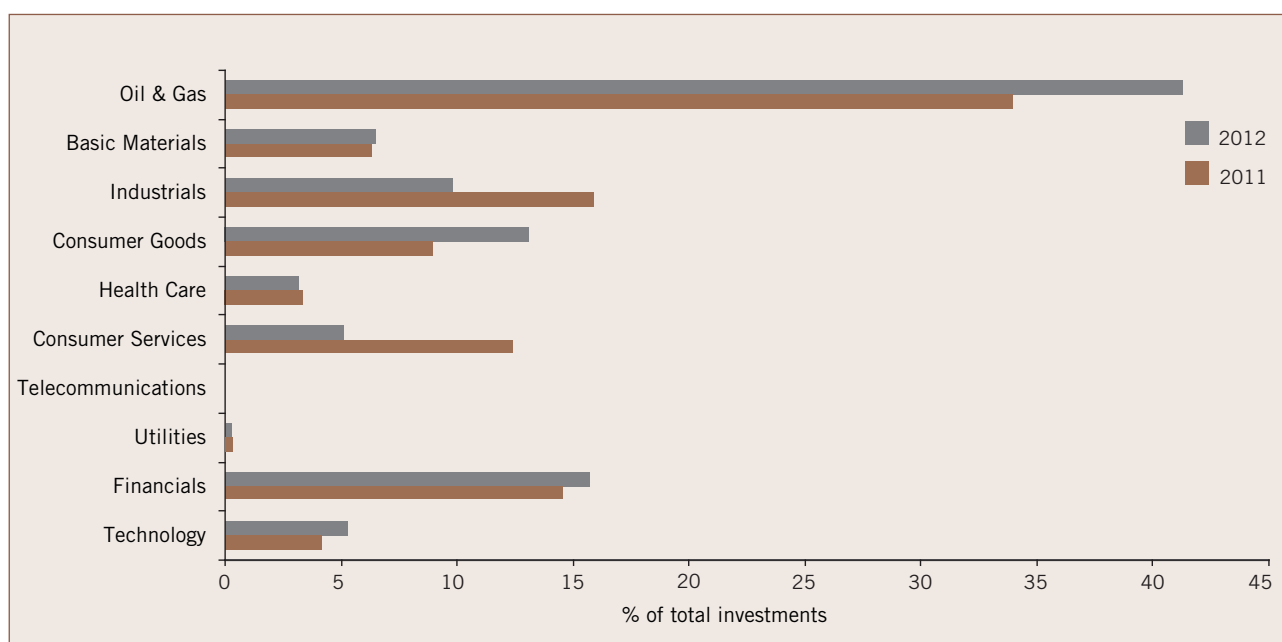


## Portfolio of Investments (continued)

Geographical analysis of the portfolio as at 30 April 2012

Country of incorporation	2012 % of total investments	2011 % of total investments
UK	73.0	81.2
Canada	5.8	2.4
Ireland	5.2	2.0
Papua New Guinea	3.7	2.9
Singapore	3.6	3.7
Denmark	3.5	3.4
Australia	1.6	1.4
USA	0.8	0.7
Finland	0.8	0.3
France	0.7	–
Cyprus	0.6	1.1
Jersey	0.3	–
Bermuda	0.3	0.2
Netherlands	0.1	0.1
Indonesia	–	0.6
	100.0	100.0

Industry analysis of the portfolio as at 30 April 2012



Sectors are ICB Industry classifications

# Portfolio of Investments (continued)

Sector analysis of the portfolio as at 30 April 2012

Sector	2012 % of total investments	2011 % of total investments
Oil & Gas Producers	39.3	32.7
Financial Services	10.8	6.6
Food Producers	9.7	7.4
Software & Computer Services	4.8	3.5
Aerospace & Defence	4.2	4.8
Mining	4.1	3.4
Real Estate Investment & Services	3.3	3.5
Travel & Leisure	2.9	4.1
Support Services	2.1	7.0
Pharmaceuticals & Biotechnology	2.0	2.0
Industrial Transportation	1.8	0.8
Industrial Engineering	1.8	1.3
Household Goods & Home Construction	1.5	1.1
Chemicals	1.5	2.5
General Retailers	1.4	7.2
Non-Life Insurance	1.4	1.2
Personal Goods	1.4	–
Alternative Energy	1.3	0.6
Healthcare Equipment & Services	1.3	1.4
Forestry & Paper	0.8	0.4
Beverages	0.7	0.4
Media	0.6	1.1
Technology Hardware & Equipment	0.4	0.7
Equity Investment Instruments	0.4	1.6
Oil Equipment, Services & Distribution	0.2	0.7
Gas, Water & Multiutilities	0.2	–
Electronic & Electrical Equipment	0.1	1.3
Non-Equity Instrument Investments	–	1.5
General Industrials	–	0.7
Electricity	–	0.4
Leisure Goods	–	0.1
	100.0	100.0

Sectors are ICB sector classifications

# Directors

## S E C Miller (Chairman)

Simon Edward Callum Miller, aged 59, qualified as a barrister before joining Lazard Brothers in 1976. He is chairman of Dunedin LLP, a private equity business, chairman of Amati VCT plc and of JP Morgan Elect plc. He is deputy chairman of Brewin Dolphin Holdings plc and a non-executive director of Scottish Friendly Assurance.

Appointed as a non-executive Director on 14 July 2003 and Chairman on 25 September 2003. Chairman of the Nomination and Management Engagement Committees.

## D J Barron (Senior Independent Director)

David James Barron, aged 53, is head of the investment trust business at J.P. Morgan Asset Management. He joined the asset management business of Robert Fleming & Co. Limited in 1995. Before joining Flemings in 1995, Mr Barron worked in corporate finance for Hambros Bank and Merrill Lynch. He is a non-executive director of the Association of Investment Companies. He is a member of the Institute of Chartered Accountants of Scotland and holds an MBA from INSEAD.

Appointed as a non-executive Director on 17 February 2005. Mr Barron was Chairman of the Audit Committee until 5 July 2011.

## T Cross Brown

Tom Cross Brown, aged 64, was global chief executive officer of ABN AMRO Asset Management, having previously been chief executive officer of ABN AMRO Asset Management in the UK and global head of business development. Prior to joining ABN AMRO, Mr Cross Brown spent 21 years at Lazard Brothers & Co. and was chief executive of Lazard Brothers Asset Management Limited between 1994 and 1997. He is currently the chairman of Just Retirement (Holdings) Limited, and a non-executive director of Phoenix Group Holdings. He is a non-executive member of the management committee of Artemis Investment Management LLP.

Appointed as a non-executive Director on 5 April 2006.

## A D Dalrymple

Andrew David Dalrymple, aged 52, is currently an investment manager at Aubrey Capital Management Limited, having previously been a senior portfolio manager (Global Equities) with First State Investments (UK) Limited where he managed the First State Global Opportunities Fund from its inception in July 1999 until 2006. He joined Stewart Ivory Limited as a portfolio manager in 1998 before its acquisition by First State in 2000. Between 1991 and 1998 he was based in Hong Kong as a director and dealing director with S.G. Warburg and UBS Warburg Limited. He was also a director of James Capel (Far East) Limited during that period, having served at Cazenove & Co. Limited in London for several years.

Appointed as a non-executive Director on 1 April 2004.

## I R Dighé

Ian Robert Dighé, aged 56, was a director of Gartmore Growth Opportunities plc and joined the Board following the merger in December 2010. He has over 25 years of industry experience and was previously a director of Singer & Friedlander and was the founder and deputy chairman of Bridgewell Group plc. He is currently executive chairman of MAM Funds plc, a director of Strategic Equity Capital plc and a number of private companies and charitable trusts.

Appointed as a non-executive Director on 13 December 2010. Mr Dighé was appointed as Chairman of the Audit Committee on 5 July 2011.

With the exception of Mr Cross Brown, each of the Directors were independent of the Investment Manager throughout the year ended 30 April 2012 and up to the date of this Report. Following his appointment to the management committee of Artemis on 30 June 2011, Mr Cross Brown was no longer considered to be an independent director.

All Directors were members of the Audit, Nomination and Management Engagement Committees throughout the reporting period with the exception of Mr Cross Brown who ceased to be a member of the Audit, Nomination and Management Engagement Committees from 30 June 2011.

# Directors' Report

The Directors have pleasure in presenting their report, together with the audited financial statements of the Group and the Company, for the year ended 30 April 2012.

## Business review

### Operating environment

The Company operates as an investment trust company and is an investment company within the meaning of section 833 of the Companies Act 2006 (the "Act"). The Company was approved by HM Revenue & Customs as an investment trust in accordance with the requirements of section 1158 of the Corporation Taxes Act 2010 for the year ended 30 April 2011. The Directors have continued to manage the business in order that the Company will continue to meet these requirements.

It is the Company's intention to seek approval as an investment trust in respect of the year ended 30 April 2012 and then make an application under regulation 5 of The Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods that start on or after 1 May 2012.

The Company has no employees and delegates most of its operational functions to service providers, details of which are set out below.

### Objective and Investment Policy

The objective of the Company is to achieve above average rates of total return over the longer term and to achieve a growing dividend stream.

In pursuit of this objective, the Company's portfolio is actively managed by the Investment Manager and comprises largely UK equities, with selected overseas investments. The Investment Manager takes a stock specific approach in managing the portfolio and therefore sector weightings are of secondary consideration. As a result of this approach the portfolio will not track any benchmark index. There is no restriction on the number of investments that can be held in the portfolio.

The Company invests in unquoted companies. The Investment Management Agreement provides that at the time of investment these investments shall represent no more than 30 per cent of net assets. For the purpose of measuring this, all existing unquoted investments will be measured by the lower of their cost or current valuation. The Company can invest up to 30 per cent of its net assets in hedge funds and/or other unregulated collective investment schemes. The Company will not invest more than 15 per cent of its gross assets in other investment

companies listed on the main market of the London Stock Exchange.

The Company uses gearing as part of its investment strategy. The Articles of Association (the "Articles") permit the Company to borrow up to 25 per cent of its adjusted capital and reserves. Subject to this being complied with, the level of available borrowing is a matter for the Board, whilst the utilisation of borrowings is a matter for the Investment Manager. Such utilisation may be subject to specific guidelines established by the Board from time to time. Current guidelines permit the Investment Manager to utilise borrowings of up to 20 per cent of net assets. The Company has a £30 million borrowing facility with The Royal Bank of Scotland plc, of which £16 million (10.8 per cent of net assets) was drawn down at the year end. The use of gearing by the Investment Manager will vary from time to time, reflecting its views on the potential returns from stockmarkets. Gearing is reviewed by the Board and Investment Manager on an ongoing basis.

### Performance

The performance of the Company is reviewed regularly by the Board and it uses a number of key performance indicators ("KPIs") to assess the Company's success in meeting its objective. The KPIs which have been established for this purpose are:

- Discrete annual total returns

Year ended 30 April	Net asset value	Share price	FTSE All-Share Index
2004*	76.3%	100.2%	17.1%
2005	47.0%	44.9%	10.7%
2006	27.6%	20.2%	32.4%
2007	4.2%	2.5%	12.7%
2008	8.3%	(2.2)%	(4.3)%
2009	(24.2)%	(21.8)%	(26.9)%
2010	42.0%	46.0%	36.6%
2011	23.4%	31.0%	13.7%
2012	(4.6)%	(13.9)%	(2.0)%

\* from 1 June 2003.

Source: Artemis/Datastream



## Directors' Report (continued)

- Dividends per ordinary share

Year ended 30 April	Rate per ordinary share	% increase
2004	2.00p	–
2005	2.10p	5.0%
2006	2.20p	4.8%
2007	2.30p	4.5%
2008	2.45p	6.5%
2009	2.60p	6.1%
2010	2.75p	5.8%
2011	2.85p	3.6%
2012	2.95p	3.5%

- Total expenses as a proportion of shareholders' funds (excluding performance fees)

As at 30 April	Total expense ratio
2004	1.9%
2005	1.5%
2006	1.3%
2007	1.2%
2008	0.9%
2009	1.1%
2010	1.1%
2011	0.9%
2012	1.0%

Further information on the KPIs can be found in the Financial Highlights summary on pages 2 and 3. In addition to the above KPIs, the Board monitors the discount/premium at which the shares trade at against the underlying net asset value. Whilst no specific discount target has been set, the Board has empowered the Investment Manager to exercise the Company's authority to buy-back its own shares from time to time to address any imbalances between the supply and demand of the Company's shares in order to achieve a stable discount. As at 30 April 2012 the discount was 7.9 per cent, having averaged 3.5 per cent during the year. The Board will also use its authority to issue new ordinary shares from time to time should there be excess demand for the Company's shares.

