

# **Athelney Trust plc**

**Annual Report**

**for the year ended December 2005**

# Athelney Trust plc

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# Athelney Trust plc

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## CHAIRMAN'S STATEMENT

I have pleasure in enclosing the audited results for the twelve months to 31 December 2005. The salient points are as follows:-

- Audited Net Asset Value ("NAV") is 157.7p per share (31 December 2004 : 136.9p{ as restated}), a rise of 15.2 per cent.
- Gross Revenue increased by 8.1 per cent to £86,265 (31 December 2004: £79,822).
- On a like-for-like basis both revenue and dividend income rose by 14.8 per cent
- Revenue return per ordinary share was 2.7p, an increase of 12.5 per cent (31 December 2004: 2.4p).
- Recommended dividend for the year of 2.5p per share (2004: 2p).

### The Market

Back in February 2003, the unaudited Athelney NAV was 79.4p, so between that date and 31 December 2005, the company experienced a growth in value of fully 98.6 per cent. Not only that, but shareholders will have benefited from a total increase in dividend of 38.9 per cent (2003 1.8p: 2004 2p: 2005 2.5p). And yet, particularly looking at the year recently finished, there is a long list of problems and worries that markets apparently coped with pretty well. Take, for instance, UK pension funds which may have sold £75bn of equities during the year because of FRS17 and IFRS. Even after that avalanche of selling, 61 per cent of the average UK pension fund consists of equities. It really is not too hard to imagine that selling could actually increase in 2006. Overseas companies were undoubtedly massive buyers of UK equities in 2005, but who is to say how long this buying spree is to continue?

Surely, relaxed world-wide monetary conditions must have had a good deal to do with strong equity markets over the past three years. Following fifteen consecutive rises in interest rates in America and an unmistakable sign that the Bank of Japan is to tighten up in the coming months from the current position of an overnight call rate of 0.001 per cent, conditions will be a good deal tighter this year. Now this is quite important because hedge funds, amongst others, have been borrowing in Yen to speculate in emerging markets such as the Middle East, South America and Russia. As interest rates rise in Japan, so hedge funds will start to unwind speculative positions in these countries.

Here at home, things look quiet, and dare I say it, a little dull. GDP should rise by 2.1 per cent in 2006 and 2.5 per cent in 2007. Wages will probably go up by 3.5 per cent this year and consumer prices should rise by no more than 1.9 per cent (i.e. 0.1 per cent below target) in 2006 and 2007.

No, most of the excitement is happening abroad. America ran an astonishing record current account deficit of \$805bn in 2005. China's industrial production was 16.2 per cent higher than a year ago and Russia's trade surplus rose to \$124bn. A basket of commodities rose by nearly 19 per cent in Sterling terms with gold up by 24 per cent (in Dollars) and oil having another good year at around \$60 per barrel. What is not helping things is the increased interest being shown in commodities by institutions – since few have specialized knowledge of the subject, they tend to buy a basket rather than bet on individual metals, so all commodities rise together. And with China's GDP increasing by 9.9 per cent in 2005 and India's by 7.6 per cent, who is to say when commodity prices will return to lower levels?

### Results

Gross Revenue rose by 8.1 per cent to £86,265 compared with the calendar year 2004. However, special dividends for 2005 amounted to just £2,900 (James Latham £1,200, Air Partner £1,700) whereas £7,200 was received from Stanley Gibbons in the previous year. When due allowance is made for this, on a like-for-like basis, Gross Revenue actually rose by 14.8 per cent, a most satisfactory result particularly when combined with the 15.2 per cent rise in NAV.

# Athelney Trust plc

## CHAIRMAN'S STATEMENT

(CONTINUED)

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

	<u>Number</u>
Companies paying dividends	72
Companies sold (therefore no true comparison)	5
Companies purchased (therefore no true comparison)	24
Increased total dividend in the calendar year	35
Reduced total dividend in the calendar year	6
No change in dividend	2

### Corporate Activity

Cash takeovers were completed in respect of six holdings:

*Countryside Properties; Bristol & West Investments; Merrydown; Broadcastle; James Beattie and Belhaven Group* . In relation to the offer by *Vantis* for *Numerica* , shares were taken rather than cash. At the time of writing, a cash bid for *PD Ports* has just gone through, *Wyevale* remains under siege, an MBO is possible at *Tenon Group*. *Lookers* has rejected a bid by *Pendragon* and *Brandon Hire* is to be bought by a larger competitor.

