

**Company Registered Number: 2933559**

**ATHELNEY TRUST PLC**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

# ATHELNEY TRUST PLC

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## ATHELNEY TRUST PLC

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### CHAIRMAN'S STATEMENT

I have pleasure in enclosing the results for the twelve months to 31 December 2003. The key points are as follows:-

- Audited Net Asset Value ("NAV") is 110.9p per share (31 December 2002 : 83.2p), a rise of 33.3 per cent.
- Gross Revenue rose by 68.0 per cent to £101,345 (31 December 2002: £60,328).
- On a like-for-like basis revenue was actually up by 10.4 per cent and dividend income rose by 10.6 per cent.
- Revenue return per ordinary share was 3.4p, an increase of 161.5 per cent (31 December 2002: 1.3p).
- Recommended dividend for the year 1.8p per share (2002: 1.7p).

#### The Market

By any standards, 2003 was a good year for Athelney - except, that is, for the first 11 weeks or so. The NAV started the year at 83.2p, fell to 79.4p at 28 February but recovered strongly to 92.2p at 30 June and 110.9p at 31 December.

As I described in the Interim Report to 30 June, some of the rise can be attributed to the so-called Baghdad Bounce, since, at that time, many investors thought that the conflict would be short-lived - now, of course, we know better. Elsewhere, interest rates remained low or very low by historical standards as did inflation, yet economic growth was very strong in the U.S. whereas we trundled along at just over 2% and the eurozone still struggled.

At home, there were no real surprises in the pre-budget report with public sector net borrowing requirement (PSNB) raised by £10 bn to £37 bn in 2003/4 and £38 bn in 2004/5. Over the next five years, borrowing is now expected to be £152 bn because of lower Income Tax, NI and Corporation Tax receipts. Over the last seven years public spending has increased by 25% in real terms and up to 40% by 2009. By any standards, that is a vast amount of money and represents a huge gamble by the Labour Government.

Yet the signs and portents are not good: a huge increase in public sector employment without any improvement in productivity. Over the past five years, public sector employment has risen by almost 10% to 5.2 million, public sector pay is rising by 8% per annum and inflation is running at six times the level of the private sector. For how long can this extraordinary state of affairs be allowed to continue?

Corporate activity has had a modestly beneficial effect on Athelney's NAV in 2003 with *Reed Executive* and *Amalgamated Metal* being taken over at a handsome profit to book value, although in the case of the latter a substantial part of the proceeds was received in the form of a special dividend.

# ATHELNEY TRUST PLC

## CHAIRMAN'S STATEMENT

(CONTINUED)

### Results

Gross revenue rose by 68% to £101,345 in 2003, which figure certainly overstates the actual position in that special dividends were received from *Gibbs & Dandy* (£3,000), *Amalgamated Metal* (£30,756 see above) and *T Clarke* (£1,000). Taking all these factors into account gross revenue moved ahead by a satisfactory 10.4 % which, when coupled with the 33.3% rise in NAV, points to what the Board believes is a highly positive overall outcome for the year.

The growth in dividend income is illustrated by the following table:-

	<u>Number</u>
Companies paying dividends	<u>62</u>
Companies sold (therefore no true comparison)	8
Companies purchased (therefore no true comparison)	5
Increased total dividend in the calendar year	33
Reduced total dividend in the calendar year	7
No change in dividend	9

### Portfolio Review

During 2003, new purchases were made of the following: *James Beattie, Park Group, Rok Property Solutions, Secure Banking Trust Group, Vp, Alliance Pharma, Cardpoint, Cobra Bio-Manufacturing, Collins & Hayes, Ideal Shopping Direct, Oasis Healthcare, Patientline* and a further 11 existing holdings were increased in size.

*Plasmon, Radstone Technology, Intelek, NBA Quantum, Estates & Agency, CRC Group, Alphameric, Gowrings, Delcam, MTL Instruments, Photo-scan, James Cropper, Private & Commercial Finance, Springwood, Ideal Shopping Direct and Dicom Group* have all been sold. Several other shares were top-sliced.

### Dividend

The Board has recommended an increased dividend of 1.8p (2002: 1.7p) for 2003, which compares with the 1.0p paid for Athelney's first full year of 1995.

