

# Artemis Alpha Trust plc

## Half-Yearly Financial Report

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*for the six months ended 31 October 2012*



# Contents

|   |    |
|---|----|
| Group Summary                             | 1  |
| Financial Highlights                      | 2  |
| Chairman's Statement                      | 3  |
| Investment Manager's Review               | 5  |
| Twenty-Five Largest Investments           | 7  |
| Portfolio Analysis                        | 8  |
| Condensed Income Statement                | 9  |
| Condensed Balance Sheet                   | 10 |
| Condensed Statement of Changes in Equity  | 11 |
| Condensed Cash Flow Statement             | 12 |
| Notes to the Half-Yearly Financial Report | 13 |
| Responsibility Statement of the Directors | 15 |
| General Information                       | 16 |

# Group Summary

## Objective and Policy

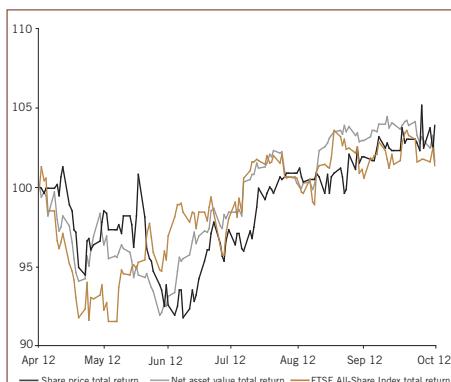
The investment objective of the Company is to achieve above average rates of total return over the longer term and to achieve a growing dividend stream. The investment policy is to invest mainly in UK and selected international equities, with the potential for investment in limited liability hedge funds, cash and bonds, unquoted investments, derivative instruments and other investments and securities as appropriate. The Company will invest no more than 30 per cent of its net assets in unquoted investments, as valued on the lower of their cost or carrying value.

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.

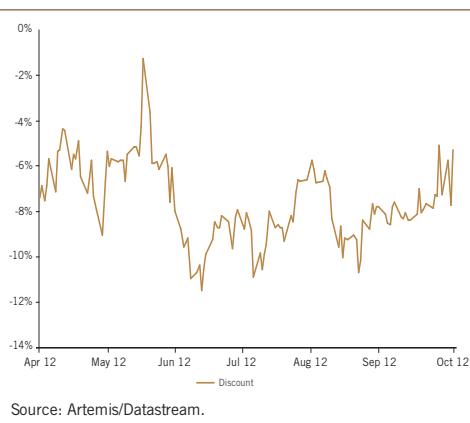
## Capital Structure

The capital structure of the Company as at 31 October 2012 consisted of 47,268,456 ordinary shares of 1p each and 6,865,972 subscription shares of 1p each. The Company held 1,427,176 ordinary shares in treasury as at 31 October 2012.

## Performance for the six months ended 31 October 2012



## Discount during the six months ended 31 October 2012



| Total returns                      | Six months ended 31 October 2012 |
|------------------------------------|----------------------------------|
| Net asset value per ordinary share | 1.5%                             |
| Ordinary share price               | 4.5%                             |
| FTSE All-Share Index               | 3.3%                             |

Source: Artemis/Datastream.

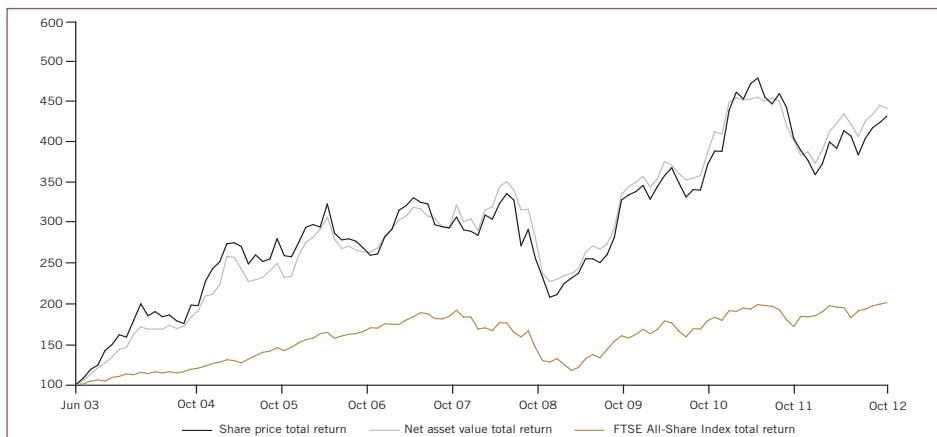
# Financial Highlights

| Capital                            | As at<br>31 October 2012 | As at<br>30 April 2012 | As at<br>31 October 2011 |
|------------------------------------|--------------------------|------------------------|--------------------------|
| Net assets                         | £146.8m                  | £148.3m                | £132.2m                  |
| Net asset value per ordinary share | 310.59p                  | 307.64p                | 271.56p                  |
| Ordinary share price               | 294.00p                  | 283.25p                | 267.25p                  |
| Discount to net asset value        | (5.3)%                   | (7.9)%                 | (1.6)%                   |
| Gearing                            | 13.6%                    | 11.1%                  | 9.3%                     |

| Returns for the period              | Six months ended<br>31 October 2012 | Year ended<br>30 April 2012 | Six months ended<br>31 October 2011 |
|-------------------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| Revenue earnings per ordinary share | 1.45p                               | 1.76p                       | 0.75p                               |
| Ongoing charges                     | 1.0%                                | 1.0%                        | 0.9%                                |

Source: Artemis/Datstream.