### Portfolio Review

The following were purchased for the first time or were existing holdings which have been increased in size:

*Belhaven Group; Blacks Leisure Group; Clinton Cards; Domestic & General; Goldshield Group; MSB International; Phoenix IT; Treatt; Arbuthnot Banking Group; Belgravium Technologies; City Lofts; Group NBT; Idox; Jarvis Securities; Nichols; RWS Holdings; Tenon Group; Urbium; Numerica Group.*

*ICM Computers; Patientline; Rok; Ultimate Leisure* and *Cardpoint* have all been sold and *Camellia* again been top-sliced.

### Dividend

The Board is pleased to recommend an increased annual dividend of 2.5p per ordinary share for the year ended 31 December 2005 (2004: 2p). This represents an increase of a full 25 per cent over the previous year.

### Update

The unaudited NAV at the 28 February 2006 was 165.9p per share, which means that at the price of 127p on the same day the shares stood at a discount of 23.4 per cent. It is disappointing to note the discount creeping back over the 20 per cent mark again.

### Outlook

Recent weakness in markets as far apart as Dubai and Reykjavik is the result of the Bank of Japan's decision to tighten monetary conditions for the first time in very many years. Is this a straw in the wind? Probably not, but it is a sign that we must proceed more cautiously this year despite the market's bright performance in January and February. Fifteen consecutive interest rate rises in America, Europe following suit, despite problems in Italy and elsewhere, maverick nations like Iran and North Korea wanting to flex their muscles and at home, the advent of the first Socialist government since the Seventies, as and when Mr. Brown moves house. None of this is calculated to cheer but at least the housing market has stabilized, UK interest rates should remain mostly unchanged throughout the year and inflation seems to be sleeping soundly. On balance, another steady, decent year for small caps seems likely.