### Newspapers

As from January 2004, the share price of Athelney has been listed daily in the Financial Times and Times newspapers.

**ATHELNEY TRUST PLC****CHAIRMAN'S STATEMENT****(CONTINUED)****Update**

The unaudited NAV at 29 February 2004 was 120.7p per share. Unfortunately, the share price at the same date was 80.5p and thus the discount to NAV was an unflattering 33.3 %.

**Outlook**

The Board believes strongly in the future of small, well-managed businesses such as are held in the Athelney portfolio and that the shares of such companies will provide a profitable return to their shareholders in the years ahead. Nevertheless, it is true that blue-chips have substantially underperformed small caps in the last twelve months or so. It seems likely, then, that we will undergo a process of catching up whereby small companies' shares do little or nothing and blue-chips perform the better. After this process is complete, then the market looks likely to move ahead again on a broad front.

**Hugo Deschampsneufs**  
**Chairman**

**5 April 2004**

# ATHELNEY TRUST PLC

## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2003

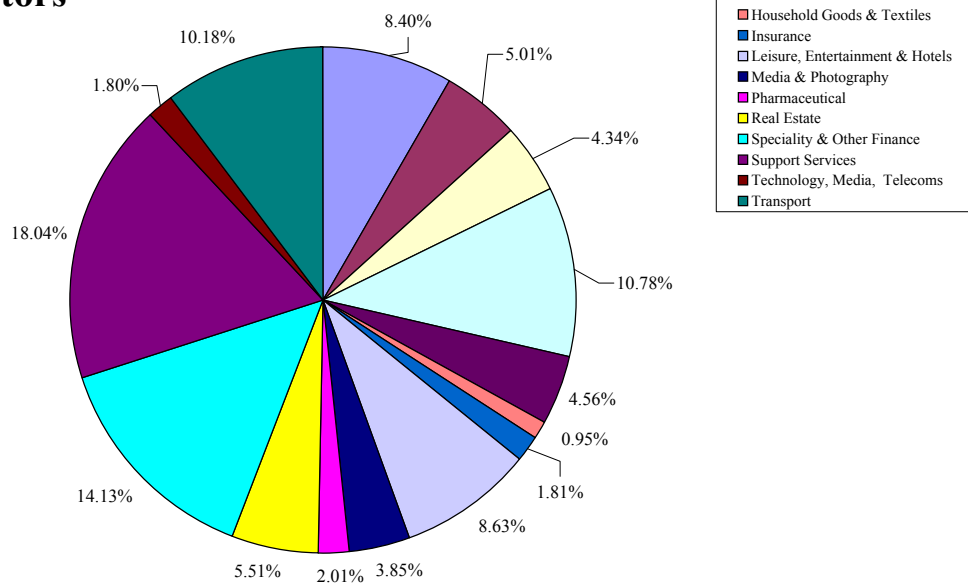
SECTOR	STOCK	HOLDING	VALUE (£)	£	SECTOR %
<b>Construction &amp; Building Materials</b>	Clarke (T)	10,000	58,750	172,200	8.40%
	Galliford Try	85,000	35,275		
	Gibbs & Dandy "A"	10,000	37,750		
	Latham (James)	4,000	16,200		
	VP Group	17,000	24,225		
<b>Distributors</b>	N.W.F. Group	13,000	57,200	102,575	5.01%
	Wynnstay Group	7,500	45,375		
<b>Diversified Industrials</b>	Goodwin	17,000	41,650	88,963	4.34%
	Severfield-Rowen	6,500	22,913		
	Slingsby (H.C. )	4,000	24,400		
<b>General Retail</b>	Beattie, James	17,000	22,525	220,925	10.78%
	Flying Brands	14,000	20,510		
	Ideal Shopping Direct	30,000	11,250		
	Mallett	12,000	29,580		
	SCS Upholstery	8,000	18,560		
	Stanley Gibbons	120,000	48,000		
	Wyevale Garden Centres	20,000	70,500		
<b>Healthcare</b>	Oasis Healthcare	75,000	17,250	93,420	4.56%
	Patientline	34,000	37,570		
	Reed Health Group	40,000	38,600		
<b>Household Goods &amp; Textiles</b>	Collins & Hayes	60,000	19,500	19,500	0.95%
<b>Insurance</b>	Personal Group Holdings	22,000	37,180	37,180	1.81%
<b>Leisure, Entertainment &amp; Hotels</b>	Enterprise Inns	7,000	70,980	176,589	8.63%
	Merrydown	47,000	44,885		
	Shepherd Neame "A"	8,930	60,724		
<b>Media &amp; Photography</b>	CA Coutts Holdings	26,000	26,000	78,920	3.85%
	International Greetings	18,000	52,920		
<b>Pharmaceutical</b>	Alliance Pharma	100,000	20,500	41,275	2.01%
	Cobra Bio-Manufacturing	15,000	20,775		
<b>Real Estate</b>	Mountview Estates	1,925	65,450	112,900	5.51%
	Rok Property Solutions	10,000	29,500		
	Unite Group	10,000	17,950		
<b>Speciality &amp; Other Finance</b>	Broadcastle	40,000	33,600	289,314	14.13%
	Camellia	1,631	70,949		
	Cardpoint	30,000	30,300		
	IFX Group	13,300	15,827		
	Park Group	80,000	21,200		
	S & U	10,000	55,000		
	Secure Trust Banking Group	7,500	33,188		
	Wintrust	6,000	29,250		
<b>Support Services</b>	Christie Group	25,000	17,250	369,539	18.04%
	Dawson Holdings	34,000	52,190		
	Enterprise	16,000	44,560		
	Fountains	20,000	25,200		
	Genus	15,000	30,450		
	Landround	5,000	20,500		
	Penna Consulting	16,000	21,040		
	Universe Group	110,000	28,050		
	Waterman Partnership Holdings	40,000	27,000		
	Watermark Group	25,000	38,125		
	WSP Group	33,000	65,174		
	<b>Technology, Media, Telecoms</b>	ICM Computer Group	7,500		
Pennant International		116,000	19,140		
<b>Transport</b>	Air Partner	8,500	34,850	208,532	10.18%
	Braemar Seascope Group	20,000	47,600		
	Clarkson	9,600	48,240		
	Clyde Marine	9,520	16,184		
	Fisher (James)	23,400	61,658		

