

Artemis Alpha Trust plc

Annual Report and Accounts
for the year ended 30th April 2006



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Group Summary

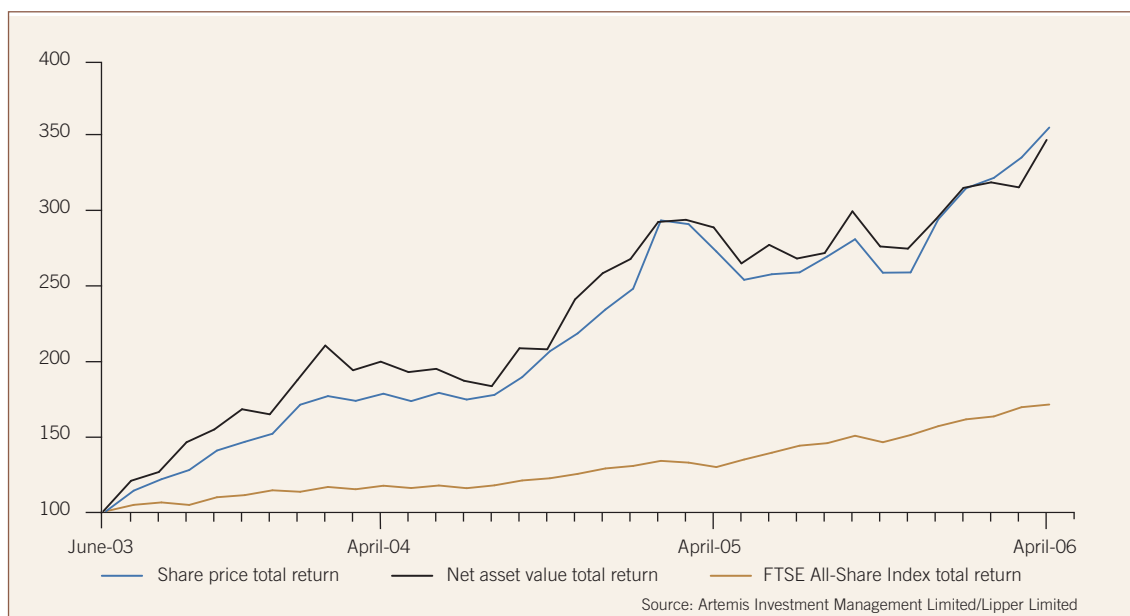
Objective and Policy	<p>The investment objective of the Company is to achieve above average rates of total return over the longer term and to achieve a growing dividend stream. The investment policy is to invest mainly in UK and selected international equities, with the potential for investment in limited liability hedge funds, cash and bonds, unquoted investments, derivative instruments and other investments and securities as appropriate.</p> <p>The Company will not invest more than 15% of its gross assets in securities issued by other UK listed investment companies, including investment trusts.</p>
Investment Manager	Artemis Investment Management Limited
Shareholders' Funds at 30th April 2006	£83.8 million
Market Capitalisation at 30th April 2006	£78.6 million
Capital Structure at 30th April 2006	33,358,488 ordinary shares 6,671,697 manager warrants
ISIN Number	GB0004355946
SEDOL Number	0435594
March 1982 Valuation	13.22p per ordinary share
Continuation Vote Date	At the Annual General Meeting in 2013, an ordinary resolution will be put to shareholders for the voluntary winding up of the Company and every five years thereafter.
Management and Administration Fees	See Directors' Report on page 14.
ISA/PEP Status	The Company is a qualifying investment trust for ISA and PEP purposes.
Investment Plan	The Company's shares can be acquired through the Artemis Alpha Trust Investment Plan – details of which are available from the Investment Manager.
AITC	The Company is a member of the Association of Investment Trust Companies.

Reporting Calendar

Year End	30th April
Results Announced	Interim: December Annual: July/August
Dividends Payable	February and August
Annual General Meeting	September

Financial Highlights

Performance chart showing Artemis Alpha Trust plc vs FTSE All-Share Index Total Return since the appointment of Artemis Investment Management Limited.



Key data	30th April 2006	30th April 2005	% change
Shareholders' funds	£83.8m	£64.9m*	29.1%
Net asset value ("NAV") per ordinary share – basic	251.26p	194.88p*	28.9%
NAV per ordinary share – diluted	229.67p	182.09p*	26.1%
Share price (mid market)	235.75p	198.50p	18.8%
(Discount)/premium – basic NAV	(6.17%)	1.86%	-
Premium – diluted NAV	2.60%	9.01%	-
FTSE All-Share (capital return)	3,074.26	2,397.05	28.3%
FTSE All-Share (total return)	3,498.93	2,643.45	32.4%
Net gearing (expressed as a percentage of net assets)	4.2%	15.6%	-
Income and Dividends			
Revenue earnings per ordinary share – basic	3.63p	3.42p*	6.1%
Revenue earnings per ordinary share – diluted	3.37p	3.23p*	4.3%
Dividends per ordinary share	2.20p	2.10p	4.8%
Total expense ratio	1.3%	1.5%	-

* These figures have been re-stated to reflect the change to preparing the financial statements in accordance with International Financial Reporting Standards.

Chairman's Statement

Performance

Artemis Alpha Trust had a strong recovery in the second half of the year, following a disappointing first half. The basic net asset value increased by 36.8% for the six months to 30th April 2006, and by 28.9% for the full year. The fully diluted net asset value rose by 26.1% for the year. The broader market, as represented by the FTSE All-Share Index, rose by 28.3% over the year.

The Company continues its overweight exposure to the oil & gas sector, a policy which has proved successful over the past two years. Another significant contribution to performance has come from the Company's investment in Artemis Investment Management. Further details are contained in the Investment Manager's Review and the Portfolio of Investments.

Dividends

The Board has declared a second interim dividend of 1.2p per ordinary share (2005: 1.1p) bringing total dividends for the year ended 30th April 2006 to 2.2p per share (2005: 2.1p), an increase of 4.8% over dividends paid in 2005. The second interim dividend will be paid on 31st August 2006 to those shareholders on the register of members at the close of business on 11th August 2006.

Board Composition

In April 2006, Tom Cross Brown was appointed to the Board as a non executive Director. Having previously been global chief executive officer of ABN AMRO Asset Management, he has vast experience of the investment world and will be a valuable addition to your Board. In accordance with the Company's Articles of Association, he will stand for election at the forthcoming Annual General Meeting.

Mr Peel and Mr Sobczak are to retire by rotation, as required by the Company's Articles of Association, and will be proposed for re-election at the forthcoming Annual General Meeting.

Accounting Standards

The financial statements for the year ended 30th April 2006 have been prepared under International Financial Reporting Standards, which is now a requirement for all listed companies preparing consolidated accounts. As a result, a number of changes have been made to the financial statements, the most notable being the change from valuing quoted investments at their mid market price to their bid market price and the recognition of dividends in the accounting period they are declared and approved for payment. A fuller explanation and reconciliation of the changes is set out in the notes to the financial statements.

Company Secretary and Registered Office

The Board now considers it appropriate for administrative purposes that the Company Secretary's role should be carried out by the Investment Manager and this change took effect from 27th June 2006. The Company's registered office has moved to Cassini House, 57 St James's Street, London SW1A 1LD.

Investment Plan

The Investment Plan enables investors to acquire shares in the Company in a cost effective manner, either through a lump sum investment or regular monthly investments. Further information and documentation can be obtained by contacting Artemis Investment Management Limited on 0800 092 2051 or from the following web address, www.artemisonline.co.uk/pdf/brochures/alphatrustinvestmentplan.pdf.

Chairman's Statement continued

Annual General Meeting

Your Company's Annual General Meeting this year will be held at the offices of Artemis Investment Management Limited, 42 Melville Street, Edinburgh EH3 7HA on Thursday, 7th September 2006 at 12 noon. Full details of the business to be conducted at the meeting are set out in the Notice of Meeting on pages 49 and 50.

As always, your Board would welcome your attendance at the meeting as it provides an opportunity to ask questions of the Board and Investment Manager. Should you have any detailed or technical questions, it would be helpful if these could be raised in advance of the meeting with the Company Secretary. If you are unable to attend the meeting, your Board would encourage you to send in your proxy votes.

Outlook

After three years of strong stock market performance, it is not all together surprising that some form of correction has occurred. At the time of writing, world equity markets had fallen from their recent highs with growing concerns over the reappearance of inflationary pressures and a belief that global growth will begin to slow. However, there remains a significant amount of liquidity, and company balance sheets generally remain strong by historic standards and this may continue to provide a degree of support for equity markets.

Your Board views the coming year with a degree of caution, but believes that the Company's broad investment policy will help identify investment opportunities to continue the growth in net assets.

Simon Miller

Chairman

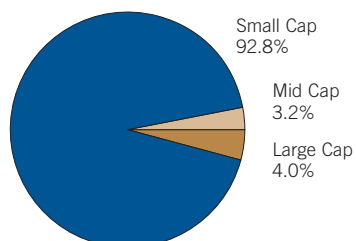
1st August 2006

Investment Manager's Review

For the year ended 30th April 2006

Performance and Portfolio Analysis

We have continued with our focus favouring small and mid capitalisation companies. The following chart provides an illustration of the portfolio split by market valuation.



Source: Artemis Investment Management Limited

The portfolio is managed as a best ideas fund and receives input from the whole fund management team. The fund management team have aligned their interests with shareholders through the purchase of manager warrants, and more recently have added to their interests with the purchase of 626,759 ordinary shares. The weighting favouring small to mid capitalisation companies reflects an area where we believe that we add value through our experience and expertise. In any investment cycle there will be periods when these companies will underperform relative to

their larger counterparts. However, we are considering the longer term cycle and believe that these companies offer the greatest returns.

Over the year to 30th April 2006, there has been a strong recovery in the net asset value and share price to 251.26p and 235.75p respectively. A significant contribution to the recovery in the net asset value came from the holding in Artemis Investment Management Limited, following a third party transaction in December 2005. As part of this transaction the Company reduced its holding and the remaining shares were revalued at an appropriate discount to the transaction price. The combined effect of this was to increase the net asset value by 14 pence per share.

Portfolio

The oil exploration sector remains the portfolio largest exposure at 25.4%. We continue to believe that the investment case remains compelling with crude oil prices staying firm. Given the robustness of world economic growth it is likely that oil demand is well underpinned. Although crude inventories and supply are plentiful, capacity is finely balanced, but with ongoing geopolitical uncertainties in the Middle East, supplies remain at risk.

During the year we sold out of Emerald Energy and Imperial Energy, and a significant proportion of our holdings in Bankers Petroleum and White Nile – all at substantial profits. New investments made include Genesis Petroleum and Hurricane Petroleum, both with North Sea focus, Revus Energy, with Norwegian focus and Sound Oil, with Indonesian focus. Although we supported a further funding in Adulis Resources, renamed Solana Resources, we continue to be frustrated by the lack of progress, but believe that there will be more positive news during the year as the drilling programme continues in some very prospective areas in Colombia. Given the returns that can be potentially generated in the sector, it clearly comes with a higher degree of risk. We have attempted to spread this risk through a combination of geographical exposure and also to different stages of the exploration cycle.

