



Annual Report

for the year ended 31 December 2007

Athelney Trust plc

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Athelney Trust plc

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

I enclose the audited results for the year ended 31 December 2007. The salient points are as follows:

- Audited Net Asset Value ("NAV") is 173.1p per share (31 December 2006: 189.7p), a fall of 8.8 per cent.
- Gross Revenue increased by 26 per cent to £120,488 (31 December 2006: £95,615).
- On a like-for-like basis revenue increased by 18.3 per cent and dividend income rose by 17.6 per cent.
- Revenue return per ordinary share was 3.9p, an increase of 18.2 per cent (31 December 2006: 3.3p).
- Recommended dividend of 3.5p per share (2007: 3.25p), an increase of 7.7 per cent

Review of 2007

The year 2007 turned out to be a particularly disappointing and frustrating period in that Athelney's unaudited NAV as at 30 June was up by 6.1 per cent but we finished the year down by 8.8 per cent.

The second half of the year will principally be remembered for those Three Amigos, sub-prime lending, the credit crunch and Northern Rock which caused a disorderly retreat from small caps into blue chips and the latter into gilts and cash. More of the Three later.

A good place to start a review of the year is with the international situation but, rather than list a long liturgy of trouble-spots, allow me to mention two places which exemplify just what a dangerous world we live in today. On 6 September, Israeli jets bombed a mysterious site near Deir-ez-Zor on the Euphrates River, eastern Syria: could it have been missiles on their way to Hezbollah, the Shia movement that Syria backs in Lebanon? Or was it perhaps a nuclear reactor in the early stages of construction and were North Korean technicians involved? Was the raid an indirect way for Israel and its American ally to warn the Iranians of what might happen if they continue to enrich uranium? Or simply an Israeli exercise to test Syria's air defence system, said to have been upgraded by the Russians? George W. Bush, who obviously knows what is happening, is saying nothing: 'This is not my first rodeo' he stalled at a press conference in October.

Meanwhile, in the Swat Valley in Pakistan, an area famous in that part of the world for its beautiful mountains and lakes and superb skiing has reputedly been over-run by a combustible cocktail of local malcontents, al Qaeda and the Taliban even though the area is being patrolled by 20,000 less-than-enthusiastic Pakistani soldiers. All this is happening less than two hours' drive from the capital Islamabad – the chilling thought is accompanied by another, namely that Pakistan is a nuclear power. 'It seems that' mused a member of the Musharraf Government a few short weeks before the assassination of Benazir Bhutto 'we have a University of Terrorism in the Tribal Areas as good as Harvard, in its field.'

Everything that could go wrong with 2007 did. What started with unsound sub-prime mortgages, spread to collateralized debt obligations (CDOs) in which those mortgages were wrapped, endangered municipal bond insurance and threatened to unravel the credit default swap (CDSs) market. Furthermore, investment banks' commitments to leveraged buyouts (LBOs) became liabilities and hedge funds designed to be market-neutral turned out not to be and had to be unwound. The asset-backed commercial paper market came to a standstill and the special investment vehicles (SIVs) set up by the banks to move mortgages off balance sheet could no longer obtain outside financing. Worst of all, inter-bank lending, which is central to the financial system, was badly disrupted because banks had to conserve resources and no longer knew which of the other banks to trust. As a consequence, the central banks had to inject an unprecedented amount of liquidity into the system and extend credit on a much wider range of securities than ever before. Thus the credit crunch trundled onwards.

Away from the world of high finance, we in the UK had three rises in interest rates – most or all of them ill-advised in my opinion – with which to cope, plus floods, foot and mouth, blue tongue, avian 'flu (twice) and an unsuccessful terrorist attack.

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

(CONTINUED)

The result of all this was a very poor equity market in the second half of the year which undid all the good work of the first so that the FT Small Cap Index fell by 12.4 per cent over the twelve-month period and, as far as the whole market was concerned, the median share fell by 10.1 per cent. Some popular sectors did far worse, for example: retailers 26 per cent; house-builders (my estimate) 45 per cent; commercial property 38 per cent; banks 21 per cent and so on. Compare and contrast with the Shanghai and Indian indices, which jumped by 95.6 per cent and 46.5 per cent respectively as investors strove to buy into those nations' sparkling economic growth.

So here we are right in the middle of a credit crisis which originated, not in Lombard Street, but in the trailer parks of the United States, and how did we get into this mess? How is it that we have not had a run on a bank for 141 years, yet pictures of solid British subjects queuing up outside branches of Northern Rock have flashed round the world to the apparent amusement of everyone who wanted to take business away from the City of London? Mr. G. Brown, ex-Chancellor of the Exchequer, is to my mind the culprit.

In 1866, the firm of Overend, Gurney & Co. had, next to the Bank of England itself, the biggest balance sheet in London and took deposits from all over the country. However, it was not sound and had taken speculative and disastrous interests in shipbuilding, steel, land and so on through a complex web of over 200 companies. When the run started, the Bank appointed a committee of three wise men to have a look at Overend, Gurney's books who reported back that the latter was 'rotten to the core' and that nothing could be saved. That was the end of Overend, Gurney but the Bank next day lent secretly the then-amazing sum of £4m to banks, discount houses and merchants to see them over any difficulty. This was entirely successful.

