Athelney
TRUST PLC

Annual Report

for the year ended 31 December 2009

COMPANY NUMBER: 2933559

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 64, 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. For the next 20 years, he 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 encompassed the disciplines of marketing and legal. He currently acts as advisor in the leasing industry. 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 50, 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 65, he has spent the last forty one 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.

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CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

I have the pleasure of enclosing the results for the year ended 31 December 2009. The salient points are as follows:

- Audited Net Asset Value ("NAV") was 127p per share (31 December 2008: 95.2p) an increase of 33.4 per cent.
- Gross Revenue decreased by 0.8 per cent to £122,963 (31 December 2008: £123,951).
- Revenue return per ordinary share was 5.3p, a decrease of 3.6 per cent (31 December 2008: 5.5p).
- In respect of the year ended 31 December 2009 an Interim Dividend of 4.75p per share was approved for payment on 01 April 2010.

Review of 2009

More than any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness: the other, to total extinction. Let us pray we have the wisdom to choose correctly.

Woody Allen 1935- : *Side effects (1980) 'My Speech to the Graduates'*

The air of immediate crisis is over. The patient is recovering but is still far too dependent on the drug of government spending. The coming year (including the General Election campaign) will be dominated by a debate about how quickly that support can be taken away. Two shocks have reduced the standard of living of Western economies: one is the terms-of-trade shift. Thanks mainly to China, the prices of manufactured goods that rich countries sell have fallen – on the other hand, raw materials prices to make those goods have risen. The other is the 'leverage' shock, in which the credit crisis has stopped companies and households from borrowing to finance consumption. In response to the latter, governments have deliberately taken on the debts of the private sector. In most cases, it is assumed that governments have an almost limitless capacity to assume such burdens. But you *can* see welfare states as national Ponzi schemes in which governments grant benefits and take on spending responsibilities, confident in the expectation that the next generation of citizens/subjects (poor things!) will pick up the bill. Such promises have worked so far because of continued economic growth and rising populations. But with such populations starting to fall in some countries and with the tax base shrinking in others (such as the U.K.), the strain is starting to show. Iceland was overwhelmed by the debts of its banks. Dubai has shown that the distinction between government debt and that of government-controlled companies can be very fuzzy indeed. Greece has been downgraded by two rating agencies.

A zero –interest rate policy has supported assets such as equities and commercial property, while quantitative easing, by allowing central banks to buy government bonds, has prevented long-term interest rates from rising. But having taken these two steps the authorities cannot prop up their currencies even if they desired to do so. A falling currency, after all, seems to be a painless way of boosting the prospects of exporters.

So the Bank of England has been happy to watch sterling slide. When the time comes, will the British electorate be willing to swallow unpleasant medicine in the form of several years of austerity? The temptation must be to try to solve the problem by raising taxes, especially if those taxes can be aimed at an unpopular group like bankers. However, in a world of highly mobile capital and labour, this strategy seems doomed to failure in the long run. The pain is likely to fall on the broad mass of the population. The battle will be between the taxpayer and the public-service worker represented broadly by respectively the Conservatives and Labour. Even if the former were to win a working majority in the Commons, it could still lose on the streets if strike action were to force a climb-down.

The gold standard broke down in the 1930s because countries such as Britain would not pay the price in the form of austerity to maintain the link: voters came before foreign creditors. The Bretton Woods system of fixed exchange rates broke down because America was unwilling to bear the burden of being the linchpin any longer. Now, the system that has prevailed in the 1980s, 1990s and 2000s in which creditors trusted central banks to maintain the value of their respective currencies is breaking down as well.

Allow me, Gentle Reader, to remind you of a few of the factors that shaped the year 2009. January: interest rates fall to their lowest level in 300 years. The UK is now officially in recession. February: interest rates are cut further to 1 per cent. Car production falls by 55 per cent. March: the Government takes a big chunk of Lloyds Banking Group. April: Mr Darling's nasty little budget pretends that taxing the well-off will sort out our economic ills. June: Mervyn King, Governor of the Bank of England, tells the Government to put the economic house in order. July: factory orders fall sharply. September: unemployment climbs steadily. November: Dubai-based companies default. December: market professionals digest the news that public borrowing would be £178bn in 2009 and £176bn in 2010.