## Returns from 1 June 2003 to 31 October 2012



Source: Artemis/Datstream.

| Total returns                      | 3 years | 5 years | Since launch* |
|------------------------------------|---------|---------|---------------|
| Net asset value per ordinary share | 29.0%   | 38.3%   | 380.8%        |
| Ordinary share price               | 30.1%   | 42.1%   | 370.2%        |
| FTSE All-Share Index               | 29.8%   | 5.2%    | 112.7%        |

\* 1 June 2003 - the date when Artemis was appointed as Investment Manager. Source: Artemis/Datstream

# Chairman's Statement

## Performance

During the six months ended 31 October 2012, the Company's net asset value increased by 1.5 per cent. This was below the return of the FTSE All-Share Index, which rose by 3.3 per cent in the period. However, the Company's share price rose 4.5 per cent. Given the difficult macro-economic background over the reporting period, particularly the continuing worries over the Eurozone debt issues, stockmarkets were more volatile than the returns perhaps suggest. The period started with a sharp fall in May followed by a strong recovery in June. The market then moved steadily upward during the rest of the period.

It is interesting to note that the FTSE Small Cap Index (+7.1 per cent) outperformed the large cap FTSE 100 Index (+2.8 per cent), yet the FTSE AIM All-Share Index significantly underperformed both, falling by 9.9 per cent since 30 April. Given the investment portfolio's sizeable weighting in businesses traded on AIM, this has affected the Company's performance.

## Investments

Once again the Company's large exposure to the oil & gas sector was the main driver of performance. The holding in Africa Oil was the largest contributor in the portfolio, on the back of a significant discovery of oil in Kenya.

In the unquoted portfolio there was limited activity in the period, as a number of companies continue to work on the development of their businesses ahead of an IPO. The main changes were the reduction in the value of Lynton Holding Asia at the end of the period and an increase in the valuation of The Hut Group.

Further information on the portfolio and investment approach over the last six months is set out in the Investment Manager's review which follows.

## Interim dividend

The Board is pleased to declare a first interim dividend of 1.20p per ordinary share for the year ending 30 April 2013 (2012: 1.20p). This will be paid on 1 February 2013 to those shareholders on the register as at 4 January 2013. The Board will review the second interim dividend following the year-end.

## Share buy-backs

The price at which the Company's shares trade is kept under constant review to seek to ensure a low and stable discount to the net asset value. During the period the Company bought back 955,128 ordinary shares, which are currently being held in treasury. These shares were bought back at an average discount of 9.0 per cent.

## Industry developments

The Retail Distribution Review – designed to improve the standard of advice to retail consumers – comes into effect on 1 January 2013. One of its main provisions is the abolition of commission payments to financial advisers. It is hoped that we will see increasing demand for investment trusts, but only time will tell. The Board and Investment Manager will continue to monitor developments in the coming months.

# Chairman's Statement continued

## Investment plan and ISA

Shareholders are reminded that the Investment Manager operates an Investment Plan and ISA which allows investors to acquire shares in the Company through lump sum or regular monthly investments. Further information is available from the Investment Manager, whose contact details are set out on page 16.

## Outlook

The New Year will see the US President, Barack Obama, sworn in for his second term. Meanwhile, the new Politburo will be taking charge in China. A recovery seems to be starting in America, and more global growth would help to alleviate the effects of austerity in Europe. However, with the as yet unresolved 'fiscal cliff', doubts over the long term future of the Eurozone and rising tensions in the Middle East, continued volatility appears inevitable.

Many corporates have reduced their debt and cut costs to adapt to the difficult economic conditions of recent years. The portfolio contains a number of such companies and they should be well placed to generate positive returns for shareholders over the medium to long-term.

At the time of writing, the Company's net asset value stood at 307.67p per share and the share price was 278.00p per ordinary share. Regularly updated information on the Company, including a factsheet and performance data, can be found on dedicated web pages of the Investment Manager's website at [artemisonline.co.uk](http://artemisonline.co.uk).

I look forward to updating you on the Company and its portfolio in the Annual Report in July 2013. Your Board is always interested to hear the views of shareholders and, should you wish to do so, you can contact me at [simon.miller@artemisfunds.com](mailto:simon.miller@artemisfunds.com).

**Simon Miller**  
Chairman

24 December 2012

# Investment Manager's Review

## Performance

Over the six months to 31 October 2012, the net asset value rose by 1.5 per cent. That compares with 3.3 per cent for the FTSE All-Share Index. The stronger end to the six months overturned a very weak summer for stockmarkets, after investors' concerns about debt levels, particularly in the Eurozone, had surfaced once again.

## Review

A knife-edged vote in the Greek general election saw the New Democracy party voted in. They are committed to accepting the tough austerity package imposed by Germany and the troika, thereby receiving the next bail out payment. This enabled the Greeks to remain in the Euro, for now.