Coming up to date, the sums involved are very much larger, of course, but surely the principle is the same isn't it? No, the man some call Mr Tinkerman from his constant habit of messing and tinkering with things and yet not improving them, became Chancellor of the Exchequer in 1997 and everyone remembers how he gave independence to the Bank of England – except that he didn't. Or rather, he gave responsibility to the Bank for monetary policy (i.e. setting interest rates) but took away the Bank's historic role as guardian of the City and spread responsibility between the Bank, the Financial Services Authority and the Treasury. This did not seem very clever at the time and has subsequently proved to be so. The highly public support operation for Northern Rock had the same effect as a lion ambling up to a herd of wildebeest: a mass depositor stampede which has destroyed so much value for Ordinary shareholders and holders of the 12.625% Subordinated Loan Notes.

Was Northern Rock as unsound as Overend, Gurney was 141 years ago? No, Northern Rock was solvent, profitable but illiquid, had a low number of slow payers and was the most efficient lender in the market-place. What it couldn't do was borrow money quietly from the Bank when the credit crisis skipped continents. The consequences of all this are profound: a financial institution that had underpinned the economy and self-image of one of England's poorest regions, the North East, has been destroyed, the reputation of a good central bank governor has been tarnished and an internationally admired regulatory system has fallen into disrepute.

The trouble with taking out a mortgage these days is that you don't know where it is going to end up – before you can say knife, your bank has thrown it in with a few thousand others, sliced, diced and wrapped them into a package and sold them on to other parties or perhaps to its own trading desk. This process is known as *securitization* which, for a brief moment, turned investment banks into mega-growth stocks but now threatens to bring them back down to mortal status. CDOs repackaged mortgages, CLOs did the same for leveraged (geared) corporate loans and there are also specialist products involving both student and auto loans. Structured investment vehicles (SIVs) are also full of danger: they borrow short-term to invest in long-dated assets but investors will no longer tolerate such a mismatch and so banks have had to bring back over \$136 billion onto their books. That comes on top of \$160 billion so far, and possibly \$400 billion in total sub-prime write-downs. This practice of securitization has exposed four deep flaws: severing the link between those who scrutinise borrowers and those who lose when the borrower defaults has resulted in a lack of accountability; second, the new products are opaque and incredibly complex; third, some securities were badly structured and their risks not fully understood and, fourth, investors relied too much on the rating agencies who were themselves compromised from the start by being paid for their research by the seller not the buyer.

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

(CONTINUED)

Essentially, there are only three Nationally Recognised Rating Organizations (ratings agencies): Standard & Poor's (S&P); Moody's and Fitch. All three rate securities using a nine-point scale which they label differently. S&P and Fitch use: AAA, AA, A, BBB, BB, etc. whereas Moody's prefers: Aaa, Aa, A, Baa, Ba, and so on. Many think that AAA/Aaa means armour-plated, BBB/Baa is riskier and CCC/Caa suggests that you run for the hills. Oh, were it so simple: first, there are many ways to measure credit risk; second, S&P and Moody's employ different approaches so that the former rates are based on default probability with a BBB rating, for instance, reflecting a 7.1% default probability. Moody's, on the other hand, goes by expected loss, which is calculated as default probability *multiplied* by the severity of the loss. So much for the methodology but the fact of the matter is that the ratings agencies have earned huge fees by offering opinions on the creditworthiness of an alphabet soup of mortgage-related securities created by over-eager banks. As the market expanded, so did the agencies' profits - Moody's net income rose from \$289 million in 2002 to \$754 million in 2006. Did these huge fees lead to a drop in standards? I am sure that the agencies would say not but if a security is trading at 70 cents on the dollar, it is no use saying that S&P rates it AAA – the extra 30 cents will not magically appear just because the agency says so. The solution, in my opinion, is to force brokers and investors to pay for the ratings – that way there can be no doubt as to whether there is a conflict of interest.

Another obscure corner of the world of high finance is surely needing a bold rescue plan. So-called monoline insurers guarantee the capital and interest on municipal bonds, in effect renting out their AAA ratings in return for a fee. For a long time, this business was dull, boring but nicely profitable. As competition grew, however, the monolines were attracted by the higher returns of insuring CDOs and the rest of the alphabet soup. But as mortgage defaults rose so did monoline losses – two such insurers wrote off \$8.5 billion in the last quarter of the year. The monolines' thin capital cover, perfectly adequate when they were doing only safe municipal business, now looks to be worryingly threadbare. Unless they raise more capital, it is likely that the ratings agencies will downgrade them with the inevitable consequence that all the paper that they have insured will have to be downgraded as well. Holders of downgraded bonds will have to mark them down in value under 'fair value' accounting rules and some investors, who are only allowed to hold highest-grade bonds, may become forced sellers. Investment banks that were active in the CDO market may think that it would be cheaper for them to ride to the rescue of the monolines rather than let the worst happen – perhaps a plan will have been hatched by the time that you read this.