# ATHELNEY TRUST PLC

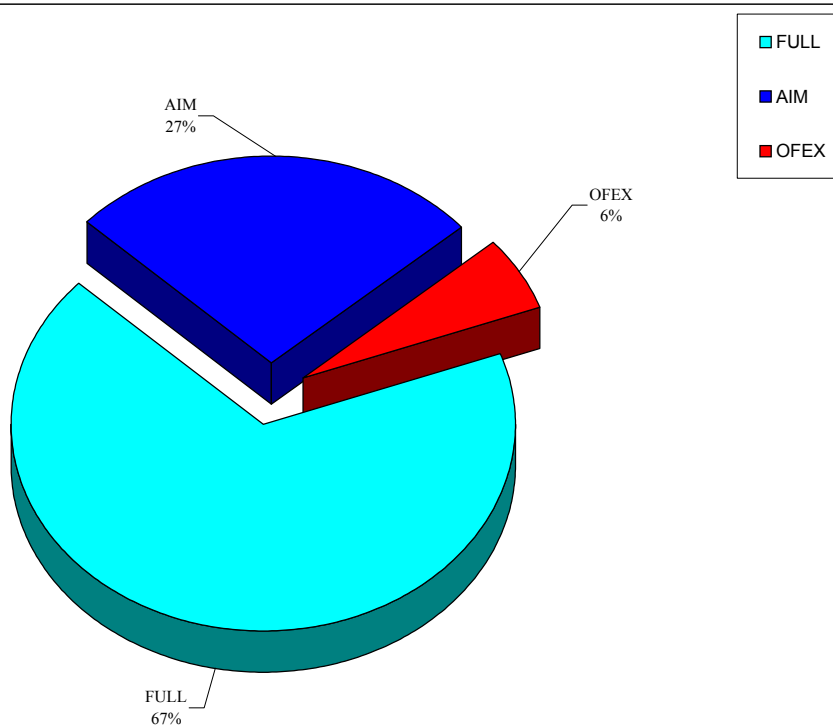
## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2003 ( CONTINUED)

Portfolio Value	£	2,048,785	100.00%
Net Current Assets	£	114,524	
Deferred tax		(163,800)	
TOTAL VALUE	£	1,999,509	
Shares in issue		1,802,802	
Audited NAV		110.9p	

### Portfolio by Sectors



### Portfolio by Listing



## REPORT OF THE DIRECTORS OF

### ATHELNEY TRUST PLC

The directors present their report and audited financial statements of the Company for the year ended 31 December 2003.

