

Artemis Alpha Trust plc

Interim Report

for the six months ended 31st October 2006



Contents

Group Summary	1
Financial Highlights	2
Chairman's Statement	3
Investment Manager's Report	5
Investment Portfolio – Top Twenty Investments	6
Consolidated Income Statement	7
Consolidated Balance Sheet	8
Consolidated Statement of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11
General Information	14

Group Summary

Objective and Policy

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

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

Capital Structure

The capital structure of Artemis Alpha Trust plc as at 31st October 2006 consisted of 33,233,488 Ordinary shares of 1p each and 6,671,697 Manager Warrants.

The Ordinary shares give shareholders the entitlement to all of the capital growth in the Company's assets (subject to any dilution on any exercise of the Manager Warrants) and income receivable from the portfolio.

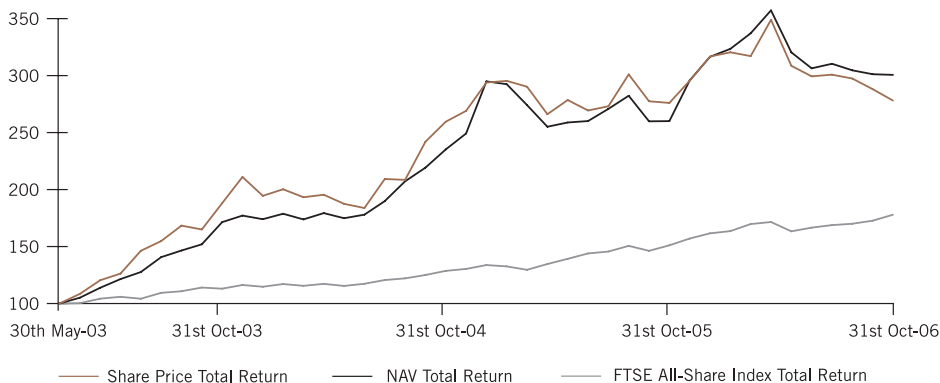
The Manager Warrants were issued in three tranches, as follows:

- 2,609,939 Manager Warrants were issued in 2003 at a price of 14.0736p per warrant. These Manager Warrants entitle the holders to subscribe for new Ordinary shares in the Company at an exercise price of 87.96p per Ordinary share.
- 3,508,750 New Manager Warrants were issued in 2004 at a price of 20.9104p per warrant. These Manager Warrants entitle the holders to subscribe for new Ordinary shares in the Company at an exercise price of 130.69p per Ordinary share.
- 553,008 New Manager Warrants were issued in 2006 at a price of 35.8016p per warrant. These Manager Warrants entitle the holders to subscribe for new Ordinary shares in the Company at an exercise price of 223.76p per Ordinary share.

The warrants are exercisable on the last business day in March and September of each year up to 2013.

Financial Highlights

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



Key Data

	As at 31st October 2006	As at 30th April 2006	As at 31st October 2005
Capital values			
Net asset value per ordinary share (basic)	210.27p	251.26p	183.67p
Net asset value per ordinary share (diluted)	195.06p	229.67p	172.62p
Share price	186.75p	235.75p	188.50p
(Discount)/premium to diluted NAV	(4.3)%	2.6%	9.2%
FTSE All-Share (capital)	3,140.47	3,074.26	2,664.40
FTSE All-Share (total)	3,629.36	3,498.93	2,983.20

Performance

	Six months ended 31st October 2006	Year ended 31st October 2006	Period from 30th May 2003 to 31st October 2006
Net asset value per Ordinary share (basic)	(15.8)%	15.7%	200.6%
Net asset value per Ordinary share (diluted)	(14.5)%	14.3%	179.4%
Share price	(20.3)%	0.2%	178.1%
FTSE All-Share (capital return)	2.1%	17.9%	59.5%
FTSE All-Share	3.7%	21.7%	77.9%

Source: Artemis/Lipper – total returns unless stated otherwise.

Chairman's Statement

Performance

The six months to 31st October 2006 has been a difficult period for your Company. The diluted net asset value has fallen from its year end value of 229.67p to 195.06p, a fall of 15.1% on a capital basis and minus 14.5% on a total return basis, taking dividends into account. Whilst it is always disappointing to report a period of poor performance, it should be viewed in the context of the Company's objective of producing above average rates of return over the longer term. Since the appointment of Artemis Investment Management as the Company's investment manager, the diluted net asset value has risen by 179.4%. At the time of writing, the Company's diluted net asset value stood at 213.84p per ordinary share.