**Hugo Deschampsneufs**  
**Chairman**

**20 April 2006**

# Athelney Trust plc

## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2005

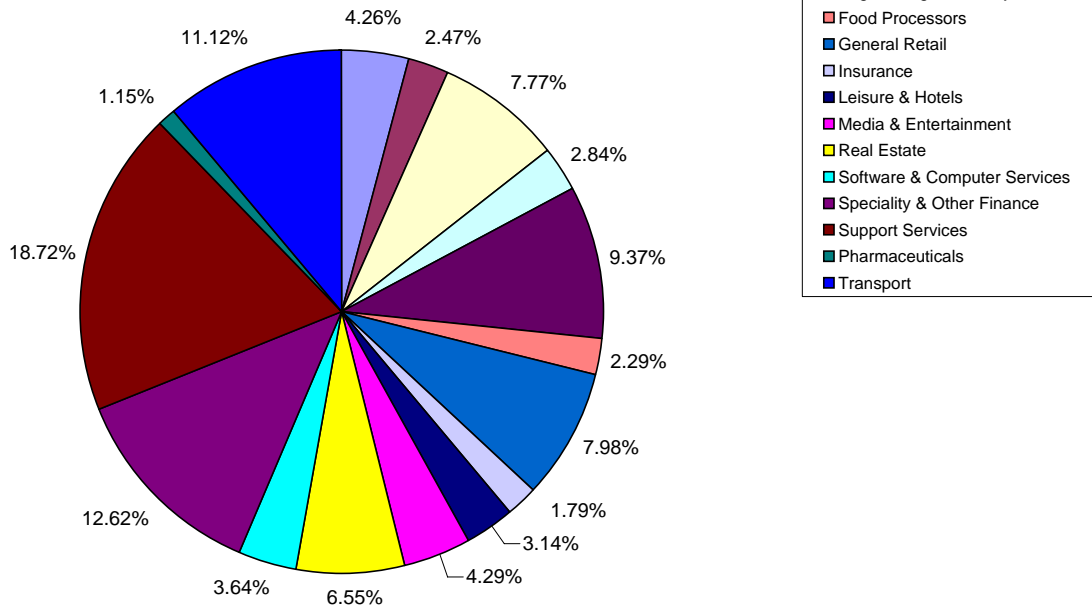
SECTOR	STOCK	HOLDING	VALUE (£)	£	SECTOR	%
Automobiles and Parts	European Motor Holdings	11,350	36,405	69,489		2.33%
	Lookers	7,200	33,084			
Beverages	Nichols	14,000	30,520	104,320		3.49%
	Shepherd Neame "A"	6,000	73,800			
Construction & Building Materials	Ben Bailey	6,800	30,838	197,246		6.61%
	Clarke (T)	18,000	40,905			
	Galliford Try	65,000	58,013			
	Gibbs & Dandy	10,000	37,250			
	Latham (James)	16,000	30,240			
Diversified Industrials	N.W.F. Group	13,000	84,825	84,825		2.84%
Engineering Machinery	Gooch & Housego	18,000	58,950	279,765		9.37%
	Goodwin	17,000	104,125			
	Severfield-Rowen	6,500	62,790			
	Slingsby (H.C. )	4,000	53,900			
Food Processors	Treatt	10,500	27,195	95,595		3.20%
	Wynnstay Group	30,000	68,400			
General Retail	Black Leisure Group	6,000	29,730	266,786		8.93%
	Clinton Cards	28,500	18,881			
	Flying Brands	14,000	25,130			
	Mallett	12,000	28,020			
	SCS Upholstery	12,000	49,800			
	Stanley Gibbons	90,000	81,450			
	Wyevale Garden Centres	7,000	33,775			
	Havelock Europa	24,000	34,800			
Household Goods	Havelock Europa	24,000	34,800	34,800		1.17%
Insurance	Domestic & General Group	3,300	26,796	80,366		2.69%
	Personal Group Holdings	22,000	53,570			
Leisure & Hotels	Enterprise Inns	10,000	93,800	93,800		3.14%
Media & Entertainment	International Greetings	18,000	76,770	128,094		4.29%
	Landround	5,000	4,425			
	Media Square	213,179	46,899			
Real Estate	City Lofts Group	25,000	20,125	197,951		6.63%
	Colliers C.R.E.	16,000	25,120			
	Mountview Estates	1,925	87,106			
	Smart (J) & Co.	4,000	27,600			
	Unite Group	10,000	38,000			
Software & Computer Services	Bergravium Technologies	150,000	24,375	108,831		3.64%
	Group NBT	22,000	25,190			
	Idox	165,000	23,513			
	Pennant International Group	116,000	12,760			
	Phoenix IT	8,500	22,993			
Speciality & Other Finance	Albemarle & Bond	20,000	32,900	347,716		11.65%
	Arbuthnot Banking Group	8,818	40,342			
	Camellia	1,300	84,994			
	Charles Taylor Consulting	8,000	25,300			
	Jarvis Securities	20,000	15,800			
	Park Group	80,000	11,400			
	S & U	8,000	40,200			
	Tenon Group	72,500	17,763			
	Vantis	36,667	79,017			
Support Services	Brandon Hire	20,000	34,700	560,148		18.76%
	Dawson Holdings	34,000	55,420			
	Enterprise	16,000	62,800			
	Erinaceous Group	13,000	40,138			
	Fountains	20,000	28,200			
	Genus	15,000	53,400			
	MSB International	56,000	20,160			
	Penna Consulting	16,000	17,840			
	RWS Holdings	14,000	38,990			
	VP Group	17,000	42,500			
	Waterman Partnership Holdings	40,000	55,200			
	Watermark Group	20,000	25,700			
	WSP Group	23,000	85,100			
	Pharmaceuticals	Goldshield Group	9,000			
Transport	Air Partner	8,500	53,975	301,990		10.11%
	Braemar Seascope Group	20,000	76,600			
	Clarkson	8,000	69,440			
	Fisher (James)	17,000	64,600			
	PD Ports	25,000	37,375			

