Athelney
TRUST PLC

Annual Report

for the year ended 31 December 2008

Athelney Trust plc

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Athelney Trust plc

DIRECTORS OF THE COMPANY

The Directors of the Company are:

Mr Hugo Deschampsneufs, non-executive Chairman

Hugo Deschampsneufs, aged 63, has spent his entire working career in finance and is a fellow of the Institute of Chartered Accountants in England and Wales (FCA). He qualified with Binder Hamlyn. He has worked for the Rank Organisation and National CSS Inc., a subsidiary of Dunn & Bradstreet. In 1979 he joined Manchester Exchange & Investment Bank, leaving in 1989 as Director of Leasing Operations. Since then, he has held the position of Finance Director of Longriver Holdings Limited, a group with assets of £70 million, specialising in the leasing of fixture-type assets to local authorities, in which his diverse roles encompass the disciplines of marketing and legal. His work in both the accounting profession and investment banking has given him extensive knowledge in a wide-ranging variety of business sectors. He has considerable experience of asset management both as a non-executive Director of Dunbar Boyle & Kingsley Holdings, the holding company of a firm of stockbrokers, and as a Director of Athelney Trust plc since its formation.

David Horner, non-executive Director

David Horner aged 49, qualified as a Chartered Accountant in 1985 with Touche Ross & Co before joining 3i Corporate Finance Limited in 1986 where he was a manager giving corporate finance advice. In May 1993, he joined Strand Partners Limited and was appointed a Director in January 1994, where he carried out a range of corporate finance assignments identifying, structuring and managing investments in quoted and unquoted companies. In October 1997 he left to set up Chelverton Asset Management Limited, which specialises in managing portfolios of private companies and small to medium-sized public companies. He was responsible for setting up Chelverton Growth Trust plc and, since May 1999, has managed the Small Companies Dividend Trust plc.

Mr Robin Boyle, Managing Director

The assets of the Company have been managed since formation by Robin Boyle, the managing Director of the Company. Aged 64, he has spent the last forty years in a number of different roles with institutional fund management and stock broking firms but always retaining an intense interest in Small Caps. His first job in the City of London was with the company that eventually became Gartmore; he then went on to Panmure Gordon, Hoare Govett and Capel-Cure Myers before becoming founder, major shareholder and Managing Director of a private stock broking business, Dunbar Boyle & Kingsley, which he sold in 1994. From 2000 to 2006 he was co-manager of Small Companies Dividend Trust run by Chelverton Asset Management. Between 2006 and 2008 he was non-executive Director of Capcon Holdings plc, an AIM-traded commercial investigations and stocktaking business.

Athelney Trust plc

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

I enclose the results for the year ended 31 December 2008. The salient points are as follows:

- Like-for-like NAV is 102.3p per share (31 December 2007: 173.1p) a fall of 40.9 per cent.
- Audited Net Asset Value ("NAV") of 95.2p per share a decrease of 45 per cent.
- Gross Revenue increased by 2.9 per cent to £123,951 (31 December 2007: £120,488).
- On a like-for-like basis gross revenue increased by 9.2 per cent and dividend income increased by 5.6 per cent (in 2007 the Company was in receipt of a special dividend of £6,961).
- Revenue return per ordinary share was 5.5p, an increase of 41.2 per cent (31 December 2007: 3.9p).
- Recommended dividend of 4.7p per share (2008: 3.5p), an increase of 34.3 per cent

Review of 2008

Lord Alvanley, a member of the Victorian landed gentry, used to say that his greatest pleasure was to sit in the window of his club (Watier's) and 'watch it rain on all the damned people.' Well, it certainly feels as if it has been raining on me all year and I do not suppose that there is an investor in the land who does not agree with me. Just look at these statistics: London (the FTSE100 Index) down 31 per cent, New York by 39 per cent, Tokyo 42 per cent, Paris 43 per cent and Frankfurt 40 per cent. Amongst lesser markets, China fell by 65 per cent, India by 53 per cent, Russia 67 per cent and Iceland an eye-watering 95 per cent. Re-visiting the London market, the FT 250 Index was down by 40 per cent, the FT Small Cap Index finished 45 per cent down and the Aim Index by 62 per cent (Athelney has 48 per cent of its funds invested in this last area) - in short, it was the worst year since 1974.

In a normal year, Athelney would have comfortably out-performed two of its main benchmarks, the FT Small Cap. and AIM Indices, but 2008 was the year that the Directors, after careful consideration, decided to move the Trust from AIM to a full listing in order to qualify for authorized investment trust status. There were several reasons for taking this course of action. As an investment trust, Athelney would no longer be liable to Corporation Tax on any capital gains. We believe we will have large capital gains in the future and not having to pay tax will result in a higher Net Asset Value per share than would otherwise be the case. Your Directors also expect that regulatory costs will be lower on the main market. Finally shareholders will be able to put their shareholding into a PEP or ISA, which we hope will attract new investors enabling the company to increase in size and thus lower costs per share. Professional fees and other costs of £128,782 were incurred in the move to investment trust status, which resulted in an NAV of 95.2p rather than 102.3p on a like-for-like basis, a fall of 45% and 40.9% respectively.

Banks and insurance companies set out to be monuments of stone and steel but the best and greatest of them have splintered into matchwood. A few short months saw the nationalization, failure or rescue of the world's biggest insurer with assets of $1 trillion, two major investment banks with combined assets of $1.5 trillion and two U.S. mortgage giants with another $1.8 trillion. In Europe, Bradford & Bingley has gone and Britain's largest mortgage lender, HBOS, has fallen into the arms of Lloyds TSB for a mere £4 billion following a huge fall in the share price. Alliance & Leicester, hounded by short-sellers, was bought at a knock-down price by Banco Santander. In the rest of Europe, Fortis, Dexia, Hypo Real Estate and all the Icelandic banks have been rescued by state intervention. The bankruptcy of Lehmann Brothers and Merrill Lynch's rapid sale to Bank of America were shocking enough but the U.S. Government's rescue of AIG in September marked a new low in a grim year. AIG is a mostly safe, well-run insurer but its financial products division, which accounted for just a fraction of total revenue, wrote enough derivatives business to destroy the firm and shake Wall Street to the core.

Bankers have always earned their crust by committing money for long periods and financing that with short-term deposits and borrowing. Today, that model looks under stress. Many of the banks' assets are unsaleable even as they return to the market every day to ask lenders for further support. No wonder the banks are hoarding cash.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

That is why politicians on both sides of the Atlantic who set the interests of Main Street/High Street against those of Wall Street/Lombard Street are wrong. Sooner or later, money markets affect every business. Companies face higher interest charges and the fear that one day they may lose access to bank loans altogether. So they, too, hoard cash, cancelling acquisitions and investments in order to pay down debt. Managers delay new products, leave factories unbuilt, pull the plug on loss-making subsidiaries and cut costs and jobs. Car-makers and other manufacturers may no longer extend credit and loans could become both elusive and expensive, consumers would suffer and unemployment rise. Even if credit markets work well, the developed economies would slow as the asset-price bubble pops.

The Bank of England base rate finished the year at 2%, thus matching 1951 when the average house price was £2,000 and Winston Churchill was promising that he would never permit the dismemberment of the Empire. And as for oil, it rose to $147 in early July on its way, it was said, to $200, but all commodities except gold collapsed in price as the credit crunch bit and so oil finished the year at $40. Thus emboldened, the Bank of England was able to embark on its fierce programme of rate cuts from a starting level of 5.5 per cent. As rates fell, so did the confidence of overseas investors in the U.K. generally and the pound in particular, so Sterling dived from $1.9929 to $1.4427, a collapse of no less than 28 per cent. Back to Pontin's this Summer, then!