### Current and future developments

A summary of the Company's developments during the year ended 30 April 2012, together with its prospects for the future, are set out in the Chairman's Statement on pages 4 and 5 and Investment Manager's Review on pages 6 to 8.

The Board's principal focus is the delivery of successful long-term returns for shareholders. This will be dependent

on the success of the investment strategy, in the context of economic and stockmarket conditions. The investment strategy and factors that may have an influence on it are discussed regularly by the Board and the Investment Manager. The Board regularly considers the ongoing development and strategic direction of the Company, including its promotion and the effectiveness of communication with shareholders.

### Principal risks and risk management

The Board, in conjunction with the Investment Manager, has developed a risk map which sets out the principal risks faced by the Company. It is used to monitor the risks faced by the Company and to review the effectiveness of the controls established to mitigate them. Further information on the Company's internal controls is set out in the corporate governance section on pages 21 to 25. As an investment company the main risks relate to the nature of the individual investments and the investment activities generally. These include market price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk.

A summary of the key areas of risk are set out below:

- Investment:* the Company's investments are selected on their individual merits and the performance of the portfolio is not likely to track the wider UK market (FTSE All-Share Index). The Board believes this approach will continue to generate good long-term returns for shareholders. Currently 28.0 per cent (2011: 29.7 per cent) of the Company's investments (at market value) is represented by unquoted companies and these investments carry higher liquidity and realisation risks. The Board considers that these risks are justified by the longer term nature of the investments and the Company's closed-ended structure, and that such investments will continue to be a source of positive returns for shareholders. The Company may also have significant industry sector exposure from time to time. Risk will be diversified through a broad range of investments being held. The Board discusses the investment portfolio with the Investment Manager at each Board meeting and part of this discussion includes a detailed review of the Company's unquoted investments and their valuations.
- Regulatory:* failure to comply with the requirements of a framework of regulation and legislation, within which the Company operates. The Company relies on the services of the Company Secretary and Investment Manager to monitor ongoing compliance with relevant regulations and legislation.
- Operational:* failure of the Investment Manager's and/or any third party service providers' systems which

## Directors' Report (continued)

could result in an inability to accurately report and monitor the Company's financial position. The Investment Manager has established a business continuity plan to facilitate continued operation in the event of a major service disruption or disaster.

- *Financial:* any failings in the Investment Manager's and/or third party service providers' controls which could lead to the Company's assets being misappropriated. Failure to comply with appropriate accounting standards could result in a reporting error or breach of regulations or legislation.

Further information on risks and the management of them are set out in the notes to the financial statements on pages 47 to 50.

### Other matters

#### Results and dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 29. The Board has declared dividends for the year totalling 2.95 pence per share. The second interim dividend for the year ended 30 April 2012 of 1.75 pence per share will be paid on 17 August 2012 to shareholders who are on the register at the close of business on 27 July 2012.

#### Life of the Company

The Company's Articles provide that at the AGM to be held in 2018, and at every fifth AGM thereafter, a vote on whether the Company should continue in existence as an investment trust will be proposed as an ordinary resolution.

#### Management and management fees

The Company's investments are managed by Artemis, subject to an Investment Management Agreement dated 3 June 2003 and a Supplement Agreement dated 11 November 2010 (together the "Agreement"), which was approved by shareholders at the General Meeting held on 7 December 2010. Pursuant to the Agreement, Artemis is entitled to a management fee of 0.75 per cent per annum of the monthly market capitalisation of the Company, payable quarterly in arrears. In addition, a performance related fee equal to 15 per cent of any outperformance by the Company's share price (on a total return basis) of the rate of total return on the FTSE All-Share Index plus 2 per cent per annum, measured over a rolling three year period other than for the first two performance periods ending on 30 April 2012 and 30 April 2013 respectively.

The performance fee payable each year cannot exceed 2.5 per cent of the Company's market capitalisation at

the end of the performance period. The performance fee operates a "high water mark" such that it will only be payable if the Company's share price ends the measurement period higher than at the start of such period and is higher than the share price level (on a total return basis) at which a performance fee was last paid. The first performance payment period covered the period from 10 December 2010 to 30 April 2012. No performance fee was earned for this period.

The Agreement may be terminated by either party on twelve months' written notice. In the event of the Company terminating the Agreement by giving less than twelve months' notice, Artemis is entitled to an amount in lieu of notice equivalent to 0.75 per cent of the market capitalisation of the Company on the date of termination and the performance fee (if any) due in accordance with the Agreement.

John Dodd and Adrian Paterson are the day to day fund managers. Portfolio ideas may also be generated by the other members of the Artemis investment team from time to time. Artemis is authorised and regulated by the Financial Services Authority and at 30 April 2012 had £11.6 billion of assets under management.

#### Continuing appointment of the Investment Manager

Having recently reviewed the Investment Manager's performance, the Board believes that its continuing appointment, on its current terms, is in the interests of shareholders. In arriving at this view, consideration was given to the long-term performance against the broader market, represented by the FTSE All-Share Index, the investment strategy and the general support and information provided by Artemis. Such a review is carried out on an annual basis.

#### Directors

The Directors of the Company and their biographical details are set out on page 14. Each of the Directors held office throughout the year under review.

No Director has a contract of service with the Company.

#### Elections of Directors

By the date of the AGM Mr Miller will have served as a Director for nine years and in accordance with the AIC's Code of Corporate Governance he will become subject to annual re-election and will offer himself for re-election at the AGM.

Mr Cross Brown is not considered to be independent due to his membership of the management committee of Artemis and therefore stands for re-election on an annual

## Directors' Report (continued)

basis. Accordingly he will offer himself for re-election at this year's AGM.

The Board recommends the re-election of both Directors on the basis of their industry knowledge, experience and their contribution to the operation of the Company.

### Directors' and officers' liability insurance

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

The Company's Articles provide the Directors of the Company, subject to the provisions of UK law, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. Save for this, there are no qualifying third party indemnity provisions in force.

### Directors' interests

The Directors' interests in the capital of the Company who held office at 30 April 2012 were as follows:

#### Ordinary shares

	30 April 2012		1 May 2011	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Mr Miller	10,044	–	10,000	–
Mr Barron	5,000	–	5,000	–
Mr Cross Brown	44,321	–	44,321	–
Mr Dalrymple	46,000	32,000	58,000	20,000
Mr Dighé	6,325	–	6,325	–

#### Subscription shares

	30 April 2012		1 May 2011	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Mr Miller	1,428	–	1,428	–
Mr Barron	713	–	713	–
Mr Cross Brown	6,331	–	6,331	–
Mr Dalrymple	8,285	2,857	8,285	2,857
Mr Dighé	–	–	–	–

There have been no changes to the above holdings between 30 April 2012 and the date of this Report.

At no time during the year did any Director hold a material interest in any contract, arrangement or

transaction with the Company or its subsidiary undertakings.

### Bribery Act 2010

The Bribery Act came into force on 1 July 2011. The Company is committed to carrying out business fairly, honestly and openly. The Investment Manager has established policies and procedures to prevent bribery.

### Conflicts of interest

The Board has put in place procedures to deal with conflicts and potential conflicts of interest and considers that these have operated effectively throughout the year. The Board also confirms that its procedures for the approval of conflicts and potential conflicts of interest have been followed by the Directors during the year under review.

### Share capital

The Company has two share classes: ordinary shares of 1 pence each and subscription shares of 1 pence each. As at 30 April 2012 the Company had 48,844,470 ordinary shares (2011: 48,825,239) and 6,867,134 subscription shares (2011: 6,886,365) in issue.

The Company made market purchases of its own ordinary shares totalling 622,048 (2011: 137,000) for an aggregate consideration of £1,730,000 (2011: £319,000). This represented 1.3 per cent of issued ordinary share capital at the start of the period, with a nominal value of £6,220. The shares were bought at an average discount of 7.3 per cent (2011: 8.0 per cent) and are held in treasury.

During the year the Company issued and allotted 19,231 (2011: 7,973) ordinary shares in connection with the exercise of subscription rights by holders of a corresponding number of subscription shares. These shares were issued at the subscription price of 345.0 pence per share.

The subscription shares rank equally with each other and do not carry any voting rights or the right to receive any dividends from the Company. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share at 345.0 pence on the last business day in June and December of each year up to 31 December 2017, after which the subscription shares will lapse. The subscription shares are freely transferable in the form of which they are currently registered and are listed on the London Stock Exchange.

At any general meeting of the Company, every ordinary shareholder attending in person or by proxy (or by

## Directors' Report (continued)

corporate representative) is entitled to one vote on a vote on a show of hands and, where a poll is called every ordinary shareholder attending in person or by proxy is entitled to have one vote for every ordinary share of which he is the holder. There are no restrictions concerning the voting rights of the Company's ordinary shares or the holding or transfer of the Company's shares and there are no special rights attached to any of the ordinary shares. The Company's ordinary shareholders may, by ordinary resolution, declare dividends provided such dividends are not in excess of any dividends recommended by the Directors. The Directors may also pay interim dividends. The Company is not aware of any agreements between shareholders which may result in any restriction on the transfer of shares or on the voting rights.

As at the date of this Report, the table below sets out those shareholders who have notified the Company that they hold more than 3 per cent of the voting rights attaching to the ordinary shares in issue.

Shareholder	Number of ordinary shares held as at 13 July 2012	% of voting rights
Mr John Dodd	2,560,955	5.31%
Mr Mark Tyndall	2,125,950	4.41%
Investec Wealth & Investment (formerly Rensburg Sheppard Investment Management)	1,743,402	3.62%
Legal & General Investment Management	1,628,801	3.38%
Mr Adrian Paterson	1,476,401	3.08%

### Share premium

On 18 May 2011, an amount of £68,572,000 was transferred from the share premium account to the Company's special reserve which, subject to company law, can now be treated as a distributable reserve except for the payment of dividends.

### Additional shareholder information

The requirements relating to the appointment and replacement of Directors are contained in the Articles of the Company, a copy of which can be found on the Company's web site at [artemisonline.co.uk](http://artemisonline.co.uk). Amendments to the Articles, and the giving of powers to issue or buy-back the Company's shares, require appropriate resolutions to be passed by shareholders. The current authorities to buy-back and issue shares will expire at the AGM and proposals for their renewal are set out on pages 51 to 55. There are no agreements which the

Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office.

### Payment of suppliers

It is the Company's policy to obtain the best possible terms for all business and therefore there are no standard payment terms. The Company agrees with its suppliers the terms on which business will be transacted and it is the Company's policy to abide by those terms. At 30 April 2012 there were no amounts owed to suppliers in respect of invoices received but unpaid (30 April 2011: none).

### Going concern

The Directors, having considered the likely cash flows and operational costs of the Company for the 18 months from the year end, are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in the preparation of the financial statements.

### AGM

Details of the 2012 AGM are set out in the Chairman's Statement on page 5 and the Notice of Meeting on pages 51 to 55. Resolutions in relation to the re-issue of treasury shares and special business are set out below.

### Treasury shares

The Board believes that the use of treasury shares can assist with the liquidity of the Company's ordinary shares to address any imbalances between supply and demand and consider that being able to resell any such treasury shares at a discount to net asset value provides maximum flexibility in the management of the Company's capital. The Listing Rules of the United Kingdom Listing Authority require that shareholder approval is obtained in order to issue shares at a discount to net asset value. Accordingly, Resolution 6 will be proposed as an ordinary resolution to allow the Company to sell shares from treasury at a discount to net asset value. Shares would only be sold from treasury when market demand is identified and, pursuant to the authority conferred by Resolution 6, subject to the condition that the discount at which shares are resold must not be less than the average discount at which the total number of shares held in treasury were repurchased. This resolution is conditional on the passing of Resolutions 7 and 8.

Any shares held in treasury for more than twelve months from the date of acquisition will be cancelled.

## Directors' Report (continued)

### Authority to allot shares and disapply pre-emption rights

The Directors were authorised at the annual general meeting in September 2011 to allot up to an aggregate nominal amount of £68,863 pursuant to the exercise rights attaching to the subscription shares and up to an aggregate nominal amount of £24,337 under a general authority to allot ordinary shares. These authorities shall expire at the conclusion of the next annual general meeting of the Company to be held in 2012.

The current authority for Directors to allot shares in the Company without first offering them to existing shareholders, in accordance with statutory pre-emption procedures, will also expire at the forthcoming AGM. The Directors believe it to be in shareholders' interests to continue to have such an authority for the forthcoming year and accordingly will seek to renew the authority and to disapply pre-emption rights at the forthcoming AGM.

