

ARTEMIS Alpha Trust *plc*

Annual Financial Report
for the year ended
30 April 2016



ARTEMIS
The PROFIT Hunter

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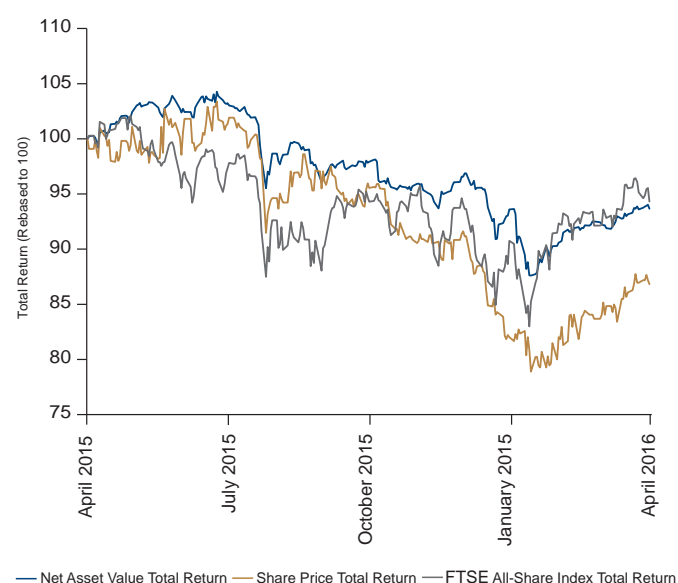
Financial Highlights

Returns for the year ended 30 April 2016

	Year ended 30 April 2016	Year ended 30 April 2015
Total returns		
Net asset value per ordinary share	(6.1)%	(0.9)%
Ordinary share price	(13.2)%	(6.9)%
FTSE All-Share Index	(5.7)%	7.5%
Revenue and dividends		
Revenue earnings per ordinary share	4.73p	4.12p
Dividends per ordinary share	3.90p	3.55p
Ongoing charges (excluding performance fees)	0.9%	0.9%
Capital	As at 30 April 2016	As at 30 April 2015
Net asset value per ordinary share	303.43p	326.28p
Ordinary share price	235.50p	275.00p
Gearing	5.2%	9.1%

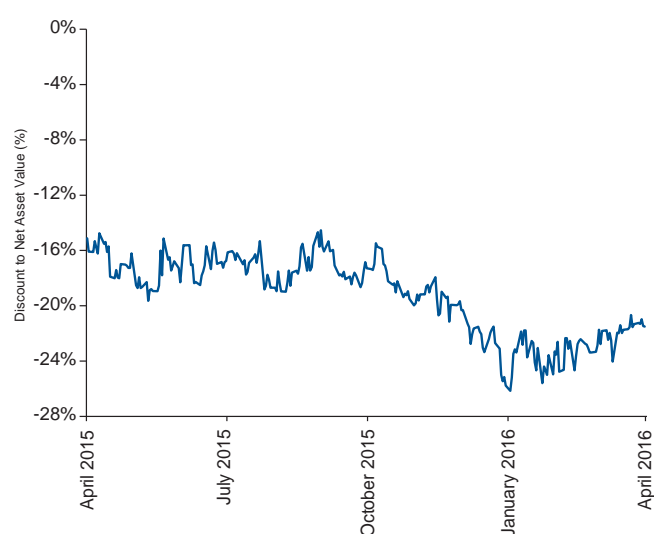
Source: Artemis/Datastream

Performance for the year ended 30 April 2016



Source: Artemis/Datastream

Discount during the year ended 30 April 2016



Source: Artemis/Datastream

Total returns to 30 April 2016	3 years	5 years	Since 1 June 2003*
Net asset value per ordinary share	5.6%	(2.0)%	386.3%
Ordinary share price	(16.7)%	(25.0)%	289.6%
FTSE All-Share Index	12.0%	29.4%	171.7%

* The date when Artemis was appointed as Investment Manager.

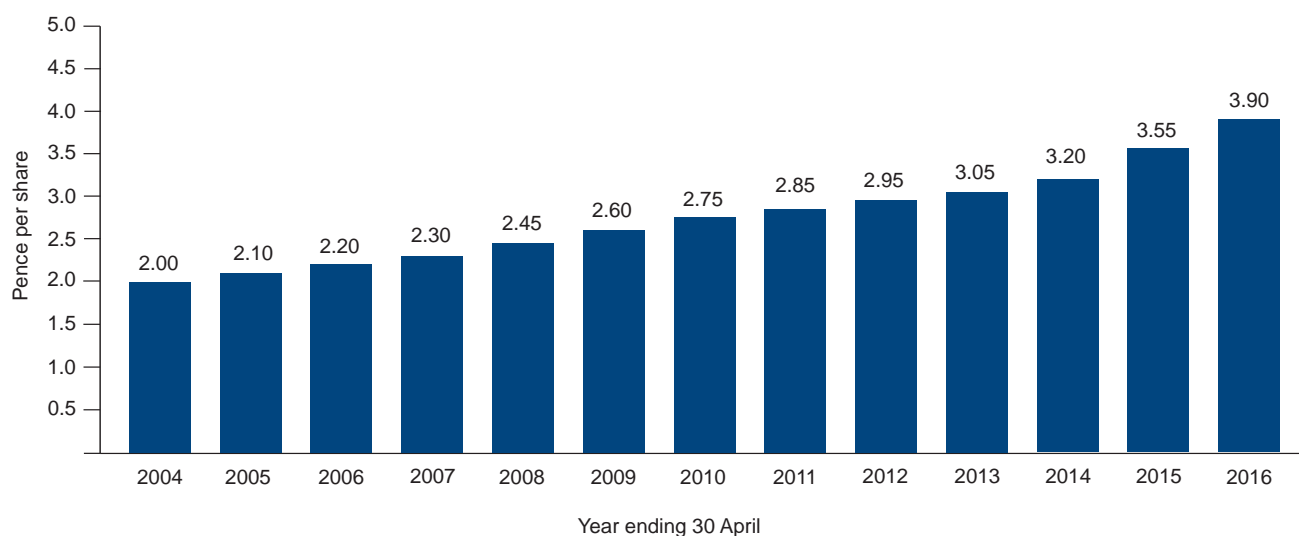
Source: Artemis/Datastream

Performance from 1 June 2003 to 30 April 2016



Source: Artemis/Datastream

Dividends paid/payable to shareholders



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

Strategic Report

Chairman's Statement

Performance

The last year has seen continued volatility in markets due, in part, to concerns over China's ability to sustain its growth projections and, in the last few months, uncertainty over the EU referendum. Against this background the Company's net asset value per share fell by 6.1 per cent during the year ended 30 April 2016 on a total return basis. This compares with a fall of 5.7 per cent in the FTSE All-Share Index over the same period.

Although the quoted investments were positive contributors to performance over the year, adding 0.3 per cent, overall performance was held back by a number of reductions in value in the unquoted investments amounting to 5.5 per cent of the net asset value. More detailed commentary on the portfolio is set out in the Investment Manager's review that follows.

The latest available net asset value per share, as at 5 July 2016, was 285.43 pence.

Strategy Review

The Board remains acutely aware of the poor performance of the Company in recent years and the current level of the discount at which the shares trade to the underlying asset value. A sustained improvement in performance is needed to improve the rating of the shares and reduce the discount.

With this in mind, the Board has recently reviewed the Company's investment strategy with the fund managers. As a result, new guidelines and targets have been set, in particular for a reduction in the Company's exposure to unquoted investments. This has been a challenging area for the fund managers in recent years and has accounted for much of the poor performance and, the Board believes, has been the principal contributor to the Company's weaker share price rating. Further details of this strategy review are set out below.

The Board and fund managers have at the forefront of their minds the fact that there will be a continuation vote at the AGM in the autumn of 2018. The Board recognises the importance of delivering proof of progress for shareholders over the next twelve months.

As always, the Board welcomes the views of shareholders and will continue to engage with them to seek their views during the course of the year.

Discount and share buy-backs

The discount widened over the year from 15.7 per cent to 22.4 per cent. The Board believes this reflects a combination of poor performance and the Company's significant exposure to unquoted investments, where the news has, for the most part, been negative. The Company bought back 676,000 shares during the period, at a cost of approximately £1.6 million, representing 1.6 per cent of the shares in issue.

The Board is very concerned at the current level of the discount and has considered various options to narrow it. Putting in place a formal share buy-back programme may appear to be an obvious way of addressing this issue. For a company of our size, however, this may have negative consequences: by shrinking the size of the Company it would further reduce liquidity in its shares. It would also increase the unquoted holdings as a proportion of the portfolio. Furthermore, there would be no guarantee that any short-term reduction in the discount would be sustained; previous buy-backs have had a limited impact on the discount. Instead, the best prospect for reducing the discount on a sustainable basis is likely to come from an improvement in performance and evidence of better news and/or realisations from the unquoted portfolio.

The Board will continue to monitor the position closely. We will seek to address any imbalances between the supply and demand by buying back shares as and when appropriate.

Investment Strategy

As indicated above, an area that has clearly detracted from performance over recent years is the unquoted portfolio. The Board and fund managers have agreed that a priority is to reduce the Company's exposure to unquoted holdings from its current level of 27.3 per cent to below 10 per cent over the next two years. The fund managers remain confident that value will be generated from these holdings and that a number of realisations can be achieved during this period. Whilst the objective is to reduce the exposure to unquoted companies, this will not be done at any price, and the exact timing cannot be predicted. Investments in new unquoted companies will only be made on an exceptional basis and then only once the investment has been formally considered and approved by the Board. Follow-on investments that will improve the prospects of the investee company – or preserve the Company's economic interest in it – will be permitted and remain at the discretion of the fund managers.

When unquoted investments are realised, it is expected that the proceeds will be invested in quoted companies. In line with the Company's wide investment remit, these could range from small cap stocks through to the largest companies of the FTSE 100. However, the Company's strong bias to smaller and mid cap companies is expected to remain, as this is where our fund managers continue to find the most promising investment opportunities. Any significant exposure to large caps is likely to be tactical in nature and consist of 'special situations' – buying shares that are undervalued and out of favour. Our fund managers are active stock-pickers and are not influenced by movements in, or constituents of, an index.

Part of the Company's investment objective is to provide a growing dividend stream and the Board will continue to target an annual rate of dividend growth of around 10 per cent. The reduction in exposure to unquoted investments

and the subsequent reinvestment into quoted companies should improve the overall yield of the portfolio and support the dividend. That said, the Company has sizeable revenue reserves, providing further flexibility in managing the portfolio from a yield perspective. The dividend yield will not dictate the overall shape of the portfolio.

Earnings and Dividends

Revenue earnings for the year were 4.73p per share, an increase of 14 per cent on the previous year. The Board has declared a second interim dividend of 2.50p (2015: 2.30p) per ordinary share. The total dividends for the year ended 30 April 2016 are therefore 3.90p (2015: 3.55p), an increase of 9.9 per cent from 2015 and in line with the Company's target of increasing the dividend by approximately 10 per cent each year.

The dividend will be paid on Friday, 19 August 2016, to shareholders on the register as at Friday, 15 July 2016, with an ex-dividend date of Thursday, 14 July 2016.

Board changes

David Barron will retire as a director of the Company at this year's Annual General Meeting ("AGM"), having served as a director since February 2005 and as chairman of the audit committee for much of that period. During this time, David's expertise in, and extensive knowledge of, the investment trust sector has been invaluable. The Board would like to record their thanks and appreciation for David's very significant contribution to the Company and wish him well for the future.

Annual General Meeting

The Company's AGM will take place on Wednesday, 5 October 2016 at 11.30 am at the offices of Artemis Fund Managers Limited, Cassini House, 57 St James's Street, London, SW1A 1LD. The fund managers, John Dodd and Adrian Paterson, will make a short presentation at the meeting. The Board would welcome your attendance as it provides shareholders with an opportunity to learn more about the Company and to ask questions of the Board and the fund managers. A light lunch will follow the meeting. For those shareholders who are unable to attend, I would encourage you to make use of your proxy votes by completing and returning the form enclosed with this report.

Outlook

The recent historic vote to leave the EU has triggered an extended period of uncertainty for the UK in many respects. As most of our investments are in UK companies there will inevitably be important implications for these businesses. However, it is perhaps too early to predict where this will lead and the long-term effect on our investee companies. We will be assiduously reviewing the portfolio to see how we can protect the interests of the Company and its shareholders.

Duncan Budge

Chairman

6 July 2016

Strategic Report (continued)

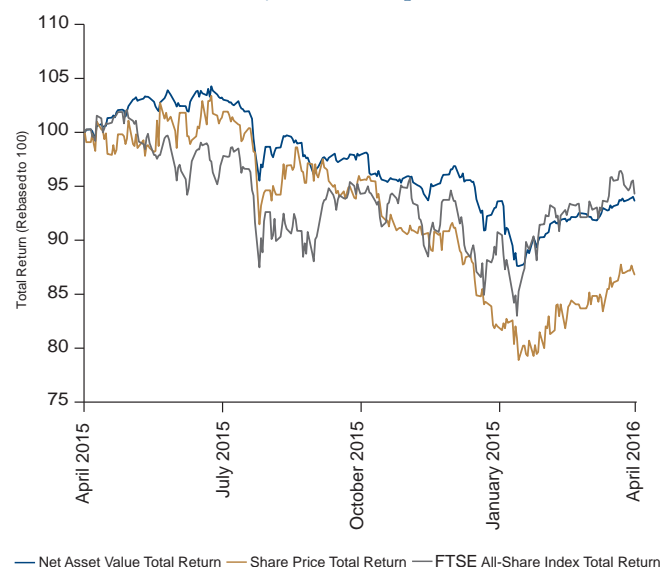
Investment Manager's Review

Performance

During the year under review, the Company's net asset value fell by 6.1 per cent on a total return basis compared with a fall of 5.7 per cent in the FTSE All-Share Index.

While the portfolio performed broadly in line with the index, the main drag related to write-downs in the portfolio of unquoted holdings. This more than offset the positive contribution from its portfolio of listed stocks.

Performance over one year to 30 April 2016



Source Artemis/Datastream, total returns.

	3 years %	5 years %	Since Launch %
Net asset value per ordinary share	5.6	(2.0)	386.3
Share price	(16.7)	(25.0)	289.6
FTSE All-Share Index	12.0	29.4	171.7

The Company's share price fell by more than the net asset value and we believe this reflected continued unease amongst investors over the unquoted portfolio. Although there have been some short-term issues with some of these investments, we believe many of them retain significant potential, a demonstration of which could prompt the Company's shares to be re-rated.

Overall the listed portfolio performed relatively well, as can be seen below.

Industry	Contribution %
Listed investments	0.3
Unquoted investments	(5.5)
Net income/expenses	(0.9)

Portfolio Review

The five largest stock contributors and detractors, along with an industry contribution analysis, are summarised in the tables below.

Five largest stock contributors

Company	Market	Contribution %
Skyepharm	LSE	1.9
Penna Consulting	AIM	1.5
Gleeson (M.J.) Group	LSE	1.1
Mporium Group	AIM	0.7
Oxford Nanopore Technologies	Unquoted	0.7

Five largest stock detractors

Company	Market	Contribution %
Starcount	Unquoted	(2.9)
Reaction Engines	Unquoted	(1.2)
Gaming Realms	AIM	(1.1)
Pittards	AIM	(1.1)
Physiolab Technologies	Unquoted	(0.9)

Industry contribution

Industry	Contribution %
Technology	1.3
Healthcare	1.2
Industrials	0.4
Consumer Goods	(0.4)
Basic Materials	(0.6)
Financials	(1.5)
Oil & Gas	(2.0)
Consumer Services	(3.6)

In terms of industry contribution, technology and healthcare were the strong performers. Although holdings in the oil sector continued to be a negative, the oil price rallied towards the end of the year, climbing from \$30 to \$50 per barrel, enabling the Company's portfolio of oil companies to recoup some of its earlier losses. Reflecting subdued stock-markets, financials were down over the year.