Salamander Energy is an example of an investment which we made by backing an experienced and incentivised management team to establish an oil production company with exploration upside focussing in South East Asia. A full listing is anticipated later in the year.

Amongst the other unlisted investments, there is a broad spread of companies offering some very exciting opportunities such as McCroft Tobacco – a new integrated tobacco business focussing in Southern Africa and Lynton Aviation – sales of helicopters and fixed wing aircraft. Most of the investments are at a pre-IPO stage of their investment cycle and we are expecting more realisations through flotations this year.

Other new holdings include ACP Capital, which is a fund manager specialising in niche structure finance and investment products. It focuses on asset-backed investments and is led by a highly regarded and incentivised management team. Dairy Crest is the leading dairy UK business supplying liquid milk and also manufacturing dairy spreads, cheese and fresh dairy products. Noida Toll Bridge is a low risk play on India's growth. Besides operating one of Delhi's major bridges and flyway there will be opportunities to create returns through property developments.

Investment Manager's Review continued

For the year ended 30th April 2006

Outlook

Although inflation pressures and the prospect of higher interest rates have been with us for the last year, stockmarkets around the world have recently seen major share price falls. It has principally impacted on some of the emerging stockmarkets and also those companies involved in commodities. More recently we have seen some share price recovery as investors adjust to this environment.

The oil price has continued to trade at the top end of its range and we therefore find no reason to change our view of that sector. Having reduced gearing in the latter part of the year we have since increased net borrowings to take advantage of the many opportunities that we see. Clearly the geopolitical uncertainties in the Middle East continue to impact sentiment, however, financial markets seem to have adjusted to the ongoing conflict. With no obvious solution in sight we should expect greater share price volatility over the traditionally quieter summer months. We reiterate our support for the portfolio's prospects and believe that further positive results will be delivered during the year.

John Dodd

Artemis Investment Management Limited

Investment Manager

1st August 2006

Portfolio of Investments

As at 30th April 2006

Company	Sector	Country	Market value £'000	% of total investments
Artemis Investment Management ³	General Financial	UK	4,500	5.1
Solana Resources ²	Oil & Gas Producers	Canada	3,766	4.3
GTL Resources ²	Oil & Gas Producers	UK	2,898	3.3
Ondine Biopharma ²	Pharmaceuticals & Biotechnology	Canada	2,771	3.2
McCroft Tobacco ^{3,4}	Tobacco	Guernsey	2,751	3.1
Afren ^{1,2}	Oil & Gas Producers	UK	2,657	3.0
Salamander Energy ^{1,3}	Oil & Gas Producers	UK	2,498	2.9
Revus Energy	Oil & Gas Producers	Norway	2,429	2.8
White Nile ²	Oil & Gas Producers	UK	2,259	2.6
New Star Asset Management ^{1,2}	General Financial	UK	2,160	2.5
Top 10 investments			28,689	32.8
Aricom ^{1,2}	Chemicals	UK	2,139	2.4
Anglo Irish Bank ¹	Banks	Ireland	1,793	2.0
Barclays ¹	Banks	UK	1,712	2.0
Genesis Petroleum ²	Oil & Gas Producers	UK	1,655	1.9
ACP Capital ^{1,2}	General Financial	UK	1,639	1.9
Betex Group ²	Travel & Leisure	UK	1,625	1.9
Domestic & General Group ¹	Nonlife Insurance	UK	1,610	1.8
Suroco Energy	General Financial	Canada	1,559	1.8
REA Holdings ^{1,4}	Food Producers	UK	1,515	1.7
Dairy Crest Group	Food Producers	UK	1,413	1.6
Top 20 investments			45,349	51.8
Havelock Europa ¹	Household Goods	UK	1,367	1.6
Playtech ^{1,2}	Travel & Leisure	UK	1,361	1.6
Clarkson (Horace) ¹	Industrial Transportation	UK	1,350	1.5
Amazing Holdings ²	Travel & Leisure	UK	1,318	1.5
EBT Mobile China ^{1,2}	General Retailers	UK	1,296	1.5
Sound Oil ²	General Financial	UK	1,272	1.5
Noida Toll Bridge	Industrial Transportation	United States	1,271	1.5
Plexus ²	Oil Equipment, Services & Distribution	UK	1,218	1.4
Tanami Gold	Mining	Australia	1,205	1.4
Lynton Holding Asia ³	Aerospace & Defence	Denmark	1,211	1.4
Top 30 investments			58,218	66.7

¹ Held by other Artemis funds

² AiM Listed

³ Unlisted

⁴ Includes fixed interest securities

Portfolio of Investments continued

As at 30th April 2006

Company	Sector	Country	Market value £'000	% of total investments
Wilson Bowden ¹	Household Goods	UK	1,175	1.3
Xceldiam ²	Mining	UK	1,156	1.3
Ceramic Fuel Cells ²	Electronic & Electrical Equipment	Australia	1,082	1.2
Hurricane Exploration ³	Oil & Gas Producers	UK	1,000	1.1
FirstAfrica Oil ²	Oil & Gas Producers	UK	997	1.1
Falconbridge ¹	Mining	Canada	983	1.1
Energy Equity Resources ¹	Oil & Gas Producers	Norway	963	1.1
Re-energy Group ²	Support Services	UK	952	1.1
TSI ³	Electronic & Electrical Equipment	UK	875	1.0
Incisive Media	Media	UK	864	1.0
Top 40 investments			68,265	78.0
Hichens Harrison ²	General Financial	UK	831	0.9
Gasol 'A' ^{1,2}	General Financial	UK	825	0.9
Redhall Group ^{1,2}	Industrial Engineering	UK	819	0.9
Parkmead Group ^{1,2}	Support Services	UK	812	0.9
Imprint ^{1,2}	Support Services	UK	807	0.9
Golden Peaks Resources	Mining	Canada	794	0.9
Vastox ^{1,2}	Pharmaceuticals & Biotechnology	UK	759	0.9
Tersus Energy ²	General Financial	UK	753	0.9
Lamp Group ³	Nonlife Insurance	UK	750	0.9
Rambler Metals & Mining ²	Mining	UK	746	0.8
Top 50 investments			76,161	86.9
Civica ^{1,2}	Software & Computer Services	UK	724	0.8
Hawk Group ^{3,4}	General Financial	Luxembourg	693	0.8
York Pharma ²	Pharmaceuticals & Biotechnology	UK	608	0.7
Armor Group ¹	Support Services	UK	607	0.7
Falkland Island Holdings ^{1,2}	Food & Drug Retailers	UK	601	0.7
European Goldfields ^{1,2}	Mining	Canada	596	0.7
Evolutec Group ²	Pharmaceuticals & Biotechnology	UK	593	0.7
Blueheath Holdings ^{1,2}	Food Producers	UK	514	0.6
Ora Capital Partners ³	General Financial	UK	500	0.6
Quadnetics Group ^{1,2}	Support Services	UK	488	0.6
Top 60 investments			82,085	93.8

¹ Held by other Artemis funds

² AiM Listed

³ Unlisted

⁴ Includes fixed interest securities

Portfolio of Investments continued

As at 30th April 2006

Company	Sector	Country	Market value	% of total
			£'000	investments
Neptune Minerals ²	Mining	UK	465	0.5
Lansdowne Oil & Gas ²	Oil & Gas Producers	UK	422	0.5
Gem Diamonds ^{1,3}	Mining	United States	419	0.5
Brazilian Diamonds ^{1,2}	Mining	Canada	394	0.4
Petroceltic International ^{1,2}	Oil & Gas Producers	Ireland	365	0.4
Bankers Petroleum Warrants	Oil & Gas Producers	Canada	351	0.4
ADVFN ²	General Financial	UK	336	0.4
Energem Resources	Mining	Canada	330	0.4
Healthcare Enterprise Group	Healthcare Equipment & Services	UK	284	0.3
Inion	Healthcare Equipment & Services	Finland	270	0.3
Top 70 investments			85,721	97.9
Northern Dynasty Minerals	Mining	Canada	267	0.3
Gaming Corporation ¹	Travel & Leisure	UK	253	0.3
Biofutures International	General Financial	UK	250	0.3
Buildstore ³	Construction & Materials	UK	250	0.3
Rand Quest Syndicate ³	Mining	Australia	250	0.3
Cyprotex ^{1,2}	Pharmaceuticals & Biotechnology	UK	227	0.3
Triple Plate Junction ^{1,2}	Mining	UK	197	0.2
Hard Assets ²	General Financial	Canada	96	0.1
Total investments			87,511	100.0

¹ Held by other Artemis funds

² AiM Listed

³ Unlisted

⁴ Includes fixed interest securities

The Company's investment in Artemis Investment Management Limited, a specialist fund management company, represents 1.4% of the company's issued share capital. The cost of the holding is £1,592,000 and at 30th April 2006 was valued at £4,500,000. The following information has been obtained from the latest audited accounts of Artemis Investment Management Limited, lodged at Companies House being the year ended 31st December 2004: earnings per share: £148.40; dividend per share: £50.00; and net assets attributable to the ordinary shares held by the Company: £785,000.

The Company's investment in Salamander Energy, an oil exploration and production company, represents 1.2% of the company's issued share capital. The holding cost £2,435,000 and at 30th April 2006 was valued at £2,498,000. The difference between cost and valuation is due to foreign exchange movements. The company was incorporated in December 2004 and audited accounts are not yet available.

The Company's investment in McCroft Tobacco, a tobacco company, represents 2.2% of the company's loan stock. The holding cost £2,718,000 and at 30th April 2006 was valued at £2,751,000. The difference between cost and valuation is due to foreign exchange movements. The company was incorporated in 2005, and audited accounts are not yet available.

Portfolio of Investments continued

The geographical analysis of the investment portfolio as at 30th April 2006 was as follows:

Country	2006 %	2005 %
UK	69.8	85.7
Canada	13.6	10.0
Norway	3.9	-
Guernsey	3.1	-
Australia	2.9	0.5
Ireland	2.4	1.6
United States	2.0	-
Denmark	1.2	1.4
Luxembourg	0.8	-
Finland	0.3	0.8
	100.0	100.0

The sector analysis of the investment portfolio as at 30th April 2006 was as follows:

Sector	2006 %	2005 %
Oil & Gas Producers	25.4	31.6
General Financial	17.7	5.5
Mining	8.8	10.2
Pharmaceuticals & Biotechnology	5.8	6.3
Travel & Leisure	5.3	2.1
Support Services	4.2	5.7
Banks	4.0	5.5
Food Producers	3.9	2.6
Tobacco	3.1	1.7
Industrial Transportation	3.0	1.9
Household Goods	2.9	3.8
Nonlife Insurance	2.7	4.8
Chemicals	2.4	1.3
Electronic & Electrical Equipment	2.2	-
General Retailers	1.5	1.1
Oil Equipment, Services & Distribution	1.4	1.6
Aerospace & Defence	1.4	-
Media	1.0	3.0
Industrial Engineering	0.9	-
Software & Computer Services	0.8	3.5
Food & Drug Retailers	0.7	0.4
Healthcare Equipment & Services	0.6	3.4
Construction & Materials	0.3	0.7
Unit Trusts	-	2.0
Real Estate	-	0.8
Beverages	-	0.3
Equity Investment Instruments	-	0.2
	100.0	100.0

Directors

S E C Miller (Chairman)*†#

Simon Edward Callum Miller, aged 53, is chairman of Dunedin Capital Partners, a private equity business. He qualified as a barrister before joining Lazard Brothers in 1976. He is chairman of First State Investments AiM VCT plc, deputy chairman of JPMorgan Elect plc, a non-executive director of Brewin Dolphin Holdings plc and Dunedin Enterprise Investment Trust plc.