# Athelney Trust plc

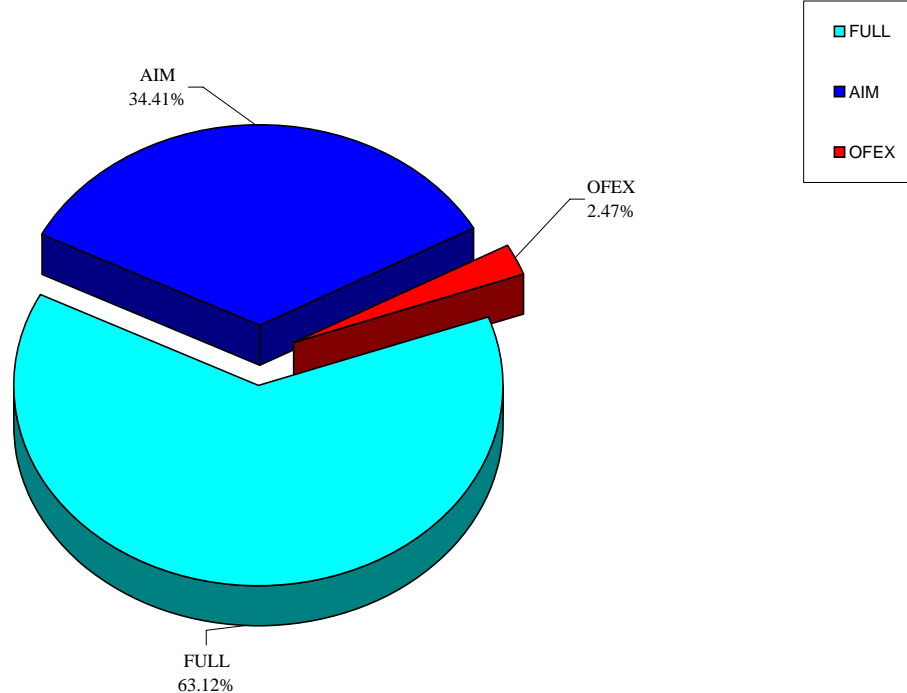
## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2005 ( CONTINUED)

Portfolio Value	£ 2,985,922	100.00%
Net Current Assets	£ 151,388	
Deferred tax	£ (295,142)	
<b>TOTAL VALUE</b>	<b>£ 2,842,168</b>	
Shares in issue	1,802,802	
Audited NAV	<b>157.7p</b>	

### 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 2005.

### 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 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:-

	31 December 2005	1 January 2005
H.B. Deschampsneufs	108,750	108,750
R.G. Boyle	485,000	485,000
D.A. Horner	15,000	15,000

The above figures include a holding of 58,000 shares (2004 - 58,000) owned by a pension fund in which R.G. Boyle and H.B. Deschampsneufs have an interest and 15,000 shares (2004 - 15,000) owned by a pension fund in which D.A. Horner has an interest.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare for each financial year which give a true and fair view of the state of affairs of the company and of the result for the company for that period.

In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the financial statements , the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

### 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.

# REPORT OF THE DIRECTORS OF

## Athelney Trust plc

(CONTINUED)

### Results and dividends

The return on ordinary revenue activities before dividends for the year is £48,825 (2004: £42,818) as detailed on page 9. It is recommended that a final dividend of 2.5p (2004: 2p) per ordinary share be paid. The retained profit for the year of £12,769, which is before proposed 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

20 April 2006



# **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 2005, set out on pages 9 to 19. These financial statements have been prepared under the accounting policies set out therein.