Accordingly, Resolution 8 will, if approved, authorise the Directors to allot new ordinary shares up to an aggregate nominal amount of £68,660 in respect of subscription shares and £23,772, under a general authority, representing approximately 14.1 per cent and 5 per cent of the Company's issued ordinary share capital as at the date of this report, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. Resolution 8 will be proposed as a special resolution and the authorities will continue in effect until the conclusion of the annual general meeting to be held in 2013 or, if earlier, on 31 October 2013. The Directors will only issue new ordinary shares pursuant to the general authority if they believe it is advantageous to the Company's shareholders to do so.

### Authority to buy-back shares

The Company's existing authority to make market purchases of up to 14.99 per cent of the issued ordinary and subscription share capital will expire at the forthcoming AGM. The Directors consider that the Company should continue to have authority to make market purchases of its own shares and accordingly Resolution 9 will be proposed as a special resolution at the forthcoming AGM to renew that authority.

Repurchased ordinary shares may be held in treasury or cancelled. All repurchased subscription shares will be cancelled. The ability to repurchase subscription shares will allow the Board to manage the dilutive effect of subscription shares when there is no demand for them through the market.

The maximum price which may be paid for purchases of ordinary shares and subscription shares (as applicable)

through the market will not exceed the higher of (i) 5.0 per cent above the average of the middle market quotations (as derived from the Official List) for the relevant shares for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of ordinary shares or subscription shares, as applicable, on the trading venue where the purchase is carried out. In addition, repurchases of ordinary shares will only be made in the market at prices below the prevailing net asset value per ordinary share.

### Amendment to the Articles

The Company conducts its affairs so that it qualifies as an investment trust and an investment company. As an investment trust, the Company is not liable to pay corporation tax on any capital gains.

Following a consultation process, certain of the statutory rules governing investment trusts and investment companies were amended recently. In particular, the rule which prohibited an investment trust or company from distributing any net gains arising from the realisation of its investments was repealed. It is intended that this will give companies greater flexibility with regard to paying dividends.

In order to comply with the previous statutory regime, the Company has a provision in its Articles which expressly prohibits the distribution of any net gains arising from the realisation of investments. In light of the amended statutory rules, the Board no longer considers it appropriate to have such a prohibition in the Articles and therefore proposes that it is deleted. Resolution 10 will, if passed, remove this prohibition by amending article 139. The Board believes that the removal of this restriction will give the Company greater flexibility in the long-term as it will allow distributions to be made from any net gains arising from the realisation of investments should this be considered appropriate in the future.

It should be noted that the proposal to amend the Articles will not result in any changes in how the Company's net revenue is generated or calculated. The Company will continue to pursue its policy of paying increasing dividends from net revenue profits. Such profits will be generated from income from portfolio companies, supported by dividends from the dealing subsidiary where necessary, and allocating expenses and finance costs between capital and revenue on the basis set out in the accounting policies on page 35.



## Directors' Report (continued)

A copy of the new Articles marked to show the change being made by Resolution 10 is available for inspection at the address set out on page 58 of this document.

There are no other changes proposed at this time.

### Recommendation

The Directors consider that passing the resolutions to be proposed at the AGM will be in the best interests of the Company and shareholders as a whole and unanimously recommend that shareholders vote in favour of each of these resolutions as they intend to do in respect of their own holdings.

### Independent auditor

KPMG Audit Plc has expressed its willingness to continue in office as independent auditor. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external auditor. After careful consideration of the services provided during the year and a review of their effectiveness, the Audit Committee recommended to the Board that KPMG Audit Plc should be re-appointed as auditor. Accordingly, a resolution will be proposed at the forthcoming AGM for its re-appointment and to authorise the Directors to agree its remuneration.

### 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 auditor is 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 auditor is aware of that information.

## Corporate Governance

### Compliance

The Company is committed to high standards of Corporate Governance. This statement outlines how the principles of the AIC Code of Corporate Governance issued in October 2010 (the "AIC Code") were applied throughout the financial year. The AIC Code has been endorsed by the Financial Reporting Council (the "FRC") and compliance with the AIC Code enables the Company to meet its obligations in relation to the provisions of the Combined Code, insofar as they relate to the Company's business. The Board considers that in the course of the year and up to the date of this report the Company has complied with the AIC Code.

Set out below is how the Company has applied the principles of the AIC Code.

All Directors on the Board of the Company are non-executive and the Company's day-to-day responsibilities are delegated to third party service providers.

### Board responsibilities

The Board is responsible for determining the strategic direction of the Company. It meets at least four times a year to review the performance of the Company's investments, the financial position of the Company, its performance in relation to the investment objective and all other important issues to ensure that the Company's affairs are managed within a framework of prudent and effective controls. Whilst certain responsibilities are delegated, a schedule of matters specifically reserved for its decision has been adopted by the Board.

Responsibilities are clearly defined and allocated between the Chairman, the Board, the Investment Manager and a number of third party service providers.

No one individual has unfettered powers of decision. The Chairman, Mr Miller, was at the time of his appointment, and remains, independent of the Investment Manager. The Chairman leads the Board and ensures its effectiveness on all aspects of its operation ensuring that each Director receives accurate, timely and clear information enabling them to perform effectively as a Board. The Company Secretary liaises with the Chairman prior to each meeting to agree agenda content and papers to be submitted to Board and Committee meetings. In addition, the Chairman is responsible for ensuring there is effective communication with shareholders.

The Board has set the parameters within which the Investment Manager operates and these are set out in the Investment Management Agreement and in Board minutes. Representatives of the Investment Manager attend each Board meeting enabling the Directors to seek clarification on specific issues.

The Board has formalised arrangements under which Directors, in 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 proper 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.

# Directors' Report (continued)

## Board composition

The Board comprises five Directors, all of whom are non-executive. The names of the Directors, together with their biographical details, are set out on page 14 of this Report.

The Board considers that all the Directors, with the exception of Mr Cross Brown, were independent of the Investment Manager and comply with the criteria for independence as set out in the AIC Code. Each of the Directors is deemed to be independent in character and judgement. Mr Cross Brown is not considered independent due to his position on the management committee of Artemis. The Nomination Committee meets annually to consider matters of independence.

During the year under review, Mr Barron was appointed as the Senior Independent Director. This position will be reviewed annually.

## Appointment of Directors and performance evaluation

Directors are appointed subject to the provisions of the Act and the Company's Articles. Any Directors appointed by the Board are subject to election by shareholders at the first AGM following their appointment.

At the AGM, Mr Miller and Mr Cross Brown offer themselves for re-election. Mr Miller will have served for 9 years on the Board in July 2012 and will now stand for annual re-election in accordance with the guidelines set out in the AIC Code. Mr Cross Brown will stand for re-election annually as he is considered non-independent due to his position to the management committee of Artemis.

The Board recommends the re-election of each Director to shareholders on the basis of their expertise and experience in investment matters and their continuing effectiveness and commitment to the Company.

	Date of appointment	Due for re-election
Mr Miller	14 July 2003	AGM 2012 <sup>^</sup>
Mr Cross Brown	5 April 2006	AGM 2012 <sup>*</sup>
Mr Dalrymple	1 April 2004	AGM 2013
Mr Barron	17 February 2005	AGM 2014
Mr Dighé	13 December 2010	AGM 2014

<sup>^</sup> Mr Miller will be subject to annual re-election in accordance with the recommendations of the AIC Code.

<sup>\*</sup> Mr Cross Brown is subject to annual re-election in accordance with the recommendations of the AIC Code.

The Directors of the Company have not been appointed subject to a service contract. The terms and conditions of their appointments are set out in letters of appointment, which are available for inspection at the registered office of the Company and at the AGM.

The Board, led by the Nomination Committee, conducted a review of its performance and that of its Committees, the Chairman and individual Directors. This review was based on a process of appraisal by interview, with the evaluation of the performance of the Chairman being undertaken by the other Directors, led by the Senior Independent Director. The Board is satisfied that it continues to have an appropriate balance of skills and experience and therefore supports the resolutions to re-elect each of the Directors at the forthcoming AGM. Such an evaluation is conducted annually.

## Board committees

In order to enable the Directors to discharge their duties, three Board Committees, each with written terms of reference, have been established. Committee membership is set out on page 14 of this Report. Attendance at meetings of the Committees is restricted to members and persons expressly invited to attend. Copies of the terms of reference for the Board Committees are available from the Company Secretary or on the Investment Manager's website at [artemisonline.co.uk](http://artemisonline.co.uk). The Chairman of the Board acts as Chairman for the Committees, with the exception of the Audit Committee, which is chaired by Mr Dighé.

The Company Secretary acts as the Secretary to each Committee.

## Audit Committee

The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements, the appropriateness of its accounting policies, reviewing the internal control systems and the risks to which the Company is exposed. It is also responsible for making recommendations to the Board regarding the appointment of the auditor, the independence of the auditor, the objectivity and effectiveness of the audit process and the approval of the financial statements. It meets at least twice per year.

The Audit Committee provides a forum through which the Company's auditor reports to the Board. The Audit Committee monitors the non-audit services being provided to the Company by its auditor and a policy with

## Directors' Report (continued)

regard to the provision of these services has been formalised. All members of the Audit Committee are considered to have relevant and recent financial and investment experience as a result of their employment in financial services and other industries.

Representatives from the Investment Manager and the Administrator may be invited to attend the meetings of the Audit Committee to report on issues as required. 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 the Administrator have established internal control frameworks to provide reasonable assurance as to the effectiveness of the internal controls operated on behalf of their clients. Both third parties report to the Board, on a quarterly basis, any breaches of law or regulation or any operational errors. The Audit Committee considers annually whether there is a need for an internal audit function, and has agreed that it remains appropriate for the Company to rely on the internal controls that exist within its third party service providers.

### *Management Engagement Committee*

The Management Engagement Committee, which meets at least annually, reviews the terms of appointment and the performance of each of the Company's third party service providers, including the Investment Manager, and makes recommendations to the Board for improvement or change as appropriate.

### *Nomination Committee*

The Nomination Committee meets at least annually. It is responsible for ensuring that the Board has an appropriate balance of skills and experience to carry out its duties, for identifying and nominating to the Board new Directors and for proposing that existing Directors be re-elected. The Committee undertakes an annual performance evaluation of the Board, led by the Chairman. On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee will normally be chaired by the Senior Independent Director.

### *Board and Committee Meetings*

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

	Board Meetings	Audit Committee Meetings
Number of meetings held	4	2
Mr Miller	4	2
Mr Barron	4	2
Mr Cross Brown*	4	1
Mr Dalrymple	4	2
Mr Dighé	3	1

	Management Engagement Committee Meetings	Nomination Committee Meetings
Number of meetings held	1	1
Mr Miller	1	1
Mr Barron	1	1
Mr Cross Brown*	1	1
Mr Dalrymple	1	1
Mr Dighé	–	–

\* Mr Cross Brown was present at the Audit Committee; Management Engagement Committee and Nomination Committees meetings held in the period before he was considered non-independent. On 30 June 2011 he stepped down from membership of these committees. Although he is no longer a member of these committees, he is invited to attend meetings of them.

### *Directors' remuneration*

As the Company has no executive Directors, the Directors do not consider it appropriate to appoint a Remuneration Committee. The Board as a whole considers the Directors' remuneration within the limits set by the Company's Articles. Further details are set out in the Directors' Remuneration Report on page 26.

### *Directors' tenure*

All Directors' continuing appointments are subject to re-election by shareholders at least every three years and where a Director has served for more than nine years they will be subject to an annual re-election. Directors are subject to a rigorous review after six years of service. The Board does not consider length of service itself to affect a Director's independence. The Board has agreed a procedure for the appointment of new Directors. Formal consideration of the skills and experience of the Board is undertaken to help identify the capabilities of a new Director when a vacancy arises.



# Directors' Report (continued)

## Induction and training

New Directors appointed to the Board are provided with an induction which is tailored to the particular circumstances of the appointee. Regular updates are provided on changes in regulatory requirements that could affect the Company. The Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts and receive other training as necessary.

## Relations with shareholders

The Board considers communication with shareholders an important function and Directors are always available to respond to shareholder queries. Shareholders can contact the Chairman using the email address [simon.miller@artemisfunds.com](mailto:simon.miller@artemisfunds.com). The Board aims to ensure that shareholders are kept fully informed of developments in the Company's business through the Annual and Half-Yearly Reports and Interim Management Statements, as well as the daily announcement of the net asset values of the Company's ordinary shares to the London Stock Exchange. The Investment Manager produces a monthly factsheet which can be found on the Investment Manager's website at [artemisonline.co.uk](http://artemisonline.co.uk), along with other information on the Company. The Investment Manager meets with major shareholders on a periodic basis.

All 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. Details of shareholder voting are declared at every AGM and are available on the Investment Manager's website as soon as practicable following the close of the meeting. All Directors intend to attend this year's AGM, details of which are set out in the Notice of Meeting on pages 51 to 55 of this report.