Appointed a non-executive Director on 14th July 2003 and Chairman on 25th September 2003.

D J Barron*†#

David James Barron, aged 47, is head of the investment trust business at JPMorgan Asset Management. He joined the asset management business of Robert Fleming & Co. Limited in 1995 and has worked in the investment trust team, which manages nineteen investment trust clients, for five years. 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 Trust Companies. He is a member of the Institute of Chartered Accountants of Scotland and holds an MBA from INSEAD.

Appointed a non-executive Director on 17th February 2005.

T Cross Brown†

Tom Cross Brown, aged 58, was until 2003 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 Pearl Assurance plc and a director of Quintain Estates & Development PLC, and previously served as a director of Artemis Investment Management Limited.

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

A D Dalrymple*†#

Andrew Dalrymple, aged 46, is currently a senior portfolio manager (Global Equities) with First State Investments (UK) Limited and has managed the First State Global Opportunities Fund since its inception in July 1999. 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 a non-executive Director on 1st April 2004.

C E W Peel (Senior Independent Director)*†#

Charles Edward Willoughby Peel, aged 61, was chairman of KBC Peel Hunt Limited. He was previously chief executive of Fielding, Newson-Smith & Co. before joining Morgan Grenfell Securities. In 1989 he became a founding director of Peel Hunt.

Appointed a non-executive Director on 14th July 2003.

A W Sobczak*†#

Andrzej Wiktor Sobczak, aged 55, has over 30 years of experience in the securities industry. He was previously head of investment trust business at BZW Securities and then subsequently at ABN AMRO. He also served as a director of Henderson Global Investors Limited and then, most recently, as a director of Intelli Corporate Finance Limited. He is currently part of the investment trust team at Winterflood Securities Limited.

Appointed a non-executive Director on 29th March 2001.

* Independent Director

† Member of the Nomination Committee

Member of the Audit Committee and Management Engagement Committee

Directors' Report

The Directors submit their report, together with the audited financial statements of the Group and the Company for the year ended 30th April 2006.

Business Review

Operating Environment

The Company operates as an investment trust company and is an investment company within the meaning of S266 of the Companies Act 1985. The Company does not have any employees and delegates most of its operational functions to service providers, details of which are set out below. As an investment trust, the Company is required to demonstrate to HM Revenue & Customs that for every accounting period it has complied with the requirements of S842 of the Income and Corporation Taxes Act 1988. This has been done for the year ended 30th April 2005 and the Directors have continued to manage the business in order that the Company will continue to meet these requirements and will seek such approval for the year ended 30th April 2006.

Objective and Strategy

The objective of the Company is to achieve above average rate of total return over the longer term and to achieve a growing dividend stream. In seeking to achieve this objective, the Company's portfolio is actively managed and comprises mainly UK equities, with selected overseas investments. Investments are selected on their individual merits and the portfolio will not track any benchmark index. The Company uses gearing as part of its strategy. The level of borrowing is a matter for the Board, whilst the utilisation of the agreed level of borrowing is a matter for the Investment Manager. Gearing is considered by the Board and Investment Manager at regular meetings.

Performance

The performance of the Company is reviewed regularly by the Board and it has a number of key performance indicators ("KPIs") that it uses to measure the progress of the Company. The KPIs are set out below and details of these can be found on page 3:

- Net asset value movement
- Share price movement
- Dividends per share
- Total Expense Ratio

In addition to the above KPIs, the Board assesses the discount/premium at which the share price stands against the underlying attributable net assets. The Board considers that stability in the premium/discount comes from good long term performance and this has been reflected over the year where the shares have traded largely at a premium to net asset value. No premium/discount targets are set, but in the event that the shares were trading at a discount, the Board has empowered the Investment Manager to exercise the Company's authority to buy back shares, within guidelines established for this purpose.

Current and Future Developments

Details of the Company's developments over the year ended 30th April 2006, along with its prospects for the future are set out in the Chairman's Statement and Investment Manager's Review on pages 4 to 7.

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

Directors' Report continued

Principal Risk and Uncertainties

As an investment company the principal risks relate to the nature of the individual investments and the investment activities generally, and include market price risk, foreign currency risk, interest rate risk and liquidity risk. Further details of these risks and how they are managed are set out in note 20 of the notes to the financial statements on pages 43 and 44.

Investments are selected on their individual merits and the performance of the portfolio of the Company will, from time to time, exhibit significant variation from the wider market. The Board believes this approach will continue to generate good long term returns. Currently 18% of the Company's portfolio is unlisted and these investments carry higher liquidity and realisation risks. However, the Board believes these risks are justified by the long term nature of the investments and the Company's closed ended structure, and that they will deliver good return to shareholders.

Results and Dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 28. The Board has declared dividends for the year totalling 2.20 pence per ordinary share. The second interim dividend for the year will be paid on 31st August 2006 to eligible shareholders who are on the register of members at the close of business on 11th August 2006.

Share Capital and Manager Warrants

The Company's authorised share capital is set out in note 16 on page 41. During the year the Company issued, in aggregate, 37,689 ordinary shares on 3rd, 10th and 17th November 2005. These shares were issued to the Company's Investment Plan.

On 24th March 2006 the Company issued a further 553,008 Manager Warrants at 35.8016 pence per warrant, entitling holders to subscribe for 553,008 ordinary shares on specified subscription dates (being the last business day in March and September of each year up to and including September 2013, the first subscription date being 30th September 2006) at an exercise price of 223.76 pence per ordinary share.

Life of the Company

The Company's Articles of Association provide that, at the Annual General Meeting to be held in 2013, and at every fifth Annual General Meeting thereafter, a vote on whether the Company should continue in existence as an investment trust will be proposed as an ordinary resolution.

Management Agreements

The Group's investments are managed by Artemis Investment Management Limited ("Artemis"), subject to an Investment Management Agreement (the "Agreement") dated 3rd June 2003. Under the terms of this Agreement, Artemis receives a basic management fee of 0.75% (plus VAT) per annum of the market capitalisation of the Company, payable quarterly in arrears. The agreement may be terminated by either party on 12 months' written notice.

John Dodd acts as the lead manager for the Company. Artemis is authorised and regulated by the Financial Services Authority and at 30th April 2006 managed a total of £10.6 billion of assets.

BNP Paribas Fund Services UK Limited and its subsidiary, BNP Paribas Secretarial Services Limited (together "BNP Paribas") acted as Administrator and Secretary to the Company subject to an Administration and Company Secretarial Services Agreement dated 20th June 2003, as subsequently amended. With effect from 27th June 2006, BNP Paribas resigned as Company Secretary and were replaced by Artemis Investment Management Limited. BNP Paribas will continue to provide administrative services to the Company. This agreement may be terminated by either party on 6 months' written notice.

Directors' Report continued

Continuing Appointment of the Investment Manager

Having recently reviewed the Investment Manager's performance, the Board believes that the continuing appointment of the Investment Manager, on its current terms, is in the interests of shareholders. 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 12. Except as noted below, all the Directors held office throughout the year under review.

Following due consideration of the balance of skills and experience represented by the Directors, Tom Cross Brown was appointed a non-executive Director of the Company on 5th April 2006. In accordance with the Company's Articles of Association, Mr Cross Brown is required to stand for election by shareholders at the Company's Annual General Meeting in 2006. The Board is confident that the Company will benefit from his knowledge and experience and recommends that shareholders vote in favour of the resolution to elect Mr Cross Brown as a Director of the Company.

In accordance with the Articles of Association, Mr Peel and Mr Sobczak are to retire as Directors and, being eligible, will be seeking re-election by shareholders at the forthcoming Annual General Meeting. The Nomination Committee, having reviewed their respective performances as Directors and contribution to the Board and its Committees, concluded that the Company benefited from their individual services and accordingly recommended to the Board that a resolution be put to shareholders at the Annual General Meeting that Mr Peel and Mr Sobczak be re-elected as Directors of the Company. The Board concurred with the Nomination Committee's conclusions and recommends that shareholders vote in favour of these re-elections.

No Director has a contract of service with the Company.

Directors' Interests

The interests of the current Directors in the ordinary shares of the Company at the beginning and end of the year under review were as follows:

	30th April 2006		1st May 2005	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Mr S E C Miller	7,873	-	7,873	-
Mr D J Barron	-	-	-	-
Mr T Cross Brown	44,321	-	n/a	n/a
Mr A D Dalrymple	58,000	20,000	38,000	20,000
Mr C E W Peel	500,000	-	1,126,759	-
Mr A W Sobczak	5,000	-	5,000	-

At the date of his appointment, Mr Cross Brown held 44,321 ordinary shares in the Company.

There have been no changes to the above holdings between 30th April 2006 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.

Directors' Report continued

Substantial Shareholdings

As at the date of this report the Company is aware of the following interests exceeding 3% in the issued ordinary share capital of the Company:

Shareholder	Number of shares	% of share capital
Clients of Rathbone Investment Management Limited	2,052,897	6.2
Mr C Rutherford	1,300,229	3.9
Clients of Brewin Dolphin Securities	1,190,481	3.6
Clients of Murray Beith Murray Asset Management Limited	1,099,519	3.3
limia Investment Trust Plc	1,071,167	3.2
Troy Asset Management Limited	1,059,954	3.2

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 30th April 2006 there were no amounts owed to suppliers in respect of invoices received but unpaid (30th April 2005: none).

Going Concern

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts, as after due consideration, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

Increase in Directors' Fees

The Board reviewed the level of the Directors' fees during the year and concluded that it would be appropriate for the Company to increase the level of remuneration for Directors in the ensuing financial year. Full details are set out in the Directors' Remuneration Report on page 23.

The Board also considered the maximum amount of fees payable per annum to Directors, as set out in the Company's Articles of Association, and agreed that a resolution to increase the amount from £100,000 to £150,000 be proposed at the Annual General Meeting. Accordingly a resolution for this is set out in the Notice of Meeting on page 49.

Authority to Buy back Shares

The Company's existing authority to make purchases of up to 14.99% of the issued share capital will expire at the forthcoming Annual General Meeting. The Directors consider that the Company should continue to have authority to make market purchases of its own shares for cancellation or to be held in treasury. Accordingly, a special resolution will be proposed at the forthcoming Annual General Meeting to authorise the Company to make market purchases of up to 14.99% of the ordinary shares in issue at the date of the Annual General Meeting, such authority to expire on 7th March 2008 or if earlier at the conclusion of the Annual General Meeting in 2007.

Directors' Report continued

The Company will make market purchases in accordance with guidelines set by the Board and at all times at prices below the prevailing net asset value.