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 or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and 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 Directors' Report, 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. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 December 2005 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

20 April 2006

# Athelney Trust plc

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

**FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	31 December 2005			31 December 2004		
		Revenue £	Capital £	Total £	Restated* Revenue £	Restated* Capital £	Restated* Total £
Profits on investments	8	-	460,306	460,306	-	535,518	535,518
Income	2	86,265	-	86,265	79,822	-	79,822
Investment management expenses	3	(7,266)	(21,362)	(28,628)	(6,810)	(19,789)	(26,599)
Other expenses	3	(37,753)	-	(37,753)	(38,199)	-	(38,199)
<b>Return on ordinary activities before taxation</b>		41,246	438,944	480,190	34,813	515,729	550,542
Taxation	5	7,579	(77,234)	(69,655)	8,005	(90,367)	(82,362)
<b>Return on ordinary activities after taxation</b>		48,825	361,710	410,535	42,818	425,362	468,180
Dividend	7	(36,056)	-	(36,056)	(32,450)	-	(32,450)
<b>Transfer to reserves</b>		12,769	361,710	374,479	10,368	425,362	435,730
<b>Return per ordinary share</b>	6	2.7p	20.1p	22.8p	2.4p	23.6p	26.0p
<b>Dividend paid per ordinary share</b>							
<b>Final dividend</b>		2p			1.8p		

\* Restated on adoption of FRS21 - see note 1.1

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 2005

	Note	2005	Restated* 2004
		£	£
<b>Fixed assets</b>			
Investments	8	<u>2,985,922</u>	<u>2,555,581</u>
<b>Current assets</b>			
Debtors	9	145,109	116,514
Cash at bank and in hand		40,048	61,311
		<u>185,157</u>	<u>177,825</u>
<b>Creditors: amounts falling due within one year</b>	<b>10</b>	<u>(33,769)</u>	<u>(21,617)</u>
<b>Net current assets</b>		<u>151,388</u>	<u>156,208</u>
<b>Total assets less current liabilities</b>		3,137,310	2,711,789
<b>Provisions for liabilities and charges</b>	<b>11</b>	(295,142)	(244,100)
<b>Net assets</b>		<u><u>2,842,168</u></u>	<u><u>2,467,689</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	520,007	389,458
Capital reserve - unrealised	13	1,360,604	1,129,445
Revenue reserve	13	105,252	92,481
<b>Shareholders' funds - all equity</b>	<b>14</b>	<u><u>2,842,168</u></u>	<u><u>2,467,689</u></u>
<b>Net Asset Value per share</b>		157.7p	136.9p

\* Restated on adoption of FRS21 - see note 1.1

Approved by the board of directors on 20 April 2006.

.....  
**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 2005**

	2005		2004	
	£	£	£	£
<b>Net cash inflow from operating activities</b>		3,487		19,170
<b>Servicing of finance</b>				
Dividends paid		(36,056)		(32,450)
		(36,056)		(32,450)
<b>Net cash (outflow) from servicing of finance</b>		(36,056)		(32,450)
<b>Taxation</b>				
Corporation tax paid		(2,017)		-
<b>Investing activities</b>				
Purchases of investments		(529,075)		(575,195)
Sales of investments		542,398		575,193
		13,323		(2)
<b>Net cash (outflow) from investing activities</b>		13,323		(2)
		(21,263)		(13,282)
<b>(Decrease) / increase in cash in the year</b>				
<b>Reconciliation of operating net revenue to net cash inflow from operating activities</b>		<b>£</b>		<b>£</b>
Revenue on ordinary activities before taxation		41,246		34,813
(Increase) / decrease in debtors		(28,595)		(398)
Increase in creditors		12,198		4,544
Management expenses charged to capital		(21,362)		(19,789)
		3,487		19,170
<b>Analysis of net debt</b>				
		<b>2004</b>	<b>Cashflow</b>	<b>2005</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand		61,311	(21,263)	40,048

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 2005

#### 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) in effect for this period.

##### Change in accounting policy

The company adopted the provisions of FRS 21 'Events after the balance sheet date' during the year by which final dividends proposed by the Board and unpaid at the end of the year are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid. This represents a change in policy from that of recognising dividends in the year for which they are proposed. The previously published figures at 31 December 2003 and 31 December 2004 have been restated. This has resulted in the dividend balance being reduced by £32,450 and £36,056 respectively with a corresponding decrease in creditors less than one year. These changes have resulted in shareholders funds increasing from £1,999,509 to £2,031,959 in 2003 and £2,431,633 to £2,467,689 in 2004.