This at least presaged a period of calm in stockmarkets, after a turbulent summer during which the borrowing costs of all peripheral countries in the Eurozone reached dangerously high levels. The real turning point came when the Governor of the European Central Bank, Mario Draghi, stated that he would "do whatever it takes" to prevent the break-up of the Euro. Subsequently, investors then really began to believe in the determination of policy makers.

After this statement, bond yields in Italy and Spain, two of the bigger economies in the periphery, started to fall and investors were able to breathe a collective sigh of relief.

Further rounds of quantitative easing followed and, with interest rates around the world at record lows, stockmarkets rallied strongly. With liquidity being pumped into the system, equities as an asset class looked increasingly attractive. A spotlight was shone on valuations, which looked low by historic standards in spite of the macro headwinds.

## Portfolio

The portfolio remained heavily exposed to its core areas of oil & gas, palm oil and other financials. We continued with our tried and trusted approach, with our emphasis on bottom-up stock picking of attractive businesses, with strong management teams and exceptional medium-term potential.

The number of holdings in the portfolio continued to be reduced over the period. With around 100 positions, the structure of the portfolio and level of concentration is pretty much where we would like it to stay.

The outstanding performer over the period was Africa Oil. Having discovered large quantities of oil in Kenya, its share price rose spectacularly as investors realised the true potential of the field. Other oil stocks that performed strongly included Providence Resources and Lansdowne Oil & Gas, following a series of upgraded estimates at their jointly owned Barryroe field in the southern Irish Sea. The two companies now await independent verification of these estimates when the competent person's report is published, before starting a formal farm-out process in the New Year.

### Five largest stock contributors

|                      | Contribution % |
|----------------------|----------------|
| Africa Oil           | 3.9            |
| The Hut Group        | 1.8            |
| Emis Group           | 1.2            |
| Providence Resources | 0.9            |
| Lansdowne Oil & Gas  | 0.9            |

### Five largest stock detractors

|                      | Contribution % |
|----------------------|----------------|
| Lynton Holding Asia  | (1.6)          |
| New Britain Palm Oil | (1.5)          |
| Mulberry Group       | (0.8)          |
| R.E.A. Holdings      | (0.6)          |
| Ithaca Energy        | (0.6)          |

# Investment Manager's Review continued

Elsewhere, Emis Group, a specialist supplier of software to the NHS, performed well. It accelerated the roll out of its Emis Web product to GPs, thereby increasing its ability to generate high levels of recurring revenues. The portfolio also benefitted from its holding in Telford Homes as the company confirmed strong on-going demand for its London developments from overseas buyers. In particular, the recent success of the London Olympics has served to highlight the areas of east London in which Telford specialises.

Among the unquoteds, the main positive was the writing up of our holding in The Hut Group, following an equity raising to fund a new online business called My Vitamins. The funds were raised at a higher valuation and the directors of the company also invested. This added 5p to the net asset value. Since the period end, The Hut Group has raised further money, at a higher valuation, to make an acquisition of another online business, bringing in a new investor in the process. The valuation was written up in December 2012 and added 5.7p to the net asset value. With the company forecasting strong earnings growth, we feel the valuation is well underpinned.

Aside from The Hut Group, the other revaluation in the unquoted portfolio was Lynton Holding Asia, which impacted the net asset value by 4.6p. Hurricane continues to seek finance to fund its drilling campaigns in 2013/14. As markets start to improve, the prospects for realisations are more encouraging.

A new unquoted investment was Hot-Can. Led by a strong management team, they have developed and patented a self-heating beverage can for soups and hot drinks. Early orders have already been received from Walmart and we expect a flotation in 2013.

On the negative side, the biggest disappointment was felt in one of our larger strategic holdings, New Britain Palm Oil. Production in Papua New Guinea was affected severely by adverse weather, which, alongside a falling price of palm oil, and a strong domestic currency, served to push up costs. We still believe in the strong fundamentals of this business and the longer term prospects for palm oil, so we added to our position at the lower levels. Other palm oil companies also suffered, including R.E.A. Holdings and Asian Plantations, both of which are held in the portfolio. Another detractor, Mulberry, suffered far lower demand for luxury goods globally. We had taken profits at higher levels, thus mitigating some of the downside.

In terms of transactions, the largest investment was supporting the mining company, Praetorian Resources, led by the highly regarded Richard Lockwood. We also sold five investments where we have found it difficult to create value, into this company in exchange for new shares. Other purchases included Rockhopper Exploration, Utilitywise, which enables businesses to minimise their energy usage, and an additional investment into Eland Oil & Gas when it listed on AIM.

The largest sale, Cove Energy, was sold to PTT following a fierce bidding war with Shell. Other partial sales included Africa Oil after its strong run, Mulberry Group and Oxford Catalysts. Ashmore was sold in its entirety as it was looking expensive relative to its peers.

## Outlook

Unlike governments, most companies are in good health. The US 'fiscal cliff' excepted, the other pressing macro-concerns are now more muted. As a result, we believe that investors will increasingly come to recognise the value of equities, which should bode well for the Company.