Authority to Allot Shares and Disapply Pre-Emption Rights

The current authority for Directors to allot authorised but unissued ordinary shares without first offering them to existing shareholders in accordance with statutory pre-emption procedure will expire at the forthcoming Annual General Meeting. 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 Annual General Meeting. This authority would only be exercised if Directors considered it to be in the best interest of the Company generally.

Auditors

KPMG Audit Plc, has expressed its willingness to continue in office as independent Auditors. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external Auditors. After careful consideration of the services provided to the Company 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 Auditors. Accordingly, resolutions are to be proposed at the forthcoming Annual General Meeting for their re-appointment and to authorise the Directors to agree their remuneration for the ensuing year.

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 Auditors are unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Annual General Meeting ("AGM")

Details of the 2006 AGM are set out in the Chairman's Statement on page 5 and the Notice of Meeting on pages 49 and 50.

By order of the Board.

Artemis Investment Management Limited,
Secretary

1st August 2006

Corporate Governance

Background

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

Compliance

It is the Board’s view that the Company has been compliant throughout the year under review, save for the exceptions explained below and its special circumstances as an investment trust company, with the provisions laid out in Section 1 of the Combined Code. This report sets out details of how the Company has applied the principles and complied with the provisions of the Combined Code during the year under review.

The Board considers adherence to the Combined Code to be of the utmost importance and strives to observe its principles. It should be noted that as an investment trust, 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 line with the agreed investment objective, and all other important issues to ensure that the Company’s affairs are operated 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 Directors, the Investment Manager and all third party service providers. No one individual has unfettered powers of decision. The Chairman, Mr Miller, was at the time of his appointment, and he remains, independent of the Investment Manager. The Chairman leads the Board and ensures its effectiveness on all aspects of its role ensuring that each Director receives accurate, timely and clear information enabling them to perform effectively as a Board. In addition, the Chairman is responsible for ensuring effective communication with shareholders.

The Board sets the parameters within which the Investment Manager operates. This includes decisions as to the purchase and sale of individual investments and to ensure that the Board receives all relevant management and financial information in a timely manner. Representatives of the Investment Manager attend each Board meeting enabling 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 Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

Board Composition

The Board comprises six Directors, all of whom are non-executive. As the Board is comprised solely of non-executive Directors, there is no chief executive position within the Company. The names of the Directors together with their biographical details are set out on page 12 of this report. All the Directors served throughout the year under review, with the exception of Mr Cross Brown who was appointed on 5th April 2006.

The Board considers that five of the six Directors are independent of the Investment Manager and comply with the criteria for independence as set out in the Combined Code. Mr Cross Brown is not deemed to be independent by virtue of his previous position as a non-executive director of the Investment Manager. All six Directors are deemed to be independent in character and judgement. The Nomination Committee meets annually to consider matters of independence.

Corporate Governance continued

During the year under review, the Nomination Committee considered the requirement for a Senior Independent Director. Having due regard to the principles of best practice and recognising the potential value of this post within the Company, the Nomination Committee recommended that a Senior Independent Director be appointed. In line with this recommendation, the Board appointed Mr Peel to fulfil this function.

Appointment of Directors and Performance Evaluation

Directors are appointed subject to the Companies Act provisions and the Company's Articles of Association. All Directors are subject to election by shareholders at the first Annual General Meeting ("AGM") following their appointment. Thereafter all Directors will be subject to re-election in accordance with the Articles of Association and taking account of the ongoing requirements of the Combined Code. No Director would serve more than three years in office without shareholder approval.

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 and at the Annual General Meeting.

During the year under review, the Board, led by the Nomination Committee, conducted a review of its performance as a Board and that of its Committees, the Chairman and individual Directors. This review was based on a process of self appraisal by interview, with the evaluation of the performance of the Chairman being undertaken by the other Directors.

Board Committees

In order to enable the Directors to discharge their duties, three Board Committees with written terms of reference have been established. Committee membership is set out on page 12 of this report. Attendance at meetings of the Committee 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. The Chairman of the Board acts as Chairman for the Committees, with the exception of the Audit Committee, which is chaired by Mr Barron. The Company Secretary acts as the Secretary to each Committee.

Audit Committee

The Audit Committee provides a forum through which the Company's Auditors report to the Board. The main responsibilities of the Audit Committee include monitoring the integrity of the financial statements and the appropriateness of its accounting policies; reviewing the internal control systems and the risks to which the Company is exposed; and making recommendations to the Board regarding the appointment of the Auditors, the independence of the Auditors and the objectivity and effectiveness of the audit process.

The Audit Committee monitors the non-audit services being provided to the Company by its Auditors and, in accordance with the recommendations of the Combined Code, a policy with 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 the financial services and other industries. In addition, the Committee's chairman, Mr Barron, is a chartered accountant.

Corporate Governance continued

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

The Company does not have an internal audit function as most of its day to day operations are delegated to third parties. Both the Investment Manager and Administrator have established 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, on a quarterly basis, any breaches of law or regulation as and when they arise. The Audit Committee considers annually whether there is need for an internal audit function, and it has agreed that it is appropriate for the Company to rely on the internal audit controls that exist within its third party providers.

Management Engagement Committee

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

Nomination Committee

The Nomination Committee meets at least annually and is responsible for identifying and nominating to the Board new Directors, and for proposing that existing Directors be re-elected. On those occasions when the Committee is reviewing the Chairman, or considering his successor, the Nomination Committee is chaired by another Committee member.

During the year under review, the Nomination Committee conducted a thorough review of the balance of skills and knowledge of the Board and concluded that the Company would benefit from the appointment of an additional Director with appropriate experience of the investment industry. The Committee identified Mr Cross Brown, who has a wealth of industry knowledge and experience, as a suitable candidate and did not consider it necessary to instruct a search consultancy, nor to use open advertising to consider alternative candidates. The Committee recommended Mr Cross Brown's appointment as a non-executive Director to the Board, which was approved to take effect from 5th April 2006.

Board and Committee Meetings and Attendance

Director	Board Meetings		Audit Committee Meetings		Management Engagement Committee Meetings		Nomination Committee Meetings		Annual General Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr S E C Miller	4	4	3	3	1	1	1	1	1	1
Mr D J Barron	4	4	3	3	1	1	1	1	1	1
Mr T Cross Brown ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr A D Dalrymple	4	3	3	3	1	1	1	1	1	0
Mr C E W Peel	4	4	3	3	1	1	1	1	1	1
Mr A W Sobczak	4	3	3	2	1	1	1	0	1	1

¹ Mr Cross Brown was appointed on 5th April 2006.

Corporate Governance continued

Directors' Remuneration

As the Company has no executive Directors, the Directors do not consider it appropriate to appoint a Remuneration Committee. In accordance with the Combined Code, the Board as a whole considers Directors' remuneration within the limits set by the Company's Articles of Association.

Board Succession Planning

In order to provide continuity when the longer serving members of the Board retire, the Directors have approved a timetable for Board succession planning. The Nomination Committee reviewed the tenure policy for Directors during the year and, in recognition of the value of experience gained by longevity of service, recommended to the Board that a nine year tenure policy be adopted, subject to rigorous review of individual Directors after six years of service. The Board approved and adopted this recommendation.

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.

Relations with Shareholders

The Board places a great deal of importance on communication with shareholders and Directors are always available to respond to shareholder queries. The Board aims to ensure that shareholders are kept fully informed of developments in the Company's business through the Annual and Interim Reports and *ad hoc* market announcements.

The Investment Manager produces a factsheet on a monthly basis, which contains a short commentary, in addition to portfolio and financial information, including the net asset value of the Company's shares. This can be found on the Investment Manager's website at www.artemisonline.co.uk.

The Company discloses the portfolio annually and announces all holdings of 5% or more of gross assets, and at least the ten largest holdings, as at each financial quarter end.

All shareholders are encouraged to attend and vote at the Annual General Meeting ("AGM"), during which the Board and the Investment Manager will be available to discuss issues affecting the Company. Proxy votes and abstentions are declared at each AGM. All Directors intend to attend this year's AGM, details of which are set out in the Notice of Meeting on pages 49 and 50 of this report.

Voting Policy

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

Internal Controls

The Board recognises its responsibility for the implementation, review and maintenance of effective systems of internal control to manage the risks to which the Company is exposed. As the majority of the Company's systems are maintained on behalf of the Company by third party providers under contract, the Board fulfils its obligations by requiring these service providers to report and provide assurances as to 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 assurances against material misstatement or loss. The Board does, however, ensure that these service providers are employed subject to clearly defined contracts.

Corporate Governance continued

As the main operations of the Company are delegated to third party service providers, and it has no employees, an internal audit function has not been established. The Investment Manager and Administrator have both 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 on 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. The Administrator also reports, on a quarterly basis, any breaches of law and regulation. This enables the Board to address any issues with 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 has carried out and documented a risk and control assessment, which was reviewed during the year and is kept under ongoing, and at least an annual, 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 Investment Management Limited (“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 is provided by BNP Paribas Fund Services UK Limited (“BNP Paribas”). BNP Paribas reports to the Board on a quarterly basis and *ad hoc* as appropriate. In addition, the Board reviews BNP Paribas’ annual audited report on its internal controls.
- The Board is aware of the whistleblowing procedures of Artemis and BNP Paribas, which are considered satisfactory.
- Safekeeping of the Company’s assets is undertaken by HSBC Global Investor Services.
- The Directors of the Company clearly define the duties and responsibilities of their 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 set by the Board.

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

Directors' Remuneration Report

The Directors are pleased to present their report on remuneration for the year ended 30th April 2006, in accordance with the Directors' Remuneration Report Regulations.

The Company's Auditors are required to verify certain information contained within the report. Where information set out below has been audited, it is clearly indicated. The Auditors' opinion is included in the Auditors' Report, which can be found on pages 26 and 27.

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 and the responsibilities borne by the Directors and should be sufficient to enable candidates of a high calibre to be recruited. Consideration is also given to a range of external information, including peer group comparisons and independent research.

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 and for the Directors' fees to be reviewed from time to time. The Board reviewed the level of the Directors' fees during the year taking into account fees payable to Directors of investment trust companies of a similar size and with a comparable investment objective, and in keeping with the increasing responsibilities of the Directors, concluded that it would be appropriate for the level of fees for the forthcoming year to be increased to £22,500 for the Chairman and £17,500 for the other Directors.

The Company's Articles of Association for the time being limit the fees payable to Directors to £100,000 per annum and a resolution is to be put to shareholders at the forthcoming Annual General Meeting, which, if approved, will increase this limit to £150,000.

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

The Board is comprised entirely 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.

As at 30th April 2006 the Board comprised six non-executive Directors, five of whom are deemed to be independent of the Investment Manager. In accordance with the Company's Articles of Association, new Directors are required to stand for election at the first Annual General Meeting following their appointment, and thereafter, are required to retire by rotation, so that over a three-year period all Directors would have retired from the Board and been offered up for re-election.