##### 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 expenses

Investment management expenses have been allocated 25% to revenue and 75% 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 Official List of 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 2005

#### 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 rates expected to apply in the period in which timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. 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

	2005	2004
	£	£
<b>Income from investments</b>		
UK dividend income	80,987	75,922
Bank interest	5,219	3,900
Other income	<u>59</u>	<u>-</u>
<b>Total income</b>	<u><u>86,265</u></u>	<u><u>79,822</u></u>
	£	£
<b>Income from investments</b>		
UK listed investments	54,506	52,713
AIM investments	25,365	22,153
Other investments	<u>1,116</u>	<u>1,056</u>
	<u><u>80,987</u></u>	<u><u>75,922</u></u>

# Athelney Trust plc

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### 3. Return on ordinary activities before taxation

	2005	2004
	£	£
The following amounts (inclusive of VAT) are included within investment management and other expenses:-		
Directors' remuneration:-		
- Services as a director	8,000	8,000
- Otherwise in connection with management	22,000	20,000
Auditors' remuneration:-		
<i>Audit services</i>		
- Statutory audit	5,874	6,580
- Audit related regulatory reporting	752	1,240
	22,752	26,020

#### 4. Employees

	2005	2004
	£	£
Costs in respect of directors:-		
Wages and salaries	30,000	28,000
Social security costs	2,194	1,957
	32,194	29,957
Costs in respect of administrator:-		
Wages and salaries	3,500	-
Social security costs	134	-
	3,634	-
Total		
Wages and salaries	33,500	28,000
Social security costs	2,328	1,957
	35,828	29,957
Average number of employees		
	No.	No.
Chairman	1	1
Investment	2	2
Administration	1	-
	4	3

# Athelney Trust plc

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### 5. Taxation

	2005			2004		
	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 for current year	-	18,613	18,613	-	2,062	2,062
Tax relief on management expenses charged to income	(7,579)	7,579	-	(8,005)	8,005	-
Adjustment in respect of previous years	-	-	-	-	-	-
Deferred taxation	-	51,042	51,042	-	80,300	80,300
	<u>(7,579)</u>	<u>77,234</u>	<u>69,655</u>	<u>(8,005)</u>	<u>90,367</u>	<u>82,362</u>
			£			£

#### (ii) Factors affecting the tax charge for the year

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>480,190</u>	<u>550,542</u>
Total return on ordinary activities multiplied by the average small company rate of corporation tax 19% (2004: 19%)	91,236	104,603
<i>Effects of:</i>		
UK dividend income not taxable	(15,388)	(14,425)
Revaluation of shares not taxable	(53,619)	(81,312)
Indexation relief for capital gains	(3,361)	(2,138)
Relief for losses brought forward	-	(4,656)
Other	(255)	(10)
Current tax charge for the year	<u>18,613</u>	<u>2,062</u>

#### 6. Return per ordinary share

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

	2005			2004		
	£	£	£	£	£	£
	Revenue	Capital	Total	Revenue	Capital	Total
Attributable return on ordinary activities after taxation	48,825	361,710	410,535	42,818	425,362	468,180
Number of shares		1,802,802			1,802,802	
Return per ordinary share	2.7p	20.1p	22.8p	2.4p	23.6p	26.0p



# Athelney Trust plc

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2005

7. Dividend	2005 £	Restated* 2004 £
Final dividend in respect of 2004 of 2p (2003 - 1.8p) per share.	<u>36,056</u>	<u>32,450</u>

\* Restated on adoption of FRS21 - see note 1.1

A final dividend in respect of 2005 of 2.5p (2004 - 2p) per share amounting to a total of £45,070 (2004 - £36,056) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting.