**John Dodd & Adrian Paterson**

Fund Managers

Artemis Investment Management LLP

24 December 2012

# Twenty-Five Largest Investments

As at 31 October 2012

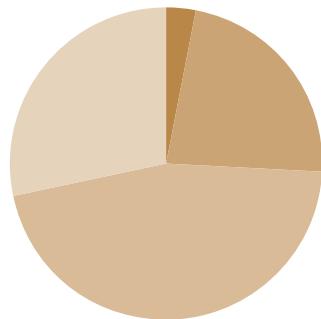
| Investment                               | Sector                       | Country of incorporation | Market Value £'000 | % of portfolio |
|--|------------------------------|--------------------------|--------------------|----------------|
| Hurricane Exploration *                  | Oil & Gas Producers          | UK                       | 12,151             | 7.4            |
| Providence Resources                     | Oil & Gas Producers          | Ireland                  | 9,456              | 5.7            |
| Africa Oil                               | Oil & Gas Producers          | Canada                   | 7,893              | 4.8            |
| Vostok Energy *                          | Oil & Gas Producers          | UK                       | 7,879              | 4.8            |
| Salamander Energy                        | Oil & Gas Producers          | UK                       | 5,397              | 3.3            |
| The Hut Group *                          | General Retailers            | UK                       | 4,655              | 2.8            |
| Emis Group                               | Software & Computer Services | UK                       | 4,504              | 2.7            |
| New Britain Palm Oil                     | Food Producers               | Papua New Guinea         | 4,313              | 2.6            |
| Brewin Dolphin Holdings                  | Financial Services           | UK                       | 4,063              | 2.5            |
| Lansdowne Oil & Gas                      | Oil & Gas Producers          | UK                       | 3,965              | 2.4            |
| Eland Oil & Gas                          | Oil & Gas Producers          | UK                       | 3,801              | 2.3            |
| Asian Plantations                        | Food Producers               | Singapore                | 3,409              | 2.1            |
| Lynton Holding Asia *                    | Aerospace & Defence          | Denmark                  | 3,389              | 2.1            |
| Genel Energy                             | Oil & Gas Producers          | UK                       | 3,248              | 2.0            |
| Ashcourt Rowan                           | Financial Services           | UK                       | 3,180              | 1.9            |
| R.E.A. Holdings                          | Food Producers               | UK                       | 3,033              | 1.8            |
| Polar Capital Holdings                   | Financial Services           | UK                       | 2,955              | 1.8            |
| Telford Homes                            | Household Goods & Home       |                          |                    |                |
|  | Construction                 | UK                       | 2,940              | 1.8            |
| Aviation                                 | Industrial Transportation    | UK                       | 2,612              | 1.6            |
| Skywest Airlines                         | Travel & Leisure             | Singapore                | 2,385              | 1.4            |
| IGAS Energy                              | Oil & Gas Producers          | UK                       | 2,273              | 1.4            |
| Liontrust Asset Management               | Financial Services           | UK                       | 2,270              | 1.4            |
| Praetorian Resources                     | Mining                       | UK                       | 2,249              | 1.4            |
| The Vitec Group                          | Industrial Engineering       | UK                       | 2,135              | 1.3            |
| Weir Group                               | Industrial Engineering       | UK                       | 2,090              | 1.3            |
| <b>Twenty-five largest investments</b>   |                              |                          | <b>106,245</b>     | <b>64.6</b>    |
| Other investments (78)                   |                              |                          | 58,097             | 35.4           |
| <b>Total portfolio (103 investments)</b> |                              |                          | <b>164,342</b>     | <b>100.0</b>   |

\* Unquoted investment.

# Portfolio Analysis

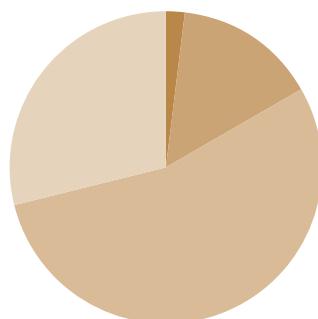
## Market Cap analysis of the portfolio

31 October 2012



|          |       |
|----------|-------|
| Large    | 3.2%  |
| Mid      | 22.8% |
| Small    | 45.9% |
| Unquoted | 28.1% |

30 April 2012

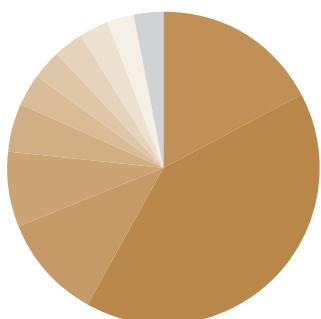


|          |       |
|----------|-------|
| Large    | 2.0%  |
| Mid      | 14.9% |
| Small    | 54.3% |
| Unquoted | 28.8% |

Large cap – Market cap equivalent to FTSE 100 companies, Mid cap – Market cap equivalent to FTSE 250 companies, Small cap – Market cap equivalent to companies below FTSE 250.