Director	Date of appointment	Due date for re-election
Mr S E C Miller	14th July 2003	AGM 2008
Mr D J Barron	17th February 2005	AGM 2008
Mr T Cross Brown*	5th April 2006	AGM 2007*
Mr A D Dalrymple	1st April 2004	AGM 2007
Mr C E W Peel	14th July 2003	AGM 2006
Mr A W Sobczak	29th March 2001	AGM 2006

* Mr Cross Brown stands for election at the first Annual General Meeting following his appointment during the year and if elected as a Director will be due to stand for re-election in 2007, as he is subject to annual re-election.

Directors' Remuneration Report continued

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 nor any entitlement to compensation for loss of office.

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.

Directors' Fees (Audited)

The information in this section has been subject to audit.

The Directors who served during the year to 30th April 2006 and 30th April 2005 received the following emoluments:

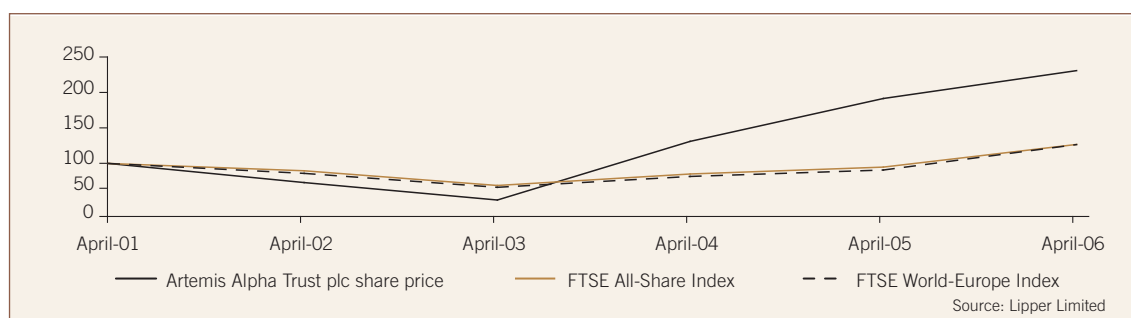
Director ¹	2006	2005
Mr S E C Miller	£17,500	£17,500
Mr D J Barron ²	£12,500	£2,514
Mr T Cross Brown ³	£1,199	-
Mr A D Dalrymple	£12,500	£12,500
Mr A J Greenwell	-	£4,446
Mr P G Metcalfe	-	£4,446
Mr C E W Peel	£12,500	£12,500
Mr A W Sobczak	£12,500	£12,500

¹ None of the Directors who are Directors of the Company's wholly owned subsidiaries, Alpha Securities Trading Limited and DMWS 504 Limited, received any remuneration from those companies.

² Mr Barron's fees are paid to charity.

³ Mr Cross Brown was appointed on 5th April 2006.

Performance Graph



Following the appointment of Artemis Investment Management Limited as the Company's Investment Manager, and the change of investment objective and policy on 1st June 2003, the Board considers the FTSE All-Share Index to be a more appropriate comparison for the Company (previously the FTSE World-Europe Index). In accordance with the Regulations, the performance graph above sets out the share price total return (assuming re-investment of dividends) to ordinary shareholders from 30th April 2001 to 30th April 2006 compared to the total return of notional investment in the FTSE All-Share Index and the FTSE World-Europe Index.

By order of the Board

Artemis Investment Management Limited

Secretary

1st August 2006

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Company financial statements, in accordance with applicable law and regulations.

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

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Company and the performance for that year; the Companies Act 1985 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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 comply with that law and those regulations.

Independent Auditors' Report

To the shareholders of Artemis Alpha Trust plc

We have audited the Group and Company financial statements (the "financial statements") of Artemis Alpha Trust plc for the year ended 30th April 2006 which comprise the Consolidated Income Statement, the Group and Company Balance Sheets, the Cash Flow Statements, Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and Accounts and the Group and Company financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU, and for preparing the Directors' Remuneration Report in accordance with applicable law are set out in the Statement of Directors' Responsibilities on page 25.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that information presented in the Financial Highlights, Chairman's Statement and Investment Manager's Review which is cross referenced from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

We read the other information contained in the Annual Report and Accounts and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

Independent Auditors' Report

To the shareholders of Artemis Alpha Trust plc

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30th April 2006 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 30th April 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Edinburgh, Scotland

1st August 2006

Consolidated Income Statement

For the year ended 30th April 2006

	Notes	Year ended 30th April 2006			Year ended 30th April 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	3	1,272	-	1,272	759	-	759
Other income	3	575	-	575	456	-	456
Total revenue		1,847	-	1,847	1,215	-	1,215
Gains on investments		-	19,003	19,003	-	19,411	19,411
(Losses)/gains on current asset investments		(23)	-	(23)	312	-	312
Currency losses		-	(50)	(50)	-	(13)	(13)
Total income		1,824	18,953	20,777	1,527	19,398	20,925
Expenses							
Investment management fees	4	(58)	(520)	(578)	(44)	(389)	(433)
Other expenses	5	(339)	-	(339)	(301)	(60)	(361)
Profit before finance costs and tax		1,427	18,433	19,860	1,182	18,949	20,131
Finance costs	6	(64)	(570)	(634)	(42)	(374)	(416)
Profit before tax		1,363	17,863	19,226	1,140	18,575	19,715
Tax	7	(154)	209	55	(82)	63	(19)
Profit for the year		1,209	18,072	19,281	1,058	18,638	19,696
Earnings per ordinary share (basic)	9	3.63p	54.21p	57.84p	3.42p	60.29p	63.71p
Earnings per ordinary share (diluted)	9	3.37p	50.31p	53.68p	3.23p	56.90p	60.13p

The total column of this statement represents the Income Statement of the Group, prepared in accordance with International Financial Reporting Standards ("IFRSs"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.

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

The notes on pages 32 to 47 form part of these financial statements.

Balance Sheets

As at 30th April 2006

	Notes	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Non-current assets					
Investments	10	87,511	95,755	74,415	81,946
Current assets					
Investments held by subsidiary		768	-	654	-
Other receivables	13	1,202	980	837	837
Cash and cash equivalents		7,994	7,866	2,907	-
		9,964	8,846	4,398	837
Total assets		97,475	104,601	78,813	82,783
Current liabilities					
Other payables	14	(2,158)	(9,284)	(2,378)	(6,348)
Bank loan	15	(11,500)	(11,500)	(11,500)	(11,500)
		(13,658)	(20,784)	(13,878)	(17,848)
Net assets		83,817	83,817	64,935	64,935
Equity attributable to equity holders					
Share capital	16	334	334	333	333
Share premium		23,984	23,984	23,912	23,912
Special reserve		8,208	8,208	8,208	8,208
Warrant reserve		1,299	1,299	1,101	1,101
Capital redemption reserve		2	2	2	2
Retained earnings - revenue		1,540	525	1,001	376
Retained earnings - capital	17	48,450	49,465	30,378	31,003
Total equity		83,817	83,817	64,935	64,935
Net asset value per ordinary share (basic)	18	251.26p		194.88p	
Net asset value per ordinary share (diluted)	18	229.67p		182.09p	

These financial statements were approved by the Board of Directors and signed on its behalf on 1st August 2006 by:

Simon Miller
Chairman

The notes on pages 32 to 47 form part of these financial statements.

Statements of Changes in Equity

For the year ended 30th April 2006

Group	Share capital	Share premium account	Special reserve	Warrant reserve	Capital redemption reserve	Retained earnings		Total
	£'000	£'000	£'000	£'000	£'000	Revenue	Capital	
For the year ended 30th April 2005								
At 1st May 2004	306	18,431	8,208	367	2	380	11,740	39,434
Profit for the year	-	-	-	-	-	1,058	18,698	19,756
Issue of manager warrants	-	-	-	734	-	-	-	734
Issue of shares	27	5,493	-	-	-	-	-	5,520
Expenses of share issue	-	(12)	-	-	-	-	(60)	(72)
Dividends paid and declared	-	-	-	-	-	(437)	-	(437)
At 30th April 2005	333	23,912	8,208	1,101	2	1,001	30,378	64,935
For the year ended 30th April 2006								
At 1st May 2005	333	23,912	8,208	1,101	2	1,001	30,378	64,935
Profit for the year	-	-	-	-	-	1,209	18,072	19,281
Issue of manager warrants	-	-	-	198	-	-	-	198
Issue of shares	1	72	-	-	-	-	-	73
Dividends paid and declared	-	-	-	-	-	(670)	-	(670)
At 30th April 2006	334	23,984	8,208	1,299	2	1,540	48,450	83,817

Company	Share capital	Share premium account	Special reserve	Warrant reserve	Capital redemption reserve	Retained earnings		Total
	£'000	£'000	£'000	£'000	£'000	Revenue	Capital	
For the year ended 30th April 2005								
At 1st May 2004	306	18,431	8,208	367	2	157	11,963	39,434
Profit for the year	-	-	-	-	-	656	19,100	19,756
Issue of manager warrants	-	-	-	734	-	-	-	734
Issue of shares	27	5,493	-	-	-	-	-	5,520
Expenses of share issue	-	(12)	-	-	-	-	(60)	(72)
Dividends paid and declared	-	-	-	-	-	(437)	-	(437)
At 30th April 2005	333	23,912	8,208	1,101	2	376	31,003	64,935
For the year ended 30th April 2006								
At 1st May 2005	333	23,912	8,208	1,101	2	376	31,003	64,935
Profit for the year	-	-	-	-	-	819	18,462	19,281
Issue of manager warrants	-	-	-	198	-	-	-	198
Issue of shares	1	72	-	-	-	-	-	73
Dividends paid and declared	-	-	-	-	-	(670)	-	(670)
At 30th April 2006	334	23,984	8,208	1,299	2	525	49,465	83,817

The notes on pages 32 to 47 form part of these financial statements.

Cash Flow Statements

For the year ended 30th April 2006

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Operating activities				
Profit before tax	19,226	19,281	19,715	19,715
Interest payable	634	634	416	416
Gains on investments	(19,003)	(19,539)	(19,411)	(19,876)
Net losses on foreign exchange	50	50	13	13
Net movement in current assets investments	23	-	(312)	-
(Increase)/decrease in other receivables	(313)	(312)	48	48
Increase in other payables	36	36	132	138
Overseas withholding tax recovered	-	-	3	3
Overseas tax received/(paid)	6	6	(26)	(26)
Net cash inflow from operating activities before interest and tax	659	156	578	431
Interest paid	(607)	(607)	(425)	(425)
Corporation tax paid	(445)	-	-	-
Net cash (outflow)/inflow from operating activities	(393)	(451)	153	6
Cashflow from investing activities				
Purchase of investments	(35,768)	(35,286)	(51,480)	(54,246)
Sales of investments	43,172	43,172	40,925	40,931
Net cash inflow/(outflow) from investing activities	7,404	7,886	(10,555)	(13,315)
Financing activities				
Issue of manager warrants	198	198	734	734
Dividends paid	(670)	(670)	(436)	(436)
Increase in bank loan	-	-	6,700	6,700
Increase in inter company loan	-	2,355	-	-
Share issue	73	73	-	-
Share issue expenses	(72)	(72)	-	-
Net cash (outflow)/inflow from financing activities	(471)	1,884	6,998	6,998
Net increase/(decrease) in cash and cash equivalents	6,540	9,319	(3,404)	(6,311)
Cash and cash equivalents at the start of the year	(10,096)	(13,003)	(5)	(5)
Effect of foreign exchange rate changes	50	50	13	13
Cashflow from increase in loans	-	-	(6,700)	(6,700)
Cash and cash equivalents at the end of the year	(3,506)	(3,634)	(10,096)	(13,003)
Bank overdraft	-	-	(1,503)	(1,503)
Bank loans	(11,500)	(11,500)	(11,500)	(11,500)
Cash and cash equivalents	7,994	7,866	2,907	-
	(3,506)	(3,634)	(10,096)	(13,003)

The notes on pages 32 to 47 form part of these financial statements.