## UK Stewardship Code

Artemis has endorsed the UK Stewardship Code published by the FRC. This sets out the responsibilities of institutional investors in relation to the companies in which they invest and a copy of this can be found on Artemis' website at [artemisonline.co.uk](http://artemisonline.co.uk).

## Voting Policy

The Directors have given the Investment Manager discretion to exercise the Company's voting rights and the Investment Manager, so far as is practicable, will exercise them in respect of resolutions proposed by

investee companies. The Investment Manager's voting for its clients is summarised on its website at [artemisonline.co.uk](http://artemisonline.co.uk).

## Social & environmental matters

The Company has delegated the investment management of the Company to Artemis and, in its capacity as Investment Manager, Artemis has established certain procedures to assess investee companies' businesses in relation to social and environmental matters. It will follow these in its investment decision making process, subject to the overriding requirement of seeking to protect the economic interests of the Company and its shareholders.

## Internal controls and management of risk

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 well as ensuring that a sound system of internal control is maintained to safeguard shareholders' interests and the Company's assets. As the majority of the Company's systems are maintained on behalf of the Company by third party service providers under contract, the Board fulfils its obligations by requiring these service providers to report and provide assurances on their systems of internal control, which are designed to manage, rather than eliminate, risks. In light of the Board's reliance on these systems and the reports thereon, the Board can only provide reasonable and not absolute assurance against material misstatement or loss. The Board does, however, ensure that these service providers are employed subject to clearly defined contracts.

Both the Investment Manager and the Administrator have established internal control frameworks to provide reasonable assurances as to the effectiveness of the internal control systems operated on behalf of their clients. The Investment Manager reports to the Board on a regular basis with regard to the operation of its internal controls and risk management within its operations in so far as it impacts the Company. In addition, the Investment Manager reports quarterly to the Board on compliance with the terms of its delegated authorities under the Investment Management Agreement and other restrictions determined by the Board.

The Administrator also reports, on a quarterly basis, any breaches of law and regulation and any operational errors. This enables the Board to address any issues with

## Directors' Report (continued)

regard to the management of the Company as and when they arise and to identify any known internal control failures. The key procedures which have been established to provide effective internal controls are as follows:

- The Board carried out and documented a risk and control assessment, which was reviewed twice during the year and will be kept under ongoing, and at least a six monthly, review.
- Investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement each other.
- Investment management and company secretarial services are provided by Artemis. The Board is responsible for setting the overall investment policy and monitoring the actions of the Investment Manager. The Board reviews information produced by the Investment Manager in detail on a regular basis.
- Administration services are provided by J.P. Morgan Europe Limited. The Administrator reports to the Board on a quarterly basis and ad hoc as appropriate. In addition, the Board receives the Administrator's annual report on internal controls.
- The Board is aware of the whistleblowing procedures of Artemis and the Administrator, which are considered satisfactory.
- Safekeeping of the Company's assets is undertaken by J.P. Morgan Chase Bank N.A..

- The Directors of the Company clearly define the duties and responsibilities of its agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; their ongoing performance and contractual arrangements are monitored to ensure that they remain effective.
- Mandates for authorisation of investment transactions and expense payments are approved by the Board.

By the procedures set out above, the Directors have reviewed the effectiveness of the Company's internal controls throughout the year under review and up to the date of this Report.

By order of the Board

Artemis Investment Management LLP  
Company Secretary

16 July 2012

# Directors' Remuneration Report

The Directors are pleased to present their report on remuneration for the year ended 30 April 2012. The Company's auditor is required to audit certain information contained within this report and, where information set out below has been audited, it is clearly indicated. The auditor's opinion is included in the Independent Auditor's Report, which can be found on page 28.

## Policy on Directors' Remuneration

The Company's policy is that fees payable to the Directors should reflect the time spent on the Company's affairs, the responsibilities borne by the Directors and should be sufficient to enable candidates of a high calibre to be recruited. The Company's policy is for the Chairman of the Board to be paid a higher fee than the other Directors, to reflect his more onerous role. The Chairman of the Audit Committee also receives an additional fee to reflect the additional responsibilities associated with the role. The Board reviews the level of Directors' fees each year, taking into account a range of external information, including peer group comparisons and relevant independent research. After consideration at a Board meeting on 4 July 2012, it was agreed that the fees for all the Directors shall remain unchanged for the year ending 30 April 2013. It is the Company's policy that no Director shall be entitled to any benefits in kind, share options, long-term incentives, pensions or other retirement benefits, or compensation for loss of office. It is also considered appropriate that no aspect of Directors' remuneration should be performance-related in light of the Directors' non-executive status. Directors are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company. It is the intention of the Board that, unless deemed appropriate to implement a revision, the above remuneration policy will continue to apply for the forthcoming and subsequent financial years.

## The Board

During the year ended 30 April 2012, the Board consisted of non-executive Directors, who determine their remuneration as a whole. Accordingly, a separate Remuneration Committee has not been established. The Board has not relied upon the advice or services of any person to assist in making its remuneration decisions, although the Directors carry out reviews from time to time of the fees paid to directors of other investment trusts. The Directors do not have a contract of service with the Company but are instead appointed by letters of appointment. A Director may resign in writing to the Board at any time; there are no fixed notice periods or any entitlement to compensation for loss of office.

## Directors' Fees (audited)

The information in this section has been subject to audit. The Directors who served during the years ended 30 April 2012 and 30 April 2011 received the following emoluments:

Director <sup>1</sup>	2012	2011
Mr Miller	£28,000	£26,000
Mr Barron <sup>2</sup>	£21,000	£22,000
Mr Cross Brown	£20,000	£20,000
Mr Dalrymple	£20,000	£20,000
Mr Dighé <sup>3</sup>	£21,000	£7,562
Mr Peel <sup>4</sup>	n/a	£12,438

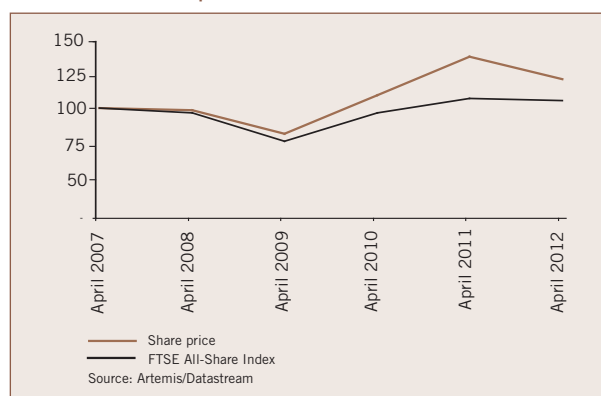
<sup>1</sup> None of the Directors who are Directors of the Company's wholly owned subsidiary received any remuneration from this company.

<sup>2</sup> Mr Barron's fees are paid to nominated charities.

<sup>3</sup> Mr Dighé was appointed as a Director of the Company on 13 December 2010.

<sup>4</sup> Mr Peel resigned as a Director of the Company on 13 December 2010.

## Performance Graph



The performance graph above sets out the Company's ordinary share price total return (assuming re-investment of dividends) to ordinary shareholders from 30 April 2007 to 30 April 2012 compared to the total return of a notional investment in the FTSE All-Share Index. As investments are selected on their individual merits, the portfolio will not track any comparative index, and there is likely to be a divergence in performance between the Company and the index.

For and on behalf of the Board

Simon Miller

Chairman

16 July 2012

# Management Report and Statement of Directors' Responsibilities

in respect of the Annual Financial Report

## Management Report

Listed companies are required by the FSA's Disclosure and Transparency Rules (the "Rules") to include a management report in their annual financial statements. The information required to be in the management report for the purpose of the Rules is included in the Chairman's Statement (pages 4 and 5), the Investment Manager's Review (pages 6 to 8) and the Business Review contained in the Directors' Report (pages 15 to 17). Therefore no separate management report has been included.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Financial Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Financial Statements are published on a website, [artemisonline.co.uk](http://artemisonline.co.uk), maintained by the Company's Investment Manager, Artemis Investment Management LLP. The maintenance and integrity of the corporate and financial information relating to the Company is the responsibility of the Investment Manager. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- (a) the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position of the Company and the Group, and of the profit or loss of the Group; and
- (b) the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

**Simon Miller**  
Chairman

16 July 2012

# Independent Auditor's Report

To the members of Artemis Alpha Trust plc

We have audited the financial statements of Artemis Alpha Trust plc for the year ended 30 April 2012 set out on pages 29 to 50. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 19, in relation to going concern;
- the part of the Corporate Governance Statement in the Directors' Report relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**Catherine Burnet** (Senior Statutory Auditor)

**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
Edinburgh

16 July 2012

# Consolidated Income Statement

For the year ended 30 April 2012

		Year ended 30 April 2012			Year ended 30 April 2011		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	2	2,018	–	2,018	1,426	–	1,426
Other income	2	35	–	35	352	–	352
<b>Total revenue</b>		<b>2,053</b>	<b>–</b>	<b>2,053</b>	<b>1,778</b>	<b>–</b>	<b>1,778</b>
(Losses)/gains on investments		–	(7,274)	(7,274)	–	24,044	24,044
(Losses)/gains on current asset investments	10	(638)	–	(638)	72	–	72
Currency (losses)/gains		–	(68)	(68)	–	31	31
<b>Total income/(loss)</b>		<b>1,415</b>	<b>(7,342)</b>	<b>(5,927)</b>	<b>1,850</b>	<b>24,075</b>	<b>25,925</b>
<b>Expenses</b>							
Investment management fee	3	(103)	(929)	(1,032)	(80)	(722)	(802)
Performance fee	3	40	363	403	(40)	(363)	(403)
Other expenses	4	(407)	(6)	(413)	(284)	(25)	(309)
<b>Profit/(loss) before finance costs and tax</b>		<b>945</b>	<b>(7,914)</b>	<b>(6,969)</b>	<b>1,446</b>	<b>22,965</b>	<b>24,411</b>
Finance costs	5	(63)	(568)	(631)	(53)	(474)	(527)
<b>Profit/(loss) before tax</b>		<b>882</b>	<b>(8,482)</b>	<b>(7,600)</b>	<b>1,393</b>	<b>22,491</b>	<b>23,884</b>
Tax	6	(24)	–	(24)	(39)	30	(9)
<b>Profit/(loss) for the year</b>		<b>858</b>	<b>(8,482)</b>	<b>(7,624)</b>	<b>1,354</b>	<b>22,521</b>	<b>23,875</b>
<b>Earnings/(loss) per ordinary share (basic)</b>	<b>8</b>	<b>1.76p</b>	<b>(17.44)p</b>	<b>(15.68)p</b>	<b>3.64p</b>	<b>60.56p</b>	<b>64.20p</b>
<b>Earnings/(loss) per ordinary share (diluted)</b>	<b>8</b>	<b>1.76p</b>	<b>(17.44)p</b>	<b>(15.68)p</b>	<b>3.64p</b>	<b>60.56p</b>	<b>64.20p</b>

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with International Financial Reporting Standards. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

All income is attributable to the equity shareholders of Artemis Alpha Trust plc. There are no minority interests.

**The notes on pages 34 to 50 form part of these financial statements.**

# Balance Sheets

As at 30 April 2012

	Notes	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
<b>Non-current assets</b>					
Investments	9	162,480	163,811	181,549	190,583
<b>Current assets</b>					
Investments held by subsidiary		1,635	–	2,903	–
Other receivables	12	664	853	4,593	4,579
Cash and cash equivalents		404	517	–	–
		2,703	1,370	7,496	4,579
<b>Total assets</b>		165,183	165,181	189,045	195,162
<b>Current liabilities</b>					
Bank overdraft		–	–	(1,519)	(1,708)
Other payables	13	(834)	(832)	(2,002)	(7,930)
Bank loan	18	(16,000)	(16,000)	(26,500)	(26,500)
		(16,834)	(16,832)	(30,021)	(36,138)
<b>Net assets</b>		148,349	148,349	159,024	159,024
<b>Equity attributable to equity holders</b>					
Share capital	14	557	557	557	557
Share premium		630	630	69,136	69,136
Special reserve		69,649	69,649	2,807	2,807
Capital redemption reserve		33	33	33	33
Retained earnings – revenue		1,956	1,044	2,485	983
Retained earnings – capital	15	75,524	76,436	84,006	85,508
<b>Total equity</b>		148,349	148,349	159,024	159,024
<b>Net asset value per ordinary share (basic)</b>	16	307.64p		325.70p	
<b>Net asset value per ordinary share (diluted)</b>	16	307.64p		325.70p	

These financial statements were approved by the Board of Directors and signed on its behalf on 16 July 2012 by:

Ian Dighé

Director

The notes on pages 34 to 50 form part of these financial statements.