Listed investments

In the listed portfolio, the biggest positive contribution came from Skyepharm, which makes oral and inhalation drug delivery systems. It works in partnership with the major pharmaceutical companies who market and sell its products. The royalty payments from Flutiform, its most important product, increased substantially as it gained approval in several new countries. A proposal to merge with Vectura was put to shareholders in March and subsequently agreed. Vectura's business is in respiratory related products and the two businesses are complementary. We believe combining them will bring benefits of scale and allow the resulting business to develop the next generation of devices more rapidly.

Another notable contribution came from Penna Consulting, a recruitment and outplacement specialist, which was bought by Adecco. Penna was benefiting from strong growth in both of its divisions and its roster of longstanding blue-chip customers made it an attractive acquisition for Adecco, which is looking to increase its position in the UK market. The offer price of 365p was four times the cost of the Company's initial investment.

Helped by ultra-low interest rates and government initiatives, the housebuilding sector performed strongly. In the portfolio, the prime beneficiary was MJ Gleeson. It consists of two main divisions: homes and strategic land. The homes division specialises in low-cost housing, predominantly in the north of England where demand is strong and competition limited. Its skill in securing land at favourable prices enables it to achieve industry-leading margins. It has ambitious plans to expand geographically and to increase annual sales from below 1,000 units to 3,000 units. The strategic land division should benefit from the relaxation of the planning regulations as the government tries to increase the number of houses being built. The final strong contributor in the listed portfolio was Mporium (formerly MoPowered). Its e-commerce platform allows consumers to browse, checkout and pay for goods using their smartphones. This is the fastest growing area of online retailing. After the arrival of the new management team and two refinancings, prospects are good as we eagerly await news of the revamped product – and contract wins.

On the negative side, the biggest detractors in the listed portfolio were Gaming Realms, Pittards and GLI Finance. Gaming Realms, an online operator of social gaming and gambling businesses, made a sizeable acquisition despite the profitability of its core business remaining unproven. This has weighed on the share price and we have gradually reduced our position.

Pittards, meanwhile, has proven a frustrating investment because we believe there is considerable unfulfilled potential in the business. A company with a 200-year history, it produces leather for manufacturers throughout the world. Its main tannery is in Yeovil but it also has a tannery and three factories in Ethiopia, where it makes gloves using its own leather. There has been a significant amount of change in this business: a new chairman is overseeing a strategic review and new money has been raised, enabling the company to buy the freehold of its tannery in Yeovil. Although global leather markets remain subdued, we believe the opportunities for Pittards to add to its customer list remain compelling. The high levels of operational gearing mean that any meaningful sales growth – or even a recovery to historic levels – would lead to a very substantial increase in profits. The shares are valued at a discount to net assets and, with a new chairman and finance director now in place, we are optimistic about its prospects over the next couple of years.

GLI Finance, which invests in a number of online lending platforms, performed disappointingly. As with Pittards, there have been a number of significant changes over the last year as there were problems that needed addressing. In essence, the company had invested in too many online platforms which failed to achieve scalability and were too widely spread for management to control. A new chief executive has been appointed and he has started rationalising the portfolio and focusing on those platforms that have a clear pathway to scale and profitability. As part of this process a strategic investor has injected new capital to shore up the balance sheet. With its more focused approach and stronger balance sheet, we believe the company is well-placed to take advantage of the growth opportunities in this part of the alternative finance area.

Unquoted investments

As noted in the Chairman's statement, the poor performance of some of the Company's unquoted investments has overshadowed better performance elsewhere in the portfolio. Total exposure to unquoted investments at the year end was 27.3 per cent of the portfolio. Our intention is to significantly reduce exposure and, subject to any upward revaluations ahead of disposal, would aim to bring this down to less than 10 per cent of the portfolio over the next two years. Any further investments will only be considered on an exceptional basis. Should we wish to make any new investment, we would agree this with the Board before doing so.

A list of the ten largest unquoted investments is set out below:

Company	Description	% of Portfolio
Starcount	Social media data analytics	3.5
Metapack	Delivery optimisation technology	3.3
Oxford Nanopore Technologies	Nanopore DNA sequencing	3.0
Claremont Alpha	Taiwan casino investments	2.7
Reaction Engines	Rocket propulsion systems	2.4
URICA	Global payment network for SMEs	1.9
Gundaline	Australian agriculture	1.3
Lamp Group	Healthcare & specialist insurance	1.2
Retail Money Markets	Peer-to-peer lending	1.2
Oxford Sciences Innovation	Oxford University intellectual property	1.1

Strategic Report (continued)

The valuations of the unquoted holdings are reviewed quarterly by Artemis' unquoted review panel and more frequently should a significant change occur between scheduled meetings. This internal group is independent of the fund managers and is responsible for Artemis' recommendations on valuations for the unquoted investments. The main changes in valuation are summarised below.

Oxford Nanopore Technologies and Rated People raised new capital at a premium to the previous carrying values, enabling their valuations to be revised higher. This, however, was more than offset by the write-downs in Starcount, Reaction Engines, Physioblab Technologies and Maison Seven.

The valuation of Starcount was written down earlier in the financial year following a £5 million equity issue funded mainly by its management team: Edwina Dunn and Clive Humby, best known as founders of the highly successful Tesco Clubcard. The new money was invested at a relatively low price to reflect the company's slower than expected progress in winning clients. We still believe that the innovative way of using social media analysis will add significant value to its clients. If it can land one significant client we feel more will follow.

We wrote down our carrying value of Reaction Engines, despite the encouraging news that BAE Systems had decided to invest £20 million in the company, although this came at a discount to the previous funding round. BAE's investment is a positive validation of the company's technology and has also enabled it to access further grant funding from the government. The company has appointed a highly qualified chief executive, Mark Thomas, from Rolls Royce. Technology to support space transport is developing rapidly at the moment and Reaction Engines believes there may be many other applications for its unique technology.

Physioblab Technologies, a medical device company that enables soft tissue to be repaired using hot and cold compression, suffered a series of technical glitches that led to delays in getting its product to market. This resulted in cashflow problems. While the lower valuation of the fund-raising reflected these delays, we are hopeful that the company can start to convert the many expressions of interest into actual sales.

The final, and most disappointing, detractor was Maison Seven, which sells women's fashion online. Although the business was growing its revenues, it was performing well below its own budget. In a very competitive market it was clear that it would need substantial additional investment merely to break even. Having supported the company financially through the Christmas trading period, the shareholders decided to put the business into administration following very disappointing sales and the investment was written off.

The negative impact of these four investments was a 5.5 per cent reduction in the Company's net asset value.

Portfolio themes and transactions

The largest sector in the portfolio continues to be 'other financials'. Outflows from Polar Capital's large Japanese fund continued and the performance of its other products was mixed, so we reduced our longstanding holding. We reinvested some of the proceeds into another fund manager, Liontrust. In contrast to Polar Capital, it is benefiting from strong performance and good flows into its product range.

Consolidation in the wealth management space continues. Here, we used the proceeds from the takeover of Ashcourt Rowan to buy back into Brewin Dolphin, having previously sold at higher levels. At the end of the financial year, Towry Law was bought by Permira Bestinvest. This deal makes the Company's investments in Brewin Dolphin and Charles Stanley look significantly undervalued.

We took advantage of worries about 'Brexit' before the EU referendum to buy two property stocks and to buy back into Telford Homes, a developer focused on east London, having previously sold its shares at a higher level. These stocks were badly hit in the run up to the EU referendum and were hit further following the result. There has been a partial recovery of the post referendum falls, but our belief is that London will remain a pre-eminent global city, made more attractive by the sharp fall in sterling.

We also bought shares in Majestic Wine following its acquisition of Naked Wines (a fast-growing retailer of wine online in the UK and US) and its appointment of a talented new chief executive, Rowan Gormley. The cash generated by the existing Majestic Wine stores is being used to fund the higher growth of Naked Wines, leading to a substantial re-rating of the shares.

Periodically, we will buy large companies if we feel their valuations have fallen too far. This year, we felt that was the case with BP, Tesco and Pearson.

In sales, we took advantage of the rebound in the oil price towards the end of the period to sell Cairn Energy. We also took profits in Powerflute, 4D Pharma and Emis Group.

Among the Company's internet-related businesses, we remain particularly impressed by the performance of Ratesetter (Retail Money Market), which passed the milestone of having lent £1 billion since inception and Metapack, whose successful expansion into Europe continues.

Our only investment in an unquoted company during the year came back in June 2015, when we bought into Oxford Sciences Innovation. This company has been set up to commercialise the intellectual property of Oxford University's mathematical, physical, life sciences and medical sciences divisions. There was very strong

demand from a wide range of UK and US institutions and the company raised £350 million in total, a record for this type of fund. It has already invested in some fascinating opportunities.

Gearing

Although the Company continues to utilise its borrowing facility, cash received from our disposals exceeded purchases and saw borrowing fall from £14.5 million to £8.5 million by the year end. We will continue to use gearing to support our investment ideas when we consider it appropriate.

Investment strategy

Our strategy remains to focus on areas where we feel we have an edge over others in our understanding of a company or an industry. This will tend to be in the area of the market in which we specialise: small-cap listed companies. From time to time, however, we will invest in larger companies if we feel compelling value has emerged. In this endeavour, we can call upon the knowledge and expertise of our colleagues across the wider Artemis investment team.

As we have discussed, there is a real drive to extract value from the Company's unquoted portfolio while reducing its overall exposure to this type of stock. Although some of these businesses have taken longer to execute on their plans than we might have liked, we remain confident that there remains plenty of untapped potential.

Outlook

As we write, the market is continuing to react to the perceived implications of Brexit: a sustained period of ultra-low UK interest rates, the possibility of a recession and a prolonged period of uncertainty. Of these the last is

certain, but the first two assume the worst. In turn this has divided performance in the market sharply. International earners are showing resilience, but the weight of selling is pushing domestically exposed stocks down hard.

We are inclined to think this disparity is overdone. There is a case for switching from expensive defensives and international stocks into companies that have been swept along in the domestic negativity – yet which have the characteristics and options at their disposal to outstay such conditions. In time the market will focus on where risk is discounted – as opposed to concentrating on areas into which money has flown unthinkingly. For example pharmaceuticals will soon find themselves in the eye of the US electoral uncertainty; and similarly European stocks will reflect the sustainability of the remainder of the eurozone. By contrast the UK will have re-priced; and although no-one likes an investment opportunity where the good news is less bad news, that could be a basis on which the market recovers its poise.

Meanwhile it is well worth remembering that international investors have been much more cautious about Brexit – and have been far less exposed to both European and UK stocks. Since 24 June, courtesy of the market's and sterling's weakness, UK assets are considerably cheaper for US investors than they were.

Finally, the old truism is true: volatility means opportunity. As stock-pickers, we believe that the weeks and months ahead should prove fruitful for your Company.

John Dodd and Adrian Paterson

Fund managers
Artemis Fund Managers Limited
6 July 2016

Strategic Report (continued)

Investment Portfolio

Twenty five largest investments as at 30 April 2016

Investment	Business activity	Market Value £'000	% of portfolio
Skyepharm	Drug delivery specialist	6,208	4.6
Liontrust Asset Management	Asset management	5,440	4.0
Gleeson (M.J.) Group	Urban regeneration and land trading	4,791	3.6
Starcount ²	Social media data analytics	4,728	3.5
Polar Capital Holdings ¹	Asset management	4,546	3.4
Metapack ²	Delivery optimisation technology	4,384	3.3
Oxford Nanopore Technologies ²	Nanopore DNA sequencing	4,000	3.0
Claremont Alpha ²	Taiwan casino developments	3,677	2.7
Penna Consulting ¹	Global recruitment	3,600	2.7
Avation	Aircraft leasing	3,255	2.4
Reaction Engines ²	Rocket propulsion systems	3,217	2.4
Brewin Dolphin Holdings	Private client & wealth management	3,151	2.3
BP	Global integrated oil & gas company	2,803	2.1
Emis Group ¹	Medical software supplier	2,623	2.0
URICA ^{2,3}	Global payment network for SMEs	2,550	1.9
Martinco ¹	Estate agent services	2,501	1.9
Helical Bar	Property development and investment	2,494	1.9
Gaming Realms ¹	Online bingo & gaming	2,442	1.8
City of London Investment Group	Emerging markets asset management	2,303	1.7
Gresham Computing	Financial software services	2,172	1.6
Telford Homes ¹	London housing developments	2,161	1.6
Halley Asian Prosperity Fund	Asian investment fund	2,145	1.6
Charles Stanley	Stock broking and asset management	2,138	1.6
Tesco	Retailer	2,065	1.5
Booker Group	Food wholesaler	2,025	1.5
Top 25 investments		81,419	60.6

¹ AIM quoted

² Unquoted investment

³ Includes fixed interest element

Portfolio of Investments as at 30 April 2016

Investment	Business activity	Country of incorporation	Market value £'000	% of total investments
Financials				
2CG Senhouse Southeast Asian Focus Fund	Asian investment fund	Luxembourg	1,409	1.0
Brewin Dolphin Holdings	Private client & wealth management	UK	3,151	2.3
Canaccord Genuity Group	Stock broking & wealth management	Canada	68	0.1
Charlemagne Capital ¹	Emerging markets asset management	UK	1,073	0.8
Charles Stanley	Stock broking & asset management	UK	2,138	1.6
City of London Investment Group	Emerging markets asset management	UK	2,303	1.7
GLI Finance ¹	Peer-to-peer lending investments	UK	1,678	1.2
Gottex Holdings	Asset management	Switzerland	109	0.1
Halley Asian Prosperity Fund	Asian investment fund	Luxembourg	2,145	1.6
Hawk Group ²	SME finance	UK	–	–
Helical Bar	Property development and investment	UK	2,494	1.9
Lamp Group ²	Healthcare and specialist insurance	UK	1,664	1.2
Liontrust Asset Management	Asset management	UK	5,440	4.0
Martinco ¹	Estate agent services	UK	2,501	1.9
MWB Group Holdings ^{2,3}	Property investment and developments	UK	–	–
N+1 Singer ²	Stock broking	UK	1,250	0.9
Newriver ¹	UK retail property investments	UK	–	–
Orchard Funding Group ¹	Professional fee funding services	UK	1,605	1.2
Oxford Sciences Innovation ²	Oxford University intellectual property	UK	1,500	1.1
Park Group ¹	Retail vouchers and gift cards	UK	1,438	1.1
Polar Capital Holdings ¹	Asset management	UK	4,546	3.4
Randall & Quilter ¹	Investment and insurance services	UK	666	0.5
Retail Money Market ²	Peer-to-peer lender	UK	1,600	1.2
St. Modwen Properties	Property development and investment	UK	919	0.7
URICA ^{2,3}	Global payment network for SMEs	UK	2,550	1.9
Total Financials			42,247	31.4
Consumer Services				
Be Heard Group ¹	Digital marketing network	UK	712	0.5
Betex Group ²	Lottery management and technology	UK	–	–
Booker Group	Food wholesaler	UK	2,025	1.5
Claremont Alpha ²	Taiwan casino developments	Isle of Man	3,677	2.7
Dalata Hotel Group ¹	Irish hotel operator	Ireland	1,220	0.9
Flying Brands	Multi brand home shopping group	UK	28	–
Gaming Realms ¹	Online bingo & gaming	UK	2,442	1.8
Gift Library ²	Bespoke luxury gift service	UK	–	–
Hardlyever ²	Online portal selling pre-owned luxury goods	UK	871	0.7
Maison Seven ²	Online fashion retailing	UK	–	–
Majestic Wine ¹	Specialist wine retailer	UK	1,967	1.5
MBL Group ¹	UK distributor and wholesaler of home entertainment products	UK	54	0.1
Millennium & Copthorne	Hospitality and hotel group	UK	1,612	1.2
ROK Entertainment ²	Global mobile entertainment group	UK	–	–
ROK Global ²	Global mobile entertainment group	UK	–	–
Sports Direct International	UK sports retailer	UK	578	0.4
Starcount ²	Social media data analytics	UK	4,728	3.5
Ten Alps ¹	Media and television production	UK	980	0.7
Tesco	Retailer	UK	2,065	1.5
Total Consumer Services			22,959	17.0

¹ AIM quoted

² Unquoted investment

³ Includes fixed interest element

Strategic Report (continued)

Portfolio of Investments (continued)