I make no apology for returning to the subject of the banks, which are, after all, at the heart of the credit crunch. Nor do I intend to stick rigidly to my brief, which finishes on 31 December. We start in October, when Mr Brown thought that he had saved the banks (and, as he later said, 'saved the world') by the injection of £37 billion. He was told then that that sum of money would merely re-capitalize the banks and not provide any scope for increased lending by them and, of course, he refused to listen. So a second attempt was made on 19 January, nearly three weeks after Athelney's year end. The Treasury's new measures were wide-ranging. The Bank of England will set up a £50 billion facility to buy private-sector assets such as corporate bonds and commercial paper. This would create a framework within which the Bank could conduct 'quantitative easing' – printing money to buy assets – if that proves necessary. Northern Rock, nationalized early in 2008, will no longer be forced to slash its mortgage book. The Government will also try to encourage lending by guaranteeing up to £50 billion in asset-backed securities and the Financial Services Authority helpfully said that the new capital recently injected into the banks could, in fact, be used for both mopping up losses and new lending. The heart of the package was an Asset Protection Scheme, 'asset' being a euphemism for those toxic assets hindering a return to financial health. Rather than setting up a 'bad bank' to take those assets off balance sheet, the Treasury has decided to turn itself into a kind of catastrophe insurer. In exchange for the payment of a premium and agreeing to take the first chunk of any loss (my car insurer would call it an 'excess'), the banks would be able to turn to the taxpayer for any further write-down.

But what of those two options – bad banks and insurance? Mr Brown and his advisers chose insurance alone and, to my mind, he has made a (another) mistake. My suspicion is that he preferred insurance for political reasons because it is a cheap promise-now and pay-later scheme. It would have been better to have reached for the kitchen sink (in fact, done the building trade a favour and bought a larger sink) and do both – buy the worst assets at their market value and put them into a bad bank as well as insure the healthy assets that remain against any catastrophe. Is it all a little impractical? In 1988, America's Mellon Bank spun off its bad energy and property loans into Grant Street National Bank, which was financed by junk bonds and private equity. Seemed to work quite well at the time. More controversially, Lloyds of London hived off huge asbestos and pollution liabilities relating to policies originally written as far back as the 1930s into a new company christened Equitas in 1996.

And wasn't it difficult to prise bank directors and senior managers away from their desks, even with hammer and cold chisel, into the world of no-work! I have absolutely no sympathy at all for them who, like the condemned men in the old Scottish tale, protest their innocence and complain at the injustice of their fate. You may remember that, as they head towards the eternal flames of hell, the sinners cry out: 'Oh Lord, we didna ken, we didna ken!' And the Lord answered: 'Well, ye ken the noo.' Well, that's quite enough about banks.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

In this recession, we are all followers of John Maynard Keynes now, aren't we? We all believe in hiring a man to dig a hole and another to fill it up again, thus keeping two off the dole. And isn't this Labour government going to enjoy spending lots of money and, in the process, beggaring our children and grandchildren! Except in one respect, that is spending on defence generally and our armed forces in Afghanistan in particular – but we must not just blame Mr Brown and his political cohorts. George Bernard Shaw once half-joked that 'the British soldier can stand up to anything except the British War Office.' The generals have failed to update their counter-insurgency doctrine and units still rotate every six months, which leads to discontinuity and short-term thinking. American soldiers stay for 12. But back to the Labour politicians who must take the bulk of the blame for the air force's transport fleet being in a poor state and the navy shrinking. But it is the army that is worst off. It was not designed to fight two protracted wars and the strains are made worse by shortages of men and equipment. Battalions can be one-fifth below strength with a further fifth ill, injured or otherwise unfit to employ. A multi-million pound hole in the equipment budget means that new systems have to be scaled back or delayed. Buying kit is so expensive and takes so long that spending is completely out of line with current needs - most money now goes on fighter jets, aircraft carriers and submarines, much of which is of little use in Afghanistan. Like any form of insurance, defence policy must cover a range of risks: the safety of sea lanes is vital to move supplies in wartime and to trade in times of peace; the supremacy of the skies is essential for success on land or sea but Afghanistan is the priority. That war will be won or lost on the ground and the army needs more soldiers, helicopters, drones and personnel carriers. More money, a lot more money must be spent. Abandoning Afghanistan, leaving a vacuum for the Taliban to fill, would mean a victory for extremism everywhere, a destabilized Pakistan and a less safe world. Losing today's war may mean fighting another some time in the future, this time on the streets of Britain.

And while we are on the subject of our unelected Prime Minister and former Chancellor of the Exchequer, I think that it is timely to remind you, Gentle Shareholder, of his final Budget speech in March 2007. The opening section was in praise of his own genius, a tribute to a decade of tinkering and tampering (aka micromanagement). 'We will never return to the old boom and bust' he boasted, unencumbered by humility or wit. He had, of course, said it before but this time I think that he really believed it. He genuinely thought that he had found a way to halt, Canute-like, the flow of free-market activity. He then went on to explain that, thanks to him, Britain was doing better than everyone else and that the economy would expand by between 2.5 per cent and 3 per cent in 2009, all of which would be underpinned by 'monetary discipline' and 'fiscal discipline.' According to the International Monetary Fund, Britain's economy is forecast to shrink by 2.8 per cent this year, compared with 1.5 per cent in the U.S., 2 per cent in the eurozone and 2.5 per cent in Japan. Oh dear!

The Americans are fond of expressions like, 'Never give a sucker an even break' and 'Always kick a man when he's down. If you can't, what chance have you got when he's standing up?' I was reminded of suchlike expressions when reading a farrago of nonsense from Jim Rogers, the iconoclastic co-founder of the Quantum hedge fund which famously broke the Bank of England and forced sterling out of the Exchange Rate Mechanism in 1992. The pound, he says, has no underpinning and should fall against the dollar and the euro and reflects the UK's dire economic situation: 'It is simple. The UK has nothing left to sell.' Mr Rogers says that the two pillars of support for sterling have been North Sea oil and the City of London. But just as North Sea oil is running out, so London's standing as a financial centre is set to suffer: 'I don't think that there is a sound bank now. At least if there is one I don't know about it. The City of London is finished, the financial centre of the world is moving east. All the money is in Asia. Why would it go back to the west?' asks Mr Rogers. He goes on to allege that the UK housing market is in a worse state than that of the US and that our economy is in worse shape economically than the eurozone. 'If the UK discovers more oil, I might change this view,' he says 'but I don't see that happening'.

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Where do I start with my rebuttal? Well, certainly the UK has been a net importer of oil for the last four years and any new finds will be in deep waters and of medium size rather than the gushers of the past. The rest of what he says is, in my opinion, complete balderdash (origin 16th Century, meaning an incongruous mixture of alcohol such as beer and wine). Take the US housing market, which is about to suffer its second great shock with the re-setting of the so-called Alt-A mortgages. He is not the first person to think that the City of London is all about banking – what about insurance, stockbroking, fund management, ship broking and foreign exchange broking for a start? The UK is the world's sixth largest manufacturer with strengths in aerospace, defence, pharmaceuticals, scientific instruments and expensive audio systems. Manufacturing accounts for 13 per cent of UK output, which is roughly in line with France and the US, but if support services at present outsourced, all the way from legal work to cleaning, were 'added back' together with design and development, it would add several percentage points to the figure. Rolls-Royce is a world-class engineer with an operations centre that tracks electronically the performance of every single engine in the air. What about some of our other strengths such as law, accountancy and consultancies covering so many trades and professions like civil engineering, building and quantity surveying, facilities management and logistics?