#### Principal activity and business review

The principal activity of the Company is that of an investment company. The investment objectives of the Company are to achieve long term capital growth while at the same time producing a progressive income return.

Investments made by the Company are primarily in the equity securities of both unquoted and quoted UK companies, including smaller companies with a market capitalisation of below £50 million.

During the period, the Company followed the normal activities of an investment company. Details of these are given in the Chairman's Statement on pages 1, 2 and 3.

#### Directors and their interests

The directors who held office during the year and their interest in the ordinary shares of the Company are stated below:-

	<b>31 December 2003</b>	31 December 2002
H.B. Deschampsneufs	129,575	122,575
R.G. Boyle	485,000	485,000
D.A. Horner	5,000	.

The above figures include a holding of 58,000 shares (2002 - 58,000) owned by a pension fund in which R.G. Boyle and H.B. Deschampsneufs have an interest and 5,000 shares (2002 - Nil) owned by a pension fund in which D.A.Horner has an interest.

#### Directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the result for the year.

The directors consider that in preparing the financial statements the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts. The financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and for ensuring that the financial statements comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**REPORT OF THE DIRECTORS OF****ATHELNEY TRUST PLC****(CONTINUED)****Corporate governance**

The Board continues to give careful consideration to the principles of corporate governance as set out in the Combined Code appended to the Listing Rules issued by the Financial Services Authority. However the Company is small and it is the opinion of the directors that not all the provisions of the Code are relevant or desirable for a company of Athelney's size.

The Board meets regularly and has ultimate responsibility for the management of the Company, although the Remuneration Committee makes recommendations to the Board relating to the remuneration of the managing director and the non-executive directors.

The Audit Committee assists the Board in relation to matters concerning corporate governance and financial reporting. Both Committees, currently comprising H.B. Deschampsneufs and D.A. Horner, meet during the year as required, with the Audit Committee to include external auditors if appropriate.

**Results and dividends**

The return on ordinary activities before dividends for the year is £60,621 (2002: £24,107) as detailed on page 9. It is recommended that a final dividend of 1.8p (2002: 1.7p) per share be paid. The retained profit for the year of £28,171, after providing for payment of dividends, has been added to revenue reserves.

**Payment of suppliers**

It is the Company's policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to the terms used. The Company contracts the terms on which business will take place throughout the year with its suppliers. There were no invoiced trade creditors outstanding at the end of the year, the amounts shown as creditors in the balance sheet comprise expenses and proposed dividends.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Clement Keys be re-appointed as auditors of the Company will be put to the annual general meeting.

**BY ORDER OF THE BOARD****J.M. Davies**  
**Secretary**

2 Queen Anne's Gate Buildings  
Dartmouth Street  
LONDON  
SW1H 9BP

5 April 2004

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ATHELNEY TRUST PLC**

We have audited the financial statements of Athelney Trust plc for the year ended 31 December 2003, set out on pages 9 to 19. These financial statements have been prepared under the historical cost convention as modified to include fixed asset investments at valuation and the accounting policies set out on pages 12 and 13.

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

**Respective responsibilities of directors and auditors**

As described in the statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Investment and Portfolio Analysis. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of the revenue, total return and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