In May, 2006 Alan Greenspan, the former Federal Reserve chairman, noted, 'The credit default swap is probably the most important instrument in finance.....What CDS did is lay off all the risk of highly leveraged institutions – and that's what banks are, highly leveraged – on stable American and international institutions.' Reality may prove different: in recent months whole swathes of investors have suddenly realized just how opaque many of the new complex instruments are. However, at its simplest, the CDS is similar to credit insurance. The buyer of protection (typically a bank) transfers the risk of default by one of its borrower clients to a protection seller (perhaps a monoline insurer or hedge fund) who for a fee indemnifies the protection buyer against a credit loss. It seems to me that there are two problems at the moment: first, these contracts were taken out when credit was easy to obtain and default rates were therefore very low. Expect default rates to shoot up now that credit conditions are tight; second, there is a danger that the selling party may not be able to keep its part of the bargain. Monoline insurers, as we have already discovered, are in dire straits. What is the damage? Anything between \$30 billion and \$150 billion, it has been estimated. With the more complex stuff, frankly it is anybody's guess.

There are three more worrying factors to mention before I close, the first being the increasing number of profit warnings. The 107 profit warnings from companies in the last quarter of 2007 was the highest number since 2001 and represents a 22 per cent increase on 2006.

The pound suffered its weakest annual performance for 15 years in 2007, falling 6.1 per cent in the past year which is the biggest annual decline since 1992 – the year in which Britain was ejected from the European Exchange Rate Mechanism. The Sterling Exchange Rate Index, which compares the pound with a comprehensive basket of currencies, finished the year at 97.9 having weakened by 6.7 per cent in the second half of the year.

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

(CONTINUED)

No review of 2007 would be complete without a paragraph on commodities, the prices of many of which have now been in an upswing for several years – crude oil, for instance has surged by 450 per cent in the current cycle with the rally now more than six years old, the most powerful and durable ever. Copper had a trough-to-peak rise of 570 per cent between November 2001 and May 2006 – while the rise in gold and silver has not yet surpassed the events of the 1970s in percentage terms, it has been the most durable on record as the cycle approaches its seventh year. In 2007, wheat prices more than doubled and almost every crop under the sun – maize, milk, oilseeds and so on – is at or near a peak in nominal terms having risen on average by 26 per cent last year: even in real terms, food prices have risen by 75 per cent since 2005. Dearer food is likely to persist for many years: that is because ‘agflation’ is underpinned by changes in diet that accompany the growing wealth of emerging economies such as China and India – the Chinese consumer who ate 20kg of meat in 1985 now gets through over 50kg. This in turn pushes up demand for grain since, for instance, it takes 8kg of grain to produce one of beef. But the rise in prices is also the result of American over-generous ethanol subsidies. This year biofuels will take a third of America’s huge maize crop – fill up an SUV’s fuel tank and you have used up enough maize to feed a person for a year. At the moment, there are something like nine cars to every 1,000 people in China compared with more than 900 in America – there is quite a lot of catching up to do. As far as uranium is concerned, there are 442 nuclear reactors in the world needing 180 million lbs each year but only 110 million lbs was mined in 2005. There is a similar story for gold: in India, gold is often used for wedding gifts and, with increasing prosperity, there has been a huge rise in demand. And even with 23 new gold mines coming on stream world-wide, supply may not be enough. So, the era of cheap food has gone for good and increasing demand for metals and minerals is likely, in many cases, to underpin high prices.

Results

Gross Revenue increased by 26 per cent compared to 2006. A breakdown of the companies paying dividends is given below:

	<u>Number</u>
Companies paying dividends	95
Companies sold (therefore no true comparison)	13
Companies purchased (therefore no true comparison)	24
Increased total dividends in the year	50
Reduced total dividends in the year	6
No change in dividend	2

Corporate Activity

Six of our companies were taken over for cash: *Enterprise; European Motor Holdings; City Lofts; Hitachi Capital, Ben Bailey and Domestic & General* producing a profit of 698 per cent, 242 per cent, 30.3 per cent, 9.5 per cent, 83.8 per cent and 88.1 per cent respectively.

Portfolio Review

Holdings of *Aero Inventory, Umeco, Character Group, Prime People, Renew Holdings, Smallbone, H&T Group, Ambrian Capital, FDM Group, Finsbury Food, M&C Saatchi, Quarto Group, Trifast, Creston, LSL Property Services, Avesco Group, Financial Objects* and *OPD Group* were all purchased for the first time. *Blacks Leisure, Johnson Service, AT Communications, Erinaceous Group, City of London* and *Speymill* were all sold. In addition, a total of twenty-seven holdings were top-sliced to provide capital for the new purchases.

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

(CONTINUED)

Dividend

The Board is pleased to recommend an increased annual dividend of 3.5p per ordinary share (2007: 3.25p). This represents an increase of 7.7 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 14 May 2008, the dividend will be paid on 16 May 2008 to shareholders on the register on 18 April 2008.

Update

The unaudited NAV at 29 February 2008 was 160.3p whereas the share price on the same day stood at 169.5p. Further updates can be found on www.athelneytrust.co.uk

Outlook

When I look at the world-wide equity market, I am reminded of Winston Churchill's famous phrase 'It is a riddle, wrapped in a mystery, inside an enigma'. No matter that he was talking about something completely different (Russia's attitude to the war in October 1939) it remains a telling description of where we are now. But it is to a well-known American that we must turn rather than a famous Englishman, so please step forward Mr. Ben Bernanke. So far, the Chairman of the U.S. Federal Reserve Board has announced seven initiatives since last August including steep interest rate cuts, extra borrowing facilities and is now offering Treasury securities in exchange for AAA-rated mortgage-backed investments (poor old American tax-payer!). His aim is to improve substantially both liquidity and solvency – the former so that banks will start to lend to each other again and the latter so that such as Bear Sterns are not overwhelmed by their losses in CDOs and CDSs (over 100 CDOs and SIVs are in default already) although hedge funds will be allowed to go to the wall and are starting so to do. Of course there is a danger that we can just become too gloomy about everything; it is worth bearing in mind that in the midst of the Great Depression up to 50 per cent of mortgages in America were in default – today's equivalent figure is 6 per cent. On the other hand, one can only blush at the British Chancellor's assertion that the U.K. is better placed than other leading economies to cope with a slow-down. With 30 per cent of output coming from the City of London, finance and business services how can this be anything other than dangerous complacency?