Investment	Business activity	Country of incorporation	Market value £'000	% of total investments
Industrials				
Aero Inventory ²	Aircraft parts suppliers	UK	–	–
Augean ¹	Specialist waste management	UK	690	0.5
Avation	Aircraft leasing	Singapore	3,255	2.4
Gama Aviation ¹	Aviation services	UK	1,378	1.0
Infusion 2002 ²	Delivery optimisation technology	UK	479	0.3
MBA Polymers ^{2,3}	Post-consumer recycled plastics producer	USA	310	0.2
Metapack ²	Delivery optimisation technology	UK	4,384	3.3
Penna Consulting ¹	Global recruitment	UK	3,600	2.7
Rated People ²	Home maintenance services	UK	803	0.6
Reaction Engines ²	Rocket propulsion systems	UK	3,217	2.4
Voalex	Power and data cabling technology	UK	393	0.3
Total Industrials			18,509	13.7
Health Care				
4D Pharma ¹	Drug development	UK	358	0.3
Eden Research ¹	Agricultural chemicals	UK	1,352	1.0
Genmark Diagnostics	Molecular diagnostics company	USA	437	0.3
hVIVO ¹	Vaccine testing	UK	1,363	1.0
Oxford Nanopore Technologies ²	Nanopore DNA sequencing	UK	4,000	3.0
Physiolab Technologies ^{2,3}	Cryotherapy technology	UK	1,227	0.9
Skyepharma	Drug delivery specialist	UK	6,208	4.6
Summit ¹	Drug development	UK	547	0.4
Total Health Care			15,492	11.5
Consumer Goods				
Chateau Lafite Rothschild 2009 ²	Physical wine holding	France	326	0.2
Chateau Lafite Rothschild 2010 ²	Physical wine holding	France	275	0.2
Chateau Rieussec 2010 ²	Physical wine holding	France	12	–
Gleeson (M.J.) Group	Urban regeneration and land trading	UK	4,791	3.6
Gundaline ²	Australian agriculture	Australia	1,797	1.3
Hot2Go ²	Hot drinks containers	UK	–	–
Houseology Design Group ²	Home interiors and furniture design	UK	605	0.5
Pittards ¹	High performance leather goods	UK	1,530	1.1
R.E.A. Holdings	Indonesian palm oil production	UK	227	0.2
Telford Homes ¹	London housing developments	UK	2,161	1.6
Total Consumer Goods			11,724	8.7
Technology				
Coretx Holdings ¹	Data and network infrastructure	UK	1,472	1.1
Emis Group ¹	Medical software supplier	UK	2,623	2.0
Gresham Computing	Financial software services	UK	2,172	1.6
Mporium Group ¹	Mobile retail design	UK	1,338	1.0
Parity Group ¹	IT service group	UK	79	0.1
Redcentric ¹	IT business systems and managed services	UK	1,697	1.3
Sandvine	Network policy control technology	Canada	660	0.5
Servelec Group	Healthcare and automation software	UK	1,520	1.1
Total Technology			11,561	8.7

¹ AIM quoted² Unquoted investment³ Includes fixed interest element

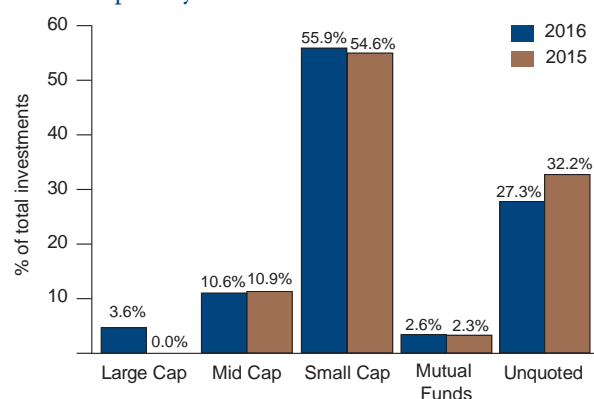
Investment	Business activity	Country of incorporation	Market value £'000	% of total investments
Oil & Gas				
Africa Oil	East Africa oil & gas exploration	Canada	1,172	0.9
African Petroleum	West African oil & gas exploration	Australia	219	0.2
BP	Global integrated oil & gas company	UK	2,803	2.1
Buried Hill Energy (Cyprus) ²	Turkmenistan oil & gas exploration	Cyprus	856	0.6
Ceramic Fuel Cells ¹	Electric fuel cells	Australia	–	–
Eastcoal ²	Ukrainian coal mining	Canada	–	–
Eland Oil & Gas ¹	Nigerian oil & gas exploration	UK	734	0.5
Energy Equity Resources (Norway) ²	African oil & gas exploration	UK	–	–
Equus Petroleum ²	Kazakhstan oil & gas exploration	UK	436	0.3
Homeland Renewable Energy ²	US renewable energy production	USA	–	–
Hurricane Energy ¹	West of Shetland oil & gas exploration	UK	1,672	1.2
Igas Energy ¹	UK onshore gas production	UK	108	0.1
Lansdowne Oil & Gas ¹	Irish gas storage & exploration	UK	223	0.2
Leed Resources ¹	Natural resources investments	UK	–	–
Path Investments ²	Turkish oil & gas investments	UK	175	0.1
Petrohunter Energy	US oil & gas exploration	USA	5	–
Providence Resources ¹	Irish gas storage & exploration	Ireland	478	0.4
Resaca Exploitation ²	US oil & gas development	USA	–	–
Total Oil & Gas			8,881	6.6
Basic Materials				
Duke Royalty ¹	Mining royalty payment investments	UK	205	0.2
Fox Marble ¹	Kosovo marble mining	UK	992	0.7
Ironveld ¹	South African iron mining	UK	569	0.4
Powerflute ¹	Paper production	Finland	1,337	1.0
Total Basic Materials			3,103	2.3
Telecommunications				
Mobile Streams ¹	Mobile content store	UK	165	0.1
Total Telecommunications			165	0.1
Utilities				
Kalina Power	Waste heat power generation	Australia	6	–
Total Utilities			6	–
Total investments			134,647	100.0

¹ AIM quoted

² Unquoted investment

³ Includes fixed interest element

Market cap analysis

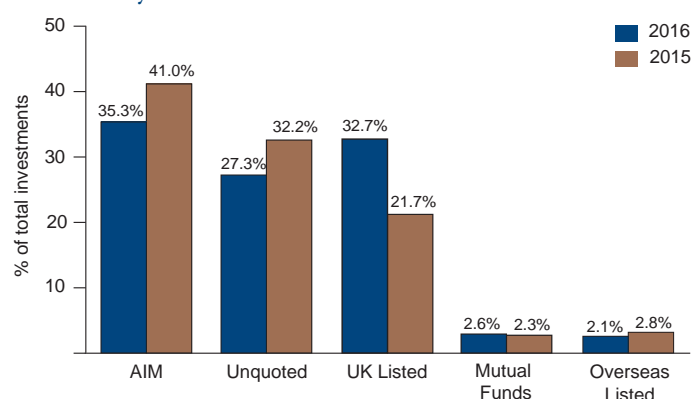


Large cap – market cap equivalent to FTSE 100 companies

Mid cap – market cap equivalent to FTSE 250 companies

Small cap – market cap equivalent to companies below FTSE 250

Market analysis



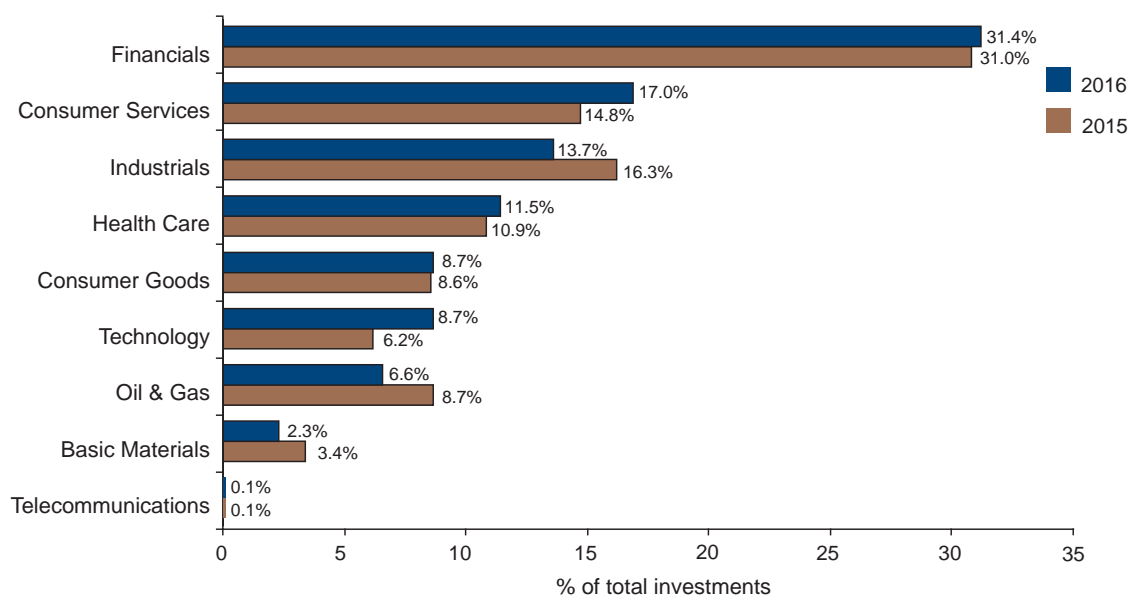
Strategic Report (continued)

Portfolio of Investments (continued)

Geographical analysis

Country of incorporation	2016 % of total investments	2015 % of total investments
UK	85.4	72.5
Isle of Man	2.7	2.4
Luxembourg	2.6	2.3
Singapore	2.4	7.5
Australia	1.5	1.7
Canada	1.5	1.6
Ireland	1.3	0.6
Finland	1.0	1.3
Cyprus	0.6	0.7
USA	0.5	1.0
France	0.4	0.4
Guernsey	–	1.7
Switzerland	0.1	0.3
Denmark	–	4.7
Cayman Islands	–	1.3
	100.0	100.0

Industry analysis



Portfolio has been analysed using ICB industry classifications.

Strategy and Business Review

This Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Corporate strategy & policy

The Company is incorporated in England. Its business as an investment trust is to buy and sell investments with the aim of achieving the objective and policy outlined below.

Objective & Investment Policy

The objective of the Company is to achieve above average rates of total return over the longer term and to achieve a growing dividend stream. In pursuit of this objective, the Company's portfolio is actively managed by the Investment Manager and comprises largely UK equities, with selected overseas investments. The Investment Manager takes a stock-specific approach in managing the portfolio and, therefore, sector weightings are of secondary consideration. As a result of this approach the portfolio will not track any stock market index. There is no restriction on the number of investments that can be held in the portfolio.

The Company also invests in unquoted companies. The Investment Management Agreement provides that at the time of investment the aggregate value of these investments shall represent no more than 30 per cent of net assets. For the purpose of measuring this, unquoted investments will be measured by the lower of their cost or current valuation.

In addition, the Company can invest up to 30 per cent of its net assets in hedge funds and/or other unregulated collective investment schemes. The Company had no investments in hedge funds or unregulated collective investment schemes during the year. The Company will not invest more than 15 per cent of its gross assets in other investment companies listed on the main market of the London Stock Exchange.

Gearing

The Company uses gearing as part of its investment strategy. The Articles of Association (the "Articles") permit the Company to borrow up to 25 per cent of its adjusted capital and reserves. Subject to this being complied with, the level of borrowing is a matter for the Board, whilst the utilisation of borrowings is delegated to the Investment Manager. This utilisation may be subject to specific guidelines established by the Board from time to time. The current guidelines permit the Investment Manager to utilise borrowings of up to 20 per cent of net assets. The Company has a £30 million borrowing facility with The Royal Bank of Scotland plc, of which £8.5 million was drawn down at the year end. The use of gearing by the Investment Manager will vary from time to time, reflecting its views on the potential returns from stock markets. The Company's gearing is reviewed by the Board and Investment Manager on an ongoing basis.

Operating environment

The Company operates as an investment trust company and is an investment company within the meaning of section 833 of the Companies Act 2006 (the "Act").

The Company has been approved as an investment trust in accordance with the requirements of section 1158 of the Corporation Taxes Act 2010 which remains subject to the Company continuing to meet the eligibility conditions and ongoing requirements of the regulations. The Board will manage the Company so as to continue to meet these conditions.

The Company has no employees and delegates most of its operational functions to service providers.

Current & future developments

A summary of the Company's developments during the year ended 30 April 2016, together with its prospects for the future, is set out in the Chairman's Statement on pages 4 and 5 and Investment Manager's Review on pages 6 to 9. The Board's principal focus is the delivery of positive long-term returns for shareholders and this will be dependent on the success of the investment strategy. The investment strategy, and factors that may have an influence on it, such as economic and stock market conditions, are discussed regularly by the Board and the Investment Manager. The Board regularly considers the ongoing development and strategic direction of the Company, including its promotion and the effectiveness of communication with shareholders.

Modern Slavery Act 2015

The Company does not fall within the scope of the Modern Slavery Act 2015 as its turnover is less than £35 million. Therefore no slavery and human trafficking statement is included in the Annual Financial Report.

Key Performance Indicators ("KPIs")

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

■ Discrete annual total returns

Year ended 30 April	Net asset value	Share price	FTSE
			All-Share Index
2012	(4.6)%	(13.9)%	(2.0)%
2013	(2.8)%	4.5%	17.8%
2014	13.3%	3.1%	10.5%
2015	(0.9)%	(6.9)%	7.5%
2016	(6.1)%	(13.2)%	(5.7)%

Source: Artemis/Datastream

Strategic Report (continued)

■ Dividends per ordinary share

Year ended 30 April	Pence per ordinary share	Increase
2012	2.95p	3.5%
2013	3.05p	3.4%
2014	3.20p	4.9%
2015	3.55p	10.9%
2016	3.90p	9.9%

■ Ongoing charges as a proportion of shareholders' funds (excluding performance fees)

As at 30 April	Ongoing charges
2012	1.0%
2013	0.9%
2014	1.0%
2015	0.9%
2016	0.9%

In addition to the above KPIs, the Board monitors the discount to the underlying net asset value at which the shares trade. No specific discount target has been set, but the Board sets the policy and has given the Investment Manager discretion to exercise the Company's authority to buy-back its own shares from time to time to address any imbalances between the supply and demand in the Company's shares. This is regularly reviewed by the Board. The Board will also use its authority to issue new ordinary shares from time to time should there be excess demand for the Company's shares.

Principal risks and risk management

The Board, in conjunction with the Investment Manager has developed a risk map which sets out the principal risks faced by the Company. It is used to monitor these risks and to review the effectiveness of the controls established to mitigate them. Further information on the Company's internal controls is set out in the corporate governance section on pages 24 and 25. As an investment company the main risks relate to the nature of the individual investments and the investment activities generally. These include market price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. Further information is set out on pages 49 and 51.

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

- **Strategic:** investment objective and policy not appropriate in the current market and not favoured by investors. The investment objective and policy of the Company is set by the Board and is subject to ongoing review and monitoring in conjunction with the Investment Manager. This includes the views expressed by the Company's Shareholders.
- **Investment:** the Company's investments are selected on their individual merits and the performance of the portfolio is not likely to track the wider UK market

(FTSE All-Share Index). The Company invests in smaller listed, AIM traded and unquoted investments which can be subject to a higher degree of risk than larger quoted investments. The Board considers that this risk is justified by the longer term nature of the investment objective and the Company's closed-ended structure, and that such investments should be a source of positive returns for shareholders. The Company may also have significant exposure to particular industry sectors from time to time. Risk will be diversified through having a broad range of investments in the portfolio. The Board discusses the investment portfolio with the Investment Manager at each Board meeting and part of this discussion includes a detailed review of the Company's unquoted investments, their valuations and future prospects.

The Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of the losses. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. All borrowing arrangements entered into require the prior approval of the Board and gearing levels are regularly discussed by the Board and Investment Manager.

- **Regulatory:** failure to comply with the requirements of a framework of regulation and legislation, within which the Company operates. The Company relies on the services of the Company Secretary and Investment Manager to monitor ongoing compliance with relevant regulations and legislation.
- **Operational:** disruption to or failure of the Investment Manager's and/or any other third party service providers' systems which could result in an inability to report accurately and monitor the Company's financial position. Both the Investment Manager and the Administrator have established business continuity plans to facilitate continued operation in the event of a major service disruption or disaster.