Notes to the Financial Statements

1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of Section 842 of the Income and Corporation Taxes Act 1988 (“S842”).

2. Accounting policies

a) Basis of preparation

The Group’s financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union. The Company’s financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and with the provisions of the Companies Act 1985. 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 230 of the Companies Act 1985 not to publish its income statement and related notes.

The disclosures required by IFRS 1 “First Time Adoption of International Financial Reporting Standards” (“IFRS 1”) concerning the transition from UK GAAP to IFRSs are given in notes 22 and 23.

Where presentation guidance set out in the Statement of Recommended Practice (“SORP”) for investment trusts issued by the Association of Investment Trust Companies in December 2005 is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30th April 2006. There are no differences between the accounting policies applied in 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.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of Artemis Alpha Trust plc and the entities it controls (its subsidiaries) drawn up to 30th 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 inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

c) Presentation of consolidated income statement

In order to better reflect the activities of an investment trust company supplementary information, which analyses the Consolidated Income Statement between items of revenue and capital, has been presented alongside the Consolidated Income Statement. In accordance with the Company’s status as a UK investment company under Section 266 of the Companies Act 1985, net capital returns may not be distributed by way of a dividend.

Notes to the Financial Statements continued

d) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being investment business.

e) Investments

Investments are all held at fair value through profit or loss. Listed investments are measured initially at cost, and are recognised at trade date. Investments in subsidiary undertakings are stated in the Company's accounts at fair value.

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 prices without deduction for the estimated future selling cost. Unlisted investments are fair valued by the Directors using primary valuation methodologies such as earning multiples, recent transactions and net assets. Where fair value cannot reliably be measured the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired. In such cases the value will be reduced to reflect the estimated extent of impairment.

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.

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 held at fair value. Also included within this caption are transaction costs in relation to the purchase or sale of investments.

f) Income

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 yield basis.

Interest receivable from cash and short term deposits and interest payable is recognised on an effective yield basis.

g) Expenses and finance costs

All expenses 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.
- expenses are treated as capital where they are made in connection with the maintenance or enhancement of the value of the investments. As a result investment management fees and finance costs are allocated on the basis of 10% to revenue and 90% to capital.

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 S842 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

i) Cash and cash equivalents

Cash comprises current deposits and overdrafts with banks.

These are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

j) Dividends payable

Dividends are recognised from the date on which they are irrevocably committed to payment.

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 through 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 stated at their nominal value.

3. Income

	2006 £'000	2005 £'000
Investment income		
UK dividend income	663	604
UK fixed interest	591	-
Overseas unfranked investment income	18	155
	1,272	759
Other income		
Subsidiary undertaking's dealing profits	474	400
Bank interest	99	40
Other	2	16
	1,847	1,215
Total income comprises		
Dividends	1,272	759
Interest	99	40
Other income and dealing profits	476	416
	1,847	1,215
Income from investments		
Listed UK	663	604
Unlisted investments	591	-
Listed overseas	18	155
	1,272	759

Notes to the Financial Statements continued

4. Investment management fees

	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	50	448	498	38	339	377
Irrecoverable VAT thereon	8	72	80	6	50	56
	58	520	578	44	389	433

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to an annual fee payable quarterly in arrears at the rate of 0.75% per annum plus VAT, of the market capitalisation of the Company on the last business day of each quarter. This contract can be terminated at any date by either party giving 12 months' notice.

At 30th April 2006, an amount of £181,000 (plus VAT) was outstanding in respect of amounts due to the Investment Manager (2005: £155,000 plus VAT).

5. Other expenses

	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Auditors' remuneration for:						
Audit services	15	-	15	13	-	13
Non audit services	8	-	8	-	14	14
Directors' remuneration	69	-	69	66	-	66
Other	247	-	247	222	46	268
	339	-	339	301	60	361

6. Finance costs

	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overdraft interest	3	23	26	2	16	18
Loan interest payable	61	547	608	40	357	397
Loan utilisation and arrangement fees	-	-	-	-	1	1
	64	570	634	42	374	416

7. Tax

	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas tax suffered	-	-	-	19	-	19
Tax relief on expenses charged to capital	209	(209)	-	63	(63)	-
Prior year adjustment	(55)	-	(55)	-	-	-
	154	(209)	(55)	82	(63)	19

Notes to the Financial Statements continued

a) Factors affecting the tax charge

The tax assessed on the profit of the year is lower than the standard rate of corporation tax of 30% (2005: 30%). The differences are reconciled below:

	2006 £'000	2005 £'000
Profit before taxation	19,226	19,715
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	5,768	5,915
UK dividends not taxable	(198)	(181)
Gains on investments	(5,701)	(5,823)
Gains on current asset investments	7	(94)
Excess expenses for the year	433	300
Tax relief on capitalised expenses	(309)	(117)
Irrecoverable overseas tax and avoir fiscal	-	19
Prior year adjustment	(55)	-
Current year tax charge	(55)	19

Investment trust companies are exempt from corporation tax on capital gains provided the Company obtains agreement from HM Revenue & Customs that S842 tests have been met.

b) Factors that may affect future tax charges

The Company has excess management expenses of £2,014,000 (2005: £1,625,000) that are available to offset future taxable revenue together with eligible unrelieved foreign tax of £nil (2005: £50,000). No deferred tax asset has been recognised in respect of these amounts.

8. Dividends paid and proposed

	2006 £'000	2005 £'000
Second interim dividend for year ended 30th April 2004 (1.0p)	-	130
First interim dividend for year ended 30th April 2005 (1.0p)	-	306
Second interim dividend for year ended 30th April 2005 (1.1p)	336	-
First interim dividend for year ended 30th April 2006 (1.0p)	334	-
	670	436

Under IFRSs, dividends are not recognised until the period they are due to be paid and are shown through the movement in shareholders' funds. Therefore, the Statement of Changes in Equity for the year ended 30th April 2006 reflects the second interim for the year ended 30th April 2005 which was paid on 12th August 2005. For the year ended 30th April 2006, a first interim dividend of 1.0p has been paid and a second interim dividend of 1.2p per ordinary share will be paid on 31st August 2006. We also set out below the total dividends payable in respect of the financial year, which is the basis on which the requirements of S842 are considered.

	2006 £'000	2005 £'000
First interim dividend of 1.0p per ordinary share (2005: 1.0p)	334	306
Second interim dividend of 1.2p per ordinary share (2005: 1.1p)	400	336
	734	642

Notes to the Financial Statements continued

9. Earnings per ordinary share

The basic revenue earnings per ordinary share is based on the revenue profit for the year of £1,209,000 (2005: £1,058,000) and on 33,338,030 (2005: 30,914,756) ordinary shares, being the weighted average number of ordinary shares in issue during the year. The basic capital earnings per ordinary share is based on capital profits for the year of £18,072,000 (2005: gains of £18,638,000) and on 33,338,030 (2005: 30,914,756) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

For the purposes of calculating diluted revenue and capital earnings per ordinary share, the number of ordinary shares is the weighted average used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all manager warrants by reference to the average share price of the ordinary shares during the year. The calculations indicate that the exercise of warrants would result in an increase in the weighted average number of ordinary shares of 2,583,320 (2005: 1,844,066).

10. Non current assets – Investments

a) Valuation of investments

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Overseas quoted investments	17,058	17,058	7,698	7,698
UK quoted investments:				
Listed on London Stock Exchange	11,388	11,388	20,704	20,704
Listed on AIM	42,602	42,602	37,513	37,513
Fixed interest	224	224	-	-
Unlisted investments:				
Equities and warrants	12,800	12,800	7,453	7,276
Fixed interest	3,439	3,439	1,047	1,047
Subsidiary undertakings	-	8,244	-	7,708
	87,511	95,755	74,415	81,946

Notes to the Financial Statements continued

10. Non current assets – Investments continued

b) Movement in investments – Group

	2006			2005		
	Quoted £'000	Unlisted £'000	Total £'000	Quoted £'000	Unlisted £'000	Total £'000
Opening book cost	48,631	8,584	57,215	32,514	-	32,514
Opening unrealised appreciation/(depreciation)	17,284	(84)	17,200	7,085	-	7,085
Opening valuation	65,915	8,500	74,415	39,599	-	39,599
Movements in year:						
Purchases at cost	30,497	6,605	37,102	47,748	8,584	56,332
Sales - proceeds	(39,556)	(3,453)	(43,009)	(40,927)	-	(40,927)
- realised gains on sales	12,793	1,802	14,595	9,296	-	9,296
Increase/(decrease) in unrealised appreciation	1,623	2,785	4,408	10,199	(84)	10,115
Closing valuation	71,272	16,239	87,511	65,915	8,500	74,415
Closing book cost	52,365	13,538	65,903	48,631	8,584	57,215
Closing unrealised appreciation/(depreciation)	18,907	2,701	21,608	17,284	(84)	17,200
	71,272	16,239	87,511	65,915	8,500	74,415

c) Movement in investments – Company

	2006			2005		
	Quoted £'000	Unlisted £'000	Total £'000	Quoted £'000	Unlisted £'000	Total £'000
Opening book cost	48,631	15,427	64,058	32,514	-	32,514
Opening unrealised appreciation	17,284	604	17,888	7,085	223	7,308
Opening valuation	65,915	16,031	81,946	39,599	223	39,822
Movements in year:						
Purchases at cost	30,497	6,782	37,279	47,748	15,427	63,175
Sales - proceeds	(39,556)	(3,453)	(43,009)	(40,927)	-	(40,927)
- realised gains on sales	12,793	1,802	14,595	9,296	-	9,296
Increase in unrealised appreciation	1,623	3,321	4,944	10,199	381	10,580
Closing valuation	71,272	24,483	95,755	65,915	16,031	81,946
Closing book cost	52,365	20,558	72,923	48,631	15,427	64,058
Closing unrealised appreciation	18,907	3,925	22,832	17,284	604	17,888
	71,272	24,483	95,755	65,915	16,031	81,946

Notes to the Financial Statements continued

10. Investments continued

d) Gains on investments – Group

	2006 £'000	2005 £'000
Realised gains on sales of investments	14,595	9,296
Increase in unrealised appreciation	4,408	10,115
	<u>19,003</u>	<u>19,411</u>

e) Transaction costs

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

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Sales	123	117	127	119
Purchases	26	23	150	145
	<u>149</u>	<u>140</u>	<u>277</u>	<u>264</u>

11. Investment in subsidiary undertakings

	% of ordinary share capital held	Principal activity	Country of incorporation and operation
Alpha Securities Trading Limited	100	Investment dealing	England
DMWS 504 Limited	100	Holding company	Scotland

Investments in subsidiary undertakings are held at fair value, which is deemed to be the net assets of each company. Listed investments held by Alpha Securities Trading Limited are measured at their quoted bid prices.

