

Artemis Alpha Trust plc Half-Yearly Financial Report

for the six months ended 31st October 2007



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Group Summary

Objective and Policy

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

The Company will 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 2007 consisted of 33,233,488 ordinary shares of 1p each and 6,671,697 manager warrants. The Company holds 125,000 ordinary shares of 1p each in treasury.

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.

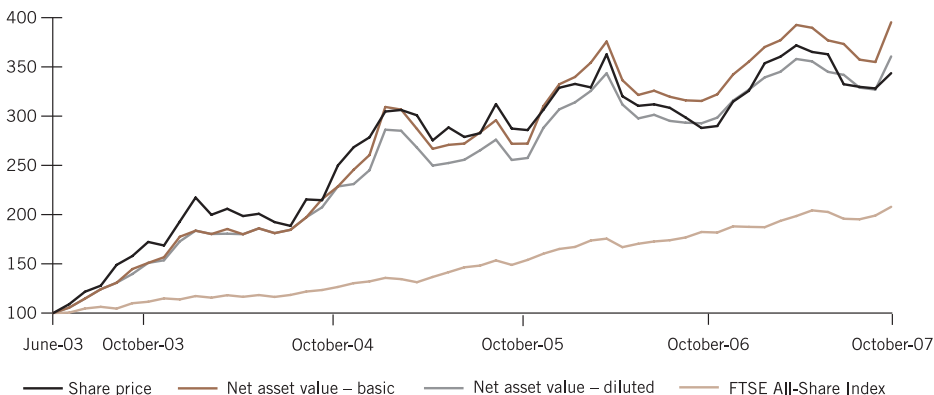
The manager warrants were issued in three tranches, as follows:

- 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 manager 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 as Investment Manager.



Source: Artemis/Lipper

Total Returns	Six months ended 31st October 2007	Year ended 31st October 2007	Since launch*
Net asset value per ordinary share (basic)	0.9%	25.2%	280.7%
Net asset value per ordinary share (diluted)	0.9%	23.1%	247.7%
Share price	(7.5)%	19.0%	230.8%
FTSE All-Share Index	4.6%	13.6%	102.2%

Capital	As at 31st October 2007	As at 30th April 2007	As at 31st October 2006
Net assets	£86.7m	£86.3m	£69.9m
Net asset value per ordinary share (basic)	260.75p	259.77p	210.27p
Net asset value per ordinary share (diluted)	237.50p	236.69p	195.06p
Share price	219.75p	239.00p	186.75p
(Discount)/premium to diluted NAV	(7.5)%	1.0%	(4.3)%
Net gearing	12.3%	12.2%	13.1%

Returns for the period	Six months ended 31st October 2007	Year ended 30th April 2007	Six months ended 31st October 2006
Revenue earnings per share – basic	1.49p	3.51p	1.30p
Revenue earnings per share – diluted	1.36p	3.24p	1.20p
Capital earnings per share – basic	0.79p	6.95p	(41.18)p
Capital earnings per share – diluted	0.73p	6.43p	(38.12)p
Total expense ratio	1.0%	1.2%	1.2%

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

* 1st June 2003 – the date when Artemis was appointed as Investment Manager.

Chairman's Statement

Performance

Over the six months to 31st October 2007 your Company's diluted net asset value rose marginally by 0.4%, ending the period at 237.50p, and by 0.9% after adjusting for dividends paid out. The FTSE All-Share Index, the Company's benchmark, produced a total return over the six months of 4.6%.

During the six months under review, world stockmarkets experienced a marked increase in volatility. This was driven in no small part by investor concern over credit market liquidity as the impact of the sub prime crisis in the US mortgage market became more evident. The continuing high price of oil and evidence of a slowing global economy are two additional factors which have given stockmarkets cause for concern.

Investors' appetite for large caps over small caps has continued, with small caps (FTSE Small Cap ex IT Index) showing a negative return of more than 8%, compared to the return from large caps (FTSE 100 Index) of almost 6%. This feature of the market has not helped your Company's relative performance as it has a bias towards small caps.