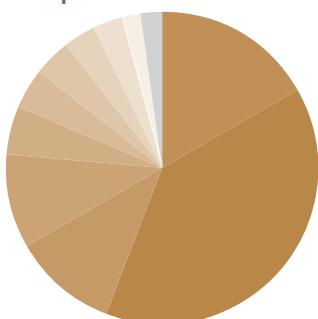
## Sector Analysis of the portfolio

31 October 2012



|                                   |       |
|-----------------------------------|-------|
| Oil & Gas Producers               | 40.9% |
| Financial Services                | 10.7% |
| Food Producers                    | 7.7%  |
| Software & Computer Services      | 5.2%  |
| Real Estate Investment & Services | 3.2%  |
| Industrial Engineering            | 3.1%  |
| Travel & Leisure                  | 3.1%  |
| Mining                            | 3.0%  |
| General Retailers                 | 2.9%  |
| Aerospace & Defence               | 2.8%  |
| Other                             | 17.4% |

30 April 2012



|                                   |       |
|-----------------------------------|-------|
| Oil & Gas Producers               | 39.3% |
| Financial Services                | 10.8% |
| Food Producers                    | 9.7%  |
| Software & Computer Services      | 4.8%  |
| Aerospace & Defence               | 4.2%  |
| Mining                            | 4.1%  |
| Real Estate Investment & Services | 3.3%  |
| Travel & Leisure                  | 2.9%  |
| Support Services                  | 2.1%  |
| Pharmaceuticals & Biotechnology   | 2.0%  |
| Other                             | 16.8% |

# Condensed Income Statement

For the six months ended 31 October 2012

| Notes   | Six months ended<br>31 October 2012 (unaudited) |                  |                | Six months ended<br>31 October 2011 (unaudited) |                  |                 | Year ended<br>30 April 2012 (audited) |                  |                |          |
|---|---|------------------|----------------|---|------------------|-----------------|---------------------------------------|------------------|----------------|----------|
|   | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000  | Revenue<br>£'000                      | Capital<br>£'000 | Total<br>£'000 |          |
| Investment income                                 | 1,170   | –                | 1,170          | 1,200   | –                | 1,200           | 2,018                                 | –                | 2,018          |          |
| Other income                                      | 16  | –                | 16             | 65  | –                | 65              | 35                                    | –                | 35             |          |
| <b>Total revenue</b>                              | <b>1,186</b>                                    | –                | <b>1,186</b>   | <b>1,265</b>                                    | –                | <b>1,265</b>    | <b>2,053</b>                          | –                | <b>2,053</b>   |          |
| Gains/(losses) on investments                     | –   | 1,892            | 1,892          | –   | (25,400)         | (25,400)        | –                                     | (7,274)          | (7,274)        |          |
| Losses on current asset investments               | (194)   | –                | (194)          | (601)   | –                | (601)           | (638)                                 | –                | (638)          |          |
| Currency losses                                   | –   | (17)             | (17)           | –   | (50)             | (50)            | –                                     | (68)             | (68)           |          |
| <b>Total income</b>                               | <b>992</b>                                      | <b>1,875</b>     | <b>2,867</b>   | <b>664</b>                                      | <b>(25,450)</b>  | <b>(24,786)</b> | <b>1,415</b>                          | <b>(7,342)</b>   | <b>(5,927)</b> |          |
| <b>Expenses</b>                                   |   |                  |                |   |                  |                 |                                       |                  |                |          |
| Investment management fee                         | (51)  | (456)            | (507)          | (56)  | (502)            | (558)           | (103)                                 | (929)            | (1,032)        |          |
| Performance fee                                   | –   | –                | –              | 40  | 363              | 403             | 40                                    | 363              | 403            |          |
| Other expenses                                    | (219)   | (3)              | (222)          | (210)   | (10)             | (220)           | (407)                                 | (6)              | (413)          |          |
| <b>Profit/(loss) before finance costs and tax</b> | <b>722</b>                                      | <b>1,416</b>     | <b>2,138</b>   | <b>438</b>                                      | <b>(25,599)</b>  | <b>(25,161)</b> | <b>945</b>                            | <b>(7,914)</b>   | <b>(6,969)</b> |          |
| Finance costs                                     | (22)  | (195)            | (217)          | (41)  | (370)            | (411)           | (63)                                  | (568)            | (631)          |          |
| <b>Profit/(loss) before tax</b>                   | <b>700</b>                                      | <b>1,221</b>     | <b>1,921</b>   | <b>397</b>                                      | <b>(25,969)</b>  | <b>(25,572)</b> | <b>882</b>                            | <b>(8,482)</b>   | <b>(7,600)</b> |          |
| Tax   | (12)  | –                | (12)           | (29)  | 15               | (14)            | (24)                                  | –                | (24)           |          |
| <b>Profit/(loss) for the period</b>               | <b>688</b>                                      | <b>1,221</b>     | <b>1,909</b>   | <b>368</b>                                      | <b>(25,954)</b>  | <b>(25,586)</b> | <b>858</b>                            | <b>(8,482)</b>   | <b>(7,624)</b> |          |
| <b>Earnings per ordinary share (basic)</b>        | <b>2</b>  | 1.45p            | 2.56p          | 4.01p   | 0.75p            | (53.29)p        | (52.54)p                              | 1.76p            | (17.44)p       | (15.68)p |
| <b>Earnings per ordinary share (diluted)</b>      | <b>2</b>  | 1.45p            | 2.56p          | 4.01p   | 0.75p            | (53.29)p        | (52.54)p                              | 1.76p            | (17.44)p       | (15.68)p |

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.