Further information on risks and the management of them are set out in the notes to the financial statements on pages 49 to 51.

Other matters

Viability Statement

In accordance with the Association of Investment Companies (the "AIC") and AIC Code of Corporate Governance (the "AIC Code"), the Board has considered the longer term prospects for the Company. The period assessed is the five years to 30 April 2021. During this period the Board is required to put forward an ordinary resolution for the continuation of the Company for a further five years, with the next vote due to take place at the annual general meeting due to be held in September 2018. The Board believes that a review to this date would be too short to be meaningful for shareholders and has considered a five year period to be appropriate.

As part of its assessment of the viability of the Company, the Board has considered each of the principal risks and the impact on the Company's portfolio of a significant fall in UK markets. The Board has also considered the liquidity of the Company's portfolio to ensure that it will be able to meet its liabilities as they fall due.

The conclusion of this review is that the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2021, subject to shareholders approving the continuation of the Company in September 2018.

Life of the Company

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

Share capital

Shareholders authorised the Company to buy back up to 14.99 per cent of the shares in issue at last year's AGM. This is used to manage the balance between supply and demand for the Company's shares in the market.

During the year the Company repurchased a total of 676,000 ordinary shares, representing 1.6 per cent of the issued share capital as at 1 May 2015 (2015: 368,200). The Company has repurchased a further 112,000 ordinary shares since the year end.

A resolution to renew the Company's buy-back authority will be put to shareholders at the AGM on 5 October 2016.

265 ordinary shares were issued during the year as a result of the exercise of subscription shares (2015: 2,292).

Directors

The Directors of the Company and their biographical details are set out on page 18.

No Director has a contract of service with the Company.

The Board supports the principles of diversity in the boardroom and acknowledges the benefits of having greater diversity, including gender, and considers this in seeking to ensure that the overall balance of skills and knowledge that the Board has remains appropriate so that it can continue to operate effectively. The Board's director selection policy will, first and foremost, seek to identify the person best qualified to become a director of the Company, but in so doing, consideration will be given to diversity, including gender. The Board is currently comprised of four male directors and one female director.

Social and environmental matters

The Company has no employees and has delegated the management of the Company's investments to Artemis which, in its capacity as Investment Manager, has a Corporate Governance and Shareholder Engagement document which sets out a number of principles that are

intended to be considered in the context of its responsibility to manage investments in the financial interests of shareholders. Artemis undertakes extensive evaluation and engagement with company managements on a variety of matters such as strategy, performance, risk, dividend policy, governance and remuneration. All risks and opportunities are considered as part of the investment process in the context of enhancing the long-term value of shareholders' investments. This will include matters relating to material environmental, human rights and social considerations that will ultimately impact the profitability of a company or its stock market rating and hence these matters are an integral part of Artemis' thinking as investors.

As the Company has delegated the investment management and administration of the Company to third party service providers, and has no fixed premises, there are no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within the underlying investment portfolio.

Leverage

Leverage is defined in the Alternative Investment Fund Manager Directive ("AIFMD") as any method by which the Company can increase its exposure by borrowing cash or securities, or from leverage that is embedded in derivative positions. The Company is permitted by its Articles to borrow up to 25 per cent of its net assets (determined as 125 per cent under the commitment and gross ratios in the AIFMD). The Company is permitted to have additional leverage of up to 100 per cent of its net assets, which results in permitted total leverage of 225 per cent under both ratios. The Alternative Investment Fund Manager ("AIFM") monitors leverage limits on a daily basis and reviews them annually. No changes have been made to these limits during the period. At 30 April 2016, the Company's leverage was 106.06 per cent as determined using both the gross methods and 109.79 per cent under the commitment method.

The Investment Manager is not able to enter into any stocklending agreements, to borrow money against the security of the Company's investments, or create any charges over any of the Company's investments, unless prior approval has been received from the Board.

Financial Statements

The Financial Statements of the Company are included on pages 33 to 51 of this report.

For and on behalf of the Board

Duncan Budge

Chairman

6 July 2016

Directors and Corporate Governance

Directors

Duncan Budge (Chairman)

Duncan Budge, aged 60, was an Executive Director and Chief Operating Officer of RIT Capital Partners plc between 1995 and 2011. He is chairman of Dunedin Enterprise Investment Trust plc and a director of Lazard World Trust Fund, Lowland Investment Company plc, Menhaden Capital plc and Asset Value Investors Limited.

Appointed as a non-executive Director on 19 November 2013 and Chairman on 2 October 2014, Mr Budge was also appointed Chairman of the Nomination and Management Engagement Committees on 2 October 2014.

John Ayton MBE

John Ayton, aged 54, practised as a corporate lawyer in Hong Kong and the City of London before founding Links of London, a global jewellery brand. After selling the company in 2007, Mr Ayton has been an investor in, and mentor to, a number of emerging luxury brands businesses, as well as launching the jewellery brand Annoushka. He is director of a number of private companies. He was awarded an MBE for his services to the UK jewellery industry in 2012.

Appointed as a non-executive Director on 25 June 2015.

David Barron (Senior Independent Director)

David Barron, aged 57, is director of investment trusts and product strategy at Miton Group plc. Prior to this he was head of the investment trust business at J.P. Morgan Asset Management. He joined the asset management business of Robert Fleming & Co. Limited in 1995. Before joining Flemings in 1995, Mr Barron worked in corporate finance for Hambros Bank and Merrill Lynch. He is a non-executive director of Dunedin Income Growth Investment Trust plc and is a member of the Institute of Chartered Accountants of Scotland.

Appointed as a non-executive Director on 17 February 2005, Mr Barron is Senior Independent Director.

Blathnaid Bergin

Blathnaid Bergin, aged 41, joined RSA Insurance Group plc in 2013 as emerging markets financial controller. She was appointed Group Financial Controller in 2014. Prior to joining RSA, Ms Bergin spent 11 years at General Electric where she held a number of finance roles both in the capital and industrial businesses. She has worked in the UK and across much of Europe, Asia and Australia. Ms Bergin has extensive experience in building strong control environments and financial reporting and is a Fellow of the Institute of Chartered Accountants in Ireland.

Appointed as a non-executive Director on 9 July 2015 and Chairman of the Audit Committee on 2 December 2015.

Tom Cross Brown

Tom Cross Brown, aged 68, was global chief executive officer of ABN AMRO Asset Management, having previously been chief executive officer of ABN AMRO Asset Management in the UK and global head of business development. Prior to joining ABN AMRO, Mr Cross Brown spent 21 years at Lazard Brothers & Co. and was chief executive of Lazard Brothers Asset Management Limited between 1994 and 1997. He is currently deputy chairman of JRP Group plc, and is a non-executive member of the management committee of Artemis Investment Management LLP.

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

Mr Budge and Mr Barron were considered independent of the Investment Manager throughout the year ended 30 April 2016 and up to the date of this report. They were members of the Audit, Nomination and Management Engagement Committees throughout the period.

Mr Cross Brown is not considered independent of the Investment Manager due to his role as a non-executive member of the management committee of Artemis Investment Management LLP.

Mr Ayton and Ms Bergin were both considered independent of the Investment Manager upon appointment and up to the date of this report. They were appointed to the Audit, Nomination and Management Engagement Committees on 25 June and 9 July 2015, respectively.

Directors' Report

The Directors have pleasure in presenting their report, together with the audited financial statements of the Group and the Company for the year ended 30 April 2016.

Results and dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 33. The Board has declared dividends for the year totalling 3.90 pence per ordinary share. The second interim dividend for the year ended 30 April 2016 of 2.50 pence per ordinary share will be paid on 19 August 2016 to shareholders who are on the register at the close of business on 15 July 2016.

Management and management fees

The Company's investments are managed by Artemis Fund Managers Limited ("Artemis"), subject to an Investment Management Agreement dated 3 June 2003 and a Supplemental Agreement dated 11 November 2010 (together the "Agreement"). Pursuant to the Agreement, Artemis is entitled to a management fee of 0.75 per cent per annum of the average monthly market capitalisation of the Company, payable quarterly in arrears. In addition, a performance-related fee may be payable equal to 15 per cent of any outperformance by the Company's share price (on a total return basis) of the rate of total return on the FTSE All-Share Index plus 2 per cent per annum, measured over a rolling three year period.

The performance fee payable each year cannot exceed 2.5 per cent of the Company's market capitalisation at the end of the performance period. The performance fee operates a "high water mark" such that it will only be payable if the Company's share price ends the measurement period higher than at the start of such period and is higher (on a total return basis) than the share price level at which a performance fee was last paid. Any relative underperformance compared to the FTSE All-Share Index (plus 2 per cent) each year is carried forward to the next period. This ensures that any under performance from prior years needs to be made up before any performance fee can become payable. No performance fee was earned for the year ended 30 April 2016 or 30 April 2015.

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

John Dodd and Adrian Paterson are the day-to-day fund managers. Portfolio ideas may also generated by the other members of the Artemis investment team from time to time, but all investment decisions are the responsibility of the fund managers.

Artemis is also the Alternative Investment Fund Manager ("AIFM") to the Company. The investment management agreement sets out Artemis' duties to the Company in respect of the AIFMD. No fees are paid to Artemis in respect of its role as the AIFM to the Company. Artemis has delegated responsibility for the day-to-day portfolio management of the Company's portfolio to Artemis Investment Management LLP.

Both Artemis entities are authorised and regulated by the Financial Conduct Authority and at 30 April 2016 had £22.7 billion, in aggregate, of assets under management.

Continuing appointment of the Investment Manager

The Board has reviewed the Investment Manager's engagement, including its management processes, risk controls and the quality of support provided to the Board and believes that its continuing appointment, on its current terms, remains in the interests of shareholders at this time. Such a review is carried out on an annual basis.

Elections of Directors

The Board has adopted a policy that all Directors should stand for re-election on an annual basis at each AGM.

The Board recommends the re-election of Mr Budge, Mr Ayton, Ms Bergin and Mr Cross Brown on the basis of their industry knowledge, experience and their contribution to the operation of the Company.

Mr Barron will retire as a director of the Company at the conclusion of the AGM on 5 October 2016.

Mr Dalrymple retired as a director of the Company on 1 October 2015.

Directors' insurance and indemnification

Directors' and Officers' liability insurance cover is held by the Company to cover Directors against certain liabilities that may arise in conducting their duties.

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

Share capital

The Company has two share classes: ordinary shares of 1 pence each and subscription shares of 1 pence each. As at 30 April 2016 the Company had 42,899,142 ordinary shares (2015: 43,419,171) and 6,862,677 subscription shares (2015: 6,862,942) in issue.

The Company made market purchases of its own ordinary shares totalling 676,000 (2015: 368,200) during the year for an aggregate consideration of £1,576,000 (2015: £1,051,000). This represented 1.6 per cent of issued ordinary share capital at the start of the period, with a nominal value of £6,760. The shares were bought

Directors and Corporate Governance (continued)

Directors' Report (continued)

at an average discount of 23.1 per cent (2015: 13.0 per cent) and are held in treasury.

During the year the Company issued and allotted 265 (2015: 2,292) ordinary shares in connection with the exercise of subscription rights by holders of a corresponding number of subscription shares. These shares were issued at the subscription price of 345 pence per share.

The ordinary share capital includes 734,000 shares held in treasury (2015: 578,294). The Company has a policy whereby any shares held in treasury for more than twelve months from the date of acquisition will be cancelled. During the year 520,294 treasury shares were cancelled (2015: 3,632,315).

Since the year end a further 112,000 ordinary shares have been purchased into treasury. As at 6 July 2016, the Company had 42,899,142 ordinary shares and 6,862,677 subscription shares in issue. Of these, 846,000 ordinary shares are held in treasury, and therefore the Company's total voting rights are 42,053,142.

The subscription shares rank equally with each other and do not carry any voting rights or the right to receive any dividends from the Company. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share at 345 pence on the last business day in June and December of each year up to 31 December 2017, after which the subscription shares will lapse. The subscription shares are freely transferable in the form of which they are currently registered and are traded on the London Stock Exchange.

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

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

Shareholder	Number of ordinary shares held as at 6 July 2016	6 July 2016 % of voting rights
1607 Capital Partners	4,311,700	10.05
Mr John Dodd	2,660,955	6.21
Schroders plc	2,288,782	5.34
Mr Mark Tyndall	2,125,590	4.96
Investec Wealth Investment	1,683,799	3.93

Additional shareholder information

The requirements relating to the appointment and replacement of Directors are contained in the Articles of the Company, a copy of which can be found on the Company's web site at artemisalphatrust.co.uk. Amendments to the Articles, and the giving of powers to issue or buy-back the Company's shares, require appropriate resolutions to be passed by shareholders. The current authorities to buy-back and issue shares will expire at the AGM and proposals for their renewal are set out on page 21. There are no agreements to which the Company is party that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Going concern

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

AGM

Details of the 2016 AGM are set out in the Chairman's Statement on page 5 and the Notice of Meeting on pages 52 to 53. Resolutions in relation to the re-issue of treasury shares and special business are set out below.

Treasury shares

The Board believes that the use of treasury shares can assist with the liquidity of the Company's ordinary shares to address any imbalances between supply and demand.

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

Authority to allot shares and disapply pre-emption rights

The Directors were authorised at the AGM in October 2015 to allot up to an aggregate nominal amount of £68,627 pursuant to the exercise of rights attaching to the subscription shares and up to an aggregate nominal amount of £21,420 under a general authority to allot ordinary shares. These authorities will expire at the forthcoming AGM of the Company. Resolution 8, which will be proposed as an ordinary resolution, seeks to renew these authorities.

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

Accordingly, Resolution 9 will, if approved, authorise the Directors to allot new ordinary shares up to an aggregate nominal amount of £68,627 in respect of subscription shares and £21,026, under a general authority, representing approximately 16.3 per cent and 5.0 per cent of the Company's issued ordinary share capital as at the date of this report, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. Resolution 9 will be proposed as a special resolution and the authorities will continue in effect until the conclusion of the AGM to be held in 2017. The Directors will only issue new ordinary shares pursuant to the general authority if they believe it is advantageous to the Company's shareholders to do so.

Authority to buy-back shares

The Company's existing authority to make market purchases of up to 14.99 per cent of the issued ordinary and subscription share capital will expire at the forthcoming AGM. The Directors consider that the Company should continue to have authority to make market purchases of its own shares and accordingly Resolution 10 will be proposed as a special resolution at the forthcoming AGM to renew that authority.

Repurchased ordinary shares may be held in treasury or cancelled. All repurchased subscription shares will be cancelled.

The maximum price which may be paid for purchases of ordinary shares and subscription shares (as applicable) through the market will not exceed the higher of:

- (i) 5.0 per cent above the average of the middle market quotations (as derived from the Official List) for the relevant shares for the five business days immediately preceding the date on which the purchase is made and
- (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for any

number of ordinary shares or subscription shares, as applicable, on the trading venue where the purchase is carried out. In addition, repurchases of ordinary shares will only be made in the market at prices below the prevailing net asset value per ordinary share.

Recommendation

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

Independent auditor

KPMG LLP has expressed its willingness to continue in office as independent auditor. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external auditor.

After careful consideration of the services provided during the year and a review of their effectiveness, the Audit Committee recommended to the Board that KPMG LLP be re-appointed as auditor. Accordingly, a resolution will be proposed at the forthcoming AGM for its re-appointment and to authorise the Directors to agree its remuneration.

Audited information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate Governance Compliance

The Company is committed to high standards of corporate governance and has established procedures to monitor its continuing compliance with the AIC Code. This statement outlines how the principles of the AIC Code, issued in February 2015, were applied throughout the financial year. The AIC Code has been endorsed by the Financial Reporting Council (the "FRC") and compliance with the AIC Code enables the Company to meet its obligations in relation to the provisions of the FRC's Code of Corporate Governance, insofar as they relate to the Company's business. The Board considers that in the course of the year, and up to the date of this report, the Company has complied with the AIC Code. It is the Board's intention that the Company will continue to comply with the terms of the AIC Code in the future. Set out below is how the Company applied the principles of the AIC Code.