For fear of boring you, I shall stop now. The man has obviously 'shorted' sterling again and wants to make a quick buck. But you and I both know that there is very little substance to what he is saying. We have a difficult 2009 and 2010 ahead but we will be back with a new government and new ideas that will surprise Mr Rogers and all his friends.

Results

Gross Revenue increased by 2.9 per cent compared to 2007. A breakdown of the companies paying dividends is given below:

	Number
Companies paying dividends	80
Companies sold (therefore no true comparison)	11
Companies purchased (therefore no true comparison)	14
Increased total dividends in the year	45
Reduced total dividends in the year	5
No change in dividend	5

Corporate Activity

Three of our companies were taken over for cash: *Broker Network Holdings*; *Financial Objects* and *Gibbs &Dandy* producing a profit of 285 per cent, 166 per cent and 648 per cent respectively.

During the year the Company incurred actual realised capital losses arising on the sale of investments in the sum of £88,385.

Portfolio Review

Holdings of *Gaming VC, Hill and Smith, Interior Services Group, Nationwide Accident Repair, Victoria and Vitec* were all purchased for the first time. *Acertec, Ambrian Capital, Belgravium Technologies, Blue Oar, Character Group, Colliers CRE, Davenham Group, Dowgate Capital, Enterprise Inns, Flying Brands, International Greetings, Litho Supplies, Lookers, LSL Property Services, Media Square, SCS Upholstery, Somero Enterprises and Trifast* were all sold. In addition, a total of nine holdings were top-sliced to provide capital for the new purchases.

Dividend

The Board is pleased to recommend an increased annual dividend of 4.7p per ordinary share (2008: 3.5p). This represents an increase of 34.3 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 6 May 2009, the dividend will be paid on 8 May 2009 to shareholders on the register on 14 April 2009.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Update

The unaudited NAV at 28 February 2009 was 91.7p whereas the share price on the same day stood at 97.5p. Further updates can be found on www.athelneytrust.co.uk

Outlook

I look into my crystal ball with some trepidation, after all, John Kenneth Galbraith, the economist, once said, 'There are two classes of forecasters: those that don't know and those that don't know they don't know.' I expect the economy to contract by 3.5 per cent in 2009 and show no growth in 2010. Lower mortgage payments coupled with falling house prices will result in minimal retail price inflation – the average house to 'bottom' at £140,000 compared with £163,000 at present. Weak economic conditions will result in a sharp increase in unemployment with the number of people in work falling by 1.5 million over the next two years and the unemployment rate rising to 8 per cent. UK company profits and dividends are likely to fall by 25 per cent this year with the banks and mining companies being the worst affected at, perhaps, 50-60 per cent down on 2008. **Following the heavy fall in markets last year, I am expecting a decent bounce some time in 2009 with small caps finishing the year 12-17 per cent up on 2008**. And if the Bank of England continues with quantitive easing, begins credit easing and the Treasury sets up a bad bank, then the outcome could be better than that.

H.B. Deschampsneufs
Chairman

Athelney Trust plc

CORPORATE GOVERNANCE STATEMENT

Combined Code

The Board is committed to achieving and demonstrating high standards of Corporate Governance as set out in the Combined Code on Corporate Governance published in June 2006. The Board considers that it has complied with all the provisions of the Combined Code except in matters identified and explained below.

The Board also confirms that, to the best of its knowledge and understanding, procedures were in place to meet the requirements of the Combined Code relating to internal controls throughout the year under review. This statement describes how the principles of the Combined Code have been applied in the affairs of the company.

The Company has not complied with the provisions of the Combined Code in respect of the following:

- Due to the size of the Board, formal performance evaluations of the Chairman, the Board, its committees and individual Directors are not undertaken. Instead it is felt more appropriate to address matters as and when they arise.

- Due to the size of the Board, it is felt inappropriate to appoint a senior independent non-executive director.

- All the Directors have service contracts but no limit has been imposed on the overall length of service, however all Directors are required to retire and, if appropriate, seek re-election at least every three years. The recommendation of the Code is for fixed term renewable contracts.

- The Company has just one employee, other than Board members, the Company Secretary, whose line of communication in relation to whistle-blowing is to the Chairman of the Company.

- The Company does not have a Nominations Committee, as a Board of only three Directors who liaise continuously throughout the year and are aware of their obligations to consider recruitment of further directors as and when the occasion occurs.

The Board

The Board currently comprises:

Robin Boyle, Managing Director
Hugo Deschampsneufs, Chairman (Non-executive)
David Horner, Non-executive

The two non-executive directors are members of the audit committee and the remuneration committee, David Horner being Chairman of each committee.

Board responsibilities and relationship with Investment Manager

The Board is responsible for the investment policy and strategic and operational decisions of the Company and for ensuring that the Company is run in accordance with all regulatory and statutory requirements. These matters include:

- The maintenance of clear investment objectives and risk management policies, changes to which require Board approval;
- The monitoring of the business activities of the Company, including investment performance and annual budgeting; and
- Review of matters delegated to the Investment Manager and Company Secretary.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Investment Manager ensures that Directors have timely access to all relevant management and financial information to enable informed decisions to be made and contacts the Board as required for specific guidance. The Company Secretary and Investment Manager prepare monthly reports for Board consideration on matters of relevance, for example current valuation and portfolio changes, dividend comparisons with previous years, cash availability and requirements and a breakdown of shareholdings by listing and sector. The Board takes account of Corporate Governance best practice.

In consequence of being a company with only three Directors, a Directors' and Officers' Liability Insurance policy has not been arranged but is a matter constantly under review by the Board.

Committees of the Board

The Board has appointed a number of Committees as set out below to which certain Board functions have been delegated. Each of these Committees has formal written terms of reference, which clearly define their responsibilities and incorporate the best practice recommendation and requirements of the Combined Code.

Board Membership

At the year end the Board consisted of three Directors. The Directors believe that the Board has the balance of skills, experience, ages and length of service to enable it to provide effective leadership and proper governance of the Company. The Directors possess a range of business and financial expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs. Brief biographical details of the Directors can be found on page 2.

The Directors of the Company meet at regular Board Meetings, held at least once a quarter and additional meetings and telephone meetings are arranged as necessary. During the year to 31 December 2008, the Board met eight times and all Directors were present at all Board Meetings.

Chairman and Senior Independent Director

The Chairman, Mr Hugo Deschampsneufs, is independent. He considers himself to have sufficient time to commit to the Company's affairs. Given the size and nature of the Board it is not considered appropriate to appoint a senior independent director.

Directors' Independence

In accordance with the Listing Rules for investment entities, the Board has reviewed the status of its individual Directors and the Board as a whole. The non-executive Directors are considered by the Board to be independent and free of any business or other relationship which could interfere with the exercise of their independent judgement.

In accordance with the terms of the Articles of Association, one-third of Directors will retire by rotation at the forthcoming Annual General Meeting and no Director shall serve a term of more than three years before re-election. The Board has reviewed the appointment of Mr Robin Boyle who is retiring at the forthcoming Annual General Meeting and recommends that shareholders vote for him as it believes his performance to be effective, that he demonstrates commitment to his role and has actively contributed throughout the year.