The Company's significant exposure to the oil & gas sector had the largest influence on performance over the six months to 31st October 2006. With the oil price falling sharply from its summer high, many companies' share prices have fallen and this in turn has adversely affected your Company's net asset value.

Another feature of the market over recent months has been greater investor appetite for larger cap stocks over smaller caps and those traded on AIM. The Company's exposure to smaller caps, particularly AIM traded companies has had a negative bearing on the performance. The divergence of performance between the large and small caps over the reporting period is illustrated by the rise in the FTSE 100 Index 2.8% in contrast to the FTSE AIM All Share Index which fell by 20.3%.

Of the Company's small cap investments, a number are in unlisted companies. Investment is often made at a pre IPO stage and your Manager believes that this will continue to provide good investment opportunities. Subsequent to the reporting period end, one of the unlisted investments, Salamander Energy, listed on the London Stock Exchange, and this produced an uplift over cost of approximately £2.3 million. At the time of writing the Company's exposure to unlisted investments represented 19% of net assets, when valued at the lower of cost or realisable value and 23% at their fair value, as determined by the Directors.

The Company is subject to an investment constraint that restricts investment in unlisted securities to the extent that such investments will not exceed 10% of the net asset value, unless otherwise authorised by the Board. As the Board considers the opportunities available to the Manager in the unlisted sector to be attractive, it has waived this investment constraint and has given the Manager the ability to invest up to 30% of net assets. The Board intends to formalise this arrangement by putting a resolution to shareholders at next year's annual general meeting.

Dividends

Your Board has declared a first interim dividend for the year to 30th April 2007 of 1.0p per ordinary share. This dividend has been maintained at the same level as last year and it is intended that any increase in total dividends for the year to 30th April 2007 will be reflected in the second interim for the year.

The first interim dividend will be paid on 16th February 2007, to shareholders on the register at close of business on 19th January 2007.

Chairman's Statement continued

Buy Back of Shares

During the period the Company utilised its authority to buy back its own shares by acquiring 125,000 shares at a cost of £234,000. These shares were bought at a discount to the diluted net asset value of around 4.1% and will be held in treasury.

Investment Plan

The Company's shares can be acquired in a cost effective manner through the Investment Plan, which features a lump sum and regular monthly investment options. Further details and documentation can be obtained from the Manager's web site at www.artemisonline.co.uk/pdf/brochures/alphatrustinvestmentplan.pdf, or by contacting the Manager on 0800 092 2051.

Outlook

Your Board continues to remain relatively cautious about the market, and slowing economic growth, rising interest rates and continuing geopolitical tensions reinforce this viewpoint. Conversely there are substantial funds awaiting investment, in particular from the private equity sector and this should provide continuing support for equity markets. Equities therefore appear to offer reasonable value relative to other asset classes, and the Board believes that the Company's broad investment policy will identify investment opportunities which will ensure continued growth in the Company's net assets.

Simon Miller
Chairman

8th January 2007

Investment Manager's Report

Review of the Period

Our strategy to focus on the oil exploration sector started well but a combination of over exuberance on valuation, disappointing corporate news and drilling announcements caused a massive de-rating of the sector. Against a background of a falling oil price over the summer, it has been impossible to make the returns we have been in need of.

From a stock selection overview we have continued to have successes such as Petrohunter and Salamander Energy, but these have been overshadowed by the underperformance of Solana Resources, whose management team promised much but have delivered nothing but disappointment, a common trait in this sector. Although we have reduced our exposure to the sector, our feeling is not to give up but try harder to identify the less speculative investment.

Amongst our other large investments we have had good news, such as the bid for Whitehead Mann and the re-rating of uranium companies such as Urasia Energy and Geiger Counter. But like any focussed, best ideas portfolio, we have been wrong with companies such as Blueheath and Healthcare Enterprises.

Within the unquoted portfolio, the largest holding remains Artemis Investment Management. I am pleased to report this business continues to grow and provides the potential of higher re-rating within the portfolio. We have added to our financial exposure by buying a holding in BlueBay Asset Management, the growing credit asset management business, which offers considerable growth opportunities in this sector.

Outlook

At the time of writing, the UK stock market continues to look an attractive place to invest and make money. The usual risk caveats apply such as the US deficit, inflation and the ongoing issues of world security, but we have been in this situation for a long time.

The underlying portfolio offers the best ideas of our investment team and there will be fallow periods but unlike many investment funds the managers have a direct interest in making the Company's portfolio perform.