Yes, I do believe that Mr. Bernanke will succeed in his laudable ambitions and, yes, I do believe that recovery prospects in equity markets are excellent – but patience will be required!

H.B. Deschampsneufs
Chairman

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2007

	Stock	Holding	Cost (£)	Current Price (p)	Value (£)	SECTOR	
						£	%
Aerospace and defence	Aero Inventory	7,000	27,291	652	45,640	91,098	2.88%
	Umeco	7,250	35,021	627	45,458		
Basic resource (ex mining)	Acertec	28,000	14,993	40	11,200	11,200	0.35%
Chemicals	Treatt	10,500	24,605	270	28,350	28,350	0.89%
Construction and materials	Clarke (T)	18,000	19,938	170	30,600	93,325	2.95%
	Galliford Try	30,000	8,484	98	29,475		
	Renew Holdings	35,000	31,180	95	33,250		
Electronic and electrical equipment	XP Power Ltd	8,000	19,999	282	22,560	22,560	0.71%
Food and beverages	Finsbury Food Group	29,500	25,872	84	24,780	199,620	6.30%
	Nichols	13,050	24,415	198	25,839		
	Shepherd Neame "A"	5,400	15,886	1,426	77,001		
	Wynnstay Group	30,000	26,818	240	72,000		
General financial	Albemarle & Bond	15,000	14,999	234	35,100	480,470	15.17%
	Ambrian Capital Plc	42,000	19,496	44	18,480		
	Arbuthnot Banking Group	10,000	34,134	440	44,000		
	Arden Partners	18,000	29,453	156	28,080		
	Blue Oar	130,000	29,402	18	23,400		
	Camellia	1,200	28,749	8,800	105,600		
	Charles Taylor Consulting	8,000	19,021	332	26,560		
	Davenham Group	10,000	24,199	210	21,000		
	Dowgate Capital	166,666	23,509	14	23,333		
	Jarvis Securities	17,500	10,092	160	28,000		
	Park Group	130,000	20,985	17	22,100		
	S & U	8,000	23,901	415	33,200		
	Tenon Group	50,000	12,957	55	27,250		
Vantis	36,667	45,289	121	44,367			
Healthcare equipment and services	Tristel	60,000	30,301	51	30,600	30,600	0.97%
House, leisure and personal goods	Havelock Europe	24,000	20,120	93	22,320	61,375	1.94%
	Smallbone	36,500	36,366	107	39,055		
Industrial engineering	Gooch & Housego	13,000	14,050	400	52,000	310,690	9.81%
	Goodwin	11,000	6,758	1,000	110,000		
	Severfield-Rowen	13,000	11,012	452	58,695		
	Slingsby (H.C)	4,000	9,958	985	39,400		
	Somero Enterprises	27,550	25,974	90	24,795		
	Trifast	40,000	26,611	65	25,800		
Industrial transportation	Braemar Shipping Services	18,000	22,317	462	83,160	218,400	6.89%
	Clarkson	6,300	8,432	1,010	63,630		
	Fisher (James)	11,000	9,332	651	71,610		
Insurance	Personal Group Holdings	17,500	15,908	295	51,625	51,625	1.63%

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INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2007 (CONTINUED)