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

Directors and Corporate Governance (continued)

Directors' Report (continued)

Board responsibilities

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

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

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

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

The Board has formalised arrangements under which Directors, in furtherance of their duties, may take independent professional advice at the Company's expense. The Directors have access to the advice and services of the Company Secretary, through its appointed representatives, who are responsible to the Board for ensuring that proper procedures are followed and that applicable rules and regulations are complied with.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Board composition

The Board comprises five Directors, all of whom are non-executive. The names of the Directors, together with their biographical details, are set out on page 18 of this Report.

The Board considers that all the Directors, with the exception of Mr Cross Brown, are independent of the Investment Manager and comply with the criteria for independence as set out in the AIC Code. Mr Cross Brown is not considered independent due to his position on the management committee of Artemis Investment Management LLP. Each of the Directors is deemed to be

independent in character and judgement. The Nomination Committee meets annually to consider matters of independence.

The Company's Senior Independent Director is currently David Barron and following his retirement at the AGM Blaitheid Bergin will take up this position. This position is reviewed annually.

Appointment of Directors and performance evaluation

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

As stated in the Chairman's Statement, Mr Barron will retire as a Director at the conclusion of the AGM and will not stand for re-election. The Board recommends the re-election of Mr Budge, Mr Ayton, Ms Bergin and Mr Cross Brown to shareholders on the basis of their expertise and experience in investment matters and their continuing effectiveness and commitment to the Company.

	Date of appointment	Due for re-election
Mr Ayton	25 June 2015	AGM 2016
Mr Barron	17 February 2005	—
Ms Bergin	9 July 2015	AGM 2016
Mr Budge	19 November 2013	AGM 2016
Mr Cross Brown	5 April 2006	AGM 2016

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

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

Board committees

In order to enable the Directors to discharge their duties, three Board Committees, each with written terms of reference, have been established. Committee membership is set out on page 18 of this Report. Attendance at meetings of the Committees is restricted to members and persons expressly invited to attend. Copies of the terms of reference for the Board Committees are available from the Company Secretary or on the

Company's website artemisalphatrust.co.uk. The Chairman of the Board acts as Chairman for the Committees, with the exception of the Audit Committee, which is currently chaired by Ms Bergin.

The Company Secretary acts as the Secretary to each Committee.

Audit Committee

The responsibilities of the Audit Committee are disclosed in the Report of the Audit Committee on pages 29 and 30 of this Report.

Management Engagement Committee

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

Nomination Committee

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

As detailed in the Strategic Report on page 19, the Board supports the principles of diversity in the boardroom, and considers this in seeking to ensure that the overall balance of skills and knowledge of the Directors remains appropriate so that it can continue to operate effectively.

Board and Committee Meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year to 30 April 2016.

	Board Meetings	Audit Committee Meetings
Number of meetings held	4	3
Mr Ayton [†]	4/4	2/2
Mr Barron	4/4	3/3
Ms Bergin [†]	3/3	2/2
Mr Budge	4/4	3/3
Mr Cross Brown*	4/4	2/3
Mr Dalrymple [†]	2/2	1/1

	Management Engagement Committee Meetings	Nomination Committee Meetings
Number of meetings held	1	2
Mr Ayton [†]	0/0	1/1
Mr Barron	1/1	2/2
Ms Bergin [†]	0/0	1/1
Mr Budge	1/1	2/2
Mr Cross Brown*	1/1	2/2
Mr Dalrymple [†]	1/1	1/1

* Mr Cross Brown is not a member of the Audit, Management Engagement or Nomination Committees, but he is invited to attend any meetings held.

[†] Mr Dalrymple retired on 1 October 2015. Mr Ayton was appointed on 25 June 2015 and Ms Bergin was appointed on 9 July 2015.

Directors' tenure

The Board has adopted a policy of annual re-election by Shareholders. Directors are subject to a rigorous review after six years of service. The Board does not consider length of service itself to affect a Director's independence. The Board has agreed a procedure for the appointment of new Directors. Formal consideration of the skills and experience of the Board is undertaken to help identify the capabilities of a new Director when a vacancy arises.

An external consultant was engaged for the appointment of Ms Bergin.

Induction and training

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

Relations with shareholders

The Board considers communication with shareholders an important function and Directors are always available to respond to shareholder queries. The Board aims to ensure that shareholders are kept fully informed of developments in the Company's business through the Annual and Half-Yearly Financial Reports, as well as the daily announcement of the net asset values of the Company's ordinary shares to the London Stock Exchange. The Investment Manager produces a monthly factsheet, which can be found on the Company's website at artemisalphatrust.co.uk, along with other information on the Company. The Investment Manager meets with the Company's major shareholders on a periodic basis.

Directors and Corporate Governance (continued)

Directors' Report (continued)

All shareholders are encouraged to attend and vote at the AGM, during which the Board and Investment Manager will be available to discuss issues affecting the Company. Details of shareholder voting are declared at every AGM and are available on the website as soon as practicable following the close of the meeting. All Directors intend to attend this year's AGM, details of which are set out in the Notice of Meeting on pages 52 and 53 of this report.

UK Stewardship Code

Artemis has endorsed the UK Stewardship Code. This sets out the responsibilities of institutional investors in relation to the companies in which they invest and a copy of this can be found on the Investment Manager's website at artemis.co.uk.

Voting policy

The Board has given the Investment Manager discretion to exercise the Company's voting rights and the Investment Manager, so far as is practicable, will exercise them in respect of resolutions proposed by investee companies. The Investment Manager's voting for its clients is summarised on its website at artemis.co.uk.

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly and policies and procedures have been established to prevent bribery.

Conflicts of interest

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

Internal controls and management of risk

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

ensure that these service providers are employed subject to clearly defined contracts.

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

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

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

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

Further information on the risks and the management of them is set out in the Strategic Report on page 16 and in note 18 of the notes to the financial statements.

The Directors consider that the Annual Financial Report, taken as a whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

By order of the Board

Artemis Fund Managers Limited

Company Secretary
6 July 2016

Directors and Corporate Governance (continued)

Directors' Remuneration Policy and Report

Directors' Remuneration Policy

In accordance with Schedule 8 of The Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') the remuneration policy of the Company was approved by shareholders at the annual general meeting held on 2 October 2014. The policy will apply until 1 October 2017 (being three years from the date of shareholder approval of the policy) unless renewed, varied or revoked by shareholders at a general meeting and is as follows.

Fees payable to Directors are commensurate with the amount of time Directors are expected to spend on the Company's affairs, whilst seeking to ensure that fees are set at an appropriate level so as to enable candidates of a sufficient calibre to be recruited. The Company's Articles state the maximum aggregate amount of fees that can be paid to Directors in any year. This is currently set at £200,000 per annum and shareholder approval is required for any changes to this. The Board reviews and sets the level of Directors' fees annually, or at the time of the appointment of a new director, taking into account a range of external information, including peer group comparisons and relevant independent research.

Each Director is entitled to a base fee. The Chairman of the Board is paid a higher fee than the other Directors, to reflect the additional work required to be carried out in this role. The Chairman of the Audit Committee also receives an additional fee, to reflect the additional responsibilities and work associated with the role.

No Director is entitled to any benefits in kind, share options, annual bonuses, long-term incentives, pensions or other retirement benefits or compensation for loss of office.

Directors are appointed with no fixed notice periods and are not entitled to any extra payments on resignation. It is also considered appropriate that no aspect of Directors' remuneration is performance-related in light of the Directors' non-executive status.

Directors are able to claim expenses that are incurred in respect of duties undertaken in connection with the management of the Company.

New Directors will be remunerated in accordance with this policy and will not be entitled to any payments from the Company in respect of remuneration arrangements in place with any other employers which are terminated upon appointment as a Director of the Company.

No changes have been made, or are proposed to be made, to the Remuneration Policy of the Company as approved by shareholders at the AGM held on 2 October 2014, however, the Company's policy and the overall

remuneration of each Director will continue to be monitored by the Board.

To date no comments have been received from shareholders in respect of the Remuneration Policy.

Directors' Remuneration Report

The Directors are pleased to present the Company's remuneration report for the year ended 30 April 2016 in accordance with the Regulations. The Company's Auditor is required to audit certain information contained within this report and, where information set out below has been audited, it is clearly indicated. The Auditor's opinion is included in the Independent Auditor's Report which can be found on pages 31 and 32.

In accordance with the Regulations, an ordinary resolution, Resolution 2, to approve this report will be put to shareholders at the AGM.

The Board

During the year ended 30 April 2016, the Board consisted solely of non-executive Directors who determine their remuneration as a whole. Accordingly, a separate Remuneration Committee has not been established.

After consideration at a meeting of the Board on 23 June 2016, it was agreed that the fees for each Director, for the year ending 30 April 2017, should remain unchanged.

The Board has not relied upon the advice or services of any person to assist in making its remuneration decisions, although the Directors carry out reviews from time to time of the fees paid to directors of other investment trusts.

The Directors do not have a contract of service with the Company but are instead appointed by letters of appointment. A Director may resign in writing to the Board at any time; there are no fixed notice periods or any entitlement to compensation for loss of office.

Directors' fees (audited)

The Directors who served during the years ended 30 April 2016 and 30 April 2015 received the following emoluments:

Director ¹	2016	2015
Mr Ayton ²	£16,978	—
Mr Barron	£21,172	£22,000
Ms Bergin ³	£17,041	—
Mr Budge	£28,000	£24,666
Mr Cross Brown	£20,000	£20,000
Mr Dalrymple ⁴	£8,407	£20,000
Mr Miller ⁵	—	£11,667
	£111,598	£96,333

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

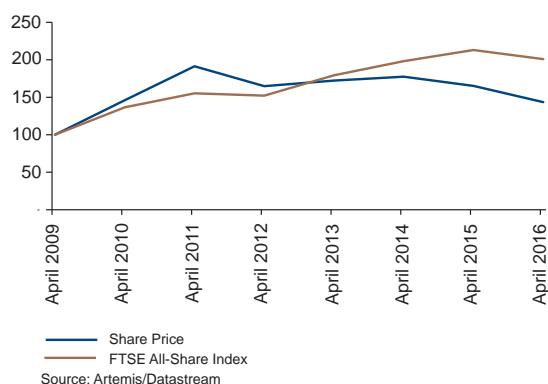
² Mr Ayton was appointed on 25 June 2015.

³ Ms Bergin was appointed on 9 July 2015.

⁴ Mr Dalrymple retired on 1 October 2015.

⁵ Mr Miller retired on 2 October 2014.

Performance graph



The performance graph above sets out the Company's ordinary share price total return (assuming re-investment of dividends) to ordinary shareholders from 30 April 2009 to 30 April 2016 compared with the total return of a notional investment in the FTSE All-Share Index. As investments are selected on their individual merits, the portfolio will not track any comparative index, and there is likely to be a divergence in performance between the Company and the index.

Statement of voting at the last annual general meeting

The following table sets out the votes received at the last annual general meeting of shareholders, held on 1 October 2015, in respect of the approval of the Directors' Remuneration Report:

Votes cast for		Votes cast against		Total votes cast	Number of votes withheld
Number	%	Number	%		
16,272,437	99.29	116,863	0.71	16,389,300	139,524

Directors' interests

The Directors' interests in the capital of the Company who held office at 30 April 2016 were as follows:

Ordinary shares

	30 April 2016		1 May 2015	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Mr Ayton	—	—	—	—
Mr Barron	8,792	—	8,792	—
Ms Bergin	—	—	—	—
Mr Budge	15,000	—	15,000	—
Mr Cross Brown	44,321	—	44,321	—

Subscription shares

	30 April 2016		1 May 2015	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Mr Ayton	—	—	—	—
Mr Barron	713	—	713	—
Ms Bergin	—	—	—	—
Mr Budge	—	—	—	—
Mr Cross Brown	6,331	—	6,331	—

There have been no changes to the above holdings between 30 April 2016 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.

On behalf of the Board and in accordance with the Regulations, I confirm that the Directors' Remuneration Report summarises, for the year ended 30 April 2016, the review undertaken and the decisions made regarding the fees paid to the Board.

For and on behalf of the Board

Duncan Budge

Chairman

6 July 2016

Directors and Corporate Governance (continued)

Statement of Directors' Responsibilities in respect of the Annual Financial Report

Management Report

Listed companies are required by the Financial Conduct Authority's Disclosure and Transparency Rules (the "Rules") to include a management report in their annual financial statements. The information required to be in the management report for the purpose of the Rules is included in the Strategic Report (pages 4 to 17). Therefore no separate management report has been included.

Statement of Directors' Responsibilities

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

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

We confirm that to the best of our knowledge:

- (a) the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position of the Company and the Group as at 30 April 2016, and of the profit or loss of the Group for the year then ended; and
- (b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Duncan Budge

Chairman

6 July 2016

Audit Information

Report of the Audit Committee

Roles and responsibilities

The main responsibilities of the Audit Committee include monitoring the integrity of the Company's Financial Statements, the appropriateness of its accounting policies, reviewing the internal control systems and the risks to which the Company is exposed. It is also responsible for making recommendations to the Board regarding the appointment of the auditor, the independence of the auditor, the objectivity and effectiveness of the audit process, monitoring the non-audit services provided to the Company by its Auditor and approving the financial statements and confirming to the Board that they are fair, balanced and understandable.

The Audit Committee provides a forum through which the Company's auditor reports to the Board.

Composition and meetings

All members of the Audit Committee are considered to have relevant and recent financial and investment experience as a result of their employment in financial services and other industries. Blathnaid Bergin, the Chairman of the Audit Committee, is a chartered accountant.

The Committee meets at least twice each year and representatives from the Investment Manager and the Administrator may be invited to attend the meetings of the Audit Committee to report on issues as required.

The Audit Committee meets with the Audit Partner responsible for the Company's audit at least once each year to discuss any matters arising from the audit.

Internal audit and controls

The Company does not have an internal audit function as most of its day-to-day operations are delegated to third parties. Both the Investment Manager and the Administrator have established internal control frameworks to provide reasonable assurance as to the effectiveness of the internal controls operated on behalf of their clients. Both third parties report to the Board, on a quarterly basis, any operational errors or breaches of law or regulation.

The Audit Committee considers annually whether there is a need for an internal audit function, and has agreed that it remains appropriate for the Company to rely on the internal controls that exist within its third party service providers.

As part of the Board's review of internal controls, the Audit Committee carries out and documents a risk and control assessment, which is kept under ongoing, and at least a six monthly, review. The Audit Committee reports its findings and recommendations to the Board.

Auditor appointment and remuneration

KPMG LLP ("KPMG") was appointed as Auditor to the Company on 7 July 2005. No tender for the audit of the Company has been undertaken since this date although under proposed new regulations a tender will need to be undertaken ahead of the year ending 30 April 2018 in which KPMG can be invited to participate.

The fees paid to KPMG in respect of audit services and non-audit services are disclosed in note 4 of the notes to the financial statements. As part of its review of the continuing appointment of the Auditor ahead of making a recommendation to the Board, the Audit Committee considered the quality of service provided by, and the effectiveness of, the Auditor, the length of tenure of the audit firm, its fees and independence from the Investment Manager, along with any matters raised during the audit.

It also noted that this was the fifth year that Catherine Burnet will have served as audit partner for the Company, and under independence rules will rotate off the Company's audit ahead of the 2017 year end.

As noted in the Directors' Report on page 21, KPMG has expressed its willingness to continue in office as independent Auditor. After careful consideration of the services provided during the year and a review of its effectiveness, the Audit Committee recommended to the Board that KPMG should be re-appointed as Auditor. Accordingly, a resolution will be proposed at the forthcoming AGM for its re-appointment and to authorise the Directors to agree its remuneration.

Audit for the year ended 30 April 2016

As part of the planning for the annual audit, the Audit Committee reviewed KPMG's audit strategy document, which highlighted the level of materiality applied by the Auditor, its key perceived audit risks and the scope of the audit.

Following this review, the Audit Committee considered the main risk that arises in relation to the Financial Statements to be the valuation and ownership of both listed and unquoted investments held by the Company.

As part of the annual audit, the Auditor has agreed the valuation of all listed investments in the portfolio to independent pricing sources, and for unquoted investments, discussed and challenged the valuations with the Investment Manager and Directors. The Auditor also validated the existence of all securities held by the Company to the records of the Custodian.

The Audit Committee also considered the valuation of unquoted investments included in the Annual Financial Report and discussed these in detail with the Investment Manager.