# Statements of Changes in Equity

For the year ended 30 April 2012

Group	<div> <div> <div>Share capital</div> <div>Share premium</div> <div>Special reserve</div> <div>Warrant reserve</div> <div>Capital redemption reserve</div> <div>Retained earnings</div> <div>Revenue</div> <div>Capital</div> <div>Total</div> </div> </div>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the year ended 30 April 2012</b>								
At 1 May 2011	557	69,136	2,807	–	33	2,485	84,006	159,024
<u>Total comprehensive income:</u>								
Profit/(loss) for the year	–	–	–	–	–	858	(8,482)	(7,624)
<u>Transactions with owners recorded directly to equity:</u>								
Repurchase of ordinary shares into treasury	–	–	(1,730)	–	–	–	–	(1,730)
Conversion of subscription shares	–	66	–	–	–	–	–	66
Cancellation of share premium	–	(68,572)	68,572	–	–	–	–	–
Dividends paid	–	–	–	–	–	(1,387)	–	(1,387)
<b>At 30 April 2012</b>	<b>557</b>	<b>630</b>	<b>69,649</b>	<b>–</b>	<b>33</b>	<b>1,956</b>	<b>75,524</b>	<b>148,349</b>
<b>For the year ended 30 April 2011</b>								
At 1 May 2010	305	24,116	1,910	1,278	32	1,970	60,207	89,818
<u>Total comprehensive income:</u>								
Profit for the year	–	–	–	–	–	1,354	22,521	23,875
<u>Transactions with owners recorded directly to equity:</u>								
Issue of ordinary shares	117	37,323	–	–	–	–	–	37,440
Costs of merger	–	(772)	–	–	–	–	–	(772)
Repurchase of ordinary shares into treasury	–	–	(319)	–	–	–	–	(319)
Re-issue of ordinary shares from treasury	–	527	1,286	–	–	–	–	1,813
Exercise of manager warrants	66	7,914	–	(1,278)	–	–	1,278	7,980
Bonus issue of subscription shares	70	–	(70)	–	–	–	–	–
Cancellation of subscription shares	(1)	–	–	–	1	–	–	–
Conversion of subscription shares	–	28	–	–	–	–	–	28
Dividends paid	–	–	–	–	–	(839)	–	(839)
<b>At 30 April 2011</b>	<b>557</b>	<b>69,136</b>	<b>2,807</b>	<b>–</b>	<b>33</b>	<b>2,485</b>	<b>84,006</b>	<b>159,024</b>

The notes on pages 34 to 50 form part of these financial statements.



# Statements of Changes in Equity (continued)

For the year ended 30 April 2012

Company	Statement of Financial Position							
	Share capital	Share premium	Special reserve	Warrant reserve	Capital redemption reserve	Retained earnings		Total
	£'000	£'000	£'000	£'000	£'000	Revenue £'000	Capital £'000	
<b>For the year ended 30 April 2012</b>								
At 1 May 2011	557	69,136	2,807	–	33	983	85,508	159,024
<u>Total comprehensive income:</u>								
Profit/(loss) for the year	–	–	–	–	–	1,448	(9,072)	(7,624)
<u>Transactions with owners recorded directly to equity:</u>								
Repurchase of ordinary shares into treasury	–	–	(1,730)	–	–	–	–	(1,730)
Conversion of subscription shares	–	66	–	–	–	–	–	66
Cancellation of share premium	–	(68,572)	68,572	–	–	–	–	–
Dividends paid	–	–	–	–	–	(1,387)	–	(1,387)
<b>At 30 April 2012</b>	<b>557</b>	<b>630</b>	<b>69,649</b>	<b>–</b>	<b>33</b>	<b>1,044</b>	<b>76,436</b>	<b>148,349</b>
<b>For the year ended 30 April 2011</b>								
At 1 May 2010	305	24,116	1,910	1,278	32	630	61,547	89,818
<u>Total comprehensive income:</u>								
Profit for the year	–	–	–	–	–	1,192	22,683	23,875
<u>Transactions with owners recorded directly to equity:</u>								
Issue of ordinary shares	117	37,323	–	–	–	–	–	37,440
Costs of merger	–	(772)	–	–	–	–	–	(772)
Repurchase of ordinary shares into treasury	–	–	(319)	–	–	–	–	(319)
Re-issue of ordinary shares from treasury	–	527	1,286	–	–	–	–	1,813
Exercise of manager warrants	66	7,914	–	(1,278)	–	–	1,278	7,980
Bonus issue of subscription shares	70	–	(70)	–	–	–	–	–
Cancellation of subscription shares	(1)	–	–	–	1	–	–	–
Conversion of subscription shares	–	28	–	–	–	–	–	28
Dividends paid	–	–	–	–	–	(839)	–	(839)
<b>At 30 April 2011</b>	<b>557</b>	<b>69,136</b>	<b>2,807</b>	<b>–</b>	<b>33</b>	<b>983</b>	<b>85,508</b>	<b>159,024</b>

The notes on pages 34 to 50 form part of these financial statements.

# Cash Flow Statements

For the year ended 30 April 2012

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
<b>Operating activities</b>				
(Loss)/profit before tax	(7,600)	(7,600)	23,884	23,884
Interest payable	631	631	527	527
Losses/(gains) on investments	7,274	7,864	(24,044)	(24,236)
Losses/(gains) on current asset investments	638	–	(72)	–
Currency losses/(gains)	68	68	(31)	(31)
Increase in other receivables	(87)	(90)	(231)	(217)
(Decrease)/increase in other payables	(441)	(422)	488	484
<b>Net cash inflow from operating activities before interest and tax</b>	<b>483</b>	<b>451</b>	<b>521</b>	<b>411</b>
Interest paid	(631)	(631)	(527)	(527)
Irrecoverable overseas tax suffered	(24)	(24)	(9)	(9)
<b>Net cash outflow from operating activities</b>	<b>(172)</b>	<b>(204)</b>	<b>(15)</b>	<b>(125)</b>
<b>Investing activities</b>				
Purchases of investments	(53,526)	(51,082)	(100,348)	(95,397)
Sales of investments	69,240	73,325	75,319	72,267
<b>Net cash inflow/(outflow) from investing activities</b>	<b>15,714</b>	<b>22,243</b>	<b>(25,029)</b>	<b>(23,130)</b>
<b>Financing activities</b>				
Repurchase of ordinary shares into treasury	(1,730)	(1,730)	(319)	(319)
Re-issue of ordinary shares from treasury	–	–	1,813	1,813
Conversion of subscription shares	66	66	28	28
Exercise of manager warrants	–	–	7,980	7,980
Costs of merger	–	–	(772)	(772)
Dividends paid	(1,387)	(1,387)	(839)	(839)
Decrease in inter-company loan	–	(6,195)	–	(1,789)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(3,051)</b>	<b>(9,246)</b>	<b>7,891</b>	<b>6,102</b>
<b>Net decrease/(increase) in net debt</b>	<b>12,491</b>	<b>12,793</b>	<b>(17,153)</b>	<b>(17,153)</b>
<b>Net debt at the start of the year</b>	<b>(28,019)</b>	<b>(28,208)</b>	<b>(10,897)</b>	<b>(11,086)</b>
Effect of foreign exchange rate changes	(68)	(68)	31	31
<b>Net debt at the end of the year</b>	<b>(15,596)</b>	<b>(15,483)</b>	<b>(28,019)</b>	<b>(28,208)</b>
Bank loans	(16,000)	(16,000)	(26,500)	(26,500)
Cash/(bank overdraft)	404	517	(1,519)	(1,708)
	(15,596)	(15,483)	(28,019)	(28,208)

The notes on pages 34 to 50 form part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting policies

### (a) Basis of preparation

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The Company's Financial Statements have also been prepared in accordance with IFRS as adopted by the EU and in accordance with the provisions of the Companies Act 2006 (the "Act"). The principal accounting policies adopted by the Group and by the Company are set out below. The Company has taken advantage of the exemption provided under section 408 of the Act not to publish its Income Statement and related notes.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2009 is consistent with the requirements of IFRS, the financial statements have been prepared in accordance with the SORP.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 April 2012. There are no differences between the accounting policies applied by the Group and the Company.

The Group and Company financial statements are presented in Sterling, which is the currency of the primary environment in which the Group operates. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

A number of estimates and judgements have been made in the preparation of the financial statements. These are reviewed regularly by the Board and Investment Manager. The most significant judgement is the valuation of unquoted investments, which is described in note 1(e) below.

### (b) Basis of consolidation

The Group financial statements consolidate the financial statements of Artemis Alpha Trust plc and the entity it controls (its subsidiary) drawn up to 30 April each year.

Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

### (c) Presentation of Consolidated Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Income Statement between items of revenue and capital nature has been presented alongside the Consolidated Income Statement.

### (d) Segmental reporting

The Group has only one material segment of business being that of an investment trust company.

### (e) Investments

Investments (including current assets investments) are designated as fair value through profit or loss upon initial recognition. Listed investments are measured initially at cost, and are recognised at trade date. Investments in subsidiary undertakings are stated in the Company's financial statements at fair value, which is deemed to be the net assets of each subsidiary.

# Notes to the Financial Statements (continued)

## 1. Accounting policies (continued)

For financial assets acquired, the cost is the fair value of the consideration. Subsequent to initial recognition, all listed investments are measured at their quoted bid or SETS prices without deduction for estimated future selling costs. Unquoted investments are valued at fair value which is determined by the Board, through discussion with the Investment Manager and with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Board. Valuation techniques employed include: price of recent investment; earnings multiples; net assets; discounted cash flow techniques; industry valuation benchmarks; and available market prices.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Consolidated Income Statement as gains/(losses) on investments. Also included within this caption are transaction costs in relation to the purchase or sale of investments.

Assets are derecognised at the trade date of the disposal. Proceeds are measured at fair value which are regarded as the proceeds of sale less any transaction costs.

### (f) Revenue

Dividends receivable on equity shares are recognised as revenue on an ex-dividend basis. Provision is made for any dividends not expected to be received. Income from fixed interest securities is recognised on an effective interest rate basis. Interest receivable from cash and short-term deposits and interest payable is recognised on an accruals basis. Special dividends are treated as repayment of capital or as revenue depending on the facts of each particular case.

### (g) Expenses and finance costs

All expenses and interest payable are accounted for on an accruals basis. Expenses are charged through the revenue column in the Consolidated Income Statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital; and
- expenses and finance costs are treated as capital where they are made in connection with the maintenance or enhancement of the value of investments. As a result, investment management fees, performance fees and finance costs are allocated on the basis of 10 per cent to revenue and 90 per cent to capital.

The performance fee is accrued in the daily net asset value and is calculated using the prevailing price of the Company's ordinary shares and benchmark performance. The accrued fee is based on the full expected liability of performance fee as at the date of the calculation. Payments will be made to the Investment Manager at the end of each performance period, in line with the Investment Management Agreement. Any amounts accrued but not due for payment may be reversed as a result of future relative performance.

### (h) Taxation

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Due to the Company's status as an investment trust, and the intention to meet the conditions required to obtain approval under section 1158 of the Corporation Taxes Act 2010 in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

# Notes to the Financial Statements (continued)

## 1. Accounting policies (continued)

### (i) Cash and cash equivalents and borrowings

Cash and cash equivalents comprises deposits and overdrafts with banks.

Bank borrowings are used on a periodic basis to meet the Company's cash requirements and are reviewed regularly by the Investment Manager. Loan draw downs are normally of short durations which are subject to an insignificant risk of change in valuation.

### (j) Dividends

Dividends are recognised from the date on which they are irrevocably committed to payment. In accordance with the Company's status as a UK investment company, net capital returns may not be distributed by way of a dividend.

### (k) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at the rate ruling on the balance sheet date. Foreign exchange differences arising on investment transactions are recognised in the Income Statement and treated as capital.

### (l) Other receivables and payables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value. Other payables are non-interest bearing and are stated at their nominal value.

### (m) Reserves

#### Capital Reserves – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments and changes in the 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 Reserves – unrealised

Changes in the 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 accounted for in this reserve.

#### Special Reserve

This reserve is treated as distributable profits for all purposes, excluding the payment of dividends. The cost of share buy-backs is accounted for through this reserve.

#### Capital Redemption Reserve

This reserve includes the nominal value of all shares bought back and cancelled by the Company.

#### Warrant Reserve

This reserve includes the premiums of all manager warrants issued by the Company.

#### Retained earnings – revenue

The revenue profit or loss for the year is taken to or from this reserve, and any dividends declared by the Company are paid from this reserve.

# Notes to the Financial Statements (continued)

## 1. Accounting policies (continued)

### (n) Accounting developments

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective, but are not expected to have any impact on the Group or the Company:

- IFRS 10 – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 – Joint Arrangements (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 – Fair Value Measurement: (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 – Separate Financial Statements (2011): (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 – Investments in Associates and Joint Ventures (2011): (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 19 – Employee Benefits (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Additions to IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1 January 2015).