There were two particular events of note in the period relating to the unlisted portfolio. The first was an increase in the carrying value of Artemis Asset Management to £6 million, following the completion of an independent valuation. This resulted in an uplift of just over £1 million, equivalent to 3.2p per share. The other notable contributor was Central Rand Gold (formerly Rand Quest Syndicate), the South African gold miner, which successfully raised £75 million of new money ahead of its listing. At the IPO price of £1.25, the Company's holding showed an uplift in value of in excess of £1.8 million adding more than 5.5p per share to the net asset value.

At 31st October 2007 the value of the Company's unlisted investments represented 27.9% of net assets.

Dividends

Your Board is pleased to declare a first interim dividend for the year to 30th April 2008 of 1.05p per ordinary share, an increase of 5% over the equivalent dividend last year. This dividend will be paid on 8th February 2008, to those shareholders on the register at close of business on 11th January 2008. The increase reflects the Board's intention to seek to provide shareholders with a growing income stream from their investment in the Company.

VAT on Management Fees

In June 2007, the European Court of Justice ("ECJ") ruled against HM Revenue & Customs ("HMRC") in a test case concerning the exemption of investment trusts from the payment of VAT on management fees. In November 2007, HMRC acknowledged this and confirmed that claims for the repayment of VAT overpaid in the past would be processed in due course. Your Manager has confirmed that protective claims have been submitted to HMRC and will seek to make a recovery of the VAT charged on management fees, which in turn will be returned to the Company. The position is complicated by the change of manager in 2003 and best endeavours will be made to recover VAT incurred prior to that date.

Information for Shareholders

The Board aims to ensure that shareholders are kept up to date with the Company's developments and does this principally through the interim and annual reports and a daily announcement of the net asset value to the London Stock Exchange. In addition a monthly fact sheet is prepared by the Manager which can be found on its web site at www.artemisonline.co.uk.

Chairman's Statement continued

Interim Management Statements

Following the implementation in the UK of the European Union's Transparency Directive in January 2007, a number of new requirements were introduced for listed companies. The Company is now required to prepare an Interim Management Statement during the six month period between the annual and interim reporting periods. These will be announced to the London Stock Exchange and available on the Manager's web site at the address above. These will contain details of any material events or transactions which affect the Company as well as certain financial information.

Investment Plan

The Company's shares can be acquired through an Investment Plan ("Plan") operated by Artemis Investment Management. Your Board believes that the Plan provides a straightforward and low cost way of investing in the Company, which can be done via a regular monthly contribution or by one off lump sum investment. Further details of the Plan and documentation can be obtained from the Manager's web site or by contacting the Manager on 0800 092 2051.

Outlook

Against a volatile background, your Board has a cautious view of markets. It continues to believe that investment in equities is a long-term process and considers that the Company's wide investment remit will result in the Manager generating sound performance over the longer term.

I look forward to reporting to you again following the Company's year end at 30th April 2008.

Simon Miller

Chairman

21st December 2007

Investment Manager's Report

Review of the Period

There has been no change to our investment strategy during the period. The portfolio is managed as a best ideas fund, with input from the whole of the Artemis management team, and remains focussed on oil exploration and resources, which has helped greatly given the current stock market turmoil. The portfolio has no exposure to the UK banking sector and is significantly underweight in the consumer and UK property sectors.

The oil price remains at historically high levels, which continues to attract investment. Our main new holding in the sector is world leading oil services company, Expro International, which specialises in all areas of well flow management. It is a technological leader and we believe that its focus on rig-less intervention will be a major driver for its profits.

We have had positive contributions from a number of other oil and gas focussed companies, namely: Solana Resources – Columbian based, with a new management who have had a commercial discovery; Geopark – Chilean operator, with gas discoveries in the Magallanes Basin; and Revus Energy – Norwegian based, focussed on the Norwegian continental shelf. On the negative side, Petrohunter's short lived success has hit the buffers as it ran out of money for completions.

Although there is no exposure to the UK banking sector, some of the smaller financials, such as ACP Capital, have been heavily de-rated. We have taken advantage of the current turnaround to buy a holding in the German based Hypo Real Estate Bank Group, which was identified by our SmartGARP™* process as a very attractive investment opportunity.