**Clement Keys**

**Chartered Accountants**

Registered Auditors

39 / 40 Calthorpe Road

Edgbaston

BIRMINGHAM

B15 1TS

5 April 2004

**ATHELNEY TRUST PLC**

**STATEMENT OF TOTAL RETURN**  
**(INCORPORATING THE REVENUE ACCOUNT)**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	31 December 2003			31 December 2002		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Profits / (losses) on investments	8	-	584,517	584,517	-	(275,430)	(275,430)
Income	2	101,345	-	101,345	60,328	-	60,328
Investment management expenses	3	(11,576)	(11,576)	(23,152)	(10,868)	(10,869)	(21,737)
Other expenses	3	(38,003)	-	(38,003)	(33,532)	-	(33,532)
<b>Return on ordinary activities before taxation</b>		<u>51,766</u>	<u>572,941</u>	<u>624,707</u>	<u>15,928</u>	<u>(286,299)</u>	<u>(270,371)</u>
Taxation	5	8,855	(101,616)	(92,761)	8,179	63,485	71,664
<b>Return on ordinary activities after taxation</b>		<u>60,621</u>	<u>471,325</u>	<u>531,946</u>	<u>24,107</u>	<u>(222,814)</u>	<u>(198,707)</u>
Dividend	7	(32,450)	-	(32,450)	(30,648)	-	(30,648)
<b>Transfer to / (from) reserves</b>		<u><u>28,171</u></u>	<u><u>471,325</u></u>	<u><u>499,496</u></u>	<u><u>(6,541)</u></u>	<u><u>(222,814)</u></u>	<u><u>(229,355)</u></u>
<b>Return per ordinary share</b>	6	3.4p	26.1p	29.5p	1.3p	(12.3)p	(11.0)p
<b>Dividend per ordinary share</b>							
<b>Final dividend</b>		1.8p			1.7p		

The revenue column of this statement is the profit and loss account for the Company. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the above financial years. A statement of movements of reserves is given in note 13.

There have been no recognised gains or losses, other than the results for the financial years shown above.

The notes on pages 12 to 19 form part of these financial statements.

## ATHELNEY TRUST PLC

### BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003	2002
		£	£
<b>Fixed assets</b>			
Investments	8	<u>2,048,785</u>	<u>1,497,461</u>
<b>Current assets</b>			
Debtors	9	87,392	54,241
Cash at bank and in hand		74,593	60,144
		<u>161,985</u>	<u>114,385</u>
<b>Creditors: amounts falling due within one year</b>	<b>10</b>	<b>(47,461)</b>	<b>(40,833)</b>
<b>Net current assets</b>		<u>114,524</u>	<u>73,552</u>
<b>Total assets less current liabilities</b>		2,163,309	1,571,013
<b>Provisions for liabilities and charges</b>	<b>11</b>	<b>(163,800)</b>	<b>(71,000)</b>
<b>Net assets</b>		<u><u>1,999,509</u></u>	<u><u>1,500,013</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	450,700	450,700
Share premium account	13	405,605	405,605
Other reserves - non distributable			
Capital reserve - realised	13	311,754	248,817
Capital reserve - unrealised	13	781,787	373,399
Revenue reserve	13	49,663	21,492
<b>Shareholders' funds - all equity</b>	<b>14</b>	<u><u>1,999,509</u></u>	<u><u>1,500,013</u></u>
<b>Net Asset Value per share</b>		110.9p	83.2p

Approved by the board of directors on 5 April 2004.

.....  
**R.G.Boyle**

The notes on pages 12 to 19 form part of these financial statements.

**ATHELNEY TRUST PLC**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003		2002	
	£	£	£	£
<b>Net cash inflow / (outflow) from operating activities</b>		45,471		(487)
<b>Servicing of finance</b>				
Dividends paid	(30,648)		(30,648)	
<b>Net cash (outflow) from servicing of finance</b>		<u>(30,648)</u>		<u>(30,648)</u>
<b>Taxation</b>				
Corporation tax paid		(373)		(8,009)
<b>Investing activities</b>				
Purchases of investments	(385,319)		(359,428)	
Sales of investments		385,318		346,259
<b>Net cash (outflow) from investing activities</b>		<u>(1)</u>		<u>(13,169)</u>
<b>Increase / (decrease) in cash in the year</b>		<u><u>14,449</u></u>		<u><u>(52,313)</u></u>
<b>Reconciliation of operating net revenue to net cash inflow / (outflow) from operating activities</b>		<b>£</b>		<b>£</b>
Revenue on ordinary activities before taxation		51,766		15,928
Decrease in debtors		43		15
Increase / (decrease) in creditors		5,238		(5,561)
Management expenses charged to capital		(11,576)		(10,869)
		<u><u>45,471</u></u>		<u><u>(487)</u></u>
<b>Analysis of net debt</b>				
		<b>2002</b>	<b>Cashflow</b>	<b>2003</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand		<u><u>60,144</u></u>	<u><u>14,449</u></u>	<u><u>74,593</u></u>

The notes on pages 12 to 19 form part of these financial statements.