Audit Information (continued)

The Auditor also highlighted, as part of its planning, the calculation of the investment management fee and performance fee and the Company's compliance with Section 1158 of the Corporation Taxes Act 2010 as other key areas considered as part of the audit. The Auditor has not reported any exceptions as part of its work in these areas.

The Audit Committee met with the Audit Partner responsible for the Company's audit at the Audit Committee meeting held on 23 June 2016 to discuss any matters arising from the annual audit. The Auditor stated that there were no significant matters to be reported and an unqualified audit opinion on the financial statements has been provided, and is set out on pages 31 and 32.

Audited information

The Directors who held office at the date of approval of this Annual Report and Accounts confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Audit Committee considers that the Annual Financial Report, taken as a whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

Non-audit services

The Audit Committee has established a policy for the provision of non-audit services to the Company which prohibits the provision of certain services by the Auditor which the Audit Committee believes would compromise auditor independence. Non-audit services are permitted subject to the Audit Committee being satisfied that the engagement would not compromise auditor independence where the total fees for non-audit services is less than 70 per cent of the average audit fees for the last three years and where auditor knowledge would be advantageous in carrying out the service.

During the year, KPMG was engaged to provide services in relation to the preparation and submission of the Company and its subsidiary's tax returns and computations to HM Revenue & Customs. The fees paid for providing these services are disclosed in note 4 of the notes to the financial statements. The engagement has been approved by the Audit Committee which is satisfied that this does not compromise auditor independence.

By order of the Board

Blathnaid Bergin

Chairman of the Audit Committee

6 July 2016

Independent Auditor's Report to the members of Artemis Alpha Trust plc

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Artemis Alpha Trust plc for the year ended 30 April 2016 set out on pages 33 to 51. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying amount of Quoted Investments (£97.9 million)

Refer to pages 29 and 30 (Report of the Audit Committee), pages 38 and 39 (accounting policy) and pages 33 to 51 (financial disclosures).

- **The risk** – The Group's portfolio of quoted investments makes up 70.9 per cent of the Group's total assets (by value) and is considered to be one of the key drivers of operations and performance results. We do not consider these investments to be at a high risk of significant misstatement as they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- **Our response** – Our procedures over the completeness, valuation and existence of the Group's quoted investment portfolio included, but were not limited to:
 - documenting and assessing the processes in place to record investment transactions and to value the portfolio;
 - agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and
 - agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations.

Existence and Valuation of Unquoted Investments (£36.7 million)

Refer to pages 29 and 30 (Report of the Audit Committee), pages 38 and 39 (accounting policy) and pages 33 to 51 (financial disclosures).

- **The risk** – 25.6 per cent of the Group's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples and net assets. There is a significant risk over the valuation of these investments and this is one of the key judgemental areas that our audit focused on.
- **Our response** – Our procedures included:
 - documenting and assessing the design and implementation of the investment valuation processes and controls in place;
 - attendance at the year-end valuation meeting with the investment manager to assess its discussion and review of the investment valuations;
 - assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
 - challenging the investment manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Where a recent transaction had been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
 - attending the year-end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unquoted investment valuations; and

Audit Information (continued)

Independent Auditor's Report to the members of Artemis Alpha Trust plc

- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1.38m (2015: £3.2m), determined with reference to a benchmark of total assets, of which it represents 1 per cent, reflecting industry consensus levels (2015: 2 per cent).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £69,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100 per cent of total Group revenue, Group profit before tax, and Group total assets.

Our audit of the Company was undertaken to the materiality level specified above.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of viability statement on pages 16 to 17, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the 5 years to 30 April 2021; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading;

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the

directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 16 and 17, and page 20, in relation to going concern and viability; and
- the part of the Corporate Governance Statement on pages 21 to 25 relating to the Group's compliance with the eleven provisions of the 2014 Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at frc.org.uk/auditscopeukprivate. This report is made solely to the Group's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
6 July 2016

Financial Statements

Consolidated Income Statement

For the year ended 30 April 2016

	Notes	Year ended 30 April 2016			Year ended 30 April 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	2	2,632	–	2,632	2,415	–	2,415
Other income	2	(87)	–	(87)	2	–	2
Total revenue		2,545	–	2,545	2,417	–	2,417
Losses on investments		–	(9,571)	(9,571)	–	(1,937)	(1,937)
Gains/(losses) on current asset investments	10	40	–	40	(63)	–	(63)
Currency losses		–	(41)	(41)	–	(4)	(4)
Total income/(loss)		2,585	(9,612)	(7,027)	2,354	(1,941)	413
Expenses							
Investment management fee	3	(80)	(722)	(802)	(93)	(839)	(932)
Other expenses	4	(433)	(9)	(442)	(416)	(10)	(426)
Profit/(loss) before finance costs and tax		2,072	(10,343)	(8,271)	1,845	(2,790)	(945)
Finance costs	5	(40)	(360)	(400)	(48)	(442)	(490)
Profit/(loss) before tax		2,032	(10,703)	(8,671)	1,797	(3,232)	(1,435)
Tax	6	(13)	–	(13)	(20)	–	(20)
Profit/(loss) for the year		2,019	(10,703)	(8,684)	1,777	(3,232)	(1,455)
Earnings/(loss) per ordinary share	8	4.73p	(25.07)p	(20.34)p	4.12p	(7.50)p	(3.38)p

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

All items in the above statement derive from continuing operations.

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

The notes on pages 38 to 51 form part of these financial statements.

Financial Statements (continued)

Balance Sheets

As at 30 April 2016

	Notes	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Non-current assets					
Investments	9	134,647	136,897	150,253	152,509
Current assets					
Investments held by subsidiary		1,243	–	1,289	–
Other receivables	12	506	469	1,466	1,458
Cash and cash equivalents		1,753	1,587	1,778	1,189
		<u>3,502</u>	<u>2,056</u>	<u>4,533</u>	<u>2,647</u>
Total assets		138,149	138,953	154,786	155,156
Current liabilities					
Other payables	13	(1,708)	(2,512)	(503)	(873)
Bank loan	18	(8,500)	(8,500)	(14,500)	(14,500)
		<u>(10,208)</u>	<u>(11,012)</u>	<u>(15,003)</u>	<u>(15,373)</u>
Net assets		127,941	127,941	139,783	139,783
Equity attributable to equity holders					
Share capital	14	498	498	503	503
Share premium		645	645	644	644
Special reserve		53,022	53,022	54,598	54,598
Capital redemption reserve		92	92	87	87
Retained earnings – revenue		3,804	2,000	3,368	1,554
Retained earnings – capital	15	69,880	71,684	80,583	82,397
Total equity		127,941	127,941	139,783	139,783
Net asset value per ordinary share	16	303.43p	303.43p	326.28p	326.28p

These financial statements were approved by the Board of Directors and signed on its behalf on 6 July 2016 by:

Duncan Budge

Chairman

The notes on pages 38 to 51 form part of these financial statements.

Statements of Changes in Equity

For the year ended 30 April 2016

Group	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Retained earnings		Total £'000
					Revenue £'000	Capital £'000	
For the year ended 30 April 2016							
At 1 May 2015	503	644	54,598	87	3,368	80,583	139,783
Total comprehensive income:							
Profit/(loss) for the year	—	—	—	—	2,019	(10,703)	(8,684)
Transactions with owners recorded directly to equity:							
Repurchase of ordinary shares into treasury	—	—	(1,576)	—	—	—	(1,576)
Cancellation of ordinary shares from treasury	(5)	—	—	5	—	—	—
Conversion of subscription shares	—	1	—	—	—	—	1
Dividends paid	—	—	—	—	(1,583)	—	(1,583)
At 30 April 2016	498	645	53,022	92	3,804	69,880	127,941
For the year ended 30 April 2015							
At 1 May 2014	539	636	55,649	51	2,994	83,815	143,684
Total comprehensive income:							
Profit/(loss) for the year	—	—	—	—	1,777	(3,232)	(1,455)
Transactions with owners recorded directly to equity:							
Repurchase of ordinary shares into treasury	—	—	(1,051)	—	—	—	(1,051)
Cancellation of ordinary shares from treasury	(36)	—	—	36	—	—	—
Conversion of subscription shares	—	8	—	—	—	—	8
Dividends paid	—	—	—	—	(1,403)	—	(1,403)
At 30 April 2015	503	644	54,598	87	3,368	80,583	139,783

The notes on pages 38 to 51 form part of these financial statements.

Financial Statements (continued)

Statements of Changes in Equity (continued)

For the year ended 30 April 2016

Company	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Retained earnings		Total £'000
					Revenue £'000	Capital £'000	
For the year ended 30 April 2016							
At 1 May 2015	503	644	54,598	87	1,554	82,397	139,783
Total comprehensive income:							
Profit/(loss) for the year	—	—	—	—	2,029	(10,713)	(8,684)
Transactions with owners recorded directly to equity:							
Repurchase of ordinary shares into treasury	—	—	(1,576)	—	—	—	(1,576)
Cancellation of shares from treasury	(5)	—	—	5	—	—	—
Conversion of subscription shares	—	1	—	—	—	—	1
Dividends paid	—	—	—	—	(1,583)	—	(1,583)
At 30 April 2016	498	645	53,022	92	2,000	71,684	127,941
For the year ended 30 April 2015							
At 1 May 2014	539	636	55,649	51	1,145	85,664	143,684
Total comprehensive income:							
Profit/(loss) for the year	—	—	—	—	1,812	(3,267)	(1,455)
Transactions with owners recorded directly to equity:							
Repurchase of ordinary shares into treasury	—	—	(1,051)	—	—	—	(1,051)
Cancellation of ordinary shares from treasury	(36)	—	—	36	—	—	—
Conversion of subscription shares	—	8	—	—	—	—	8
Dividends paid	—	—	—	—	(1,403)	—	(1,403)
At 30 April 2015	503	644	54,598	87	1,554	82,397	139,783

The notes on pages 38 to 51 form part of these financial statements.

Cash Flow Statements

For the year ended 30 April 2016

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Operating activities				
Loss before tax	(8,671)	(8,673)	(1,435)	(1,435)
Interest payable	400	407	490	512
Losses on investments	9,571	9,577	1,937	1,955
Gains/(losses) on current asset investments	(40)	–	63	–
Currency losses	41	41	4	4
Decrease in other receivables	55	57	15	23
(Decrease)/increase in other payables	(110)	(110)	263	259
Net cash inflow from operating activities before interest and tax	1,246	1,299	1,337	1,318
Interest paid	(400)	(407)	(490)	(512)
Irrecoverable overseas tax suffered	(13)	(11)	(20)	(20)
Net cash inflow from operating activities	833	881	827	786
Investing activities				
Purchases of investments	(40,521)	(37,988)	(31,548)	(29,473)
Sales of investments	48,645	46,091	45,610	43,501
Net cash inflow from investing activities	8,124	8,103	14,062	14,028
Financing activities				
Repurchase of ordinary shares into treasury	(1,359)	(1,359)	(1,149)	(1,149)
Conversion of subscription shares	1	1	8	8
Dividends paid	(1,583)	(1,583)	(1,403)	(1,403)
Decrease/(increase) in inter-company loan	–	396	–	(211)
Net cash outflow from financing activities	(2,941)	(2,545)	(2,544)	(2,755)
Net decrease in net debt	6,016	6,439	12,345	12,059
Net debt at the start of the year	(12,722)	(13,311)	(25,063)	(25,366)
Effect of foreign exchange rate changes	(41)	(41)	(4)	(4)
Net debt at the end of the year	(6,747)	(6,913)	(12,722)	(13,311)
Bank loans	(8,500)	(8,500)	(14,500)	(14,500)
Cash	1,753	1,587	1,778	1,189
	(6,747)	(6,913)	(12,722)	(13,311)

The notes on pages 38 to 51 form part of these financial statements.

Financial Statements (continued)

Notes to the Financial Statements

1. Accounting policies

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

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts and venture capital trusts issued by the Association of Investment Companies ("AIC") in November 2014 is consistent with the requirements of IFRS, the Financial Statements have been prepared in accordance with the SORP.

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 30 April 2016. 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.

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

(b) Basis of consolidation. The Group financial statements consolidate the financial statements of Artemis Alpha Trust plc and its dealing subsidiary Alpha Securities Trading Limited drawn up to 30 April each year. In order to have control over a subsidiary the Company must have power over the investee's exposure to the variable returns from the investee and the ability to use its power to affect the returns of the investee company. The financial statements of the dealing subsidiary are prepared for the same reporting year as the parent Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

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

(d) Segmental reporting. The Group has only one material segment of business being that of an investment trust company.

(e) Investments. Investments (including current assets investments) are designated as fair value through profit or loss upon initial recognition. Listed investments are measured initially at cost, and are recognised at trade date. Investments in subsidiary undertakings are stated in the Company's financial statements at fair value, which is deemed to be the net assets of each subsidiary. These are included within current asset investments as they are held for short term gains and expected to be realised in less than one year.

For financial assets acquired, the cost is the fair value of the consideration. Subsequent to initial recognition, all

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

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

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

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

(g) Expenses and finance costs. All expenses and interest payable are recognised on an accruals basis. Expenses are charged through the revenue column in the Consolidated Income Statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital; and
- expenses are treated as capital where they are made in connection with the maintenance or enhancement of the value of investments.

Investment management fees and finance costs are allocated on the basis of 10 per cent to revenue and 90 per cent to capital.

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

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

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

capital gains and losses arising on the revaluation or disposal of investments.

(i) Cash and cash equivalents. Cash and cash equivalents comprises deposits and overdrafts with banks and bank loans with maturities of less than three months from inception.

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

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

(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 rates 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 are stated at their nominal value.

(m) Reserves.

Capital Reserve – realised

This reserve includes:

- gains and losses on the realisation of investments and changes in the fair value of investments which are readily convertible to cash; and;
- expenses, together with any related taxation effect, in accordance with the above policies.

Capital Reserve – unrealised

This reserve includes:

Changes in the fair value of investments that are not readily convertible to cash and amounts by which other assets and liabilities

valued at market value differ from their book value are accounted for through this reserve.

Special Reserve

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

Capital Redemption Reserve

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

Retained earnings – revenue

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

(n) Accounting developments. At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue. They are not yet mandatory, but are available for early adoption. They are not expected to have any impact on the Group or the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 7 – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).
- IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 – Leases (effective for annual periods beginning on or after 1 January 2019).

Financial Statements (continued)

Notes to the Financial Statements (continued)

2. Income

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Investment income*		
UK dividend income	2,129	1,898
UK fixed interest	21	104
Overseas dividend income	482	413
	<u>2,632</u>	<u>2,415</u>
Other income		
Bank interest	7	6
Subsidiary undertaking's dealing losses	(94)	(4)
	<u>(87)</u>	<u>2</u>
Total income	<u>2,545</u>	<u>2,417</u>
Total income comprises:		
Dividends and interest from investments	2,632	2,415
Bank interest	7	6
Other income and dealing losses	(94)	(4)
	<u>2,545</u>	<u>2,417</u>
Income from investments		
UK quoted investments	1,878	1,508
UK unquoted investments	272	494
Overseas quoted investments	482	413
	<u>2,632</u>	<u>2,415</u>

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

3. Investment management and performance fees

	Year ended 30 April 2016			Year ended 30 April 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	80	722	802	93	839	932

Details of the terms of the investment management fee and performance fee are set out in the Directors' Report on page 19. As at 30 April 2016, £235,000 was outstanding in respect of amounts due to the Investment Manager (2015: £288,000). As the performance of the Company's share price did not meet the criteria required for the payment of a performance fee, no payment has been made (2015: nil).

4. Other expenses

	Year ended 30 April 2016			Year ended 30 April 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Directors' remuneration (excluding VAT and NIC)	112	–	112	98	–	98
Auditor's remuneration (excluding VAT):						
– Fee for the audit of the Company's financial report	24	–	24	24	–	24
– Audit of the subsidiary pursuant to legislation	2	–	2	2	–	2
– Non-audit services – taxation	10	–	10	11	–	11
Other expenses*	285	9	294	281	10	291
	433	9	442	416	10	426

* Other expenses include stock exchange listing fees, directors' insurance, AIC membership fees, administration fees, registrars fees, corporate broker fee, depositary fees, and printing/postage.