John Dodd
Artemis Investment Management Limited
8th January 2007

Investment Portfolio – Top Twenty Investments

As at 31st October 2006

Company	Sector	Country	Market Value £'000	% of Portfolio
Artemis Investment Management*	General Financial	UK	4,920	6.3
Petrohunter Energy	Oil & Gas Producers	USA	3,564	4.5
Salamander Energy*†	Oil & Gas Producers	UK	3,090	3.9
McCroft Tobacco*	Tobacco	Guernsey	2,622	3.3
Revus Energy	Oil & Gas Producers	Norway	2,093	2.7
Ondine Biopharma	Pharmaceuticals & Biotechnology	Canada	2,018	2.6
Geopark Holdings	Oil & Gas Producers	Bermuda	1,986	2.5
New Star Asset Management	General Financial	UK	1,885	2.4
R.E.A. Holdings	Food Producers	UK	1,858	2.4
Domestic & General	Non Life Insurance	UK	1,698	2.2
Top 10 investments			25,734	32.8
ACP Capital	General Financial	UK	1,620	2.1
Solana Resources	Oil & Gas Producers	Canada	1,608	2.0
Redhall Group	Industrial Engineering	UK	1,595	2.0
Afren	Oil & Gas Producers	UK	1,528	1.9
Urasia Energy	Mining	Canada	1,470	1.9
Geiger Counter	Equity Instrument Investments	UK	1,432	1.8
Whitehead Mann Group	Support Services	UK	1,419	1.8
Aricom	Mining	UK	1,377	1.7
Clarkson (Horace)	Industrial Transportation	UK	1,242	1.6
Amazing Holdings	Travel & Leisure	UK	1,224	1.6
Top 20 investments			40,249	51.2
Other investments (69)			38,313	48.8
Total portfolio (89 holdings)			78,562	100.0

* Unlisted investment.

† The Company was listed on the London Stock Exchange on 5th December 2006.

Consolidated Income Statement

For the six months ended 31st October 2006

	Six months ended			Six months ended			Year ended			
	31st October 2006 (Unaudited)			31st October 2005 (Unaudited)			30th April 2006 (Audited)			
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Investment income	663	–	663	596	–	596	1,272	–	1,272	
Other income	121	–	121	148	–	148	575	–	575	
Total revenue	784	–	784	744	–	744	1,847	–	1,847	
(Losses)/gains on investments	–	(13,240)	(13,240)	–	(3,358)	(3,358)	–	19,003	19,003	
(Losses)/gains on current asset investments	(93)	–	(93)	32	–	32	(23)	–	(23)	
Currency gains/(losses)	–	23	23	–	(37)	(37)	–	(50)	(50)	
Total income	691	(13,217)	(12,526)	776	(3,395)	(2,619)	1,824	18,953	20,777	
Expenses										
Investment management fees	(27)	(246)	(273)	(28)	(249)	(277)	(58)	(520)	(578)	
Other expenses	(186)	–	(186)	(164)	–	(164)	(339)	–	(339)	
Profit/(loss) before finance costs and tax	478	(13,463)	(12,985)	584	(3,644)	(3,060)	1,427	18,433	19,860	
Finance costs	(32)	(283)	(315)	(34)	(305)	(339)	(64)	(570)	(634)	
Profit/(loss) before tax	446	(13,746)	(13,300)	550	(3,949)	(3,399)	1,363	17,863	19,226	
Tax	(13)	10	(3)	(40)	40	–	(154)	209	55	
Profit/(loss) for the period	433	(13,736)	(13,303)	510	(3,909)	(3,399)	1,209	18,072	19,281	
Earnings per Ordinary share (basic)	2	1.30p	(41.18)p	(39.88)p	1.53p	(11.73)p	(10.20)p	3.63p	54.21p	57.84p
Earnings per Ordinary share (diluted)	2	1.20p	(38.12)p	(36.92)p	1.42p	(10.91)p	(9.49)p	3.37p	50.31p	53.68p

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 Companies. All items in the above statement derive from continuing operations.