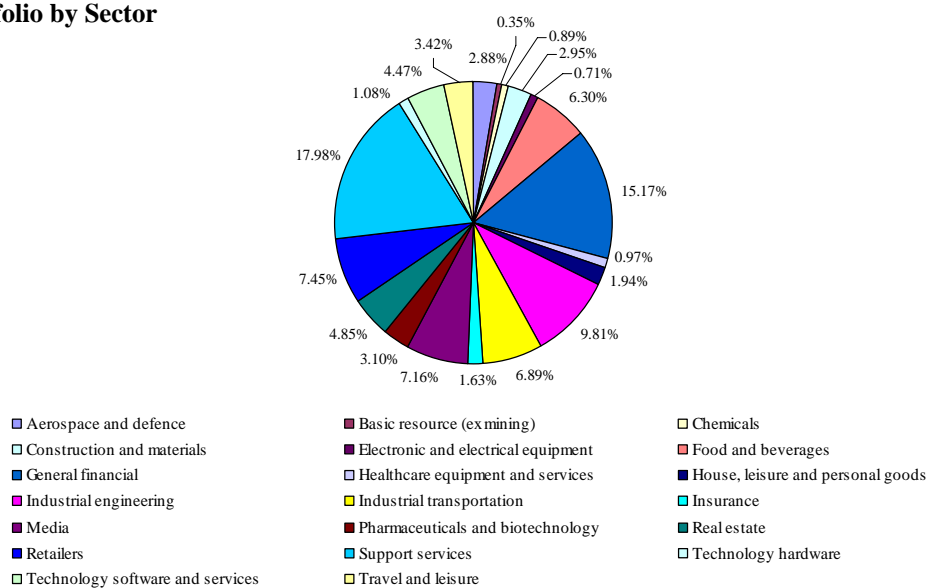
	Stock	Holding	Cost (£)	Current Price (p)	Value (£)	SECTOR	
						£	%
Media	Avesco	30,000	34,846	107	32,100	226,814	7.16%
	Character Group	22,000	17,274	89	19,580		
	Chime Communications	85,000	24,797	36	30,600		
	Creston	19,000	16,309	75	14,250		
	Huntsworth	35,000	26,459	90	31,325		
	International Greetings	18,000	11,514	129	23,220		
	M&C Saatchi Plc	20,500	27,481	124	25,420		
	Media Square	213,179	14,318	9	19,719		
	Quarto Group Inc Com	18,000	34,546	170	30,600		
Pharmaceuticals and biotechnology	Genus	12,000	10,696	819	98,280	98,280	3.10%
Real estate	Colliers CRE	17,400	12,668	59	10,266	153,666	4.85%
	LSL Property Services	13,500	19,752	140	18,900		
	Mountview Estates	1,750	22,012	5,400	94,500		
	Smart (J) & Co.	4,000	21,009	750	30,000		
Retailers	Flying Brands	15,000	23,816	145	21,750	236,005	7.45%
	H & T Group	17,000	35,028	202	34,340		
	Lookers	30,000	16,666	113	33,825		
	Mallett	12,000	6,701	182	21,840		
	SCS Upholstery	10,000	9,826	93	9,300		
	Stanley Gibbons	55,000	6,692	209	114,950		
Support services	Broker Network Holdings	10,000	21,211	593	59,300	569,510	17.98%
	Dawson Holdings	34,000	16,508	114	38,760		
	Gibbs & Dandy	10,000	6,558	300	30,000		
	Latham (James)	13,000	6,368	240	31,200		
	Litho Supplies	50,500	24,007	49	24,745		
	Macfarlane Group	100,000	31,311	29	29,000		
	N.W.F Group	40,000	11,707	225	90,000		
	OPD Group	9,000	21,605	188	16,920		
	Prime People	26,000	29,608	98	25,480		
	RWS Holdings	12,000	21,150	323	38,760		
	VP	17,000	21,164	330	56,015		
	Waterman Group	36,000	19,180	148	53,280		
	WSP Group	13,000	8,077	585	76,050		
Technology hardware	Belgravium Technologies	350,000	35,256	10	34,125	34,125	1.08%
Technology software and services	FDM Group	27,500	30,480	120	33,000	141,730	4.47%
	Financial Objects	70,000	34,291	45	31,500		
	Group NBT	15,000	17,434	200	30,000		
	Pennant International	116,000	11,052	18	20,880		
	Phoenix IT	8,500	24,571	310	26,350		
Travel and leisure	Air Partner	6,000	11,878	1,000	60,000	108,375	3.42%
	Enterprise Inns	10,000	7,016	484	48,375		

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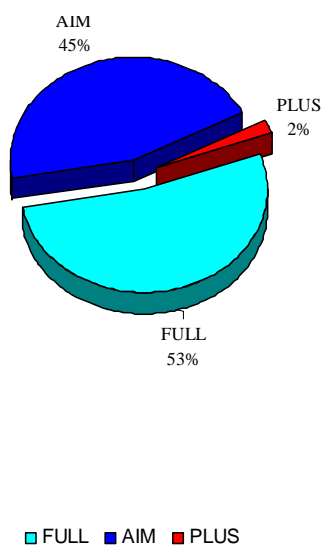
INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2007 (CONTINUED)

Portfolio Value	£ 3,167,818	100%
Net Current Assets	£ 209,187	
Deferred Tax	£ (256,283)	
TOTAL VALUE	£ 3,120,722	
Shares in issue	1,802,802	
Audited NAV	173.1p	

Portfolio by Sector



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 2007.

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 and Business Review on pages 2 to 6.

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 2007	1 January 2007
H. Deschampsneufs	78,038	78,038
R.G. Boyle	443,970	443,970
D.A. Horner	20,000	20,000

H.B. Deschampsneufs' interest includes 19,163 (2006: 19,163) shares held in his Self-Invested Personal Pension. R.G. Boyle's interest includes 16,970 (2006: 16,970) shares held in his Self-Invested Personal Pension. D.A. Horner's interest includes 20,000 (2006: 20,000) shares 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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS OF

Athelney Trust plc (CONTINUED)

So far as each of the directors is aware at the time the report is approved:

there is no relevant audit information of which the auditors are unaware, and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 revenue activities before dividends for the year is £70,528 (2006: £60,322) as detailed on page 14. It is recommended that an annual dividend of 3.5p (2007: 3.25p) per ordinary share be paid.