**ATHELNEY TRUST PLC****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2003****1. Accounting policies****1.1 Basis of Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention modified to include fixed asset investments at valuation.

The financial statements are prepared in accordance with applicable accounting standards and, unless otherwise stated, the provisions of the Statement of Recommended Practice in 'Financial Statements of Investment Trust Companies' (SORP) currently in effect.

**1.2 Income**

Income from investments including taxes deducted at source is recognised as income on the date the dividend is due for payment. UK dividend income is reported net of tax credits in accordance with Financial Reporting Standard 16 'Current Tax'. Interest is dealt with on an accruals basis.

**1.3 Expenses**

Expenses (including VAT) and interest payable are dealt with on an accruals basis and charged through the Revenue Account.

**1.4 Investment management costs**

Investment management costs have been allocated 50% to revenue and 50% to capital, in line with the Board's expected long term split of returns, in the form of income and capital gains respectively, from the investment portfolio.

**1.5 Investments**

Listed investments comprise those listed on the London Stock Exchange. Profits and losses on sales of investments are taken to realised capital reserve. Any unrealised appreciation or depreciation is taken to unrealised capital reserve.

The Company's investments have been valued according to the following rules:-

- (i) Where bid and offer prices are quoted by a market maker in such securities on the valuation date, investments have been valued on the basis of the middle market price.
- (ii) Where no spread is available, investments have been valued on the basis of the average of the dealing prices recorded by a market maker for such securities on the valuation date or, in the absence of any dealings on that date, at the average of such dealing prices on the latest practicable day prior to the valuation date.

**1.6 Taxation**

The tax effect of different items of income and expenses is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the year.

**ATHELNEY TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1. Accounting policies (continued)**

**1.7 Deferred taxation**

Deferred taxation is provided in respect of all future obligations to pay additional tax arising as a result of past events. Tax is provided at the latest known rates on all timing differences. Deferred tax assets and liabilities are not discounted.

**1.8 Capital reserves**

Capital reserve- Realised

Gains and losses on realisations of fixed asset investments are dealt with in this reserve.

Capital reserve- Unrealised

Increases and decreases in the valuations of fixed asset investments are dealt with in this reserve.

**2. Income**

	<b>2003</b>	2002
	<b>£</b>	£
<b>Income from investments</b>		
UK dividend income	99,338	58,416
Foreign dividends	-	-
	<u>99,338</u>	<u>58,416</u>
<b>Other income</b>		
Bank interest	2,007	1,900
Other interest	-	12
	<u>-</u>	<u>12</u>
<b>Total income</b>	<u><u>101,345</u></u>	<u><u>60,328</u></u>
	<b>£</b>	£
<b>Income from investments</b>		
UK listed investments	52,116	42,159
AIM investments	12,293	11,039
Other investments	34,929	5,218
	<u>99,338</u>	<u>58,416</u>

# ATHELNEY TRUST PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

### 3. Return on ordinary activities before taxation

	2003	2002
	£	£
The following amounts (inclusive of VAT) are included within management and other expenses:-		
Directors' remuneration:-		
- Services as a director	8,000	7,997
- Otherwise in connection with management	20,000	20,000
Auditors' remuneration:-		
<i>Audit services</i>		
- Statutory audit	6,169	5,993
- audit related regulatory reporting	476	774
<i>Other services</i>		
- accounts production and distribution	3,349	509
	21,930	21,821

### 4. Employees

	2003	2002
	£	£
The only employees during the year were the directors.		
Costs in respect of these directors:-		
Wages and salaries	20,000	20,000
Social security costs	1,930	1,821
	21,930	21,821

### 5. Taxation

	2003			2002		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
<b>(i) The tax charge for the year is based on the return for the year</b>						
Corporation tax	-	-	-	-	412	412
Tax relief on management expenses charged to income	(8,855)	8,855	-	(8,179)	8,179	-
Adjustment in respect of previous years	-	(39)	(39)	-	(76)	(76)
Deferred taxation	-	92,800	92,800	-	(72,000)	(72,000)
	(8,855)	101,616	92,761	(8,179)	(63,485)	(71,664)