# Condensed Balance Sheet

As at 31 October 2012

| Notes   | 31 October 2012<br>(unaudited)<br>£'000 | 31 October 2011<br>(unaudited)<br>£'000 | 30 April 2012<br>(audited)<br>£'000 |
|---|---|---|-------------------------------------|
| <b>Non-current assets</b>                           |   |   |                                     |
| Investments   | 164,342                                 | 141,650                                 | 162,480                             |
| <b>Current assets</b>                               |   |   |                                     |
| Investments held by subsidiary                      | 1,570                                   | 2,256                                   | 1,635                               |
| Other receivables                                   | 1,009                                   | 615                                     | 664                                 |
| Cash and cash equivalents                           | 5,508                                   | 2,986                                   | 404                                 |
|   | <b>8,087</b>                            | <b>5,857</b>                            | <b>2,703</b>                        |
| <b>Total assets</b>                                 | <b>172,429</b>                          | <b>147,507</b>                          | <b>165,183</b>                      |
| <b>Current liabilities</b>                          |   |   |                                     |
| Other payables                                      | (1,620)                                 | (783)                                   | (834)                               |
| Bank loan   | (24,000)                                | (14,500)                                | (16,000)                            |
|   | <b>(25,620)</b>                         | <b>(15,283)</b>                         | <b>(16,834)</b>                     |
| <b>Net assets</b>                                   | <b>146,809</b>                          | <b>132,224</b>                          | <b>148,349</b>                      |
| <b>Equity attributable to equity holders</b>        |   |   |                                     |
| Share capital                                       | 556                                     | 557                                     | 557                                 |
| Share premium                                       | 634                                     | 594                                     | 630                                 |
| Special reserve                                     | 67,027                                  | 70,938                                  | 69,649                              |
| Capital redemption reserve                          | 34                                      | 33                                      | 33                                  |
| Retained earnings – revenue                         | 1,813                                   | 2,050                                   | 1,956                               |
| Retained earnings – capital                         | <b>5</b>                                | 76,745                                  | 58,052                              |
| <b>Total equity</b>                                 | <b>146,809</b>                          | <b>132,224</b>                          | <b>148,349</b>                      |
| <b>Net asset value per ordinary share (basic)</b>   | <b>3</b>                                | 310.59p                                 | 271.56p                             |
| <b>Net asset value per ordinary share (diluted)</b> | <b>3</b>                                | 310.59p                                 | 271.56p                             |

# Condensed Statement of Changes in Equity

For the six months ended 31 October 2012

|  | Six months ended 31 October 2012 (unaudited) |                     |                       |                                  |                                 |               |                |
|--|--|---------------------|-----------------------|----------------------------------|---------------------------------|---------------|----------------|
|  | Share capital £'000                          | Share premium £'000 | Special reserve £'000 | Capital redemption reserve £'000 | Retained earnings Revenue £'000 | Capital £'000 | Total £'000    |
| <b>At 1 May 2012</b>   | <b>557</b>                                   | <b>630</b>          | <b>69,649</b>         | <b>33</b>                        | <b>1,956</b>                    | <b>75,524</b> | <b>148,349</b> |
| <b>Total comprehensive income:</b>                           |  |                     |                       |                                  |                                 |               |                |
| Profit for the period  | –  | –                   | –                     | –                                | 688                             | 1,221         | 1,909          |
| <b>Transactions with owners recorded directly to equity:</b> |  |                     |                       |                                  |                                 |               |                |
| Repurchase of ordinary shares into treasury                  | –  | –                   | (2,622)               | –                                | –                               | –             | (2,622)        |
| Cancellation of treasury shares                              | (1)  | –                   | –                     | 1                                | –                               | –             | –              |
| Conversion of subscription shares                            | –  | 4                   | –                     | –                                | –                               | –             | 4              |
| Dividends paid   | –  | –                   | –                     | –                                | (831)                           | –             | (831)          |
| <b>At 31 October 2012</b>                                    | <b>556</b>                                   | <b>634</b>          | <b>67,027</b>         | <b>34</b>                        | <b>1,813</b>                    | <b>76,745</b> | <b>146,809</b> |
|  | Six months ended 31 October 2011 (unaudited) |                     |                       |                                  |                                 |               |                |
|  | Share capital £'000                          | Share premium £'000 | Special reserve £'000 | Capital redemption reserve £'000 | Retained earnings Revenue £'000 | Capital £'000 | Total £'000    |
| <b>At 1 May 2011</b>   | <b>557</b>                                   | <b>69,136</b>       | <b>2,807</b>          | <b>33</b>                        | <b>2,485</b>                    | <b>84,006</b> | <b>159,024</b> |
| <b>Total comprehensive income:</b>                           |  |                     |                       |                                  |                                 |               |                |
| Profit/(loss) for the period                                 | –  | –                   | –                     | –                                | 368                             | (25,954)      | (25,586)       |
| <b>Transactions with owners recorded directly to equity:</b> |  |                     |                       |                                  |                                 |               |                |
| Cancellation of share premium                                | –  | (68,595)            | 68,595                | –                                | –                               | –             | –              |
| Repurchase of ordinary shares into treasury                  | –  | –                   | (464)                 | –                                | –                               | –             | (464)          |
| Conversion of subscription shares                            | –  | 53                  | –                     | –                                | –                               | –             | 53             |
| Dividends paid   | –  | –                   | –                     | –                                | (803)                           | –             | (803)          |
| <b>At 31 October 2011</b>                                    | <b>557</b>                                   | <b>594</b>          | <b>70,938</b>         | <b>33</b>                        | <b>2,050</b>                    | <b>58,052</b> | <b>132,224</b> |
|  | Year ended 30 April 2012 (audited)           |                     |                       |                                  |                                 |               |                |
|  | Share capital £'000                          | Share premium £'000 | Special reserve £'000 | Capital redemption reserve £'000 | Retained earnings Revenue £'000 | Capital £'000 | Total £'000    |
| <b>At 1 May 2011</b>   | <b>557</b>                                   | <b>69,136</b>       | <b>2,807</b>          | <b>33</b>                        | <b>2,485</b>                    | <b>84,006</b> | <b>159,024</b> |
| <b>Total comprehensive income:</b>                           |  |                     |                       |                                  |                                 |               |                |
| Profit/(loss) for the year                                   | –  | –                   | –                     | –                                | 858                             | (8,482)       | (7,624)        |
| <b>Transactions with owners recorded directly to equity:</b> |  |                     |                       |                                  |                                 |               |                |
| Cancellation of share premium                                | –  | (68,572)            | 68,572                | –                                | –                               | –             | –              |
| Repurchase of ordinary shares into treasury                  | –  | –                   | (1,730)               | –                                | –                               | –             | (1,730)        |
| Conversion of subscription shares                            | –  | 66                  | –                     | –                                | –                               | –             | 66             |
| Dividends paid   | –  | –                   | –                     | –                                | (1,387)                         | –             | (1,387)        |
| <b>At 30 April 2012</b>                                      | <b>557</b>                                   | <b>630</b>          | <b>69,649</b>         | <b>33</b>                        | <b>1,956</b>                    | <b>75,524</b> | <b>148,349</b> |