Audit Committee

The Audit Committee comprises the independent Directors, with David Horner as Chairman. The Committee met twice during the year ended 31 December 2008. Both Committee members were present. It is intended that the Committee will meet at least once a year, to approve the Company's Annual Report and Accounts.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The primary responsibilities of the Audit Committee are: to review the effectiveness of the internal control environment of the Company and monitor adherence to best practice in corporate governance; to make recommendations to the Board in relation to the re-appointment of the Auditors and to approve their remuneration and terms of engagement; to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process and to provide a forum through which the Company's Auditors report to the Board. The Audit Committee also has responsibility for monitoring the integrity of the financial statements and accounting policies of the Company and for reviewing the Company's financial reporting and internal control procedures. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required.

The Audit Committee has direct access to the Company's Auditors, Clement Keys Chartered Accountants. A formal statement of independence is received from the external auditors each year.

The Chairman of the Audit Committee will be present at the Annual General Meeting to deal with any questions relating to the accounts.

The Committee met twice during the year.

Remuneration Committee

The Remuneration Committee comprises Mr Hugo Deschampsneufs and Mr David Horner. Mr Horner is Chairman. The Committee will meet as necessary to determine and approve Directors' fees, following proper consideration of the role that individual Directors fulfil in respect of Board and Committee responsibilities, the time committed to the Company's affairs and remuneration levels generally within the Investment Trust Sector.

Under Listing Rule 15.6.6, the Code principles relating to directors' remuneration do not apply to an investment trust company other than to the extent that they relate specifically to non-executive directors. Detailed information on the remuneration arrangements can be found in the Directors' remuneration report on pages 19 to 20 and in note 4 to the financial statements.

The Committee met three times during the year and both committee members were present at all three meetings.

Company Secretary

The Company Secretary, John Girdlestone FCA, is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary also ensures timely delivery of information and reports and that the statutory obligations of the Company are met.

Independent Professional Advice

There is an agreed procedure for Directors to seek independent professional advice if necessary at the Company's expense.

Institutional investors – use of voting rights

The Investment Manager and Managing Director, Mr Robin Boyle, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

Going Concern

After due consideration, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Internal control review

The Board is responsible for establishing and maintaining the Company's systems of internal control and for reviewing their effectiveness.

Adequate internal controls are in place for identifying, evaluating and managing risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, has been in place for the full financial year and up to the date the financial statements were approved.

Internal control assessment process

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness on a regular basis. The system of internal controls is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. This responsibility covers the key business, operational, compliance and financial risks facing the company.

The procedures in place ensure that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified. The Board confirms that these procedures have been in place throughout the Company's financial year, are operating effectively and continue to be in place up to the date of approval of this Report.

Internal Audit

The company does not have an internal audit function. The day-to-day management functions are dealt with by the Managing Director, Mr Robin Boyle, and Company Secretary, Mr John Girdlestone, where each is aware of the daily undertakings of the other. The Board as a whole receives regular monthly reports clearly setting out the transactions of that month.

The Audit Committee carries out an annual review of the need for an internal audit function. The Committee continues to believe that the compliance and internal control systems and the internal audit function provided by the Investment Manager and Company Secretary give sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the trust, is therefore considered unnecessary.

Dialogue with Shareholders

The Board place great importance on communication with shareholders and all Directors are available to enter into dialogue with shareholders. Major shareholders of the Company are offered the opportunity to meet with the independent non-executive Directors of the Board to ensure that their views are understood. The Annual General Meeting provides a forum for communication with all shareholders, who are encouraged to attend and vote. During the AGM, the Board, including the Investment Manager, are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to them.

The Annual and Half Yearly Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies are available for downloading from the Company's website www.athelneytrust.co.uk and on request from the Company Secretary on 01326 378288. Copies of the Annual Report are mailed to shareholders who have requested paper copies.

Voting Policy

The Company has given discretionary voting powers to the Investment Manager, Mr Robin Boyle. The Manager votes against resolutions he believes may damage shareholders' rights or economic interests.

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2008

	Stock	Holding	Cost (£)	Current Price (p)	Value (£)	SECTOR £	SECTOR %
Aerospace and defence	Aero Inventory	14,000	43,937	228	31,955		
	Umeco	13,750	53,951	250	34,375	**66,330**	**4.00%**
Chemicals	Treatt	10,500	24,605	197	20,685	**20,685**	**1.25%**
Construction and materials	Clarke (T)	18,000	19,938	110	19,800		
	Galliford Try	38,000	14,143	32	12,160		
	Renew Holdings	35,000	31,180	45	15,750	**47,710**	**2.88%**
Electronic and electrical equipment	XP Power Ltd	20,000	45,885	129	25,800	**25,800**	**1.56%**
Food and beverages	Finsbury Food Group	50,000	25,283	11	5,500		
	Nichols	13,050	24,415	200	26,100		
	Shepherd Neame "A"	3,900	11,473	670	26,142		
	Wynnstay Group	25,000	22,348	158	39,500	**97,242**	**5.87%**
General financial	Albemarle & Bond	15,000	14,999	200	30,000		
	Arbuthnot Banking Group	10,000	34,134	255	25,500		
	Camellia	1,200	28,749	4,950	59,400		
	Charles Taylor Consulting	8,000	19,021	250	20,000		
	Jarvis Securities	25,000	20,169	125	31,250		
	Park Group	200,000	32,817	15	30,000		
	S & U	8,000	23,901	235	18,800		
	Tenon Group	62,000	19,541	40	24,490		
	Vantis	36,667	45,289	66	24,200	**263,640**	**15.91%**
Healthcare equipment and services	Tristel	75,000	36,212	38	28,500	**28,500**	**1.72%**
House, leisure and personal goods	Havelock Europe	24,000	16,430	32	7,680		
	Smallbone	36,500	36,366	23	8,395		
	Victoria	25,000	33,940	115	28,750	**44,825**	**2.70%**
Industrial engineering	Gooch & Housego	11,000	11,888	135	14,850		
	Goodwin	7,000	4,300	1,040	72,800		
	Hill & Smith	20,000	32,930	200	40,000		
	Severfield-Rowen	20,000	21,903	162	32,350		
	Slingsby (H.C)	4,000	9,958	600	24,000		
	Vitec	16,000	30,788	233	37,280	**221,280**	**13.35%**
Industrial transportation	Braemar Shipping	18,000	22,317	237	42,660		
	Clarkson	9,000	22,946	345	31,050		
	Fisher (James)	8,000	6,787	360	28,800	**102,510**	**6.19%**
Insurance	Personal Group Holdings	17,500	15,908	210	36,750	**36,750**	**2.22%**
Media	Avesco	30,000	25,053	18	5,400		
	Chime Communications	21,000	29,787	50	10,500		
	Creston	29,000	16,269	27	7,830		
	Huntsworth	35,000	23,948	24	8,400		
	M&C Saatchi Plc	26,000	27,465	77	20,020		
	Quarto Group Inc Com	22,000	35,408	55	12,100	**64,250**	**3.88%**
Pharmaceuticals and biotechnology	Genus	9,000	8,022	685	61,650	**61,650**	**3.72%**
Real estate	Mountview Estates	1,750	22,012	2,300	40,250		
	Smart (J) & Co.	4,000	21,009	300	12,000	**52,250**	**3.15%**
Retailers	H & T Group	17,000	31,807	160	27,200		
	Mallett	12,000	6,701	48	5,760		
	Stanley Gibbons	55,000	6,692	130	71,500	**104,460**	**6.30%**