Within the unlisted section of the portfolio, we have made a new investment in Valiant Petroleum, whose focus is to build up a portfolio of development, appraisal and low risk exploration assets in the northern North Sea. We expect the reserve base to increase significantly during the next year with first production scheduled in 2009.

Outlook

To say things look “tricky” is a bit of a cop out at this stage. The recent interest rate reductions and the concerted central bank intervention appear to have had little impact on confidence. The scale of the problems within the banking sector will take some time to be fully understood. Economic growth is being questioned and at this stage there is nothing more we can add.

This portfolio will continue to have a focus on oil exploration, which appears to have strong fundamental attractions. We also believe that there is latent value within our unlisted portfolio and hope that we will see positive returns over the next year.

John Dodd

Artemis Investment Management Limited
Investment Manager

21st December 2007

* SmartGARP is Artemis' proprietary stock selection tool.

Top Twenty Investments

As at 31st October 2007

Investment	Sector	Country	Market Value £'000	% of Portfolio
Artemis Asset Management*	General Financial	UK	6,000	6.2
Aricom	Mining	UK	4,663	4.8
Salamander Energy	Oil & Gas Producers	UK	4,129	4.3
Vostok Energy*	Oil & Gas Producers	USA	3,796	3.9
Revus Energy	Oil & Gas Producers	Norway	3,134	3.2
REA Holdings	Food Producers	UK	2,697	2.8
Redhall Group	Engineering	UK	2,554	2.6
Geiger Counter	Non-equity Investment Instruments	UK	2,530	2.6
Geopark Holdings	Oil & Gas Producers	Bermuda	2,520	2.6
Expro International Group	Oil Equipment, Services & Distribution	UK	2,496	2.6
Top ten investments			34,519	35.6
Central Rand Gold*†	Mining	South Africa	2,083	2.1
Amazing Holdings	Travel & Leisure	UK	1,840	1.9
Hargreaves Lansdown	General Financial	UK	1,793	1.8
Polar Capital Holdings	General Financial	UK	1,780	1.8
Hurricane Exploration	Oil & Gas Producers	UK	1,714	1.8
Ondine Biopharma	Pharmaceuticals & Biotechnology	Canada	1,634	1.7
BlueBay Asset Management	General Financial	UK	1,611	1.7
Solana Resources	Oil & Gas Producers	Canada	1,558	1.6
mForm*	General Financial	UK	1,530	1.6
Arena Leisure	Travel & Leisure	UK	1,475	1.5
Top twenty investments			51,537	53.1
Other investments (65)			45,609	46.9
Total portfolio (85 investments)			97,146	100.0

* Unlisted investment.

† This investment was listed on the London Stock Exchange on 8th November 2007.

Consolidated Income Statement

For the six months ended 31st October 2007

	Six months ended			Six months ended			Year ended			
	31st October 2007 (unaudited)			31st October 2006 (unaudited)			30th April 2007 (audited)			
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Investment income	694	–	694	663	–	663	1,268	–	1,268	
Other income	198	–	198	121	–	121	848	–	848	
Total revenue	892	–	892	784	–	784	2,116	–	2,116	
Gains/(losses) on investments	–	911	911	–	(13,240)	(13,240)	–	3,234	3,234	
(Losses)/gains on current asset investments	(188)	–	(188)	(93)	–	(93)	(295)	–	(295)	
Currency (losses)/gains	–	(21)	(21)	–	23	23	–	5	5	
Total income	704	890	1,594	691	(13,217)	(12,526)	1,821	3,239	5,060	
Expenses										
Investment management fees	(28)	(272)	(300)	(27)	(246)	(273)	(57)	(515)	(572)	
Other expenses	(143)	–	(143)	(186)	–	(186)	(359)	–	(359)	
Profit/(loss) before finance costs and tax	533	618	1,151	478	(13,463)	(12,985)	1,405	2,724	4,129	
Finance costs	(39)	(355)	(394)	(32)	(283)	(315)	(64)	(577)	(641)	
Profit/(loss) before tax	494	263	757	446	(13,746)	(13,300)	1,341	2,147	3,488	
Tax	–	–	–	(13)	10	(3)	(173)	167	(6)	
Profit/(loss) for the period	494	263	757	433	(13,736)	(13,303)	1,168	2,314	3,482	
Earnings per ordinary share (basic)	2	1.49p	0.79p	2.28p	1.30p	(41.18)p	(39.88)p	3.51p	6.95p	10.46p
Earnings per ordinary share (diluted)	2	1.36p	0.73p	2.09p	1.20p	(38.12)p	(36.92)p	3.24p	6.43p	9.67p