5. Finance costs

	Year ended 30 April 2016			Year ended 30 April 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan interest*	25	227	252	40	365	405
Loan commitment fee	3	27	30	3	27	30
Loan non-utilisation fee	11	100	111	5	48	53
Overdraft interest*	1	6	7	–	2	2
	40	360	400	48	442	490

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

6. Taxation

(a) Tax charge for the year

	Year ended 30 April 2016			Year ended 30 April 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Irrecoverable overseas tax	13	–	13	20	–	20
	13	–	13	20	–	20

Financial Statements (continued)

Notes to the Financial Statements (continued)

6. Taxation (continued)

(b) Factors affecting the tax charge for the year

	Year ended 30 April 2016			Year ended 30 April 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) before tax	2,032	(10,703)	(8,671)	1,797	(3,232)	(1,435)
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 20.00% (2015: 20.92%)	406	(2,140)	(1,734)	376	(676)	(300)
Non-taxable capital losses	–	1,922	1,922	–	405	405
Non-taxable UK dividends	(426)	–	(426)	(397)	–	(397)
Non-taxable overseas dividends	(96)	–	(96)	(86)	–	(86)
Unutilised management expenses	116	218	334	107	271	378
Irrecoverable overseas tax	13	–	13	20	–	20
	13	–	13	20	–	20

(c) Factors that may affect future tax charges

The Group has excess management expenses, surplus loan relationship deficits and trading losses of £13,599,000 (2015: £11,929,000) that may be available to offset future taxable revenue. No deferred tax asset has been recognised in respect of these amounts as it is unlikely to be utilised in the foreseeable future.

7. Dividends paid and proposed

Set out below are the total dividends recognised in respect of the financial year ended 30 April 2016.

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
2015 second interim dividend of 2.30p per ordinary share (2014: 2.00p)	985	864
2016 first interim dividend of 1.40p per ordinary share (2015: 1.25p)	598	539
	1,583	1,403

Dividends are recognised in the period in which they are due to be paid and are shown through the Statement of Changes in Equity. Therefore, the Statement of Changes in Equity for the year ended 30 April 2016 reflects the second interim dividend for the year ended 30 April 2015 which was paid on 14 August 2015. For the year ended 30 April 2016, a first interim dividend of 1.40p has been paid on 29 January 2016 and a second interim dividend of 2.50p per share will be paid on 19 August 2016.

Set out below are the total dividends paid/payable in respect of the financial year ended 30 April 2016.

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
First interim dividend of 1.40p per ordinary share (2015: 1.25p)	598	539
Second interim dividend of 2.50p per ordinary share (2015: 2.30p)	1,054	985
	1,652	1,524

8. Earnings per share

The revenue earnings per ordinary share is based on the revenue profit for the year of £2,019,000 (2015: £1,777,000) and on the 42,694,142 (2015: 43,086,557) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The capital loss per ordinary share is based on the capital loss for the year of £10,703,000 (2015: capital loss £3,232,000) and on the 42,694,142 (2015: 43,086,557) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There was no dilution to the returns for the year ended 30 April 2016 (2015: none) relating to the Company's issued subscription shares.

9. Non-current assets – Investments

(a) Valuation of investments

All investments are designated as fair value through profit or loss at initial recognition and all gains and losses arise on investments designated as fair value through profit or loss. Where investments are considered to be readily realisable for cash, the fair value gains and losses, recognised in these financial statements are treated as realised. All other fair value gains and losses are treated as unrealised.

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

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

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

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

The investments held at the balance sheet date have been categorised Level 1, Level 2 and Level 3. The values and movements in these categories are summarised in parts a to c of this note. Any investments that are delisted or suspended from a listed stock exchange are transferred from Level 1 to Level 3.

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
UK quoted investments (<i>Level 1</i>)				
– UK listed	43,895	43,895	32,508	32,508
– AIM quoted	47,553	47,553	63,090	63,090
– Preference shares	227	227	308	308
Overseas quoted investments (<i>Level 1</i>)	2,676	2,676	2,655	2,655
Mutual funds (<i>Level 2</i>)	3,554	3,554	3,394	3,394
Unquoted investments (<i>Level 3</i>)				
– Equities and warrants	32,743	32,743	44,069	44,069
– Fixed interest	2,750	2,750	3,099	3,099
– Preference shares	636	636	486	486
– Other	613	613	644	644
– Subsidiary undertakings	–	2,250	–	2,256
	134,647	136,897	150,253	152,509

Financial Statements (continued)

Notes to the Financial Statements (continued)

9. Non-current assets – Investments (continued)

(b) Movements in investments – Group

	2016				2015			
	Quoted (Level 1) £'000	Quoted (Level 2) £'000	Unquoted (Level 3) £'000	Total £'000	Quoted (Level 1) £'000	Quoted (Level 2) £'000	Unquoted (Level 3) £'000	Total £'000
Opening book cost	89,083	2,427	50,234	141,744	87,541	2,951	50,347	140,839
Opening fair value adjustment	9,478	967	(1,936)	8,509	22,627	532	3,209	26,368
Opening valuation	98,561	3,394	48,298	150,253	110,168	3,483	53,556	167,207
Movements in year:								
Purchases at cost	33,103	1,456	4,565	39,124	22,678	–	6,795	29,473
Sales – proceeds	(36,212)	(1,139)	(7,808)	(45,159)	(29,524)	(647)	(14,319)	(44,490)
– realised gains/(losses) on sales	8,561	296	(2,318)	6,539	6,420	123	9,379	15,922
Transfer to/(from) unquoted investments (cost)	509	–	(509)	–	1,968	–	(1,968)	–
Transfer to/(from) unquoted investments (unrealised loss)	–	–	–	–	(375)	–	375	–
(Decrease)/increase in fair value adjustment	(10,171)	(453)	(5,486)	(16,110)	(12,774)	435	(5,520)	(17,859)
Closing valuation	94,351	3,554	36,742	134,647	98,561	3,394	48,298	150,253
Closing book cost	95,044	3,040	44,164	142,248	89,083	2,427	50,234	141,744
Closing fair value adjustment	(693)	514	(7,422)	(7,601)	9,478	967	(1,936)	8,509
	94,351	3,554	36,742	134,647	98,561	3,394	48,298	150,253

(c) Movements in investments – Company

	2016				2015			
	Quoted (Level 1) £'000	Quoted (Level 2) £'000	Unquoted (Level 3) £'000	Total £'000	Quoted (Level 1) £'000	Quoted (Level 2) £'000	Unquoted (Level 3) £'000	Total £'000
Opening book cost	89,083	2,427	50,234	141,744	87,541	2,951	50,347	140,839
Opening fair value adjustment	9,478	967	320	10,765	22,627	532	5,483	28,642
Opening valuation	98,561	3,394	50,554	152,509	110,168	3,483	55,830	169,481
Movements in year:								
Purchases at cost	33,103	1,456	4,565	39,124	22,678	–	6,795	29,473
Sales – proceeds	(36,212)	(1,139)	(7,808)	(45,159)	(29,524)	(647)	(14,319)	(44,490)
– realised gains/(losses) on sales	8,561	296	(2,318)	6,539	6,420	123	9,379	15,922
Transfer to/(from) unquoted investments (cost)	509	–	(509)	–	1,968	–	(1,968)	–
Transfer to/(from) unquoted investments (unrealised loss)	–	–	–	–	(375)	–	375	–
(Decrease)/increase in fair value adjustment	(10,171)	(453)	(5,492)	(16,116)	(12,774)	435	(5,538)	(17,877)
Closing valuation	94,351	3,554	38,992	136,897	98,561	3,394	50,554	152,509
Closing book cost	95,044	3,040	44,164	142,248	89,083	2,427	50,234	141,744
Closing fair value adjustment	(693)	514	(5,172)	(5,351)	9,478	967	320	10,765
	94,351	3,554	38,992	136,897	98,561	3,394	50,554	152,509

(d) Analysis of fair value assets

For Level 3 investments IFRS 7 requires that if the effect of changing one or more of the inputs to reasonably possible alternative assumptions would be to change the fair value significantly it should be disclosed. The information used in determination of the fair value of Level 3 investments is specific to each investee company and is in accordance with the methodologies set out in the accounting policies in Note 1(e). The investments have been reviewed and where reasonable possible alternatives have been identified, these have applied to each investment. The potential impact to the net assets of the Company by using the reasonably possible alternative assumptions would be an increase of £346,000 of the fair value of Level 3 assets (2015: £nil).

During the year, the valuations of the following Level 3 assets were reduced: Buried Hill Energy (Cyprus) (£142,000), Claremont Alpha (£97,000), Lamp Group (£122,000), Equus Petroleum (£681,000), Reaction Engines (£1,608,000), MBA Polymers (£386,000), Maison Seven (£789,000), Chateau Lafite Rothschild 2009 (£16,000), Chateau Lafite Rothschild 2010 (£15,000), Starcount (£3,986,000), Physioblab Technologies (£1,340,000), Hot Can (£544,000) and MWB Group Holdings (£96,000).

During the year, Ceramic Fuel Cells, which was valued at £500,000 at 30 April 2015, was sold during the year for proceeds of £458,000 and Lynton Holding Asia which was valued at £7,068,000 was sold for £6,760,000. Ten Alps loan stock, held at £508,000 was converted into AIM listed shares during the year.

(e) Losses on investments – Group

	2016 £'000	2015 £'000
Realised gains on sales of investments	6,539	15,922
Decrease in fair value adjustment	(16,110)	(17,859)
	(9,571)	(1,937)

(f) Transaction costs

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

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Purchases	152	142	71	63
Sales	43	41	45	42
	195	183	116	105

10. Investment in subsidiary undertaking

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

Investment in the subsidiary undertaking is held at fair value, which is deemed to be its net assets. It holds a portfolio of listed investments for short term appreciation which are measured at their quoted bid prices. During the year the company made an unrealised gain of £40,000 (2015: loss of £63,000) and a dealing loss of £94,000 (2015: loss of £4,000) which are included in the Income Statement.

The Company controls another investee company by virtue of its voting rights.

	% of ordinary share capital held	Principal activity	Country of incorporation and operation
Claremont Alpha Limited	100	Holding company	Isle of Man

IFRS 10 provides a consolidation exemption to companies that qualify as an "Investment Entity", whereby instead of consolidating subsidiaries, investment entities are permitted to measure the investment in subsidiaries at fair value through profit or loss.

The investment in Alpha Securities Trading Limited continues to be consolidated as this entity is classified as providing services that relate to the investment entity's investment activities.

Financial Statements (continued)

Notes to the Financial Statements (continued)

10. Investment in subsidiary undertaking (continued)

The Company qualifies as an "Investment Entity" as:

- The Company obtains funds from investors for the purpose of providing the investors with investment management services;
- The Company commits to investors that its business purpose is to invest funds solely for returns for capital appreciation, investment income, or both; and
- The Company confirms that it measures and evaluates the performance of substantially all of its investments on a fair value basis.

Other characteristics of the Company supporting this classification is that there are multiple investments and many underlying investors. Additionally investors are not exclusively related parties and the underlying investment positions taken are commonly in the form of equity.

11. Significant interests

At 30 April 2016 the Company held shares amounting to 3 per cent or more of the nominal value of any class of share capital of the following companies, not being participating interests.

	Class Held	% of class held
Avation	Ordinary	4.52%
Be Heard Group	Ordinary	6.30%
Betex Group	Ordinary	4.69%
Ceramic Fuel Cells	Ordinary	5.00%
Charlemagne Capital	Ordinary	4.34%
Claremont Alpha*	Ordinary	100.00%
Duke Royalty	Ordinary	5.97%
Eden Reseach	Ordinary	6.66%
Flying Brands	Ordinary	3.59%
Fox Marble	A Ordinary	5.80%
Gaming Realms	Ordinary	4.55%
Gift-Library.com* (Gift-Library.com Limited)*	A Ordinary	100.00%
	Non-Voting	2.04%
Gresham Computing	A Ordinary	3.40%
Gundaline	Ordinary	12.00%
Hardlyever (Hardlyever Limited)*	Ordinary	65.21%
Hardlyever	Ordinary	8.67%
Houseology Design	Ordinary	12.65%
Hot2Go	Ordinary	15.70%
Infusion 2002	Ordinary	13.00%
Ironveld	Ordinary	3.86%
Lamp Group	Ordinary	6.93%
Lansdowne Oil & Gas	Ordinary	6.49%
Liontrust Asset Management	Ordinary	4.40%
Maison Seven	Ordinary	19.56%
Martinco	Ordinary	7.84%
Metapack	Ordinary	4.40%
Mobile Streams	Ordinary	8.08%
Mporium	Ordinary	3.35%
N+1 Singer	Ordinary	6.78%
Orchard Funding Group	Ordinary	7.02%
Penna Consulting	Ordinary	3.86%
Physiolab Technologies	Ordinary	13.70%
Pittards	Ordinary	16.20%
Reaction Engines	Ordinary	4.32%
Starcount (Starcount Pte Limited, incorporated in Singapore)	A Ordinary	20.96%
Ten Alps	Ordinary	15.57%
URICA (URICA Limited)	Ordinary	29.11%

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

* See note 10 – entity is not consolidated.

* The Company holds less than 50 per cent of the total voting rights of these companies and therefore does not exercise control.

12. Other receivables

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Amounts due from brokers	276	249	1,181	1,181
Prepayments and accrued income	218	208	275	267
Taxation recoverable	12	12	10	10
	506	469	1,466	1,458

13. Other payables

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Amounts due to brokers	1,379	1,353	64	–
Accrued expenses	329	325	439	435
Amounts due to subsidiary undertakings	–	834	–	438
	1,708	2,512	503	873

14. Share capital

(a) Share capital

	2016 Shares	2016 £'000	2015 Shares	2015 £'000
Allotted, called up and fully paid:				
Ordinary shares of 1p each	42,165,142	422	42,840,877	428
Ordinary shares of 1p each held in treasury	734,000	7	578,294	6
Subscription shares of 1p each	6,862,677	69	6,862,942	69
		498		503

(b) Ordinary shares

	Shares	£'000
Movements in ordinary shares during the year:		
Ordinary shares in issue on 1 May 2015	42,840,877	428
Repurchases of ordinary shares into treasury	(676,000)	(6)
Issue of ordinary shares upon exercise of subscription shares	265	–
Ordinary shares in issue on 30 April 2016	42,165,142	422

Financial Statements (continued)

Notes to the Financial Statements (continued)

14. Share capital (continued)

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

	2016 Shares	2016 £'000	2015 Shares	2015 £'000
Balance brought forward	578,294	6	3,842,409	38
Repurchases of ordinary shares	676,000	6	368,200	4
Cancellation of ordinary shares	(520,294)	(5)	(3,632,315)	(36)
Balance carried forward	734,000	7	578,294	6

During the year ended 30 April 2016, a total of 676,000 ordinary shares were repurchased by the Company at a total cost, including transaction costs, of £1,576,000 for placement in treasury (2015: 368,200 ordinary shares were repurchased for placement in treasury for £1,051,000).

(c) Subscription shares

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

	Shares	£'000
Balance brought forward	6,862,942	69
Conversion of subscription shares into ordinary shares	(265)	–
Balance carried forward	6,862,677	69

During the year, holders of 265 (2015: 2,292) subscription share exercised their rights to covert those shares into ordinary shares at a price of 345 pence per ordinary share, giving a total consideration received of £1,000 (2015: £8,000).

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

15. Retained earnings – Capital

	Group			Company		
	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Total capital reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Total capital reserve £'000
Balance at 1 May 2015	81,264	(681)	80,583	80,822	1,575	82,397
Decrease in fair value adjustment	–	(16,110)	(16,110)	–	(16,116)	(16,116)
Net gain on realisation of investments	6,539	–	6,539	6,539	–	6,539
Currency losses on capital items	(41)	–	(41)	(41)	–	(41)
Costs charged to capital (net of tax relief)	(1,091)	–	(1,091)	(1,095)	–	(1,095)
Transfer between reserves	1,135	(1,135)	–	1,135	(1,135)	–
Balance at 30 April 2016	87,806	(17,926)	69,880	87,360	(15,676)	71,684
Balance at 1 May 2014	68,835	14,980	83,815	68,410	17,254	85,664
Increase in fair value adjustment	–	(17,859)	(17,859)	–	(17,877)	(17,877)
Net gain on realisation of investments	15,922	–	15,922	15,922	–	15,922
Currency losses on capital items	(4)	–	(4)	(4)	–	(4)
Costs charged to capital (net of tax relief)	(1,291)	–	(1,291)	(1,308)	–	(1,308)
Transfer between reserves	(2,198)	2,198	–	(2,198)	2,198	–
Balance at 30 April 2015	81,264	(681)	80,583	80,822	1,575	82,397

16. Net asset value per ordinary share

The net asset value per share is based on the net assets of £127,941,000 (2015: £139,783,000) and on 42,165,142 (2015: 42,840,877) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per share has been calculated on the assumption that no (2015: nil) subscription shares were exercised (as the undiluted net asset value is lower than the exercise price of 345 pence) resulting in a total of ordinary shares in issue of 42,165,142 (2015: 42,840,877).