## Notes to the Financial Statements (continued)

### 2. Income

	2012 £'000	2011 £'000
<b>Investment income*</b>		
UK dividend income	1,167	1,284
UK fixed interest	295	116
Overseas dividend income	485	26
UK REIT income	71	–
	2,018	1,426
<b>Other income</b>		
Subsidiary undertaking's dealing profits	32	352
Bank interest	3	–
	35	352
<b>Total income</b>	2,053	1,778
<b>Total income comprises:</b>		
Dividends and interest from investments	2,018	1,426
Bank interest	3	–
Other income and dealing profits	32	352
	2,053	1,778
<b>Income from investments</b>		
UK quoted investments	1,253	1,165
UK unquoted investments	280	235
Overseas quoted investments	485	26
	2,018	1,426

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

### 3. Investment management and performance fees

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	103	929	1,032	80	722	802
Performance fee	(40)	(363)	(403)	40	363	403

Details of the investment management fee and performance fee are set out in the Directors' Report on page 17. As at 30 April 2012, £322,000 was outstanding in respect of amounts due to the Investment Manager (2011: £786,000). The first performance fee period ran from 10 December 2010 to 30 April 2012. As the performance in this period did not meet the criteria required, no performance fee was due.

## Notes to the Financial Statements (continued)

### 4. Other expenses

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
Auditor's remuneration (excluding VAT):						
– Fee for the audit of the Company's financial report	21	–	21	19	–	19
– Audit of the subsidiary pursuant to legislation	2	–	2	2	–	2
– Non-audit services – taxation	10	–	10	7	–	7
Directors' remuneration (excluding VAT and NIC)	110	–	110	108	–	108
Other expenses	264	6	270	148	25	173
	407	6	413	284	25	309

### 5. Finance costs

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
Loan interest*	51	462	513	42	376	418
Loan commitment fee	8	75	83	8	69	77
Loan non-utilisation fee	3	23	26	1	11	12
Overdraft interest*	1	8	9	2	18	20
	63	568	631	53	474	527

\* Interest on financial liabilities that are not held at fair value through profit or loss.

### 6. Tax

#### (a) Tax charge for the year

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
Irrecoverable overseas tax	24	–	24	9	–	9
Tax effect of expenses charged to capital	–	–	–	30	(30)	–
	24	–	24	39	(30)	9



## Notes to the Financial Statements (continued)

### 6. Tax (continued)

#### (b) Factors affecting the tax charge for the year

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
Profit/(loss) before tax	882	(8,482)	(7,600)	1,393	22,491	23,884
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 25.84% (2011: 27.83%)	228	(2,192)	(1,964)	388	6,259	6,647
Non-taxable capital losses/(gains)	–	1,897	1,897	–	(6,700)	(6,700)
Non-taxable UK dividends	(297)	–	(297)	(351)	–	(351)
Non-taxable overseas dividends	(125)	–	(125)	(7)	–	(7)
Tax effect of expenses charged to capital	–	–	–	30	(30)	–
Unutilised/(utilised) management expenses	194	295	489	(31)	434	403
Irrecoverable overseas tax	24	–	24	9	–	9
Disallowable expenses	–	–	–	1	7	8
	24	–	24	39	(30)	9

#### (c) Factors that may affect future tax charges

The Group has excess management expenses, surplus loan relationship deficits and trading losses of £7,742,000 (2011: £5,850,000) that are available to offset future taxable revenue. No deferred tax asset has been recognised in respect of these amounts as it is unlikely to be utilised in the foreseeable future.

### 7. Dividends paid and proposed

Set out below are the total dividends recognised in respect of the financial year ended 30 April 2012.

	2012 £'000	2011 £'000
2011 second interim dividend of 1.65p per ordinary share (2010: 1.60p)	803	479
2012 first interim dividend of 1.20p per ordinary share (2011: 1.20p)	584	360
	1,387	839

Dividends are recognised in the period in which they are due to be paid and are shown through the Statement of Changes in Equity. Therefore, the Statement of Changes in Equity for the year ended 30 April 2012 reflects the second interim dividend for the year ended 30 April 2011 which was paid on 19 August 2011. For the year ended 30 April 2012, a first interim dividend of 1.20p has been paid and a second interim dividend of 1.75p per share will be paid on 17 August 2012. The second interim dividend has not been recognised in the current year.

# Notes to the Financial Statements (continued)

## 7. Dividends paid and proposed (continued)

Set out below are the total dividends paid/payable in respect of the financial year ended 30 April 2012.

	2012 £'000	2011 £'000
First interim dividend of 1.20p per ordinary share (2011: 1.20p)	584	360
Second interim dividend of 1.75p per ordinary share (2011: 1.65p)	844	806
	1,428	1,166

## 8. Earnings per ordinary share

The basic revenue return per ordinary share is based on the revenue profit for the year of £858,000 (2011: £1,354,000) and on 48,635,430 (2011: 37,189,744) ordinary shares, being the weighted average number of ordinary shares in issue during the year. The basic capital return per ordinary share is based on the capital loss for the year of £8,482,000 (2011: profit of £22,521,000) and on 48,635,430 (2011: 37,189,744) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There was no dilution to the returns for the year ended 30 April 2012 (2011: none).

## 9. Non-current assets – Investments

### (a) Valuation of 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. Where investments are considered to be readily realisable for cash, the fair value gains and losses, recognised in these financial statements are treated as realised. All other fair value gains and losses are treated as unrealised.

IFRS 7 “Financial Instruments: Disclosures” requires an entity to provide an analysis of investments held at fair value through profit and loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value. The hierarchy used to analyse the fair values of financial assets is set out below.

Level 1 – investments with quoted prices in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

The investments held at the balance sheet date fell into two categories, Level 1 and Level 3. The values and movements in these categories are summarised in parts (a) to (c) of this note. Any investments that are delisted or suspended from a listed stock exchange are transferred from Level 1 to Level 3.

## Notes to the Financial Statements (continued)

### 9. Non-current assets – Investments (continued)

#### (a) Valuation of investments (continued)

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
UK quoted investments <b>(Level 1)</b>				
– UK listed	41,968	41,968	53,937	53,937
– AIM quoted	64,374	64,374	66,544	66,544
– Fixed interest	753	753	1,081	1,081
– Preference shares	511	511	506	506
Overseas quoted investments <b>(Level 1)</b>	9,367	9,367	5,522	5,522
Unquoted investments <b>(Level 3)</b>				
– Equities and warrants	42,570	42,570	46,237	46,237
– Preference shares and loan notes	1,826	1,826	7,000	7,000
– Other	1,111	1,111	722	722
– Subsidiary undertakings	–	1,331	–	9,034
	162,480	163,811	181,549	190,583

#### (b) Movements in investments – Group

	Quoted <b>(Level 1)</b> £'000	2012 Unquoted <b>(Level 3)</b> £'000	Total £'000	Quoted <b>(Level 1)</b> £'000	2011 Unquoted <b>(Level 3)</b> £'000	Total £'000
Opening book cost	114,486	39,259	153,745	59,930	27,142	87,072
Opening fair value adjustment	13,104	14,700	27,804	10,728	2,680	13,408
Opening valuation	127,590	53,959	181,549	70,658	29,822	100,480
<b>Movements in year:</b>						
Transfer on merger	–	–	–	48,771	–	48,771
Purchases at cost	42,394	7,961	50,355	68,564	16,012	84,576
Sales – proceeds	(53,914)	(8,236)	(62,150)	(75,678)	(644)	(76,322)
– realised gains/(losses) on sales	655	(736)	(81)	10,788	(1,140)	9,648
Transfer to unquoted investments (cost)	(654)	654	–	2,111	(2,111)	–
Transfer to unquoted investments (unrealised loss)	(150)	150	–	29	(29)	–
Increase/(decrease) in fair value adjustment	1,050	(8,243)	(7,193)	2,347	12,049	14,396
Closing valuation	116,971	45,509	162,480	127,590	53,959	181,549
Closing book cost	102,967	38,902	141,869	114,486	39,259	153,745
Closing fair value adjustment	14,004	6,607	20,611	13,104	14,700	27,804
	116,971	45,509	162,480	127,590	53,959	181,549

For Level 3 investments IFRS 7 requires that if the effect of changing one or more of the inputs to reasonably possible assumptions would be to change the fair value significantly it should be disclosed. The information used in determination of the fair value of Level 3 investments is specific to each investee company and is in accordance with that set out in the accounting policy in Note 1(e). The investments have been reviewed and where reasonable possible alternatives have been identified, these have applied to each investment. The potential impact to the net assets of the Company by using reasonably possible alternative assumptions would be an increase/decrease of £2,900,000 or 6.5 per cent of the fair value of the Level 3 assets.

During the year, there were reductions in value of three Level 3 assets, Vostok Energy (£3,800,000), The Hut Group (£4,200,000) and Reaction Engines (£1,500,000).

## Notes to the Financial Statements (continued)

### 9. Non-current assets – Investments (continued)

#### (c) Movements in investments – Company

	Quoted (Level 1) £'000	2012 Unquoted (Level 3) £'000	Total £'000	Quoted (Level 1) £'000	2011 Unquoted (Level 3) £'000	Total £'000
Opening book cost	114,486	46,279	160,765	59,930	34,162	94,092
Opening fair value adjustment	13,104	16,714	29,818	10,728	4,502	15,230
Opening valuation	127,590	62,993	190,583	70,658	38,664	109,322
<b>Movements in year:</b>						
Transfer on merger	–	–	–	48,771	–	48,771
Purchases at cost	42,394	7,961	50,355	68,564	16,012	84,576
Sales – proceeds	(53,914)	(15,349)	(69,263)	(75,678)	(644)	(76,322)
– realised gains/(losses) on sales	655	(643)	12	10,788	(1,140)	9,648
Transfer to unquoted investments (cost)	(654)	654	–	2,111	(2,111)	–
Transfer to unquoted investments (unrealised loss)	(150)	150	–	29	(29)	–
Increase/(decrease) in fair value adjustment	1,050	(8,926)	(7,876)	2,347	12,241	14,588
Closing valuation	116,971	46,840	163,811	127,590	62,993	190,583
Closing book cost	102,967	38,902	141,869	114,486	46,279	160,765
Closing fair value adjustment	14,004	7,938	21,942	13,104	16,714	29,818
	116,971	46,840	163,811	127,590	62,993	190,583

#### (d) Gains on investments – Group

	2012 £'000	2011 £'000
Realised (losses)/gains on sales of investments	(81)	9,648
(Decrease)/increase in fair value adjustment	(7,193)	14,396
	(7,274)	24,044

#### (e) Transaction costs

Included in purchases at cost and proceeds from sales are the following transaction costs:

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Sales	120	115	166	160
Purchases	202	194	243	231
	322	309	409	391

# Notes to the Financial Statements (continued)

## 10. Investment in subsidiary undertaking

	% of ordinary share capital held	Principal activity	Country of incorporation and operation
Alpha Securities Trading Limited	100	Investment dealing	England

Investment in the subsidiary undertaking is held at fair value, which is deemed to be the net assets of the company. Alpha Securities Trading Limited holds a portfolio of listed investments which are measured at their quoted bid prices. During the year the company made an unrealised loss of £638,000 (2011: gain of £72,000) and a dealing profit of £32,000 (2011: £352,000) which are included in the Income Statement.

Another subsidiary undertaking DMWS 504 Limited which was placed in voluntary liquidation on 8 September 2010, was dissolved on 20 January 2012.

## 11. Significant interests

At 30 April 2012 the Company held shares amounting to 3 per cent or more of the nominal value of any class of share capital of the following companies, not being participating interests.

	Class Held	% of class held
Aethra Asset Management	Ordinary	41.0
Lynton Holding Asia	Ordinary	35.1
African Mining & Exploration	Ordinary	15.2
Infusion 2002	Ordinary	13.0
Emerging Senhouse Southeast Asian Focus	Ordinary	9.8
Singer Capital Markets	Ordinary	9.7
Maxima Holdings	Ordinary	8.8
Rubicon Diversified Investments	Ordinary	8.3
Ten Alps	Ordinary	7.8
Ashcourt Rowan	Ordinary	7.2
Parity Group	Ordinary	7.0
Lamp Group	Ordinary	6.9
Forest Support Service	Ordinary	6.3
Noventa	Ordinary	6.2
Conexion Media Group	Ordinary	5.5
Metapack	Ordinary	5.4
Reaction Engines	Ordinary	5.3
The Hut Group	Ordinary	4.8
Betex Group	Ordinary	4.7
Continental Farmers Group	Ordinary	4.7
Telford Homes	Ordinary	4.7
Indigovision Group	Ordinary	4.3
Skywest Airlines	Ordinary	4.3
Liontrust Asset Management	Ordinary	4.0
Penna Consulting	Ordinary	4.0
Radicle Projects	Ordinary	4.0
Flying Brands	Ordinary	4.0
Lansdowne Oil & Gas	Ordinary	3.8
Real Estate Investors	Ordinary	3.5
Asian Plantations	Ordinary	3.4
Vostok Energy	Ordinary	3.3
Homeland Renewable Energy	Ordinary	3.2
Gresham Computing	Ordinary	3.0
Reneuron Group	Ordinary	3.0

These investments are held by the Company at fair value through profit or loss as part of a portfolio of investments rather than as a medium through which the Company carries out its business and therefore are not considered associated undertakings of the Company.