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. Girdlestone
Secretary**

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

01 April 2008

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 2007, which comprise the Income statement, the Balance Sheet, the Cashflow Statement and the related notes. 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 in 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. This information includes specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion 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 the information specified by law regarding directors' remuneration and other transaction 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 misstatement 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

Athelney Trust plc **(CONTINUED)**

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 2007 and of the revenue, total return and cash flows for the year then ended;
- have been properly prepared in accordance with the provisions of the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Clement Keys
Chartered Accountants
Registered Auditors

39/40 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

01 April 2008

Athelney Trust plc

INCOME STATEMENT (INCORPORATING THE REVENUE ACCOUNT)

	31 December 2007			31 December 2006			
	Note	Revenue	Capital	Total	Revenue	Capital	Total
		£	£	£	£	£	£
(Losses) profits on investments	8	-	(362,778)	(362,778)	-	708,480	708,480
Income	2	120,488	-	120,488	95,615	-	95,615
Investment Management expenses	3	(9,893)	(28,979)	(38,872)	(8,216)	(24,164)	(32,380)
Other expenses	3	(52,362)	-	(52,362)	(35,355)	-	(35,355)
<hr/>							
Return on ordinary activities before taxation		58,233	(391,757)	(333,524)	52,044	684,316	736,360
Taxation	5	12,295	81,248	93,543	8,278	(122,442)	(114,164)
<hr/>							
Return on ordinary activities after taxation	13	70,528	(310,509)	(239,981)	60,322	561,874	622,196
<hr/> <hr/>							
Return per ordinary share	6	3.9p	(17.2)p	(13.3)p	3.3p	31.2p	34.5p
Dividend per ordinary share paid during the year		3.25p			2.5p		

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 17 to 24 form part of these financial statements

Athelney Trust plc

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007	2006
		£	£
Fixed assets			
Investments	8	3,167,818	3,706,392
Current assets			
Debtors	9	205,773	105,603
Cash at bank and in hand		45,335	32,486
		251,108	138,089
Creditors: amounts falling due within one year	10	(41,921)	(50,797)
Net current assets		209,187	87,292
Total assets less current liabilities		3,377,005	3,793,684
Provisions for liabilities and charges	11	(256,283)	(374,390)
Net assets		3,120,722	3,419,294
Capital and reserves			
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	892,893	719,086
Capital reserve - unrealised	13	1,239,083	1,723,399
Revenue reserve	13	132,441	120,504
Shareholders' funds - all equity	14	3,120,722	3,419,294
Net Asset Value per share		173.1p	189.7p

Approved by the board of directors on 01 April 2008

.....
R.G. Boyle

The notes on pages 17 to 24 form part of these financial statements

Athelney Trust plc

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	£	2007 £	£	2006 £
Net cash (outflow)/inflow from operating activities		(69,440)		68,111
Servicing of finance				
Dividends paid	(58,591)		(45,070)	
Net cash (outflow)/inflow from servicing of finance		(58,591)		(45,070)
Taxation				
Corporation tax paid		(34,916)		(18,613)
Investing activities				
Purchases of investments	(1,247,174)		(1,103,978)	
Sales of investments	1,422,970		1,091,988	
Net cash inflow/(outflow) from investing activities		175,796		(11,990)
Increase (decrease) in cash in the year		<u>12,849</u>		<u>(7,562)</u>
Reconciliation of operating net revenue to net cash inflow from operating activities		£		£
Revenue on ordinary activities before taxation		58,233		52,044
(Increase) / decrease in debtors		(100,170)		39,506
Increase in creditors		1,476		725
Management expenses charged to capital		(28,979)		(24,164)
		<u>(69,440)</u>		<u>68,111</u>
Analysis of net debt			Cashflow	
		2006		2007
		£		£
Cash at bank and in hand		<u>32,486</u>	<u>12,849</u>	<u>45,335</u>

The notes on pages 17 to 24 form part of these financial statements

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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.

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 FRS 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 investments 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.

Investments have been classified as “fair value through profit and loss” upon initial recognition.

Subsequent to initial recognition, investments are measured at fair value with changes in fair value recognised in the Income Statement.

Securities of companies quoted on a recognised stock exchange are valued by reference to their quoted bid prices at the close of the year.

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 2007

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 realisation 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

Income from investments

	2007 £	2006 £
UK dividend income	114,513	91,470
Bank interest	5,574	4,145
Other income	401	-
Total income	<u>120,488</u>	<u>95,615</u>

UK dividend income

	2007 £	2006 £
UK listed investments	43,164	57,800
AIM investments	70,188	32,566
Other investments	1,161	1,104
	<u>114,513</u>	<u>91,470</u>

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

3. Return on Ordinary Activities Before Taxation

	2007	2006
	£	£
The following amounts (inclusive of VAT) are included Within investment management and other expenses:		
Directors' remuneration:		
- Services as a director	10,000	9,000
- Otherwise in connection with management	30,000	25,000
Auditors' remuneration		
Audit Services		
- Statutory audit	7,200	6,921
- Audit related regulatory reporting	910	881
Further assurance services		
- Advice on accounting matters	862	1,350
	862	1,350

4. Employees

	2007	2006
	£	£
Costs in respect of directors:		
Wages and salaries	40,000	34,000
Social security costs	3,171	2,399
	43,171	36,399
Costs in respect of administrator:		
Wages and salaries	10,000	7,000
Social security costs	620	253
	10,620	7,253
Total:		
Wages and salaries	50,000	41,000
Social security costs	3,791	2,652
	53,791	43,652
Average number of employees:		
Chairman	1	1
Investment	2	2
Administration	1	1
	4	4