17. Financial commitments

At 30 April 2016, the Group and Company did not have any financial commitments which had not been accrued (2015: none).

18. Financial instruments

As detailed on page 15, the principal investment objective of the Group is to achieve above average rates of total return over the longer term and to achieve a growing dividend stream.

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

(i) Market price risk

Market risk, which includes, currency, interest rate and other price risk, arises mainly from uncertainty about future values of financial instruments held in the Group's investment portfolio. It is the Board's policy that the Group should maintain an appropriate spread of investments in the portfolio to seek to reduce the risks arising from factors specific to a particular company or sector.

The day-to-day management of the portfolio is the responsibility of the Investment Manager, in accordance with the Company's investment policy. This includes ongoing detailed analysis of existing and potential investee companies. No derivatives or hedging instruments are used to manage market risk. The Board monitors the Company's overall market positions on a regular basis.

Details of the investments at 30 April 2016 are disclosed in the investment portfolio set out on pages 11 to 13.

Currency risk

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

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

	Investments at 30 April 2016 £'000	Net monetary assets at 30 April 2016 £'000	Investments at 30 April 2015 £'000	Net monetary assets at 30 April 2015 £'000
US Dollar	3,113	–	11,890	–
Canadian Dollar	2,336	4	3,489	–
Australian Dollar	1,804	–	1,540	–
Euro	1,220	11	–	10
Norwegian Kroner	219	–	592	–
Swiss Franc	109	–	383	–
Danish Krone	–	–	7,068	–
Total	8,801	15	24,962	10

Currency sensitivity

A 5 per cent increase in sterling against the relevant foreign currencies would have the effect of reducing the profit or loss and the net assets by £441,000 (2015: £1,248,000). A 5 per cent decrease in sterling would have an equal and opposite effect.

Financial Statements (continued)

Notes to the Financial Statements (continued)

18. Financial instruments (continued)

Interest rate risk

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

Floating rate

When the Company has cash balances these are maintained in an interest bearing account. The benchmark that determines the interest paid on the cash balances is the UK bank base rate, which was 0.5 per cent at 30 April 2016 (2015: 0.5 per cent).

The Company has a 5 year multi-currency revolving credit facility of £30,000,000 of which £8,500,000 was drawn down at 30 April 2016 (2015: £14,500,000). Interest is charged at variable rates equivalent to 1.70 per cent over the London interbank market rate.

Fixed rate

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

	30 April 2016			30 April 2015		
	Fixed rate investments £'000	Weighted average interest rate %	Weighted average period until maturity Years	Fixed rate investments £'000	Weighted average interest rate %	Weighted average period until maturity Years
Interest bearing securities	2,750	0.87	2.18	3,099	0.22	1.20

Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as result of changes in market prices (other than those relating to interest rate and credit risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors arising from the performance of the individual company and also wider macro-economic matters. As part of the ongoing review of the portfolio, the Investment Manager monitors these factors. A 5 per cent increase in the value of the Group's investments would have the effect of increasing net assets by £6,732,000 (2015: £7,513,000). A 5 per cent decrease would have an equal and opposite effect.

(ii) Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial commitments. A proportion of the Group's financial instruments include companies that are trading on AIM or are unquoted and these may not be readily realisable. As a result, the Company may not be able to realise some of its investments quickly at their fair value to meet any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. 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 AIFM has a liquidity management policy for the Company which is intended to ensure that the Company's investment portfolio maintains an appropriate level of liquidity in view of the Company's expected outflows, including share buy backs, dividends and operational expenses. This policy involves an assessment of the prices or values at which it expects to be able to realise its assets over varying periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors. This requires the AIFM to identify and monitor investment in asset classes which are considered to be relatively illiquid. Illiquid assets of the Company are likely to include investments in unquoted companies. The majority of the Company's investment portfolio is invested directly in listed equities and is monitored on an ongoing basis to ensure that it is adequately diversified. The liquidity management policy is reviewed and updated, as required, on at least an annual basis.

There were no material changes to the liquidity management policy during the year ended 30 April 2016. In addition, none of the Company's assets are subject to any special arrangements linked to their liquidity.

18. Financial instruments (continued)

Financial liabilities

The Group primarily finances its operations through equity, retained profits and bank borrowings. As at 30 April 2016, the Company had drawn down £8,500,000 of its committed £30,000,000 multi-currency revolving credit facility with The Royal Bank of Scotland plc (30 April 2015: £14,500,000). Interest is incurred at a variable rate as agreed at the time of draw down and is payable at the maturity date of each advance. The interest rate at 30 April 2016 was 2.21 per cent per annum (2015: 2.21 per cent per annum). There was no interest rate risk associated with other short-term creditors at 30 April 2016 or 30 April 2015. There is no difference between the fair value of the financial liabilities and their carrying value.

The credit facility is committed until 30 November 2018. The amount that can be drawn down under the facility is limited by a covenant measured against a proportion of the Company's portfolio and cash such that the Company's gross borrowings must not exceed 35% of adjusted net assets (net assets adjusted for unquoted holdings and other concentration deductions).

(iii) Credit and counterparty risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

- Where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question.
- The Company's investments are held on its behalf by J.P. Morgan Chase Bank N.A., the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting on its findings to the Board.
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.
- Transactions involving derivatives, and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Manager of the creditworthiness of that counterparty.
- Cash is only held at banks that are regularly reviewed by the Investment Manager.

19. Transactions with the Investment Manager and related parties

The amounts paid to the Investment Manager and amounts outstanding at the year end are disclosed in Note 3. However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under IAS 24: Related Party Disclosures, the Investment Manager is not considered to be a related party.

All other transactions with subsidiary undertakings were on an arms length basis. During the year transactions in securities between the Company and its subsidiary undertakings amounted to £nil (2015: £nil). During the year the Company paid its subsidiary undertaking interest on the intercompany loan amounting to £7,000 (2015: £22,000). Outstanding balances are set out in Note 13.

Shareholder Information

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Artemis Alpha Trust plc (the "Company") will be held at the offices of Artemis Fund Managers Limited, Cassini House, 57 St James's Street, London SW1A 1LD on Wednesday, 5 October 2016 at 11.30 am for the purpose of transacting the following business:

Ordinary Business

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

- Resolution 1. To receive the Report of the Directors and audited Financial Statements for the year ended 30 April 2016.
- Resolution 2. To approve the Directors' Remuneration Report for the year ended 30 April 2016.
- Resolution 3. To re-elect Mr Duncan Budge as a Director of the Company.
- Resolution 4. To re-elect Mr John Ayton as a Director of the Company.
- Resolution 5. To re-elect Ms Blathnaid Bergin as a Director of the Company.
- Resolution 6. To re-elect Mr Tom Cross Brown as a Director of the Company.
- Resolution 7. To re-appoint KPMG LLP as independent auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which financial statements are laid and to authorise the Directors to determine the remuneration of KPMG LLP.

Special Business

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

- Resolution 8. That, in substitution for any existing authorities, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot:
- (i) up to 6,862,677 ordinary shares having an aggregate nominal value of £68,627 to the holders of subscription shares on completion of conversion; and
 - (ii) up to an aggregate nominal value of £21,026 (approximately 5 per cent of the aggregate nominal amount of the

issued ordinary share capital as at 6 July 2016);

provided that this authority shall expire at the conclusion of the next annual general meeting of the Company to be held in 2017, unless previously revoked, varied or extended by the Company at a general meeting, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this Resolution had not expired.

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

- Resolution 9. That, subject to the passing of Resolution 8 set out above, the Directors be and they are hereby authorised, pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares in the capital of the Company and the sale of any ordinary shares held by the Company in treasury) wholly for cash as if section 561(1) of the Act did not apply to any such allotment, grant or sale provided that this power shall:

- (a) expire at the conclusion of the next annual general meeting of the Company to be held in 2017 unless previously revoked, varied or extended by the Company at a general meeting, save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the Directors may allot such equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired; and
- (b) be limited to the allotment of equity securities and the sale or transfer of treasury shares:
 - (i) in connection with an offer of such securities by way of rights to holders of ordinary shares and/or subscription shares on the register

of members of the Company on a fixed record date in proportion (as nearly as may be practicable) to their respective holdings of ordinary shares and/or subscription shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems arising under the laws of, or the requirements of, any territory or any regulatory or governmental body or authority or stock exchange;

- (ii) pursuant to the conversion rights of the subscription shares having an aggregate nominal value of £68,627; and
- (iii) otherwise than pursuant to paragraph (i) and (ii) above up to an aggregate nominal value of £21,026 representing approximately 5 per cent of the aggregate nominal amount of the issued ordinary share capital as at 6 July 2016.

Resolution 10. That, the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of its issued ordinary shares for cancellation or to be held in treasury and subscription shares for cancellation, provided that:

- (a) the maximum aggregate number of ordinary shares and subscription shares hereby authorised to be purchased shall not exceed 6,303,765 or 1,028,715 respectively, or if less, that number of ordinary shares or subscription shares which is equal to 14.99 per cent of the relevant share class of the Company's issued share capital as at the date of this Resolution;
- (b) the minimum price which may be paid for both an ordinary share and a

subscription share shall be 1 pence per share being the nominal value thereof;

- (c) the maximum price which may be paid for both an ordinary share and a subscription share shall not exceed the higher of (i) 5 per cent above the average of the middle market quotations for the relevant class of share (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of; and (b) the highest current independent bid for any number of shares of the relevant class on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the Company's annual general meeting to be held in 2017 unless previously revoked, varied or extended by the Company at a general meeting; and
- (e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By order of the Board:

Artemis Fund Managers Limited

Secretary
6 July 2016

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

Shareholder Information (continued)

Notice of Annual General Meeting (continued)

Notes:

1. Attending the AGM in person

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

2. Appointment of proxies

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

If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the chairman of the AGM) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact Capita Registrars on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

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

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

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

3. Appointment of a proxy using a proxy form

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

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

4. Appointment of a proxy through CREST

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid be transmitted so as to be received by the Registrar (ID RA10) no later than 48 hours (excluding non working days) before the time of the AGM or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message

by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. Appointment of proxy by joint holders

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

6. Corporate representatives

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

7. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at close of business on 3 October 2016 (or, if the AGM is adjourned, at close

of business two working days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

8. Nominated persons

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

9. Forms of proxy

A personalised form of proxy will be sent to each registered shareholder with the Annual Financial Report and instructions on how to vote will be contained therein.

10. Website giving information regarding the AGM

Information regarding the AGM, including information required by section 311A of the Act, and a copy of this notice of AGM is available on the website: artemisalphatrust.co.uk.

11. Voting rights

As at 6 July 2016 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 42,899,142 ordinary shares, carrying one vote each of which 846,000 are held in treasury and 6,862,677 subscription shares, which carry no voting rights. Therefore, the total voting rights in the Company as at 6 July 2016 were 42,053,142 votes.

12. Notification of shareholdings

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

13. Notification of shareholdings

If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast, and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's ordinary shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and

Shareholder Information (continued)

Notice of Annual General Meeting (continued)

Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

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

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

15. Further questions and communication

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

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

Members may not use any electronic address provided in this notice or in any related documents (including the accompanying circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.

16. Documents available for inspection

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

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

16.2. copies of the Directors' letters of appointment.

No Director has a service contract with the Company.

17. Director biographies

The biographies of the Directors standing for re-election are set out on page 18 of the Company's Annual Financial Report for the year ended 30 April 2016.

18. Announcement of results

As soon as practicable following the AGM, the results of the voting at the AGM will be announced via a Regulatory Information Service and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be placed on the website: artemisalphatrust.co.uk.

19. Audit concerns

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

Shareholder Information

Information for Shareholders

Buying shares in the Company

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

Company numbers:

Ordinary shares

London Stock Exchange (SEDOL) number: 0435594

ISIN number: GB0004355946

Reuters code: ATSL.L

Bloomberg code: ATSL:LN

Subscription shares

London Stock Exchange (SEDOL) number: B5SLGR8

ISIN number: GB00B5SLGR82

Reuters code: ATSS.L

Bloomberg code: ATSS:LN

Shareholder enquiries

All administrative enquiries relating to shareholder queries concerning holdings, dividend payments, notification of change of address, loss of certificate or to be placed on a mailing list should be addressed to the Company's registrars at: Capita Asset Services, Shareholder Enquiries, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by calling 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

If you would like to receive dividend payments directly into your bank account, please contact the Company's registrar at the address above.

Dividend Reinvestment Plan (the "Plan")

Shareholders are able to re-invest their cash dividends using the Plan operated by Capita Registrars. To find out more about the Plan, please contact Capita at: Capita Asset Services, Shareholder Enquiries, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by calling 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

Financial advisors

The Company currently conducts its affairs so that the shares in issue can be recommended by financial advisors to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA's") rules in relation to non-mainstream investment products and intends to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Further information on the Company

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

Subscription shares

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

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

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

Ordinary shares: 308.25 pence

Subscription shares: 62.75 pence

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

Subscription shares that are in uncertificated form on the relevant subscription date shall be exercisable, in whole or in part, if (i) an uncertificated subscription notice is

Shareholder Information (continued)

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

Taxation

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

AIC

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

AIFMD disclosures

A number of disclosures are required to be made under the AIFMD as follows:

- Information in relation to the leverage of the Company is provided in the Strategic Report on page 17.
- Details of the Company's principal risks and their management are provided in the Strategic Report on page 16.
- Details of the monitoring undertaken of the liquidity of the portfolio is provided in note 18 in the notes to the financial statements.
- The Investment Manager is not able to enter into any stocklending agreements; to borrow money against the security of the Company's investments; nor create any charges over any of the Company's investments, unless prior approval has been received from the Board.
- Details of the Company's strategy and policies, administration arrangements and risk management and monitoring, required to be made available to investors in the Company before they invest, are available at artemisalphatrust.co.uk.

Any material changes to this information is required to be reported in the Company's Annual Financial Report. There have been no material changes from the prior year to the information above which requires disclosure to shareholders.

Artemis may be required to make certain disclosures regarding remuneration which will be disclosed at the appropriate time.

Common Reporting Standard

New legislation was introduced in the UK on 1 January 2016 implementing the Organisation for Economic Co-operation and Development's Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard').

This requires the Company to provide information annually to HM Revenue & Customs ("HMRC") on the tax residencies of those certificated shareholders that are tax resident in countries outwith the UK that have signed up to the Common Reporting Standard.

All new shareholders, excluding those whose shares are held in CREST, that enter the share register from 1 January 2016 will be sent a certification form by the Registrar to complete. Existing shareholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence.

Failure to provide this information may result in the holding being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders; gov.uk/government/publications/exchangeofinformation-account-holders.

Reporting Calendar

Year End

30 April

Results Announced

Interim: December

Annual: July

Dividends Payable

February and August

Annual General Meeting

October

Investment Manager, Company Secretary and Advisers

Registered Office

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

Website: artemisalphatrust.co.uk

Investment Manager, Alternative Investment Fund Manager and Company Secretary

Artemis Fund Managers Limited
Cassini House
57 St James's Street
London SW1A 1LD

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

Tel: 0800 092 2051

Email: investor.support@artemisfunds.com

Registrar

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

Shareholder enquiries: 0871 664 0300

(calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales)

Administrator

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

Banker & Custodian

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

Depository

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

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Stockbroker

Cantor Fitzgerald
One America Square, 3rd Floor
17 Crosswall
London EC3N 2LB

Solicitors

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