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2008 (CONTINUED)

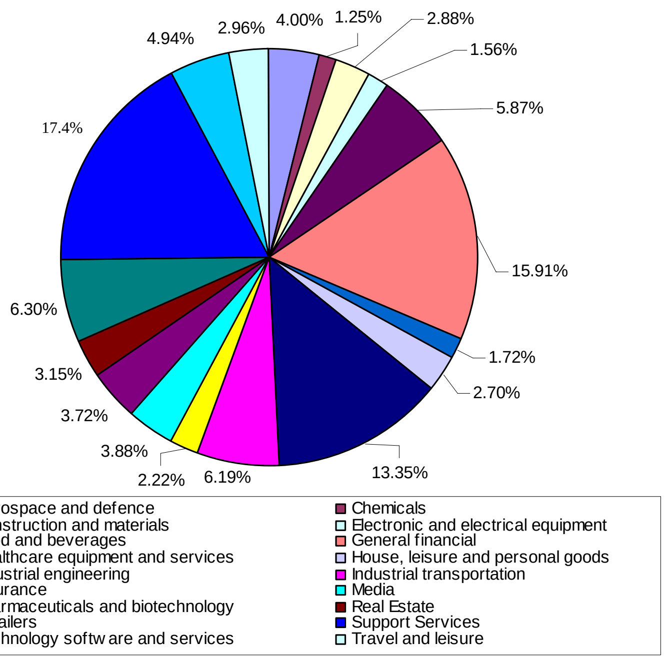
	Stock	Holding	Cost (£)	Current Price (p)	Value (£)	SECTOR £	SECTOR %
Support services	Dawson Holdings	50,000	27,662	79	39,500		
	Interior Services Group	24,250	42,424	107	25,948		
	Latham (James)	14,000	7,401	125	17,500		
	Macfarlane Group	100,000	25,204	17	16,500		
	Nationwide Accident Repair	30,000	37,194	85	25,500		
	N.W.F Group	40,000	11,707	95	38,000		
	OPD Group	9,000	15,857	57	5,130		
	Prime People	12,500	8,807	16	2,000		
	RWS Holdings	12,000	21,150	240	28,800		
	VP	25,000	31,591	123	30,750		
	Waterman Group	50,000	27,525	55	27,500		
	WSP Group	16,000	14,074	196	31,360	**288,488**	**17.4%**
Technology software and services	FDM Group	27,500	30,480	57	15,675		
	Group NBT	15,000	17,434	195	29,250		
	Pennant International	116,000	11,052	5	5,800		
	Phoenix IT	18,500	40,533	168	31,126	**81,851**	**4.94%**
Travel and leisure	Air Partner	5,000	9,898	442	22,100		
	Gaming VC	30,000	40,605	90	27,000	**49,100**	**2.96%**

Portfolio Value		£ 1,657,321	100%
Net Current Assets		£ 58,655	
Deferred Tax		£ -	
TOTAL VALUE		£ 1,715,976	
Shares in issue		1,802,802	
Audited NAV	95.2p		

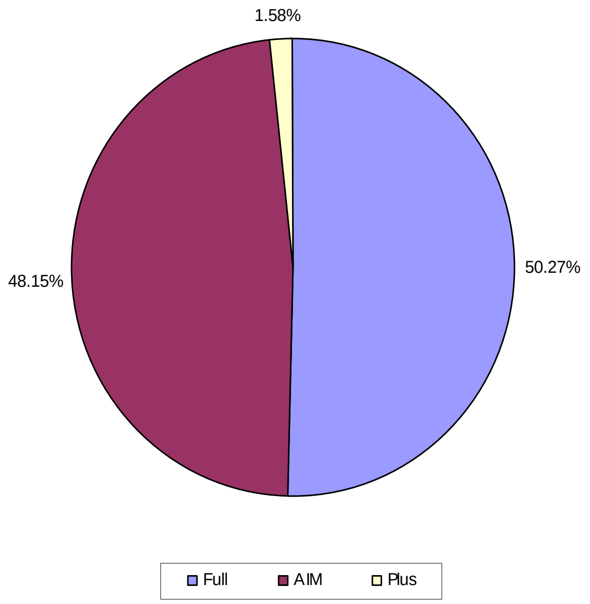
Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2008 (CONTINUED)

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 2008.

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 3 to 7.

Environmental Issues

The Board has taken steps to reduce any adverse impact on environmental issues and will continue to address this important matter.

Social and Community Issues

The Company has only two employees and, as far as the Board is aware, no issues exist in respect of social or community issues.

Principal Risks and 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.

The Company's assets consist mainly of listed securities and it principal risks are therefore market-related. The Company is also exposed to currency risk in respect of a small number of investments held in overseas markets. More detailed explanations of these risks and the way which they are managed are contained in note 16 to the accounts.

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 2008	**1 January 2008**
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 (2007: 19,163) shares held in his Self-Invested Personal Pension. R.G. Boyle's interest includes 16,970 (2007: 16,970) shares held in his Self-Invested Personal Pension. D.A. Horner's interest includes 20,000 (2007: 20,000) shares owned by a pension fund in which D.A. Horner has an interest. There have been no changes in the above Directors' interests up to 24 March 2009.

The Company does not have any contract of significance subsisting during the year, with any other company in which a Director is or was materially interested.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Changes to the Articles of Association

At an Extraordinary General Meeting on 21 August 2008, the shareholders adopted revised Articles.

Authority to Repurchase the Company's Ordinary Shares

At an Extraordinary General Meeting of the Company held on 21 August 2008, it was resolved that the Company be authorised to purchase in the market up to 270,240 Ordinary Shares (14.99 per cent of its Ordinary Share Capital in issue at the time). The Company has not entered into any contracts since the year end to purchase any of its own shares.

Move from AIM to a Full Listing

The Company moved to a Full Listing on 24 September 2008 (see note 7, page 31).

Capital Structure

At 31 December 2008 the Company's capital structure consisted of 1,802,802 Ordinary Shares of 25p each (2007 1,802,802).

Dividends

The Ordinary Shares carry a right to receive dividends which are declared from time to time by an Ordinary Resolution of the Company (up to the amount recommended by the Directors) and to receive any interim dividends which the Directors may resolve to pay.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

Voting

On a show of hands, every ordinary shareholder present in person or by proxy has one vote and on a poll every ordinary shareholder present in person has one vote for every share he/she holds and a proxy has one vote for every share in respect of which he/she is appointed.

Information on the deadlines for proxy appointments can be found on pages 39 and 40.

Results and Dividends

The return on ordinary revenue activities before dividends for the year is £99,603 (2007: £70,528) as detailed on page 23. It is recommended that an annual dividend of 4.7p (2008: 3.5p) per ordinary share be paid.

Significant Shareholders

At 30 March 2009, the Directors had been notified of the following major shareholdings in the Company:

	Ordinary Shares	**% of issue**
Mr R.G. Boyle	443,970	24.63
Mr G.W. & Mrs D.J. Whicheloe	114,000	6.32
NS Salvesen and Salvesen Family Trust	87,500	4.85
Mr H.D. Deschampsneufs	78,038	4.32
Mrs E. Davison	75,000	4.16
Mr J. Sutton	60,000	3.33
Mr D.C. & Mrs B.I. Mattey	60,000	3.33

Tax Status

The Directors have considered the Close Company Tax Status of the Company and do not believe that the Company is a Close Company.

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 invoiced trade creditors outstanding at the end of the year, together with accrued expenses, all appearing as creditors in the balance sheet.