# Notes to the Financial Statements (continued)

## 12. Other receivables

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts due from brokers	229	183	4,245	4,245
Prepayments and accrued income	410	399	347	333
Taxation recoverable	25	25	–	–
Amount due from subsidiary undertakings	–	246	–	–
Forward foreign currency contracts	–	–	1	1
	664	853	4,593	4,579

## 13. Other payables

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts due to subsidiary undertakings	–	–	–	5,949
Accrued expenses	510	508	951	930
Amounts due to brokers	324	324	1,051	1,051
	834	832	2,002	7,930

## 14. Share capital

### (a) Share capital

	2012 Number	2012 £'000	2011 Number	2011 £'000
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 1p each	48,222,422	482	48,825,239	488
Ordinary shares of 1p each held in treasury	622,048	6	–	–
Subscription shares of 1p each	6,867,134	69	6,886,365	69
		557		557

The capital of the Company is managed in accordance with the investment objective and policy as set out on page 2. The Company does not have any externally imposed capital requirements.

### (b) Ordinary shares

	Number	£'000
<b>Movements in ordinary shares during the year:</b>		
Ordinary shares in issue on 1 May 2011	48,825,239	488
Repurchases of ordinary shares into treasury	(622,048)	(6)
Issue of ordinary shares on exercise of subscription shares	19,231	–
Ordinary shares in issue on 30 April 2012	48,222,422	482

## Notes to the Financial Statements (continued)

### 14. Share capital (continued)

The movements in ordinary shares held in treasury during the year are as follows:

	2012 Number	2012 £'000	2011 Number	2011 £'000
Balance brought forward	–	–	414,500	4
Repurchases	622,048	6	137,000	1
Re-issues	–	–	(551,500)	(5)
Balance carried forward	622,048	6	–	–

During the year ended 30 April 2012, a total of 622,048 ordinary shares were repurchased by the Company at a total cost, including transaction costs, of £1,730,000 for placement in treasury (2011: 137,000 ordinary shares were repurchased for placement in treasury for £319,000).

During the year ended 30 April 2012, no ordinary shares were re-issued from treasury by the Company (2011: 551,500 ordinary shares, £1,813,000).

During the year ended 30 April 2012, no ordinary shares were cancelled by the Company (2011: nil). At 30 April 2012 the Company held 622,048 ordinary shares in treasury (2011: nil).

### (c) Subscription shares

The movements in subscription shares during the year are as follows:

	Number	£'000
Balance brought forward	6,886,365	69
Conversion of subscription shares into ordinary shares	(19,231)	–
Balance carried forward	6,867,134	69

During the year, holders of 19,231 (2011: 7,973) subscription shares exercised their right to convert those shares into ordinary shares at a price of 345 pence per ordinary share, giving a total consideration received of £66,000 (2011: £28,000).

Holders of the remaining subscription shares may exercise their right to convert those shares into ordinary shares at a price of 345 pence per ordinary share as at the close of business on the last business day in either June or December each year to 31 December 2017, whereupon upon rights under the subscription shares will lapse.



# Notes to the Financial Statements (continued)

## 15. Retained earnings – Capital

	Capital reserve – realised £'000	Group Capital reserve – unrealised £'000	Total capital reserve £'000	Capital reserve – realised £'000	Company Capital reserve – unrealised £'000	Total capital reserve £'000
Balance at 1 May 2011	73,364	10,642	84,006	72,852	12,656	85,508
Decrease in fair value adjustment	–	(7,193)	(7,193)	–	(7,876)	(7,876)
Net loss/(gain) on realisation of investments	(81)	–	(81)	12	–	12
Exchange loss on capital items	(67)	(1)	(68)	(67)	(1)	(68)
Costs charged to capital (net of tax relief)	(1,140)	–	(1,140)	(1,140)	–	(1,140)
Transfer between reserves	3,485	(3,485)	–	3,485	(3,485)	–
<b>Balance at 30 April 2012</b>	<b>75,561</b>	<b>(37)</b>	<b>75,524</b>	<b>75,142</b>	<b>1,294</b>	<b>76,436</b>
Balance at 1 May 2010	56,236	3,971	60,207	55,754	5,793	61,547
Increase in fair value adjustment	–	14,396	14,396	–	14,588	14,588
Net gain on realisation of investments	9,648	–	9,648	9,648	–	9,648
Exchange gain on capital items	30	1	31	30	1	31
Exercise of manager warrants	1,278	–	1,278	1,278	–	1,278
Costs charged to capital (net of tax relief)	(1,554)	–	(1,554)	(1,584)	–	(1,584)
Transfer between reserves	7,726	(7,726)	–	7,726	(7,726)	–
<b>Balance at 30 April 2011</b>	<b>73,364</b>	<b>10,642</b>	<b>84,006</b>	<b>72,852</b>	<b>12,656</b>	<b>85,508</b>

## 16. Net asset value per ordinary share

The basic net asset value per ordinary share is based on net assets of £148,349,000 (2011: £159,024,000) and on 48,222,422 (2011: 48,825,239) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per share has been calculated on the assumption that nil (2011: nil) subscription shares were exercised resulting in a total of 48,222,422 ordinary shares in issue (2011: 48,825,239).

## 17. Financial commitments

At 30 April 2012, the Group and Company did not have any financial commitments which had not been accrued (2011: nil).

## 18. Financial instruments

As detailed on page 2, the principal investment objective of the Group is to achieve above average rates of total return over the longer term and to achieve a growing dividend stream.

The Group's financial instruments comprise equities, fixed interest securities, warrants, cash balances and a bank loan as well as debtors and creditors that arise from its operations. These are held in accordance with its investment policy. The principal risks the Group faces are: (i) market price risk (comprising currency risk, interest rate risk and other price risk); (ii) liquidity risk; and (iii) credit risk.

# Notes to the Financial Statements (continued)

## 18. Financial instruments (continued)

### (i) Market price risk

Market risk, which includes, foreign currency, interest rate and other price risk, arises mainly from uncertainty about future values of financial instruments held in the Group's investment portfolio. It is the Board's policy that the Group 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 to manage market risk. The Board monitors the Company's overall market positions on a regular basis.

Details of the investments at 30 April 2012 are disclosed in the portfolio of investments set out on pages 9 and 13.

### Foreign currency risk

The portfolio has a number of overseas investments and the income and capital value can be affected by movements in exchange rates. The Group also operates a number of currency bank accounts and exchange gains or losses may arise as a result of the movement in the exchange rate between the date of the transaction denominated in a currency other than sterling and its settlement. It is not the Group's policy to hedge currency risk on an ongoing basis.

An analysis of the Group's currency exposure is detailed below:

	Net monetary		Net monetary	
	Investments	assets	Investments	assets
	at 30 April	at 30 April	at 30 April	at 30 April
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
US Dollar	12,445	54	16,571	–
Canadian Dollar	7,368	–	2,473	–
Danish Krone	5,659	–	6,167	–
Australian Dollar	1,922	–	1,207	–
Euro	1	64	–	–
Indonesian Rupiah	–	–	1,106	–
Total	27,395	118	27,524	–

### Foreign currency sensitivity

A 5 per cent increase in Sterling against the relevant foreign currencies would have the effect of reducing the profit or loss and the net assets by £1,370,000 (2011: £1,376,000). A 5 per cent decrease in Sterling would have an equal and opposite effect.

### Interest rate risk

The majority of the Group's financial assets are non interest bearing and therefore exposure to fair value interest rate fluctuations is limited.

# Notes to the Financial Statements (continued)

## 18. Financial instruments (continued)

### Floating Rate

When the Company has cash balances these are maintained in an interest bearing account. The benchmark that determines the interest paid on the cash balances is the UK bank base rate, which was 0.5 per cent at 30 April 2012 (2011: 0.5 per cent).

The Company has a 24 month multi-currency revolving credit facility of £30,000,000 of which £16,000,000 was drawn down at 30 April 2012 (2011: £26,500,000). Interest is charged at variable rates equivalent to 120 basis points over the London interbank market rate.

During the year, the Company repaid the multi-currency revolving credit facilities for £26,500,000 of which £26,500,000 was drawn down at 30 April 2011.

### Fixed rate

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

	30 April 2012			30 April 2011		
	Fixed rate	Weighted	Weighted	Fixed rate	Weighted	Weighted
	investments	average	average	investments	average	average
	£'000	interest rate	period until	£'000	interest rate	period until
		%	maturity		%	maturity
			Years			Years
Interest bearing securities	2,329	7.91	2.58	8,081	5.67	0.99

### Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as 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. A 5 per cent increase in the value of the Group's investments would have the effect of increasing net assets by £8,124,000 (2011: £9,077,000). A 5 per cent decrease would have an equal and opposite effect.

## (ii) Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial commitments. A proportion of the Group's financial instruments include companies that are trading on AIM or are unquoted and these may not be readily realisable. The Group's investment strategy is to ensure that there are a sufficient number of investments that are readily realisable and can be sold to meet any funding requirements. The Company has an agreed overdraft facility of £2,500,000 with J.P. Morgan Chase Bank N.A. to provide short term funding flexibility in addition to the £30,000,000 multi-currency revolving credit facility. There was no overdraft at 30 April 2012 (2011: £1,519,000).

# Notes to the Financial Statements (continued)

## 18. Financial instruments (continued)

### Financial liabilities

The Group primarily finances its operations all through equity, retained profits and bank borrowings. As at 30 April 2012, the Group had drawn down £16,000,000 of its committed £30,000,000 multi currency revolving credit facility with The Royal Bank of Scotland plc (30 April 2011: £26,500,000, all drawn down). Interest is incurred at a variable rate as agreed at the time of draw down and is payable at the maturity date of each advance. The interest rate at 30 April 2012 was 1.89 per cent per annum (2011: £11,500,000, 2.87 per cent; £15,000,000, 2.17 per cent). There was no interest rate risk associated with other short term creditors at 30 April 2012 or 30 April 2011. There is no difference between the fair value of the financial liabilities and their carrying value.

The credit facility is committed until 30 November 2013. The amount that can be drawn down under the facility is limited by a covenant measured against a proportion of the Company's portfolio and cash such that the Company's gross borrowings must not exceed 30 per cent of adjusted net assets (net assets adjusted for unquoted holdings and other concentration deductions).

### (iii) Credit risk

This is the risk that an issuer or counterparty will fail to discharge its obligations or commitments to the Company resulting in a financial loss. The Investment Manager has a pre approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis.

The largest counterparty risk is with J.P. Morgan Chase Bank N.A., which acts as custodian and banker. Bankruptcy or insolvency of the custodian may cause the Company's rights with regard to securities and cash balances held to be delayed or limited. The Board receives and reviews the custodian's annual report on internal controls.

## 19. Transactions with the Investment Manager and related parties

The amounts paid to the Investment Manager and amounts outstanding at the year end are disclosed in Note 3. However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under IAS 24: Related Party Disclosures, the Investment Manager is not considered to be a related party. The Company surrendered no excess management expenses without payment, to Alpha Securities Trading Limited (2011: £445,000). All other transactions with subsidiary undertakings were on an arms length basis. During the year transactions in securities between the Company and its subsidiary undertakings amounted to £nil (2011: £nil). Outstanding balances are set out in note 13.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Artemis Alpha Trust plc (the “Company”) will be held at the offices of Artemis Investment Management LLP, Cassini House, 57 St James’s Street, London SW1A 1LD on Thursday, 13 September 2012 at 12.30 pm for the purpose of transacting the following business:

## Ordinary Business

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

- Resolution 1. To receive the Report of the Directors and audited Financial Statements for the year ended 30 April 2012.
- Resolution 2. To approve the Directors’ Remuneration Report for the year ended 30 April 2012.
- Resolution 3. To re-elect Mr Simon Miller as a Director of the Company.
- Resolution 4. To re-elect Mr Tom Cross Brown as a Director of the Company.
- Resolution 5. To re-appoint KPMG Audit Plc as independent auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which financial statements are laid and to authorise the Directors to determine the remuneration of KPMG Audit Plc.
- Resolution 6. That, subject to the passing of Resolution 8 set out below, the Directors of the Company be authorised, for the purposes of paragraph 15.4.11 of the Listing Rules of the United Kingdom Listing Authority, to sell ordinary shares of 1 pence each in the capital of the Company held in treasury for cash at a price below the diluted net asset value per share of the existing ordinary shares in issue pursuant to the authority conferred by Resolution 8, provided always that the discount at which such ordinary shares are to be resold must be less than the weighted average discount at which the ordinary shares held in treasury have been repurchased.