**ATHELNEY TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**5. Taxation (continued)**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>(ii) Factors affecting the tax charge for the year</b>		
The tax charge for the period is lower than the average small company rate of corporation tax in the UK (19 per cent). The differences are explained below:		
Total return on ordinary activities before tax	<u>624,707</u>	<u>(270,371)</u>
Total return on ordinary activities multiplied by the average small company rate of corporation tax 19% (2002: 19.25%)	118,694	(52,046)
<i>Effects of:</i>		
UK dividend income not taxable	(18,874)	(11,245)
Revaluation of shares not (taxable) / tax deductible	(95,226)	65,309
Indexation relief for capital gains	(4,779)	(1,628)
Other	185	22
Current tax charge for the year	<u><u>-</u></u>	<u><u>412</u></u>

**6. Return per ordinary share**

The calculation of earnings per share has been performed in accordance with FRS 14 'Earnings per share'.

	<b>2003</b>			<b>2002</b>		
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
Attributable return (loss) on ordinary activities after taxation	60,621	471,325	531,946	24,107	(222,814)	(198,707)
Number of shares		1,802,802			1,802,802	
Return per ordinary share	3.4p	26.1p	29.5p	1.3p	(12.3)p	(11.0)p

**7. Dividend**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Final proposed dividend of 1.8p (2002 -1.7p) per share	<u>32,450</u>	<u>30,648</u>

**ATHELNEY TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**8. Investments**

	<b>2003</b>	2002
	<b>£</b>	£
<b>Movements in year</b>		
Valuation at beginning of year	1,497,461	1,798,443
Purchases at cost	385,319	242,123
Sales - proceeds	(418,512)	(267,675)
- realised gains on sales	83,329	63,840
Increase / (decrease) in unrealised appreciation	501,188	(339,270)
	<u>2,048,785</u>	<u>1,497,461</u>
	<b>£</b>	£
Book cost at end of year	1,103,198	1,053,062
Unrealised appreciation at the end of the year	945,587	444,399
	<u>2,048,785</u>	<u>1,497,461</u>
UK Listed	1,380,154	1,001,895
AIM	546,348	340,979
Unlisted	122,283	154,587
	<u>2,048,785</u>	<u>1,497,461</u>

**Gains / (losses) on investment**

	<b>2003</b>	2002
	<b>£</b>	£
Realised gains on sales	83,329	63,840
Increase / (decrease) in unrealised appreciation	501,188	(339,270)
	<u>584,517</u>	<u>(275,430)</u>

**9. Debtors**

	<b>2003</b>	2002
	<b>£</b>	£
Amounts falling due within one year:		
Other debtors	<u>87,392</u>	<u>54,241</u>

# ATHELNEY TRUST PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2003

#### 10. Creditors: amounts falling due within one year

	2003	2002
	£	£
Corporation tax	-	412
Social security and other taxes	3,776	1,682
Other creditors	1,077	554
Proposed dividend	32,450	30,648
Accruals and deferred income	10,158	7,537
	47,461	40,833

#### 11. Deferred taxation

	2003		2002	
	Provided	Not Provided	Provided	Not Provided
	£	£	£	£
Tax on unrealised gains net of losses	163,800	-	71,000	-
	163,800	-	71,000	-

	2003		2002	
	£		£	
Balance at beginning of year	71,000		143,000	
Charge / (credit) to the capital element of the Statement of Total Return	92,800		(72,000)	
Balance at end of year	163,800		71,000	

Tax is provided at the latest known rates on all taxable gains net of losses which would arise if investments were sold at the market value included in the balance sheet at the end of the financial year.