Disclosure of Information to Auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

Auditors

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

30 March 2009

Athelney Trust plc

DIRECTORS' REMUNERATION REPORT

The Board has prepared this Report in accordance with Schedule 7A to the Companies Act 1985. An Ordinary Resolution will be put to the members to approve the Report at the forthcoming Annual General Meeting

The law requires the Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 21 and 22.

Remuneration Committee

The Company has a Remuneration Committee comprising Mr Hugo Deschampsneufs and Mr David Horner. Mr Horner chairs the meetings. The Committee considers and approves Directors' remuneration.

Policy on Directors' Fees

The Board's policy is that remuneration of non-executive Directors should reflect the experience of the Board as a whole and is determined with reference to comparable organisations and appointments. It is intended that this policy will continue for the year ended 31 December 2009.

The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

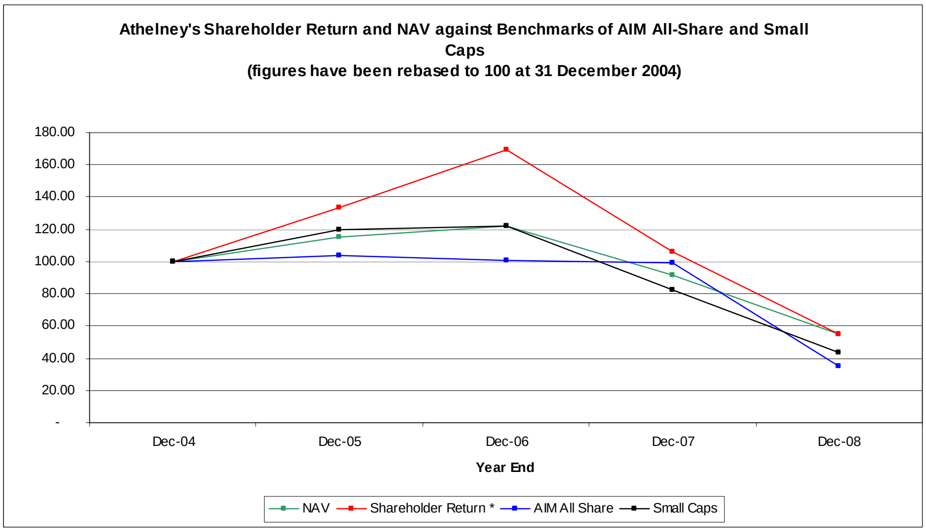
All the Directors have a service contract with the Company. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years after that.

The Managing Director Mr Robin Boyle has a service contract commencing 21 August 2008 which provides for retirement by the Company giving one year's written notice and by Mr Robin Boyle giving six months' written notice.

The service contracts for the two non-executive Directors, Mr Hugo Deschampsneufs and Mr David Horner, provide for their contract to continue until the Annual General Meeting following the appointment and for renewal at each subsequent Annual General Meeting. Their service contracts commenced 21 August 2008 and 19 August 2008 respectively.

Company Performance

The graph below compares, for the five financial years ended 31 December 2008, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the AIM All-Share Index and Small Caps Index. The comparison is made between AIM All-Share and Small Caps. as the majority of investment holdings by the Company are a constituent of one or the other of these two indices.



*Assuming all dividends are reinvested

Past Performance is no guarantee of future performance.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of salaries:

	2008	2007
	£	£
Hugo Deschampsneufs (Chairman, non-executive)	6,667	5,000
Robin Boyle (Managing Director)	35,000	30,000
David Horner (Non-executive)	5,833	5,000
	47,500	40,000

Approval

The Directors' Remuneration Report was approved by the Board on 30 March 2009.

J. Girdlestone
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ATHELNEY TRUST PLC

We have audited the financial statements of Athelney Trust plc for the year ended 31 December 2008, which comprise the Income statement, the Reconciliation of Shareholders Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as being audited.

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 auditors' 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, the Directors' Remuneration 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 and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 and Business Review 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 transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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 of the Company, Chairman's Statement and Business Review, Corporate Governance Statement, Investment and Portfolio Analysis, Report of the Directors', the unaudited part of the Directors' Remuneration Report, and Officers and Financial Advisers. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ATHELNEY TRUST PLC
(CONTINUED)

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 and the part of the Directors' remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

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 the Company's affairs as at 31 December 2008 and net return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with 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

30 March 2009

Athelney Trust plc

INCOME STATEMENT
(INCORPORATING THE REVENUE ACCOUNT)

		31 December 2008			31 December 2007		
	Note	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**
Losses on investments	**9**	-	(1,482,105)	(1,482,105)	-	(362,778)	(362,778)
Income	**2**	123,951	-	123,951	120,488	-	120,488
Investment Management expenses	**3**	(4,466)	(41,700)	(46,166)	(9,893)	(28,979)	(38,872)
Other expenses	**3**	(19,882)	(44,947)	(64,829)	(52,362)	-	(52,362)
Exceptional items	**7**	-	(128,782)	(128,782)	-	-	-
Net return on ordinary activities before taxation		99,603	(1,697,534)	(1,597,931)	58,233	(391,757)	(333,524)
Taxation	**5**	-	256,283	256,283	12,295	81,248	93,543
Net return on ordinary activities after taxation	**14**	99,603	(1,441,251)	(1,341,648)	70,528	(310,509)	(239,981)
Net return per ordinary share	**6**	5.5p	(79.9)p	(74.4)p	3.9p	(17.2)p	(13.3)p
Dividend per ordinary share paid during the year		3.5p			3.25p		

The total 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 14.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above Statement.

The notes on pages 27 to 35 form part of these financial statements.

Athelney Trust plc

RECONCILIATION OF SHAREHOLDERS' FUNDS

	For the Year Ended 31 December 2008					
	Called-up Share Capital	Share Premium	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total Shareholders' Funds
	£	£	£	£	£	£
Balance at 1 January 2008	450,700	405,605	892,893	1,239,083	132,441	3,120,722
Net losses on realisation of investments	-	-	(88,385)	-	-	(88,385)
Decrease in unrealised appreciation	-	-	-	(1,393,720)	-	(1,393,720)
Expenses allocated to capital	-	-	(215,429)		-	(215,429)
Taxation	-	-	-	256,283	-	256,283
Profit for the year	-	-	-	-	99,603	99,603
Dividend paid in year	-	-	-	-	(63,098)	(63,098)
Shareholders' Funds at 31 December 2008	450,700	405,605	589,079	101,646	168,946	1,715,976

	For the Year Ended 31 December 2007					
	Called-up Share Capital	Share Premium	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total Shareholders' Funds
	£	£	£	£	£	£
Balance at 1 January 2007	450,700	405,605	719,086	1,723,399	120,504	3,419,294
Net gains on realisation of investments	-	-	239,645	-	-	239,645
Decrease in unrealised appreciation	-	-	-	(602,423)	-	(602,423)
Expenses allocated to capital	-	-	(28,979)		-	(28,979)
Taxation	-	-	(36,859)	118,107	-	81,248
Profit for the year	-	-	-	-	70,528	70,528
Dividend paid in year	-	-	-	-	(58,591)	(58,591)
Shareholders' Funds at 31 December 2007	450,700	405,605	892,893	1,239,083	132,441	3,120,722

The notes on pages 27 to 35 form part of these financial statements.