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

5. Taxation

	2007			2006		
	Revenue	Capital	Total	Revenue	Capital	
	£	£	£	£	£	
(i) The tax charge for the year is based on the return for the year						
Corporation tax for current year	-	24,564	24,564	-	34,916	34,916
Tax relief on management expenses charge to income	(12,295)	12,295	-	(8,278)	8,278	-
Adjustment in respect of previous years	-	-	-	-	-	-
Deferred taxation	-	(118,107)	(118,107)	-	79,248	79,248
	<u>(12,295)</u>	<u>(81,248)</u>	<u>(93,543)</u>	<u>(8,278)</u>	<u>122,442</u>	<u>114,164</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 (20 per cent). The differences are explained below:

	2007	2006
	£	£
Total return on ordinary activities before tax	<u>(333,524)</u>	<u>736,360</u>
Total return on ordinary activities multiplied by the average small company rate of corporation tax 20% (2006: 19%)	(66,705)	108,472
<i>Effects of:</i>		
UK dividend income not taxable	(22,902)	(17,379)
Revaluation of shares not taxable	120,485	(52,556)
Indexation relief for capital gains	(5,775)	(3,621)
Other	(80)	-
Change in tax rate	(459)	-
Current tax charge for the year	<u>24,564</u>	<u>34,916</u>

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

6. Return per Ordinary Share

The calculation of earnings per share has been performed in accordance with FRS 22 "Earnings Per Share".

	2007			2006		
	£	£	£	£	£	£
	Revenue	Capital	Total	Revenue	Capital	Total
Attributable return on ordinary activities after taxation	70,528	(310,509)	(239,981)	60,322	561,874	622,196
Number of shares		1,802,802			1,802,802	
Return per ordinary share	3.9p	(17.2)p	(13.3)p	3.3p	31.2p	34.5p

7. Dividend

	2007 £	2006 £
Dividend in respect of 2007 of 3.25p (2006 – 2.5p) per share	58,591	45,070

An annual dividend of 3.5p (2007 – 3.25p) per share amounting to a total of £63,098 (2007 - £58,591) 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

	2007 £	2006 £
Movements in year		
Valuation at beginning of year	3,706,392	2,985,922
Purchases at cost	1,247,174	1,103,978
Sales - proceeds	(1,422,970)	(1,091,988)
- realised gains on sales	239,645	266,437
Increase (decrease) in unrealised appreciation	(602,423)	442,043
Valuation at end of year	3,167,818	3,706,392
Book cost at end of year	1,650,667	1,587,384
Unrealised appreciation at the end of the year	1,517,151	2,119,008
	3,167,818	3,706,392
UK Listed	1,553,403	2,121,748
AIM	1,537,414	1,493,168
PLUS	77,001	91,476
	3,167,818	3,706,392

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

8. Investments (continued)

Gains on investment

	2007	2006
	£	£
Realised gains on sales	239,645	266,437
Increase (decrease) in unrealised appreciation	(602,423)	442,043
	(362,778)	708,480

The purchase and sales proceeds above include transaction costs of £4,678 (2006: £4,147) and £5,817 (2006: £4,544) respectively.

9. Debtors

	2007	2006
	£	£
Amounts falling due within one year:		
Investment transaction debtors	202,940	103,452
Other debtors	2,833	2,151
	205,773	105,603

10. Creditors

	2007	2006
	£	£
Corporation tax	24,564	34,916
Social security and other taxes	6,938	5,649
Other creditors	159	148
Accruals and deferred income	10,260	10,084
	41,921	50,797

11. Deferred Tax

	2007		2006	
	Provided	Not Provided	Provided	Not Provided
	£	£	£	£
Tax on unrealised gains net of losses	256,283	-	374,390	-
	256,283	-	374,390	-
	2007		2006	
	£		£	
Balance at beginning of year	374,390		295,142	
Charge to the capital element of the Statement of Total Return	(118,107)		79,248	
Balance at end of year	256,283		374,390	

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.

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

12. Called Up Share Capital

	2007 £	2006 £
Authorised		
10,000,000 Ordinary Shares of 25p	<u>2,500,000</u>	<u>2,500,000</u>
Allotted, called up and fully paid		
1,802,802 Ordinary Shares of 25p	<u>450,700</u>	<u>450,700</u>

13. Reserves

	Share premium account £	2007 Capital reserve realised £	2007 Capital reserve unrealised £	Revenue reserve £
Balance at 1 January 2007	405,605	719,086	1,723,399	120,504
Net gain on realisation of investments	-	239,645	-	-
Decrease in unrealised appreciation	-	-	(602,423)	-
Management expenses allocated to capital	-	(28,979)	-	-
Taxation	-	(36,859)	118,107	-
Profit for the year	-	-	-	70,528
Dividend paid in year	-	-	-	(58,591)
Balance at end of year	<u>405,605</u>	<u>892,893</u>	<u>1,239,083</u>	<u>132,441</u>

14. Reconciliation of Movement on Shareholders' Funds

	2007 £	2006 £
Retained net revenue for the year after taxation	70,528	60,322
Dividend	(58,591)	(45,070)
	<u>11,937</u>	<u>15,252</u>
Total recognised gains for the year	(310,509)	561,874
	<u>(298,572)</u>	<u>577,126</u>
Shareholders' funds at beginning of year	3,419,294	2,842,168
Shareholders' funds at end of year	<u>3,120,722</u>	<u>3,419,294</u>

Athelney Trust plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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 purchase 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 market bid price where available which equates to their fair values. The fair values of all other assets and liabilities are represented by their carrying values in the balance sheet.