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

Consolidated Balance Sheet

As at 31st October 2006

	Notes	31st October 2006 £'000 (Unaudited)	31st October 2005 £'000 (Unaudited)	30th April 2006 £'000 (Audited)
Non-current assets				
Investments		77,744	69,838	87,511
Current assets				
Investments held by subsidiary		818	1,246	768
Other receivables		874	237	1,202
Cash and cash equivalents		2,332	3,285	7,994
		4,024	4,768	9,964
Total assets		81,768	74,606	97,475
Current liabilities				
Other payables		(388)	(1,906)	(2,158)
Bank loan		(11,500)	(11,500)	(11,500)
		(11,888)	(13,406)	(13,658)
Net assets		69,880	61,200	83,817
Equity attributable to equity holders				
Share capital		333	333	334
Share premium		23,984	23,912	23,984
Special reserve		7,974	8,208	8,208
Warrant reserve		1,299	1,101	1,299
Capital redemption reserve		3	2	2
Retained earnings – revenue		1,573	1,175	1,540
Retained earnings – capital	6	34,714	26,469	48,450
Equity shareholders' funds		69,880	61,200	83,817
Net asset value per Ordinary share (basic)	3	210.27p	183.67p	251.26p
Net asset value per Ordinary share (diluted)	3	195.06p	172.62p	229.67p

Consolidated Statement of Changes in Equity

For the six months ended 31st October 2006

	Six months ended 31st October 2006 (unaudited)							
	Share capital	Share premium	Special reserve	Warrant reserve	Capital redemption reserve	Retained earnings Revenue	Retained earnings Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 1st May 2006	334	23,984	8,208	1,299	2	1,540	48,450	83,817
Dividends paid and declared	–	–	–	–	–	(400)	–	(400)
Profit/(loss) on ordinary activities after taxation	–	–	–	–	–	433	(13,736)	(13,303)
Repurchase of own shares	(1)	–	(234)	–	1	–	–	(234)
Net assets at 31st October 2006	333	23,984	7,974	1,299	3	1,573	34,714	69,880

	Six months ended 31st October 2005 (unaudited)							
	Share capital	Share premium	Special reserve	Warrant reserve	Capital redemption reserve	Retained earnings Revenue	Retained earnings Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 1st May 2005	333	23,912	8,208	1,101	2	1,001	30,378	64,935
Dividends paid and declared	–	–	–	–	–	(336)	–	(336)
Profit/(loss) on ordinary activities after taxation	–	–	–	–	–	510	(3,909)	(3,399)
Net assets at 31st October 2005	333	23,912	8,208	1,101	2	1,175	26,469	61,200

	Year ended 30th April 2006 (audited)							
	Share capital	Share premium	Special reserve	Warrant reserve	Capital redemption reserve	Retained earnings Revenue	Retained earnings Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 1st May 2005	333	23,912	8,208	1,101	2	1,001	30,378	64,935
Dividends paid and declared	–	–	–	–	–	(670)	–	(670)
Profit on ordinary activities after taxation	–	–	–	–	–	1,209	18,072	19,281
Issue of manager warrants	–	–	–	198	–	–	–	198
Issue of shares	1	72	–	–	–	–	–	73
Net assets at 30th April 2006	334	23,984	8,208	1,299	2	1,540	48,540	83,817

Consolidated Cash Flow Statement

For the six months ended 31st October 2006

	Six months ended 31st October 2006 (unaudited) £'000	Six months ended 31st October 2005 (unaudited) £'000	Year ended 30th April 2006 (audited) £'000
Operating activities			
Profit before tax	(13,303)	(3,399)	19,226
Losses/(gains) on investments	13,240	3,358	(19,003)
(Gain)/loss on foreign exchange	(23)	37	50
Net movement in current asset investments	93	(32)	23
Increase in receivables	(160)	(122)	(313)
(Decrease)/increase in payables	(187)	(79)	36
Interest payable	315	339	634
Overseas tax recovered	–	6	6
Net cash (outflow)/inflow from operating activities before interest and tax	(25)	108	659
Interest paid	(309)	(311)	(607)
Corporation tax refunded/(paid)	24	–	(445)
Net cash outflow from operating activities	(310)	(203)	(393)
Investing activities			
Purchases of investments	(21,144)	(15,516)	(35,768)
Sales of investments	16,403	17,895	43,172
Net cash (outflow)/inflow from investing activities	(4,741)	2,469	7,404
Financing activities			
Share repurchase	(234)	–	–
Dividends paid	(400)	(336)	(670)
Issue of manager warrants	–	–	198
Issue of shares	–	–	73
Expenses of share issue	–	(12)	(72)
Net cash outflow from financing activities	(634)	(348)	(471)
Net (decrease)/increase in cash and cash equivalents	(5,685)	1,918	6,540
Cash and cash equivalents at start of period	(3,506)	1,404	(10,096)
Effect of foreign exchange rate changes	23	(37)	50
Cash and cash equivalents at end of period	(9,168)	3,285	(3,506)

Notes to the Financial Statements

1. Accounting Policies

The Group's interim financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, the provisions of the Companies Act 1985 and with the guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in December 2005.