## Special Business

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

Resolution 7. That, in substitution for any existing authorities, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot:

- (i) up to 6,865,972 ordinary shares having an aggregate nominal value of £68,660 to the holders of subscription shares on completion of conversion; and
- (ii) up to an aggregate nominal value of £23,772 (approximately 5 per cent of the aggregate nominal amount of the ordinary share capital in issue of the Company as at 16 July 2012);

provided that this authority shall expire at the conclusion of the next annual general meeting of the Company to be held in 2013, unless previously revoked, varied or extended by the Company at a general meeting, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this Resolution had not expired.

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

Resolution 8. That, subject to the passing of Resolution 7 set out above, the Directors be and they are hereby authorised, pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares in the capital of the Company and the sale of any ordinary shares held by the Company in treasury) wholly for cash as if section 561(1) of the Act did not apply to any such allotment, grant or sale provided that this power shall:

## Notice of Annual General Meeting (continued)

- (a) expire at the conclusion of the next annual general meeting of the Company to be held in 2013, unless previously revoked, varied or extended by the Company at a general meeting, save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the Directors may allot such equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired; and
- (b) be limited to the allotment of equity securities and the sale or transfer of treasury shares:
  - (i) in connection with an offer of such securities by way of rights to holders of ordinary shares and/or subscription shares on the register of members of the Company on a fixed record date in proportion (as nearly as may be practicable) to their respective holdings of ordinary shares and/or subscription shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems arising under the laws of, or the requirements of, any territory or any regulatory or governmental body or authority or stock exchange;
  - (ii) pursuant to the conversion rights of the subscription shares; and
  - (iii) otherwise than pursuant to paragraph (i) above up to an aggregate nominal value of £23,772 being approximately 5 per cent of the issued ordinary share capital as at the date of this resolution.

Resolution 9. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of its issued ordinary shares for cancellation or to be held in treasury and subscription shares for cancellation, provided that:

- (a) the maximum aggregate number of ordinary shares and subscription shares hereby authorised to be purchased shall not exceed 7,126,809 or 1,029,209 respectively, or if different, that number of ordinary shares or subscription shares which is equal to 14.99 per cent of the relevant share class of the Company's issued share capital as at the date of this Resolution;
- (b) the minimum price which may be paid for both an ordinary share and a subscription share shall be 1 pence per share;
- (c) the maximum price which may be paid for both an ordinary share and a subscription share shall not exceed the higher of (i) 5 per cent above the average of the middle market quotations for the relevant class of share (as derived from the Daily Official List of the London Stock Exchange) for the five consecutive dealing days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of; or (b) the highest current independent bid for, any number of shares of the relevant class on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the Company's annual general meeting to be held in 2013 unless previously revoked, varied or extended by the Company at a general meeting; and

# Notice of Annual General Meeting (continued)

- (e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Resolution 10. That the draft regulations produced to the meeting, and, for the purposes of identification, initialled by the Chairman of the meeting, be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association of the Company.

By order of the Board:

## Artemis Investment Management LLP

Secretary  
16 July 2012

Registered Office:  
Cassini House  
57 St James's Street  
London SW1A 1LD

## Notes:

### 1. Attending the AGM in person

If you wish to attend the AGM in person, you should arrive at the venue for the AGM in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity prior to being admitted to the AGM.

### 2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their

own choice of proxy (not the chairman of the AGM) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on 0871 664 0300 (calls to this number are charged at 10p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open from 8.30 am to 5.30 pm, Monday to Friday).

A member may instruct their proxy to abstain from voting on any resolution to be considered at the meeting by marking the "vote withheld" option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

The appointment of a proxy will not prevent a member from attending the AGM and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

### 3. Appointment of a proxy using a proxy form

A proxy form for use in connection with the AGM is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU no later than 48 hours (excluding non working days) before the time of the AGM or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on 0871 664 0300 (calls to this number are charged at 10p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open from 8.30 am to 5.30 pm, Monday to Friday).



## Notice of Annual General Meeting (continued)

### 4. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: [euroclear.com/CREST](http://euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid be transmitted so as to be received by the Registrar (ID RA 10) no later 48 hours (excluding non working days) before the time of the General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in

particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### 5. Appointment of proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

### 6. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

### 7. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 pm on 11 September 2012 (or, if the AGM is adjourned, at 6.00 pm two working days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

### 8. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

# Notice of Annual General Meeting (continued)

## 9. Website giving information regarding the AGM

Information regarding the AGM, including information required by section 311A of the Act, and a copy of this notice of AGM is available on the Investment Manager's web site: [artemisonline.co.uk](http://artemisonline.co.uk).

## 10. Voting rights

As at 16 July 2012 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 47,543,762 ordinary shares, carrying one vote each and 6,865,972 subscription shares, which carry no voting rights. Therefore, the total voting rights in the Company as at 16 July 2012 were 47,543,762 votes.

## 11. Notification of shareholdings

Any person holding 3 per cent or more of the total voting rights of the Company who appoints a person other than the Chairman of the General Meeting as his proxy will need to ensure that both they comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

## 12. Members' right to require circulation of resolution to be proposed at the meeting.

Members meeting the threshold requirements set out in the Act have the right to: (a) require the Company to give notice of any resolution which can properly be, and is to be, moved at the meeting pursuant to section 338 of the Act; and/or (b) include a matter in the business to be dealt with at the meeting, pursuant to section 338A of the Act.

## 13. Further questions and communication

Under section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members who have any queries about the AGM should contact the Company Secretarial Department by writing to Artemis Investment Management LLP, Cassini House, 57 St James's Street, London, SW1A 1LD.

Members may not use any electronic address provided in this notice or in any related documents (including the accompanying circular and proxy

form) to communicate with the Company for any purpose other than those expressly stated.

## 14. Documents available for inspection

The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting:

14.1 a copy of the Company's Articles of Association as proposed to be adopted pursuant to Resolution 10;

14.2. a statement of all transactions of each Director and of their family interests in the share capital of the Company; and

14.3. copies of the Directors' letters of appointment.

No Director has a service contract with the Company.

## 15. Announcement of results

As soon as practicable following the AGM, the results of the voting at the AGM, the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and placed on the Investment Manager's website: [artemisonline.co.uk](http://artemisonline.co.uk).

## 16. Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

# Information for Shareholders

## Buying shares in the Company

The Company's ordinary and subscription shares are listed on the London Stock Exchange and can be bought or sold through a stockbroker. The Company is also a qualifying investment trust for ISA purposes.

## Company numbers:

### Ordinary Shares

London Stock Exchange (SEDOL) number: 0435594

ISIN number: GB0004355946

### Subscription shares

London Stock Exchange (SEDOL) number: B5SLGR8

ISIN number: GB00B5SLGR82

## Company Investment Plan & ISA

Shares can also be purchased through the Artemis Alpha Trust Investment Plan and/or ISA operated by the Investment Manager, Artemis Investment Management LLP.

### Artemis Alpha Trust Investment Plan

- No initial charge
- No annual charge
- Invest a lump sum from £1,000 or monthly from just £50
- No maximum investment limits
- Weekly dealing

### Artemis Alpha Trust ISA

- Tax-efficient investment
- No set-up charge
- Flat rate annual management charge currently of £30 + VAT
- Invest a lump sum from £1,000 or monthly from £50 (subject to annual ISA limits)

If investors would like further information on the Investment Plan or ISA please contact the Investment Manager on 0800 092 2051 or write to Artemis Investment Management LLP, Cassini House, 57 St James's Street, London, SW1A 1LD or e-mail [investor.support@artemisfunds.com](mailto:investor.support@artemisfunds.com).

## Shareholder enquiries

All administrative enquiries relating to shareholder queries concerning holdings, dividend payments, notification of change of address, loss of certificate or to

be placed on a mailing list should be addressed to the Company's registrars at: Shareholder Services Department, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by calling 0871 664 0300 (calls cost 10p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open from 8.30 am to 5.30 pm, Monday to Friday).

Dividends are normally paid by cheque. However, if you would like to receive payments directly into your bank account, please contact the Company's registrar at the address above and arrangements will be made to have a bank mandate sent to you.

## Dividend Reinvestment Plan (the "Plan")

Shareholders are able to re-invest their cash dividends using the Plan operated by Capita Registrars. To find out more about the Plan, please contact Capita at: Shareholder Services Department, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by calling 0871 664 0300 (calls cost 10p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open from 8.30 am to 5.30 pm, Monday to Friday).

## Further information on the Company

The Company's net asset value is calculated daily and released to the London Stock Exchange. The share prices are listed in the Financial Times and also on the TrustNet website ([trustnet.com](http://trustnet.com)). Up to date information can be found on the Investment Manager's website ([artemisonline.co.uk](http://artemisonline.co.uk)), including a factsheet which is updated monthly. Shareholders can also contact the Chairman to express any views on the Company or to raise any questions they have using the email address [Simon.Miller@artemisfunds.com](mailto:Simon.Miller@artemisfunds.com).

## Subscription shares

Subscription shareholders can exercise their subscription shares at a price of 345 pence per share on 30 June and 31 December each year, up to 31 December 2017.

If you received subscription shares when they were issued, for the purposes of UK taxation, the issue of subscription shares is treated as a reorganisation of the Company's share capital. Such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, but they do require shareholders to reallocate the base cost of their ordinary shares between their ordinary shares and subscription shares received.

## Information for Shareholders (continued)

At the close of business on 13 December 2010 the middle market prices of the Company's ordinary shares and subscription shares were as follows:

Ordinary shares: 308.25p  
Subscription shares: 62.75p

### Certificated holdings

To exercise the subscription shares, in whole or in part, shareholders must complete the notice of exercise of subscription share rights on the reverse of the share certificate and lodge the relevant subscription share certificate(s) at the office of the Company's registrars during the period 28 days ending at 5.00 p.m. on the relevant subscription date, accompanied by a remittance for the aggregate conversion price for the ordinary shares in respect of which the subscription share rights are exercised.

### Uncertificated holdings (held through CREST)

Subscription shares that are in uncertificated form on the relevant subscription date shall be exercisable, in whole or in part, if (i) an uncertificated subscription notice is received on or within 28 days prior to the relevant subscription date (but not later than the latest time for input of the instruction permitted by the relevant electronic systems on that date) and (ii) a remittance for the aggregate conversion price for the ordinary shares in respect of which the subscription share rights are being exercised is received by the Company (or by such person as it may require for these purposes).

### Taxation

For capital gains purposes, the cost of the Company's ordinary shares at 31 March 1982 was 13.22p per share.

### AIC

The Company is a member of The Association of Investment Companies ("AIC") which publishes monthly statistics on the majority of investment trusts. Further details can be obtained by contacting the AIC on 020 7282 5555 or at its website [theaic.com](http://theaic.com).

### Reporting Calendar

#### Year End

30 April

#### Results Announced

Interim: December  
Annual: June/July

#### Dividends Payable

February and August

#### Annual General Meeting

September

# Investment Manager, Company Secretary and Advisers

## Investment Manager and Company Secretary

Artemis Investment Management LLP  
Cassini House  
57 St James's Street  
London SW1A 1LD

## Registered Office

Cassini House  
57 St James's Street  
London SW1A 1LD

Tel: 0800 092 2051

Email: [investor.support@artemisfunds.com](mailto:investor.support@artemisfunds.com)

Website: [artemisonline.co.uk](http://artemisonline.co.uk)

## Administrator

J.P. Morgan Europe Limited  
125 London Wall  
London EC2Y 5AJ

## Registrar and Transfer Agent

Capita Registrars  
Shareholder Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Shareholder enquiries: 0871 664 0300  
(Calls cost 10p per minute plus network extras.  
Lines are open from 8.30 am to 5.30 pm  
Monday to Friday).

## Banker

J.P. Morgan Chase Bank N.A.  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Auditor

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

## Custodian

J.P. Morgan Chase Bank N.A.  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Stockbroker

Canaccord Genuity Limited  
88 Wood Street  
London EC2V 7QR

## Solicitors

Dickson Minto W.S.  
Broadgate Tower  
Primrose Street  
London EC2A 2EW

An investment company as defined under section 833 of the Companies Act 2006.

Registered in England No. 253644