16. Net Asset Value Per Share

The net asset value per share is based on net assets of £3,120,722 (2006: £3,419,294) divided by 1,802,802 (2006: 1,802,802) ordinary shares in issues.

	2007	2006
Net asset value	<u>173.1p</u>	<u>189.7p</u>

Athelney Trust plc

OFFICERS AND FINANCIAL ADVISERS

Directors:	H.B. Deschampsneufs (Chairman) R.G. Boyle (Managing Director) D.A. Horner	Email: hugo@athelneytrust.co.uk Email: robin171@btinternet.com Email: cam@chelvertonam.com
Secretary:	J. Girdlestone Waterside Court Falmouth Road Penryn Cornwall, TR10 8AW	Email: john@athelneytrust.co.uk Tel: 01326 378 288
Registered Office:	Waterside Court Falmouth Road Penryn Cornwall, TR10 8AW	Website: www.athelneytrust.co.uk Email: info@athelneytrust.co.uk Tel: 01326 378 288
Company Number: (Registered in England)	2933559	
Nominated Adviser:	Noble & Company Limited 120 Old Broad Street London, EC2N 1AR	Email: noble@noblegp.com Tel: 020 7763 2200
Stockbroker:	Speirs & Jeffrey Limited 36 Renfield Street Glasgow, G2 1NA	Email: wgd@speirsjeffrey.co.uk Tel: 0141 248 4311
Auditor:	Clement Keys 39/40 Calthorpe Road Edgbaston Birmingham, B15 1TS	Email: mike.meakin@clementkeys.co.uk Tel: 0121 456 4456
Banker:	The Royal Bank of Scotland plc London City Office 62/63 Threadneedle Street London City Office, EC2R 8LA	
Registrar:	Share Registrars Limited Craven House West Street Farnham Surrey, GU9 7EN	Email: enquiries@shareregistrars.uk.com Tel: 01252 821 390
Public Relations Consultants:	City Road Communications 42-44 Carter Lane London, EC4V 5EA	Email: cityroad@cityroad.uk.com Tel: 0207 248 8010

Athelney Trust plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fourteenth Annual General Meeting of the Company will be held at the offices of Noble & Company Limited, 5th Floor, 120 Old Broad Street, London, EC2N 1AR on Wednesday 14 May 2008 at 4.30p.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Company's Accounts and the Report of the Directors and Auditors for the year ended 31 December 2007.
2. To declare an annual dividend of 3.5p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on Friday 16 May 2008 to all shareholders on the register of members at close of business on Friday 18 April 2008.
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

John Girdlestone
Secretary
02 April 2008

Registered Office: Waterside Court, Falmouth Road, Penryn, Cornwall, TR10 8AW

NOTES

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in 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 this 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 on any weekday (Saturdays and public holidays excepted) at the Company's Registered Office from the date of this Notice until the date of the Meeting.



Athelney Trust plc

FORM OF PROXY

(See Note (i))

To be used at the Annual General Meeting to be held on 14 May 2008

I/We (Block letters please)

of

and (Names of any joint holders)

Being (a) member(s) of the above-named Company hereby appoint the Chairman of the Meeting or (see Note (ii))
as my/our proxy for me/us and on my/our behalf
at the Annual General Meeting of the Company to be held on 14 May 2008 at 4.30 p.m. and at every adjournments thereof.

I/We wish this proxy to be used on the vote on the following:

Please indicate with an X in the appropriate spaces how you wish the proxy to vote. Unless otherwise instructed, the proxy will use his/her discretion to vote as he/she thinks fit or to abstain from voting on any of the resolutions set out below and on any other business considered at the Meeting.

RESOLUTIONS		For	Against
1	To receive and adopt the accounts for the year ended 31 December 2007		
2	To declare a dividend of 3.5p per Ordinary Share		
3	To approve the remuneration of the Directors		
4	To re-elect Mr D.A. Horner as a Director		
5	To re-appoint Clement Keys as Auditors To authorise the Directors to fix the Auditors' Remuneration		

Signed _____ Dated _____

NOTES

- (i) This form is for the use of shareholders only and will be used only in the event of a poll being directed or demanded.
- (ii) If you wish to appoint someone other than the Chairman of the Meeting as your proxy please delete the words "the Chairman of the Meeting" and insert the name of the person you wish to appoint. A proxy need not be a member of the Company.
- (iii) To be effective, this form of proxy together with any Power of Attorney or other authority under which it is executed or a duly certified copy of any such Power or authority must be deposited at the Company's Registered Office (Waterside Court, Falmouth Road, Penryn, Cornwall, TR10 8AW) not less than 48 hours before the time fixed for the Meeting.
- (iv) Where the member is a corporation, this form must be executed under its common seal or signed by an officer or attorney or other person duly authorised in writing.
- (v) In the case of joint holders, only one need sign this form but the names of all the joint holders should be shown. The vote of the senior holder who tenders a vote, whether in person or proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names of the holders appear in the register of members in respect of joint holdings.