Notes to the Financial Statements continued

12. Significant interests

At 30th April 2006 the Company held shares amounting to 3% or more of the nominal value of any class of share capital of the following companies, not being participating interests:

Investment	Class held	% of class held
Hawk Group	A Ordinary	12.5
Redhall Group	Ordinary	10.5
Gasol	Ordinary	8.2
Hurricane Exploration	Ordinary	7.5
Lamp Group	Ordinary	7.5
Suroco Energy	Ordinary	6.9
Buildstore	Ordinary	6.2
Sound Oil	Ordinary	6.1
Genesis Petroleum	Ordinary	5.8
Amazing Holdings	Ordinary	5.2
Tersus Energy	Ordinary	5.1
Rambler Metals & Mining	Ordinary	4.8
Solana Resources	Ordinary	4.6
Ondine Biopharma	Ordinary	4.5
Xceldiam	Ordinary	3.8
Re-energy Group	Ordinary	3.7
GTL Resources	Ordinary	3.5
Neptune Minerals	Ordinary	3.5
Hichens Harrison	Ordinary	3.3
York Pharma	Ordinary	3.3
TSI	Ordinary	3.2

13. Other receivables

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Amounts due from brokers	750	553	716	716
Prepayments and accrued income	418	417	112	112
Taxation recoverable	24	-	6	6
Other debtors	10	10	3	3
	1,202	980	837	837

Notes to the Financial Statements continued

14. Other payables

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Bank overdrafts	-	-	1,503	1,503
Amounts due to subsidiary undertakings	-	7,156	-	4,490
Amounts due to brokers	1,782	1,782	-	-
Accruals	376	346	399	355
Corporation tax due	-	-	476	-
	2,158	9,284	2,378	6,348

15. Bank loan

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Bank loan	11,500	11,500	11,500	11,500
	11,500	11,500	11,500	11,500

The above loan has been advanced to the Company by the Royal Bank of Scotland plc under an £11.5 million 364 day multi-currency revolving credit facility.

16. Share capital and manager warrants

a) Share capital

	2006 £'000	2005 £'000
Authorised:		
60,000,000 ordinary shares of 1 penny each (2005: 60,000,000)	600	600
Allotted, called up and fully paid:		
33,358,488 ordinary shares of 1 penny each (2005: 33,320,799)	334	333

	Number	£000s
Shares issued during the year		
Shares in issue on 1st May 2005	33,320,799	333
Shares issued on 3rd November 2005	530	-
Shares issued on 10th November 2005	14,397	-
Shares issued on 17th November 2005	22,762	1
Shares in issue on 30th April 2006	33,358,488	334

Notes to the Financial Statements continued

16. Share capital and manager warrants continued

b) Manager warrants

	Number	Issue price (pence)	Exercise price (pence)
Issued on 27th October 2003	2,609,939	14.0736	87.96
Issued on 7th October 2004	3,508,750	20.9104	130.69
Issued on 24th March 2006	553,008	35.8016	223.76
Manager warrants in issue on 30th April 2006	6,671,697		

Each manager warrant entitles a holder to subscribe for shares in the Company at specific subscription dates (being the last business days in March and September up to and including September 2013) and on the occurrence of certain events. The warrants were issued at their fair value. In arriving at this, the Board received financial advice from Bridgewell Group plc, the Company's stockbroker.

17. Retained earnings – Capital

	Capital reserve- realised £'000	Group Capital reserve- unrealised £'000	Capital reserve £'000	Capital reserve- realised £'000	Company Capital reserve- unrealised £'000	Capital reserve £'000
Balance at 1st May 2004	4,655	7,085	11,740	4,655	7,308	11,963
Expenses of share issue	(60)	-	(60)	(60)	-	(60)
Movement in unrealised appreciation	-	10,115	10,115	-	10,580	10,580
Net gain on realisation of investments	9,296	-	9,296	9,296	-	9,296
Exchange loss on capital items	(13)	-	(13)	(13)	-	(13)
Costs charged to capital (net of tax relief)	(700)	-	(700)	(763)	-	(763)
Balance at 30th April 2005	13,178	17,200	30,378	13,115	17,888	31,003
Balance at 1st May 2005	13,178	17,200	30,378	13,115	17,888	31,003
Increase in unrealised appreciation	-	4,408	4,408	-	4,944	4,944
Net gain on realisation of investments	14,595	-	14,595	14,595	-	14,595
Exchange loss on capital items	(50)	-	(50)	(50)	-	(50)
Costs charged to capital (net of tax relief)	(881)	-	(881)	(1,027)	-	(1,027)
Balance at 30th April 2006	26,842	21,608	48,450	26,633	22,832	49,465

18. Net asset value per ordinary share

The basic net asset value per ordinary share is based on net assets of £83,817,000 (2005: £64,935,000) and on 33,358,488 (2005: 33,320,799) shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per ordinary share has been calculated on the assumption that the 6,671,697 manager warrants (2005: 6,118,689) in issue were exercised resulting in a total of 40,030,185 ordinary shares in issue (2005: 39,439,488).

19. Financial commitments

At 30th April 2006, the Group and Company did not have any financial commitments which had not been accrued (2005: nil).

Notes to the Financial Statements continued

20. 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, bonds and warrants; these and cash balances and a bank loan are held to achieve its investment objective as well as debtors and creditors that arise from its operations, for example sales and purchases of securities awaiting settlement and debtors for accrued income.

The principal risks the Group faces through the holding of financial instruments are:

- Market price risk;
- Foreign currency risk;
- Interest rate risk; and
- Liquidity/marketability risk.

The Directors do not consider that the Group has significant exposure to credit risk. The Investment Manager regularly monitors the financial risks affecting the Group. The Directors receive financial information on a monthly basis which is used to identify and monitor risk.

As required by IAS 32: Financial Instruments: Disclosure and Presentation, an analysis of financial assets and liabilities, which identifies the risk to the Group of holding such items is given below.

Financial assets

The Group holds fixed asset investments and cash balances in order to meet its investment objective.

Market price risk

Since it has been the Group's policy to invest in mainly UK and selected international investments, the Group was exposed to the risk of movement in exchange rates as well as market price fluctuations and their associated risk. A geographical analysis of the portfolio is given on page 11. The investment approach along with the Investment Manager's consideration of market risk is discussed in further detail in the Investment Manager's review on pages 6 and 7.

Foreign currency risk

The Group operates sterling and US dollar bank accounts. Exchange gains or losses 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.

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

	Investments at 30th April 2006 £'000	Investments at 30th April 2005 £'000	Net monetary assets at 30th April 2006 £'000	Net monetary assets at 30th April 2005 £'000
Canadian dollar	11,312	7,445	-	-
US dollar	4,187	-	-	677
Norwegian kroner	3,391	-	-	-
Euro	3,121	1,818	-	-
Australian dollar	2,714	360	-	-
Danish kroner	1,034	1,010	-	-
	25,759	10,633	-	677

Notes to the Financial Statements continued

20. Financial instruments continued

Interest rate risk

The benchmark that determines the interest paid on the cash balances is the UK bank base rate, which was 4.5% at 30th April 2006 (2005: 4.75%).

	Floating rate 2006 £'000	Floating rate 2005 £'000	Non interest bearing 2006 £'000	Non interest bearing 2005 £'000
Sterling	7,972	2,907	61,752	63,782
Canadian dollar	-	-	11,312	7,445
US dollar	-	-	4,187	-
Norwegian kroner	-	-	3,391	-
Euro	-	-	3,121	1,818
Australian dollar	-	-	2,714	360
Danish kroner	-	-	1,034	1,010
	7,972	2,907	87,511	74,415

During the year the Group held fixed interest securities. At the year end all interest on fixed interest securities was accrued, not paid.

Liquidity risk

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 Group also has an unsecured £11.5 million multi-currency revolving credit facility for short-term flexibility. This financial liability is discussed in further detail below.

Financial liabilities

The Group primarily finances its operations all through equity, retained profits and bank borrowings. As at 30th April 2006, the Group had drawn down £11.5 million of its £11.5 million committed 364 multi-currency revolving credit facility with The Royal Bank of Scotland plc (30th April 2005: £11.5 million). All tranches drawn down have been in sterling. 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 loan is included in current liabilities. At the year end, interest was accruing at 5.18% (2005: 5.491%) per annum and was payable on 12th May 2006, the date at which the outstanding loan can be rolled over. There was no interest rate risk associated with other short term creditors at 30th April 2006 or 30th April 2005.

At both 30th April 2006 and 30th April 2005, all financial liabilities were due within one year and payable in sterling.

21. 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 4. 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 £451,000 (2005: £398,000) excess management expenses without payment to Alpha Securities Trading Limited. 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 £177,000 (2005: £4,454,000). Outstanding balances are set out in note 14.

Notes to the Financial Statements continued

22. Explanation of transition to IFRSs

a) Reconciliation of equity at 30th April 2005

The Company has adopted IFRSs in respect of the year ended 30th April 2006. In accordance with with IFRS 1 “First Time Adoption of Financial Reporting Standards” the following is a reconciliation of the figures at 30th April 2005 which were previously reported under the applicable UK Accounting Standards.

	Reference	Group			Company		
		Previously reported UK GAAP 30th April 2005	adjustments	IFRSs 30th April 2005	Previously reported UK GAAP 30th April 2005	adjustments	IFRSs 30th April 2005
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets							
Investments	(i)	74,593	(178)	74,415	74,416	(178)	74,238
Investment in subsidiary undertakings	(ii)	-	-	-	7,020	688	7,708
Current assets	(ii)	4,058	340	4,398	837	-	837
Creditors: amounts falling due within one year	(iii)	(14,214)	336	(13,878)	(18,184)	336	(17,848)
Total assets less current liabilities		64,437	498	64,935	64,089	846	64,935
Capital and reserves							
Share capital		333	-	333	333	-	333
Share premium		23,912	-	23,912	23,912	-	23,912
Special reserve		8,208	-	8,208	8,208	-	8,208
Warrant reserve		1,101	-	1,101	1,101	-	1,101
Capital redemption reserve		2	-	2	2	-	2
Retained earnings – revenue	(iv)	325	676	1,001	40	336	376
Retained earnings – capital	(iv)	30,556	(178)	30,378	30,493	510	31,003
		64,437	498	64,935	64,089	846	64,935
Net asset value per ordinary share		193.38	1.50	194.88			

b) Reconciliation of the Consolidated Statement of Total Return to the Income Statement for the year ended 30th April 2005

Under IFRSs, the Income Statement is the equivalent of the Statement of Total Return as reported previously.