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

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

Consolidated Balance Sheet

As at 31st October 2007

	Notes	31st October 2007 £'000 (unaudited)	31st October 2006 £'000 (unaudited)	30th April 2007 £'000 (audited)
Non-current assets				
Investments		97,146	77,744	95,411
Current assets				
Investments held by subsidiary		372	818	1,167
Other receivables		202	874	506
Cash		1,293	2,332	1,119
		1,867	4,024	2,792
Total assets		99,013	81,768	98,203
Current liabilities				
Other payables		(856)	(388)	(371)
Bank loan		(11,500)	(11,500)	(11,500)
		(12,356)	(11,888)	(11,871)
Net assets		86,657	69,880	86,332
Equity attributable to equity holders				
Share capital		333	333	333
Share premium		23,984	23,984	23,984
Special reserve		7,974	7,974	7,974
Warrant reserve		1,299	1,299	1,299
Capital redemption reserve		3	3	3
Retained earnings – revenue		2,037	1,573	1,975
Retained earnings – capital	5	51,027	34,714	50,764
Total equity		86,657	69,880	86,332
Net asset value per ordinary share (basic)	3	260.75p	210.27p	259.77p
Net asset value per ordinary share (diluted)	3	237.50p	195.06p	236.69p

Consolidated Statement of Changes in Equity

For the six months ended 31st October 2007

	Six months ended 31st October 2007 (unaudited)							
	Share capital £'000	Share premium £'000	Special reserve £'000	Warrant reserve £'000	Capital	Retained earnings		Total £'000
					redemption reserve £'000	Revenue £'000	Capital £'000	
At 1st May 2007	333	23,984	7,974	1,299	3	1,975	50,764	86,332
Profit for the period	–	–	–	–	–	494	263	757
Dividends paid and declared	–	–	–	–	–	(432)	–	(432)
At 31st October 2007	333	23,984	7,974	1,299	3	2,037	51,027	86,657

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

	Year ended 30th April 2007 (audited)							
	Share capital £'000	Share premium £'000	Special reserve £'000	Warrant reserve £'000	Capital	Retained earnings		Total £'000
					redemption reserve £'000	Revenue £'000	Capital £'000	
At 1st May 2006	334	23,984	8,208	1,299	2	1,540	48,450	83,817
Profit for the year	–	–	–	–	–	1,168	2,314	3,482
Repurchase of own shares	(1)	–	(234)	–	1	–	–	(234)
Dividends paid and declared	–	–	–	–	–	(733)	–	(733)
At 30th April 2007	333	23,984	7,974	1,299	3	1,975	50,764	86,332