# Condensed Cash Flow Statement

For the six months ended 31 October 2012

|  | Six months ended<br>31 October 2012<br>(unaudited)<br>£'000 | Six months ended<br>31 October 2011<br>(unaudited)<br>£'000 | Year ended<br>30 April 2012<br>(audited)<br>£'000 |
|--|---|---|---|
| <b>Operating activities</b>  |   |   |   |
| Profit/(loss) before tax   | 1,921   | (25,572)  | (7,600)   |
| Interest payable   | 217   | 411   | 631   |
| (Gains)/losses on investments  | (1,892)   | 25,400  | 7,274   |
| Currency losses  | 17  | 50  | 68  |
| Losses on current asset investments                                      | 194   | 601   | 638   |
| Increase in other receivables  | (2)   | (68)  | (87)  |
| Decrease in other payables   | (34)  | (462)   | (441)   |
| <b>Net cash inflow from operating activities before interest and tax</b> | <b>421</b>  | <b>360</b>  | <b>483</b>  |
| Interest paid  | (217)   | (411)   | (631)   |
| Irrecoverable overseas tax suffered                                      | (12)  | (14)  | (24)  |
| <b>Net cash inflow/(outflow) from operating activities</b>               | <b>192</b>  | <b>(65)</b>   | <b>(172)</b>                                      |
| <b>Investing activities</b>  |   |   |   |
| Purchases of investments   | (27,130)  | (28,175)  | (53,526)  |
| Sales of investments   | 27,508  | 46,009  | 69,240  |
| <b>Net cash inflow from investing activities</b>                         | <b>378</b>  | <b>17,834</b>   | <b>15,714</b>                                     |
| <b>Financing activities</b>  |   |   |   |
| Repurchase of ordinary shares into treasury                              | (2,622)   | (464)   | (1,730)   |
| Conversion of subscription shares  | 4   | 53  | 66  |
| Dividends paid   | (831)   | (803)   | (1,387)   |
| <b>Net cash outflow from financing activities</b>                        | <b>(3,449)</b>  | <b>(1,214)</b>  | <b>(3,051)</b>                                    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>              | <b>(2,879)</b>  | <b>16,555</b>   | <b>12,491</b>                                     |
| <b>Cash and cash equivalents at the start of the period</b>              | <b>(15,596)</b>   | <b>(28,019)</b>   | <b>(28,019)</b>                                   |
| Effect of foreign exchange rate changes                                  | (17)  | (50)  | (68)  |
| <b>Cash and cash equivalents at the end of the period</b>                | <b>(18,492)</b>   | <b>(11,514)</b>   | <b>(15,596)</b>                                   |
| <b>Bank loan</b>   | <b>(24,000)</b>   | <b>(14,500)</b>   | <b>(16,000)</b>                                   |
| <b>Cash</b>  | <b>5,508</b>  | <b>2,986</b>  | <b>404</b>  |
|  | <b>(18,492)</b>   | <b>(11,514)</b>   | <b>(15,596)</b>                                   |

# Notes to the Half-Yearly Financial Report

## 1. Accounting policies

The Group's Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34'), the provisions of the Companies Act 2006 and with the guidance set out in the Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies in January 2009.

The Half-Yearly Financial Report has been prepared under the same accounting policies as the Annual Financial Statements for the year ended 30 April 2012.