	£'000	Return per ordinary share
Total transfer to reserve per consolidated statement of total return	18,771	62.79
Add back dividends on ordinary shares	642	-
Change from mid to bid basis at 30th April 2004	143	-
Change from mid to bid basis at 30th April 2005	(178)	-
Change in valuation of current asset investments at 30th April 2004	(22)	-
Change in valuation of current asset investments at 30th April 2005	340	-
Profit for the year per consolidated income statement	19,696	63.71

Notes to the Financial Statements continued

22. Explanation of transition to IFRSs continued

c) Reconciliation of the Cash Flow Statement for the year ended 30th April 2005

	Reference	Previously reported UK GAAP 2005 £'000	Effect of transition to IFRSs £'000	IFRSs 2005 £'000
Net cash inflow from operating activities	(v)	578	(425)	153
Returns on investments and servicing of finance	(v)	(10,980)	425	(10,555)
Equity dividends paid	(vi)	(436)	436	-
Net cash inflow before financing		(10,838)	436	(10,402)
Financing	(vi)	7,434	(436)	6,998
Decrease in cash		(3,404)	-	(3,404)

The above reconciliation shows the re-allocation of amounts within the cash flow statement and the actual cash flows remain unchanged.

References are shown in note 23.

23. Reconciliation of opening balances at 1st May 2004

The Company has adopted International Financial Reporting Standards in respect of the year ended 30th April 2006. In accordance with with IFRS 1 "First Time Adoption of Financial Reporting Standards" the following is a reconciliation of the figures at 30th April 2004, the date of the Group's transition to IFRSs, which were previously reported under the applicable UK Accounting Standards.

	Reference	Group			Company		
		Previously reported UK GAAP 30th April 2004	IFRSs 30th April 2004	IFRSs 30th April 2004	Previously reported UK GAAP 30th April 2004	IFRSs 30th April 2004	IFRSs 30th April 2004
		£'000	adjustments £'000	£'000	£'000	adjustments £'000	£'000
Fixed assets							
Investments	(i)	39,742	(143)	39,599	39,742	(143)	39,599
Investments in subsidiary undertaking	(ii)	-	-	-	-	223	223
Current assets	(ii)	5,873	22	5,895	5,673	-	5,673
Creditors: amounts falling due within one year	(iii)	(6,191)	131	(6,060)	(6,192)	131	(6,061)
Total assets less current liabilities		39,424	10	39,434	39,223	211	39,434
Capital and reserves							
Share capital		306	-	306	306	-	306
Share premium		18,431	-	18,431	18,431	-	18,431
Special reserve		8,208	-	8,208	8,208	-	8,208
Warrant reserve		367	-	367	367	-	367
Capital redemption reserve		2	-	2	2	-	2
Retained earnings – revenue	(iv)	227	153	380	26	131	157
Retained earnings – capital	(iv)	11,883	(143)	11,740	11,883	80	11,963
		39,424	10	39,434	39,223	211	39,434
Net asset value per ordinary share		128.86	0.04	128.90			

Notes to the Financial Statements continued

23. Reconciliation of opening balances at 1st May 2004 continued

Reference to the reconciliations

- (i) Non-current assets investments are all classified as held at fair value under IFRSs and are carried at bid prices which equates to their fair value. They were previously carried at mid market prices. The resultant difference is included in retained earnings.
- (ii) Current asset investments are classified as held at fair value under IFRSs and are carried at bid prices which equates to their fair value. They were previously carried at the lower of cost or mid-market value. The resultant difference is included in retained earnings.
- (iii) No provision has been made for any dividend relating to the year end that was not declared and approved until after the balance sheet date. Under IFRSs dividends are not recognised until they are irrevocably committed for payment. Dividends previously accrued under UK GAAP have been adjusted accordingly.
- (iv) Under IFRSs, there is no differentiation between “capital” and “revenue gains/losses”. The previous headings of “Capital reserve – realised” and “Capital reserve – unrealised” are now included under the heading “Retained earnings – capital”.
- (v) Bank interest paid is now shown under operating activities rather than servicing of finance.
- (vi) Equity dividends are now disclosed under financing.

Investment Manager, Secretary and Advisers

Investment Manager and Secretary

Artemis Investment Management Limited
42 Melville Street
Edinburgh EH3 7HA

Registered Office

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

Tel: 0800 092 2051

Email: investorsupport@artemisfunds.com

Website: www.artemisonline.co.uk

Administrator

BNP Paribas Fund Services UK Limited
55 Moorgate
London EC2R 6PA

Tel: 020 7410 4186

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Registrar and Transfer Office

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

Shareholders enquiries: 0870 162 3100

Banker

HSBC Bank PLC
International Branch
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London EC2P 2BX

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Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Custodian

HSBC Global Investor Services
Mariner House
Pepys Street
London EC3N 4DA

Stockbroker

Bridgewell Group plc
3rd Floor
Old Change House
128 Queen Victoria Street
London EC4V 4BJ

Solicitors

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

A member of the Association of Investment Trust Companies.

An investment company as defined under Sections 265 and 266 of the Companies Act 1985.

Registered in England No. 253644

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Artemis Alpha Trust plc will be held at the offices of Artemis Investment Management Limited, 42 Melville Street, Edinburgh EH3 7HA, on Thursday, 7th September 2006 at 12 noon for the purposes of transacting the following business:

Ordinary Resolutions

- Resolution 1 To receive the Report of the Directors and the audited Accounts for the year ended 30th April 2006.
- Resolution 2 To approve the Directors' Remuneration Report for the year ended 30th April 2006.
- Resolution 3 To elect Mr Cross Brown as a Director*.
- Resolution 4 To re-elect Mr Peel as a Director*.
- Resolution 5 To re-elect Mr Sobczak as a Director*.
- Resolution 6 To re-appoint KPMG Audit plc as independent auditors of the Company and to authorise the Directors to fix their remuneration.
- Resolution 7 To approve an increase in the maximum amount of fees permitted to be paid to Directors per annum from £100,000 in aggregate to £150,000 in aggregate in accordance with the Articles of Association.

Special Resolutions

- Resolution 8 THAT, in substitution for all existing powers, the Directors be and are hereby generally empowered, pursuant to Section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority to allot shares conferred on them by an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 10th December 2003 or otherwise as if subsection (1) of Section 89 of the Act did not apply to any such allotment and to sell or transfer relevant shares (within the meaning of Section 94 of the Act) if, immediately before the sale or transfer, such shares are held by the Company as treasury shares (as defined in section 162A of the Act) ("treasury shares for cash") as if subsection (1) of Section 89 of the Act did not apply to any such sale or transfer provided that this power:
- (a) expires at the end of the next annual general meeting of the Company in 2007, but the Company may make an offer or agreement which would or might require equity securities to be allotted or treasury shares sold or transferred after expiry of this power and the Directors may allot equity securities or sell or transfer treasury shares in pursuance of that offer or agreement as if this power had not expired; and
 - (b) shall be limited to the allotment of equity securities and the sale or transfer of treasury shares;
 - (i) in connection with a *pro rata* issue, sale or transfer in favour of the holders of ordinary shares where the equity securities respectively attributed to the interests of all the holders of ordinary shares of 1 penny each in the Company are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws or any territory or the requirements of a regulatory body or stock exchange;
 - (ii) pursuant to the Manager Warrant Agreements dated 2nd September 2003, 7th September 2004 and 8th February 2006, in each case, between the Company and Artemis Investment Management Limited; and
 - (iii) (otherwise than pursuant to paragraphs (i) and (ii) above) up to an aggregate nominal value of £166,792, being 50% of the Company's issued ordinary share capital as at 1st August 2006.

Notice of Annual General Meeting continued

- Resolution 9 THAT, the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares of 1 penny each in the capital of the Company (either for retention as treasury shares for future reissue and resale or transfer, or Cancellation) provided that:
- (a) the maximum number of ordinary shares authorised to be purchased shall be 14.99% of the issued ordinary share capital as at the date of this resolution;
 - (b) the minimum price which may be paid for each ordinary share shall be 1 penny;
 - (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be not more than 5% above the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately before the purchase is made; and
 - (d) unless varied, revoked or renewed, the authority hereby conferred shall expire on 7th March 2008 or if earlier at the conclusion of the next Annual General Meeting of the Company, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board

Artemis Investment Management Limited

Secretary

1st August 2006

Registered office:

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

* The Directors' biographies can be found on page 12.

These agreements are available for inspection at the registered office of the Company.

Notes

Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), Members must be registered on the Company's Register of Members at 12 noon on Tuesday, 5th September 2006. If the meeting is adjourned to a time not more than 48 hours after the specific time applicable to the original meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, Members must be entered into the Company's Register of Members at a time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at a time specified in the notice.

A member entitled to vote at this meeting may appoint one or more proxies to attend and vote in his or her stead. A proxy need not be a member of the Company. To be effective, forms or proxy must be lodged with the Company's Registrars, Capita Registrars, (Proxy Department), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

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

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

- (a) a statement of all transactions of each Director and of their family interests in the share capital of the Company; and
- (b) the Memorandum and Articles of Association.

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

Form of Proxy

Artemis Alpha Trust plc

For use at the Annual General Meeting of Artemis Alpha Trust plc to be held on Thursday, 7th September 2006 at 12 noon at the offices of Artemis Investment Management Limited, 42 Melville Street, Edinburgh, EH3 7HA.

I/We*

(*Delete as appropriate) (BLOCK LETTERS PLEASE)

of

being the holder(s) of ordinary shares of 1 penny each in the capital of the above named Company, hereby appoint the Chairman of the meeting (see note 2)

or

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12 noon at the offices of Artemis Investment Management Limited, 42 Melville Street, Edinburgh EH3 7HA on Thursday, 7th September 2006, and at any adjournment thereof.

I/We desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast. Full details of the resolutions are set out in the Notice of Annual General Meeting.

	For*	Against*	Vote Withheld* (See note 1)	Discretionary
Ordinary Resolutions				
1. To receive the Report of the Directors and the audited financial statements for the year ended 30th April 2006.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report for the year ended 30th April 2006.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mr Cross Brown as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr Peel as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr Sobczak as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint KPMG Audit Plc as the Auditors of the Company and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise an increase in the maximum amount of fees permitted to be paid to Directors in accordance with the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolutions				
8. To authorise the Directors allot equity shares and to disapply statutory pre-emption rights to the extent provided for in the text of the resolution.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to make market purchases of the Company's own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s) Dated 2006

Notes

- The "Vote Withheld" option is provided to enable you to abstain on any particular resolution. It should be noted that a "Vote Withheld" is not a vote by law and will not be counted in the calculation of the votes "For" and "Against" a resolution.
- A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" and insert the name of the person appointed proxy in the space provided.
- If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on its behalf.
- In the case of joint holders, the signature of any one holder will be sufficient, but the name of the joint holders should all be stated.
- If this form is returned without any indication as to how the person appointed proxy shall vote and in relation to any adjournment or other motions passed at the meeting, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
- To be valid, this form must be completed and deposited at the office of the Registrar of the Company not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
- The completion of a proxy does not preclude a member from subsequently attending the meeting and voting at the meeting in person.
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that, to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Company's register of members at 12 noon on 5th September 2006. If the meeting is adjourned, then to be so entitled, members must be entered on the Company's register of members 48 hours before the time of any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting, as the case may be. Postage has been paid.

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Authorised and regulated by the Financial Services Authority