Consolidated Cash Flow Statement

For the six months ended 31st October 2007

	Six months ended 31st October 2007 (unaudited) £'000	Six months ended 31st October 2006 (unaudited) £'000	Year ended 30th April 2007 (audited) £'000
Operating activities			
Profit/(loss) before tax	757	(13,303)	3,488
Interest payable	394	315	641
(Gains)/losses on investments	(911)	13,240	(3,234)
Loss/(gain) on foreign exchange	21	(23)	(5)
Net movement in current asset investments	188	93	295
Decrease/(increase) in other receivables	26	(160)	210
Increase/(decrease) in other payables	38	(187)	(10)
Net cash inflow/(outflow) from operating activities before interest and tax	513	(25)	1,385
Interest paid	(374)	(309)	(633)
Corporation tax refunded	–	24	21
Net cash inflow/(outflow) from operating activities	139	(310)	773
Investing activities			
Purchases of investments	(13,727)	(21,144)	(44,811)
Sales of investments	14,215	16,403	38,135
Net cash inflow/(outflow) from investing activities	488	(4,741)	(6,676)
Financing activities			
Repurchase of own shares	–	(234)	(234)
Dividends paid	(432)	(400)	(733)
Net cash outflow from financing activities	(432)	(634)	(967)
Net increase/(decrease) in cash and cash equivalents	195	(5,685)	(6,870)
Cash and cash equivalents at the start of the period	(10,381)	(3,506)	(3,506)
Effect of foreign exchange rate changes	(21)	23	(5)
Cash and cash equivalents at the end of the period	(10,207)	(9,168)	(10,381)
Bank loans	(11,500)	(11,500)	(11,500)
Cash	1,293	2,332	1,119
	(10,207)	(9,168)	(10,381)

Notes to the Half-Yearly Financial Report

1. Accounting Policies

The Group's Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', the provisions of the Companies Act 1985 and with the guidance set out in the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in December 2005.

The Half-Yearly Financial Report has been prepared under the same accounting policies as the annual financial statements for the year ended 30th April 2007.

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 earnings per ordinary share is based on the revenue profit for the period of £494,000 (30th April 2007: £1,168,000; 31st October 2006: £433,000) and on 33,233,488 (30th April 2007: 33,294,789; 31st October 2006: 33,355,091) ordinary shares, being the weighted average number of ordinary shares in issue during the period. The basic capital earnings per ordinary share is based on the capital profit for the period of £263,000 (30th April 2007: profit of £2,314,000; 31st October 2006: loss of £13,736,000) and on 33,233,488 (30th April 2007: 33,294,789; 31st October 2006: 33,355,091) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

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 warrants by reference to the average share price of the ordinary shares during the period. The exercise of warrants would result in an increase in the weighted average number of ordinary shares of 3,031,690 (30th April 2007: 2,771,003; 31st October 2006: 2,673,185).

3. Net asset value per ordinary share

The basic net asset value per ordinary share is based on net assets of £86,657,000 (30th April 2007: £86,332,000; 31st October 2006: £69,880,000) and on 33,233,488 (30th April 2007: 33,233,488; 31st October 2006: 33,233,488) 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 6,671,697 manager warrants (30th April 2007: 6,671,697; 31st October 2006: 6,118,689) in issue, were exercised, resulting in a total number of ordinary shares in issue at 31st October 2007 of 39,905,185 (30th April 2007: 39,905,185; 31st October 2006: 39,352,177).

Notes to the Half-Yearly Financial Report continued

4. Dividends

	Six months ended 31st October 2007 £'000	Six months ended 31st October 2006 £'000	Year ended 30th April 2007 £'000
Second interim dividend for year ended 30th April 2006 – 1.2p	–	400	400
First interim dividend for year ended 30th April 2007 – 1.0p	–	–	333
Second interim dividend for year ended 30th April 2007 – 1.3p	432	–	–
	432	400	733

A first interim dividend for the year ending 30th April 2008 of £348,951 (1.05p per ordinary share) has been declared. This will be paid on 8th February 2008 to those shareholders on the register at close of business on 11th January 2008.

5. Analysis of retained earnings – capital

	31st October 2007 £'000	31st October 2006 £'000	30th April 2007 £'000
Retained earnings – capital (realised)	33,569	27,605	30,515
Retained earnings – capital (unrealised)	17,458	7,109	20,249
	51,027	34,714	50,764

6. Comparative information

The financial information for the six months ended 31st October 2007 and 31st October 2006 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 2007 has been extracted from the audited financial statements for the year ended 30th April 2007. 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.

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board

Simon Miller

Chairman

21st December 2007

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

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Website: www.artemisonline.co.uk

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Registrar and Transfer Office

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Shareholder enquiries: 0870 162 3100

Bankers

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Custodian

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Stockbroker

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Solicitors

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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.



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