Athelney Trust plc

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008	2007
		£	£
Fixed assets			
Investments at fair value through profit and loss	**9**	1,657,321	3,167,818
Current assets			
Debtors	**10**	65,090	205,773
Cash at bank and in hand		26,038	45,335
		91,128	251,108
Creditors: amounts falling due within one year	**11**	(32,473)	(41,921)
Net current assets		58,655	209,187
Total assets less current liabilities		1,715,976	3,377,005
Provisions for liabilities and charges	**12**	-	(256,283)
Net assets		1,715,976	3,120,722
Capital and reserves			
Called up share capital	**13**	450,700	450,700
Share premium account	**14**	405,605	405,605
Other reserves (non distributable)			
Capital reserve - realised	**14**	589,079	892,893
Capital reserve - unrealised	**14**	101,646	1,239,083
Revenue reserve	**14**	168,946	132,441
Shareholders' funds - all equity		1,715,976	3,120,722
Net Asset Value per share	**17**	95.2p	173.1p

Approved by the board of directors on 30 March 2009

……………………………….
R.G. Boyle

The notes on pages 27 to 35 form part of these financial statements

Athelney Trust plc

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

		2008		2007
	£	**£**	£	£
Net cash inflow/(outflow) from operating activities		39,973		(69,440)
Taxation				
Corporation tax paid		(24,564)		(34,916)
Financial Investment				
Purchases of investments	(975,591)		(1,247,174)	
Sale of investments	1,003,983		1,422,970	
Net cash inflow from Financial Investment		28,392		175,796
Equity dividends paid		(63,098)		(58,591)
(Decrease)/increase in cash in the year		(19,297)		12,849

Reconciliation of operating net revenue to net cash inflow from operating activities	**£**	**£**
Revenue on ordinary activities before taxation	99,603	58,233
Decrease / (increase) in debtors	140,683	(100,170)
Increase in creditors	15,116	1,476
Investment management expenses charged to capital	(41,700)	-
Other expenses charged to capital	(44,947)	-
Exceptional items charged to capital (note 7)	(128,782)	(28,979)
	39,973	(69,440)

Reconciliation of net cashflow to movement in net debt

	Net funds at 31.12.2007	**Cashflow**	**Net funds at 31.12.2008**
	£	**£**	**£**
Cash at bank and in hand	45,335	(19,297)	26,038

The notes on pages 27 to 35 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 the Companies Act 1985, applicable UK accounting standards and the provisions of the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” (SORP) issued in January 2003, as revised December 2005.

1.2 Income

Income from investments including taxes deducted at source is recognised when the right to the return is established (normally the ex-dividend date). 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 Investment Management Expenses

Of the two directors involved in investment management, 10% of their salaries have been charged to revenue and the other 90% to capital. All other investment management expenses have been charged to capital. The Board propose continuing this basis for future years.

1.4 Other Expenses

Expenses (including VAT) and interest payable are dealt with on an accruals basis and charged through the Revenue Account, with a greater allocation to capital than previously. The Board consider this to be a fairer distribution of the costs incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting Policies (continued)

1.7 Deferred Taxation

At the year end there is no provision for deferred taxation (2007: £256,283) as the Company had unrealised net losses for Capital Gains Tax purposes. The Directors believe the Company satisfies all the conditions of a Fully Listed Investment Company to ensure it has no liability to Corporation Tax on its Capital Gains in the future.

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

	2008	2007
	£	£
UK dividend income	113,571	114,513
Bank interest	10,230	5,574
Other income	150	401
Total income	123,951	120,488

UK dividend income

	2008	2007
	£	£
UK listed investments	56,920	43,164
AIM investments	55,707	70,188
Other investments	944	1,161
	113,571	114,513

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

3. Return on Ordinary Activities Before Taxation

	2008 **£**	2007 £
The following amounts (inclusive of VAT) are included within investment management and other expenses:		
Directors' remuneration:		
- Services as a director	12,500	10,000
- Otherwise in connection with management	35,000	30,000
Auditors' remuneration (also see note 7):		
- Audit Services - Statutory audit	7,665	7,200
- Audit Services - Audit related regulatory reporting	999	910
- Further assurance services – Advice on accounting matters	1,840	862
Miscellaneous expenses:		
- Other wages and salaries	17,170	10,620
- Nominated Adviser's fees	10,406	5,711
- PR and communications	6,285	10,759
- Stock Exchange subscription	7,961	6,831
- Sundry investment management and other expenses	11,169	8,341
	110,995	91,234

4. Employees

	2008 **£**	2007 £
Costs in respect of directors:		
Wages and salaries	47,500	40,000
Social security costs	3,991	3,171
	51,491	43,171
Costs in respect of administrator:		
Wages and salaries	15,833	10,000
Social security costs	1,337	620
	17,170	10,620
Total:		
Wages and salaries	63,333	50,000
Social security costs	5,328	3,791
	68,661	53,791
Average number of employees:		
Chairman	1	1
Investment	2	2
Administration	1	1
	4	4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

5. Taxation

	2008 Revenue	**Capital**	**Total**	2007 Revenue	Capital	Total
	£	**£**	**£**	£	£	£
(i) The tax charge for the year is based on the return for the year						
Corporation tax for current year	-	-	-	-	24,564	24,564
Tax relief on management expenses charge to income	-	-	-	(12,295)	12,295	-
Deferred taxation	-	(256,283)	(256,283)	-	(118,107)	(118,107)
	-	(256,283)	(256,283)	(12,295)	(81,248)	(93,543)

(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 (21 per cent). The differences are explained below:

	2008	2007
	£	£
Total return on ordinary activities before tax	(1,597,931)	(333,524)
Total return on ordinary activities multiplied by the average small company rate of corporation tax 21% (2007: 20%)	(335,566)	(66,705)
Effects of:		
UK dividend income not taxable	(23,850)	(22,902)
Revaluation of shares not taxable	292,681	120,485
Indexation relief for capital gains	(2,858)	(5,775)
Unrelieved management expenses	48,225	-
Losses carried forward	21,545	-
Other	(177)	(80)
Change in tax rate	-	(459)
Current tax charge for the year	-	24,564

There is no charge to UK Corporation Tax at 31 December 2008 as the Company has unrelieved management expenses of £229,641 and £102,597 of capital losses for Corporation Tax purposes and which are available to be carried forward to future years. These have not been recognised as a deferred tax asset because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of the future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

5. Taxation continued

(iii) Factors affecting the tax charge in future years

At the appropriate time the Company will request approval from HM Revenue and Customs that all conditions relevant to a fully listed investment trust have been satisfied and therefore the Company will not in future be liable to Corporation Tax on any realised investment gains.

6. Return per Ordinary Share

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

	2008			2007		
	£	**£**	**£**	£	£	£
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Attributable return on ordinary activities after taxation	99,603	(1,441,251)	(1,341,648)	70,528	(310,509)	(239,981)
Number of shares		1,802,802			1,802,802	
Return per ordinary share	5.5p	(79.9)p	(74.4)p	3.9p	(17.2)p	(13.3)p

7. Exceptional Items

The exceptional item represents the total costs incurred by the Company in moving from AIM to a Full Listing. Included in the total costs is an amount of £14,599 paid to the Company's Auditors in connection with the Company obtaining a Full Listing.

8. Dividend

	2008	2007
	£	£
Dividend in respect of 2008 of 3.5p (2007 – 3.25p) per share	63,098	58,591

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered.

An annual dividend of 4.7p (2008 – 3.5p) per share amounting to a total of £84,732 (2008 - £63,098) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting.