The interim financial statements have been prepared under the same accounting policies as the annual financial statements for the year ended 30th April 2006.

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.

2. Earnings per Ordinary share

The basic revenue return per Ordinary share is based on the net revenue on ordinary activities after tax of £433,000 (30th April 2006: £1,209,000; 31st October 2005: £510,000) and on 33,355,091 (30th April 2006: 33,338,030; 31st October 2005: 33,320,799) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period. The basic capital return per Ordinary share is based on net capital losses after tax of £13,736,000 (30th April 2006: gains of £18,072,000; 31st October 2005: losses of £3,909,000) and on 33,355,091 (30th April 2006: 33,338,030; 31st October 2005: 33,320,799) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

For the purposes of calculating diluted revenue and capital returns per 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 warrants by reference to the average share price of the Ordinary shares during the period/year. The calculations indicate that the exercise of warrants would result in an increase in the weighted average number of Ordinary shares of 2,673,185 (30th April 2006: 2,583,320; 31st October 2005: 2,494,670).

3. Net asset value per Ordinary share

The basic net asset value per Ordinary share is based on net assets of £69,880,000 (30th April 2006: £83,817,000; 31st October 2005: £61,200,000) and on 33,233,488 (30th April 2006: 33,358,488; 31st October 2005: 33,320,799) Ordinary shares, being the number of Ordinary shares in issue at the period end.

The diluted net asset value per Ordinary share has been calculated on the assumption that all manager warrants in issue which were 'in the money', i.e. their exercise price was below the basic net asset value per Ordinary share at the period end, were exercised. This results in a total of number of Ordinary shares in issue at 31st October 2006 of 39,352,177 (30th April 2006: 40,030,185; 31st October 2005: 39,439,488).

Notes to the Financial Statements continued

4. Comparative information

The interim financial information for the six months ended 31st October 2006 and 31st October 2005 has not been audited and does not constitute statutory financial statements as defined in Section 240 of the Companies Act 1985. The information for the year ended 30th April 2006 has been extracted from the audited financial statements for the year then ended. These financial statements contained an unqualified auditor's report and have been lodged with the Registrar of Companies and did not contain a statement required under Section 237 (2) and (3) of the Companies Act 1985.

5. Dividends

Ordinary dividends on equity shares deducted from reserves are analysed below:

	Six months ended 31st October 2006 £'000	Six months ended 31st October 2005 £'000	Year ended 30th April 2006 £'000
Ordinary dividends on equity shares:			
Second interim dividend for year ended 30th April 2005 – 1.1p	–	336	336
First interim dividend for year ended 30th April 2006 – 1.0p	–	–	334
Second interim dividend for year ended 30th April 2006 – 1.2p	400	–	–
	400	336	670

A first interim dividend for the year ending 30th April 2007 of £332,000 (1.0p per Ordinary share) has been declared. This will be paid on 16th February 2007 to those shareholders on the register at close of business on 19th January 2007.

6. Analysis of retained earnings – capital

	31st October 2006 £'000	31st October 2005 £'000	30th April 2006 £'000
Retained earnings – capital (realised)	27,605	15,634	26,842
Retained earnings – capital (unrealised)	7,109	10,835	21,608
	34,714	26,469	48,450

Notes to the Financial Statements continued

7. Transaction costs

	Six months ended 31st October 2006 £'000	Six months ended 31st October 2005 £'000	Year ended 30th April 2006 £'000
Sales	53	42	123
Purchases	11	8	26
	64	50	149

General Information

Directors

S E C Miller (Chairman)
D J Barron
T Cross Brown
A D Dalrymple
C E W Peel
A W Sobczak

Investment Manager and Secretary

Artemis Investment Management Limited
42 Melville Street
Edinburgh EH3 7HA

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

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

The Manager is authorised and regulated by the Financial Services Authority.

Registered Office:

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

Administrator

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

Auditors

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

Registrar and Transfer Office

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

Shareholder enquiries: 0870 162 3100

Bankers

HSBC Bank plc
International Branch
PO Box 181
23-32 Poultry
London EC2P 2BX

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 Companies.

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

Registered in England Number 253644.



ARTEMIS
The PROFIT Hunter