## 2. Earnings per ordinary share

|  | Six months ended<br>31 October 2012 | Six months ended<br>31 October 2011 | Year ended<br>30 April 2012 |
|--|-------------------------------------|-------------------------------------|-----------------------------|
| Earnings per ordinary share is based on:   |                                     |                                     |                             |
| Revenue earnings (£'000)   | 688                                 | 368                                 | 858                         |
| Capital earnings (£'000)   | 1,221                               | (25,954)                            | (8,482)                     |
| Total earnings (£'000)   | 1,909                               | (25,586)                            | (7,624)                     |
| Weighted average number of ordinary shares<br>in issue during the period (basic)   |                                     |                                     |                             |
| 47,613,465   | 48,704,648                          | 48,635,430                          | 48,635,430                  |
| Weighted average number of ordinary shares<br>in issue during the period (diluted) |                                     |                                     |                             |
| 47,613,465   | 48,704,648                          | 48,635,430                          | 48,635,430                  |

## 3. Net asset value per ordinary share

|  | As at<br>31 October 2012 | As at<br>31 October 2011 | As at<br>30 April 2012 |
|--|--------------------------|--------------------------|------------------------|
| Net asset value per ordinary share is based on:                          |                          |                          |                        |
| Net assets (£'000)   | 146,809                  | 132,224                  | 148,349                |
| Number of ordinary shares in issue at the<br>end of the period (basic)   | 47,268,456               | 48,690,588               | 48,222,422             |
| Number of ordinary shares in issue at the<br>end of the period (diluted) | 47,268,456               | 48,690,588               | 48,222,422             |

During the period the Company bought back 955,128 ordinary shares into treasury. 1,162 subscription shares were exercised and the same number of ordinary shares were issued in respect of these.

At 31 October 2012, the Company held 1,427,176 ordinary shares in treasury, having cancelled 150,000 ordinary shares from treasury during the period.

# Notes to the Half-Yearly Financial Report continued

## 4. Dividends

|  | Six months ended<br>31 October 2012<br>£'000 | Six months ended<br>31 October 2011<br>£'000 | Year ended<br>30 April 2012<br>£'000 |
|--|--|--|--------------------------------------|
| Second interim dividend for the year ended 30 April 2011 – 1.65p | –  | 803  | 803                                  |
| First interim dividend for the year ended 30 April 2012 – 1.20p  | –  | –  | 584                                  |
| Second interim dividend for the year ended 30 April 2012 – 1.75p | 831  | –  | –                                    |
|  | 831  | 803  | 1,387                                |

A first interim dividend for the year ending 30 April 2013 of £567,000 (1.20p per ordinary share) has been declared. This will be paid on 1 February 2013 to those shareholders on the register at close of business on 4 January 2013.

## 5. Analysis of retained earnings – capital

|  | 31 October 2012<br>£'000 | 31 October 2011<br>£'000 | 30 April 2012<br>£'000 |
|--|--------------------------|--------------------------|------------------------|
| Retained earnings - capital (realised)   | 83,836                   | 63,649                   | 75,561                 |
| Retained earnings - capital (unrealised) | (7,091)                  | (5,597)                  | (37)                   |
|  | 76,745                   | 58,052                   | 75,524                 |

## 6. Comparative information

The financial information for the six months ended 31 October 2012 and 31 October 2011 has not been audited and does not constitute statutory financial statements as defined in Section 234 of the Companies Act 2006.

The information for the year ended 30 April 2012 has been extracted from the Audited Financial Statements for the year ended 30 April 2012. These financial statements contained an unqualified auditor's report and have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 of the Companies Act 2006.

## 7. Principal risks and uncertainties

Pursuant to DTR 4.2.7R of the Disclosure and Transparency Rules, the principal risks faced by the Company include general market price risk, liquidity risk, regulatory and financial risks.

These risks, which have not materially changed since the Annual Report for the year ended 30 April 2012, and the way in which they are managed, are described in more detail in the Annual Report for the year ended 30 April 2012 which is available on the Investment Manager's website at [artemisonline.co.uk](http://artemisonline.co.uk).

## 8. Related party transactions

There were no related party transactions during the period.

# Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge, in respect of the Half-Yearly Financial Report for the six months ended 31 October 2012:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Accounting Standards Board as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months; and a description of the principal risks and uncertainties for the remaining six months of the year); and
  - (b) Disclosure and Transparency Rule 4.2.8R (related party transactions).

**For and on behalf of the Board**

**Simon Miller**

Chairman

24 December 2012

# General Information

## Directors

S E C Miller (Chairman)  
D J Barron  
T Cross Brown  
A D Dalrymple  
I R Dighé

## Investment Manager and Company Secretary

Artemis Investment Management LLP

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

Telephone: 0800 092 2051

Email: [investorsupport@artemisfunds.com](mailto:investorsupport@artemisfunds.com)

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

The Investment Manager is authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HA.

## Registered Office

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

## Administrator

J.P. Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Stockbroker

Cantor Fitzgerald Europe  
One America Square  
17 Crosswall  
London EC3N 2LS

## Auditors

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

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Shareholder helpline: 0871 664 0300  
(calls cost 10p per minute plus network extras.  
Lines are open from 8.30am to 5.30 pm  
Monday to Friday).

## Bankers

JP Morgan Chase Bank NA  
London Branch  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Custodian

JP Morgan Chase Bank NA  
London Branch  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Solicitors

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

A member of the Association of Investment Companies.

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

Registered in England Number: 253644.