	2008
	£
Revenue available for distribution	99,603
Proposed dividend in respect of financial year ended 31 December 2008	(84,732)
Undistributed Revenue Reserve	14,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

9. Investments

	2008	2007
	£	£
Movements in year		
Valuation at beginning of year	3,167,818	3,706,392
Purchases at cost	975,591	1,247,174
Sales - proceeds	(1,003,983)	(1,422,970)
- realised (losses)/gains on sales	(88,385)	239,645
Decrease in unrealised appreciation	(1,393,720)	(602,423)
Valuation at end of year	1,657,321	3,167,818
Book cost at end of year	1,533,219	1,650,667
Unrealised appreciation at the end of the year	124,102	1,517,151
	1,657,321	3,167,818

UK Listed	833,193	1,553,403
AIM	797,986	1,537,414
PLUS	26,142	77,001
	1,657,321	3,167,818

Gains on investment

	2008	2007
	£	£
Realised (losses)/gains on sales	(88,385)	239,645
Decrease in unrealised appreciation	(1,393,720)	(602,423)
	(1,482,105)	(362,778)

The purchase and sales proceeds above include transaction costs of £3,176 (2007: £4,678) and £4,546 (2007: £5,817) respectively.

10. Debtors

	2008	2007
	£	£
Amounts falling due within one year:		
Investment transaction debtors	59,148	202,940
Other debtors	5,942	2,833
	65,090	205,773

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

11. Creditors

	2008	2007
	£	£
Corporation tax	-	24,564
Social security and other taxes	3,087	6,938
Other creditors	4,272	159
Accruals and deferred income	25,114	10,260
	32,473	41,921

12. Deferred Tax

	2008		2007	
	Provided	**Not Provided**	Provided	Not Provided
	£	**£**	£	£
Tax on unrealised gains net of losses	-	-	256,283	-
	-	-	256,283	-

	2008	2007
	£	£
Balance at beginning of year	256,283	374,390
Charge to the capital element of the Statement of Total Return	(256,283)	(118,107)
Balance at end of year	-	256,283

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.

13. Called Up Share Capital

	2008	2007
	£	£
Authorised		
10,000,000 Ordinary Shares of 25p	2,500,000	2,500,000
Allotted, called up and fully paid		
1,802,802 Ordinary Shares of 25p	450,700	450,700

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

14. Reserves

	2008			
	Share premium account	**Capital reserve realised**	**Capital reserve unrealised**	**Revenue reserve**
	£	**£**	**£**	**£**
Balance at 1 January 2008	405,605	892,893	1,239,083	132,441
Net losses on realisation of investments	-	(88,385)	-	-
Decrease in unrealised appreciation	-	-	(1,393,720)	-
Expenses allocated to capital	-	(215,429)		-
Taxation	-		256,283	-
Profit for the year	-	-	-	99,603
Dividend paid in year	-	-	-	(63,098)
Balance at end of year	405,605	589,079	101,646	168,946

15. Reconciliation of Movement on Shareholders' Funds

	2008	2007
	£	£
Retained net revenue for the year after taxation	99,603	70,528
Dividend	(63,098)	(58,591)
	36,505	11,937
Total recognised losses for the year	(1,441,251)	(310,509)
	(1,404,746)	(298,572)
Shareholders' funds at beginning of year	3,120,722	3,419,294
Shareholders' funds at end of year	1,715,976	3,120,722

16. Financial Instruments

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.

Fixed asset investments (see note 9) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

16. Financial Instruments (continued)

Market Risk

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

At the end of the year the Company's portfolio was invested in UK securities with the exception of 2.36 per cent, which was invested in overseas securities.

Liquidity Risk

Liquidity Risk is the risk that the Company may have difficulty in meeting obligations associated with financial liabilities. The Company has no borrowings, therefore there is no exposure to interest rate changes.

The company is able to reposition its investment portfolio when required so as to accommodate liquidity needs.

17. Net Asset Value Per Share

The net asset value per share is based on net assets of £1,715,976 (2007: £3,120,722) divided by 1,802,802 (2007: 1,802,802) ordinary shares in issues.

	2008	2007
Net asset value	95.2p	173.1p

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: dah@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	
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 fifteenth Annual General Meeting of the Company will be held at the offices of Dowgate Capital Advisers Limited, 46 Worship Street, London, EC2A 2EA on Wednesday 06 May 2009 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 2008.

2. To declare an annual dividend of 4.7p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on Friday 08 May 2009 to all shareholders on the register of members at close of business on Friday 14 April 2009.

3. To approve the Directors' Remuneration Report for the year ended 31 December 2008.

4. To re-elect Mr R.G. Boyle as a Director of the Company.

5. To re-elect Mr H.B. Deschampsneufs as Director of the Company until the date of the next Annual General Meeting.

6. To re-elect Mr D.A. Horner as a Director of the Company until the date of the next Annual General Meeting.

7. To re-appoint Clement Keys as Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board

John Girdlestone
Secretary
30 March 2009

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.

NOTES

Athelney Trust plc

FORM OF PROXY

To be used at the Annual General Meeting to be held at 4.30pm on 06 May 2009

I/We ____ BLOCK

of ____ CAPITALS

____ PLEASE

Being (a) shareholder(s) of Athelney Trust plc, hereby appoint the Chairman of the Meeting or (see Note (ii))

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Dowgate Capital Advisers Limited, 46 Worship Street, London, EC2A 2EA on Wednesday 06 May 2009 at 4.30p.m. (the "**Meeting**"), on the Ordinary Business to be submitted to the Meeting and at any adjournment thereof.

Please indicate with an X in the appropriate space how you wish your votes to be cast. To abstain from voting on any item in the notice, select the "Vote Withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the individual issue in respect of which voting is taking place. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Ordinary Business		**For**	**Against**	**Vote withheld**
1	To receive and adopt the accounts for the year ended 31 December 2008			
2	To declare a dividend of 4.7p per Ordinary Share			
3	To approve the Directors' Remuneration Report for the year ended 31 December 2008			
4	To re-elect Mr R.G. Boyle as a Director			
5	To re-elect Mr H.B. Deschampsneufs as a Director until the date of the next Annual General Meeting			
6	To re-elect Mr D.A. Horner as a Director until the date of the next Annual General Meeting			
7	To re-appoint Clement Keys as Auditors and authorise the Directors to fix the Auditors' Remuneration			

Signed______________________________**Dated**______________________

NOTES

(i) As a shareholder of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.

(ii) If you wish to appoint as your proxy some person other than the Chairman of the Meeting please insert in block capitals the full name of the person of your choice, delete the words "the Chairman of the Meeting" and initial the alteration. A proxy need not be a shareholder of the Company but must attend the Meeting to represent you and you are responsible for ensuring that they attend the Meeting and are aware of your voting intentions.

(iii) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must contact the Company Secretary at the Registered Office of the Company (Waterside Court, Falmouth Road, Penryn, Cornwall, TR10 8AW).

(iv) To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes cast), shareholders must be registered in the Register of Members of the Company at 4.30p.m. on 14 April 2009 (or, in the event of any adjournment, 4.30p.m. on the date which is 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(v) To be valid, this proxy form, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the Registered Office of the Company (at the address set out in note (iii) above) not later than 48 hours before the time appointed for the Meeting.

(vi) In the case of a corporation, this proxy form must be executed either under seal or under the hand of an officer or attorney duly authorised.

(vii) In the case of joint holders, the vote of the senior shareholder who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the name stands in the Register of Members.

(viii) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

(ix) Completion of this proxy form will not prevent a shareholder from attending the Meeting and voting in person should he or she wish. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will be automatically terminated.