#### 12. Called up share capital

	2003	2002
	£	£
<b>Authorised</b>		
10,000,000 Ordinary shares of 25p each	2,500,000	2,500,000
	£	£
<b>Allotted, called up and fully paid</b>		
1,802,802 Ordinary shares of 25p each	450,700	450,700

**ATHELNEY TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**13. Reserves**

	<b>2003</b>			
	<b>Share premium account £</b>	<b>Capital reserve realised £</b>	<b>Capital reserve unrealised £</b>	<b>Revenue reserve £</b>
Balance at beginning of year	405,605	248,817	373,399	21,492
Net gain on realisation of investments	-	83,329	-	-
Increase in unrealised appreciation	-	-	501,188	-
Management charge allocated to capita	-	(11,576)	-	-
Taxation	-	(8,816)	(92,800)	-
Retained profit for the year	-	-	-	28,171
Balance at end of year	<u>405,605</u>	<u>311,754</u>	<u>781,787</u>	<u>49,663</u>

**14. Reconciliation of movement on shareholders' funds**

	<b>2003 £</b>	<b>2002 £</b>
Retained net revenue for the year after taxation	60,621	24,107
Dividend	(32,450)	(30,648)
	<u>28,171</u>	<u>(6,541)</u>
Total recognised gains / (losses) for the year	471,325	(222,814)
	<u>499,496</u>	<u>(229,355)</u>
Shareholders' funds at beginning of year	1,500,013	1,729,368
Shareholders' funds at end of year	<u>1,999,509</u>	<u>1,500,013</u>

**ATHELNEY TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**15. Risk management, financial assets and liabilities**

The following information is given in accordance with Financial Reporting Standard 13.

**Risk management**

The major risks associated with the Company are market and liquidity risk. The Company has established a framework for managing these risks. The directors have guidelines for the management of investments and financial instruments.

Market risk arises from changes in interest rates, valuations awarded to equities, movements in prices and the liquidity of financial instruments.

The Company's portfolio is invested in UK securities.

**Financial assets and liabilities**

The Company's financial instruments comprise equity investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement. Short term debtors and creditors are excluded from disclosure as allowed by FRS 13.

Fixed asset investments (see note 8) are valued at middle market prices which equate to their fair values. The fair values of all other assets and liabilities are represented by their carrying values in the balance sheet.

**ATHELNEY TRUST PLC****OFFICERS AND FINANCIAL ADVISORS**

**Directors:** H.B. Deschampsneufs (Chairman)  
R.G. Boyle  
D.A. Horner

**Secretary:** J.M. Davies  
9 Limes Road  
Beckenham  
Kent, BR3 6NS

**Registered Office:** 2 Queen Anne's Gate Buildings  
Dartmouth Street  
London, SW1H 9BP

**Nominated Adviser:** Noble & Company Limited  
76 George Street  
Edinburgh, EH2 3BU

**Nominated Broker:** Spiers & Jeffrey Limited  
36 Renfield Street  
Glasgow, G2 1NA

**Auditor:** Clement Keys  
39 /40 Calthorpe Road  
Edgbaston  
Birmingham, B15 1TS

**Banker:** The Royal Bank of Scotland plc  
London City Office  
62/63 Threadneedle Street  
London City Office, EC2R 8LA

**Registrar:** Park Circus Registrars Limited  
2nd Floor  
144 West George Street  
Glasgow, G2 2HG

**Company Number:** 2933559

**ATHELNEY TRUST PLC****NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the tenth Annual General Meeting of the Company will be held at 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP on Wednesday 12 May 2004 at 4.30 p.m. for the following purposes:

**As Ordinary Business**

1. To receive and adopt the Company's Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2003.
2. To declare a final dividend of 1.8p per ordinary share. It is intended that dividend cheques in respect of the final dividend will be posted on Monday 17 May 2004 to all shareholders on the register of members at close of business on Friday 16 April 2004.
3. To approve the remuneration of the Directors
4. To re-elect Mr D.A.Horner as a Director of the Company.
5. To re-appoint Clement Keys as Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board



Secretary  
5 April 2004

**Registered Office:** 2 Queen Anne's Gate Buildings, Dartmouth Street, London, SW1H 9BP

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**NOTES**

- (i) his/her stead. A proxy need not be a member of the Company. A form of proxy is enclosed with this Notice for use at the Meeting. To be valid, completed forms of proxy (together with any Power of Attorney or other authority under which it is executed or duly certified copy of any such Power or authority) must be deposited at the Company's Registered Office not less than 48 hours before the time fixed for the Meeting.

Completion and return of a form of proxy will not prevent the member from attending and voting at the Meeting in person.

- (ii) The register of Directors' interests kept in accordance with Section 325 of the Companies Act 1985 and copies of Directors' service contracts will be available for inspection during normal business hours at the Company's Registered Office from the date of this Notice until the date of the Meeting.