8. Investments	2005 £	2004 £
<b>Movements in year</b>		
Valuation at beginning of year	2,555,581	2,048,785
Purchases at cost	529,075	575,195
Sales - proceeds	(559,040)	(603,917)
- realised gains on sales	178,103	107,560
Increase in unrealised appreciation	282,203	427,958
Valuation at end of year	<u>2,985,922</u>	<u>2,555,581</u>
	<b>£</b>	<b>£</b>
Book cost at end of year	1,306,753	1,182,036
Unrealised appreciation at the end of the year	1,679,169	1,373,545
	<u>2,985,922</u>	<u>2,555,581</u>
UK Listed	1,884,678	1,791,814
AIM	1,027,444	713,667
Other investments	73,800	50,100
	<u>2,985,922</u>	<u>2,555,581</u>

Gains on investment	2005 £	2004 £
Realised gains on sales	178,103	107,560
Increase in unrealised appreciation	282,203	427,958
	<u>460,306</u>	<u>535,518</u>



# Athelney Trust plc

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### 12. Called up share capital

	2005	2004
	£	£
<b>Authorised</b>		
10,000,000 Ordinary shares of 25p each	<u>2,500,000</u>	<u>2,500,000</u>
	£	£
<b>Allotted, called up and fully paid</b>		
1,802,802 Ordinary shares of 25p each	<u>450,700</u>	<u>450,700</u>

#### 13. Reserves

	2005			Restated*
	Share premium account	Capital reserve realised	Capital reserve unrealised	Revenue reserve
	£	£	£	£
Balance at 31 December 2004 as previously reported	405,605	389,458	1,129,445	56,425
Adoption of FRS 21 (see note 1)	-	-	-	36,056
Balance at 1 January 2005 as restated	<u>405,605</u>	<u>389,458</u>	<u>1,129,445</u>	<u>92,481</u>
Net gain on realisation of investments	-	178,103	-	-
Increase in unrealised appreciation	-	-	282,201	-
Management expenses allocated to capital	-	(21,362)	-	-
Taxation	-	(26,192)	(51,042)	-
Retained profit for the year	-	-	-	12,771
Balance at end of year	<u>405,605</u>	<u>520,007</u>	<u>1,360,604</u>	<u>105,252</u>

\* Restated on adoption of FRS21 - see note 1.1

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

	2005	Restated*
	£	2004
	£	£
Retained net revenue for the year after taxation	48,825	42,818
Dividend	(36,056)	(32,450)
	<u>12,769</u>	<u>10,368</u>
Total recognised gains for the year	361,710	425,362
	<u>374,479</u>	<u>435,730</u>
Shareholders' funds at beginning of year	2,467,689	2,031,959
Shareholders' funds at end of year	<u>2,842,168</u>	<u>2,467,689</u>

\* Restated on adoption of FRS21 - see note 1.1

# Athelney Trust plc

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### 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 where available 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 ADVISERS

<b>Directors:</b>	H.B. Deschampsneufs (Chairman) R.G. Boyle (Managing Director) D.A. Horner (Non-Executive Director)
<b>Secretary:</b>	J.M. Davies 9 Limes Road Beckenham Kent, BR3 6NS
<b>Registered Office:</b>	2 Queen Anne's Gate Buildings Dartmouth Street London, SW1H 9BP
<b>Nominated Adviser:</b>	Noble & Company Limited 76 George Street Edinburgh, EH2 3BU
<b>Broker:</b>	Spiers & Jeffrey Limited 36 Renfield Street Glasgow, G2 1NA
<b>Auditor:</b>	Clement Keys 39 /40 Calthorpe Road Edgbaston Birmingham, B15 1TS
<b>Banker:</b>	The Royal Bank of Scotland plc London City Office 62/63 Threadneedle Street London City Office, EC2R 8LA
<b>Registrar:</b>	Park Circus Registrars Limited 2nd Floor 144 West George Street Glasgow, G2 2HG
<b>Public Relations Consultants:</b>	CityRoad Communications 42 - 44 Carter Lane London, EC4V 5EA
<b>Company Number:</b>	2933559