And what of markets in this extraordinary year? Without a doubt, it was the year of the emerging markets: in dollar terms, Brazil was up by 142 per cent, Russia 129 per cent and Jakarta with 115 per cent. Some of the Middle Eastern markets did poorly, Bahrain being down by 20 per cent with Kuwait and Qatar following behind. Looking over the decade, emerging markets again took first prize with Ukraine (yes, honestly) up by 900 per cent followed by Peru, Russia, Romania, China, Bangladesh, Slovakia, Kuwait, Estonia and the Czech Republic. Congratulations to anyone who had anything in three or more of these markets. At the other end of the spectrum, Iceland fell by 81 per cent over the ten years, Japan by 40 per cent, then New York and London.

So where did all the money go which was poured into the economy by the Treasury and the Bank of England? Some £76bn from the Treasury to buy shares in Lloyds and RBS, £200bn of liquidity by the Bank as lender of last resort, £250bn of wholesale lending by the Bank through the Credit Guarantee Scheme (CGS), £185bn of loans to banks via the Special Liquidity Scheme (SLS) and £40bn of loans to Bradford & Bingley and the Financial Services Compensation Scheme. Take a deep breath: there is the £200bn of liabilities taken on board from the Asset Protection Scheme and the £200bn of cash pumped into the economy through quantitative easing (QE). It isn't really fair to add all these sums together – parts are merely guarantees rather than actual pledged money and much should, we all hope, come back to the Government in the end.

QE has undoubtedly had a beneficial effect on share and commercial property markets but what of the rest? The answer, disappointingly, is far less than had been expected, certainly in terms of bank lending. Part of the reason the banks are reluctant to lend is that they are unsure about how far they must go in fortifying their balance sheets for the future. Most have increased both capital and liquidity to levels far stronger than before the crisis but they are aware that the regulators will demand even higher ratios. SLS may come to an end in 2012 and CGS in 2014: these dates may seem far off to thee and me but not to a bank offering 25-year mortgages. With stronger regulation a racing certainty and the various Bank schemes running out of runway, the shortage of bank lending is likely to continue, thus dashing hopes for a quick recovery from this recession.

No Chairman's Statement could possibly be complete without a few polite words on the subject of the performance of our Supreme Leader, Mr. Brown. (I exclude shouting at staff, throwing telephones, kicking furniture and the like.) How has the U.K. done since his first full budget in March 1998? To quote the great man himself, 'A weak currency arises from a weak economy, which in turn is the result of weak government.' Since that date, the British pound has lost 14 per cent against the Swedish krona, 24 per cent against the Chinese renminbi, 33 per cent against the Swiss franc and 35 per cent against the Japanese yen. The euro did not exist then but my guess is sterling has shed 27 per cent against the basket of currencies forming the euro. As far as the Stock Exchange is concerned, the index has fallen by about 10 per cent compared with Germany (up 12 per cent), New York (up 15 per cent), Hong Kong (up 77 per cent) and so on. Only Tokyo has done worse in terms of the world's major markets. All share markets perform badly under Labour governments but this one has been even worse than previous incarnations. Back again to March 1998 when he talked about Britain's 'debt reduction plan,' 'an unshakeable commitment to prudent monetary and fiscal rules' and (yes, honestly) addressing the 'structural weaknesses' of unemployment. So what happened? Well, Britain's budget deficit at 14 per cent of GDP is higher than that of Greece and is the worst in G20. Our stock of debt is heading for £1 trillion. As for unemployment, today it is 7.8 per cent compared with 6.3 per cent back in 1998. Apart from that, I think that he has done a pretty decent job.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Gold bugs throughout history have been mesmerised by the yellow metal's apparent capacity to provide a safe haven and store of value. Unlike just about any other commodity I can think of, the global stock of gold could meet 375 years of industrial demand. Proponents point out that the drop in jewellery sales following the rise in price has been outweighed by the surge in speculative demand without any compensating increase in mined supplies. But such backward-looking arguments were probably heard in Holland, circa 1637, when it was seen that gardeners could no longer afford tulip bulbs but speculative investors would support the market, despite the poor growing season. In today's terms, the gold price is round about where it was in 1265 and, indeed, one banker has pointed out that a 15th Century gold bug who had stored all his wealth in bullion, bequeathed it to his children and required them to do the same would look from his lofty perch and see the real value of his bequest decline by 90 per cent over the next 500 years. Calling a market top is never easy but I would not invest a brass farthing in this metal.

More intellectual confusion surrounds the theory of peak oil supply, whose followers believe that oil production is in permanent decline. Others, who believe that the oil price will rise to match the $147 per barrel of 2008, argue that rapid growth from emerging markets, notably China, will underpin a huge rise in the price. However, the best estimate that I have seen demonstrates that oil supply will rise by 9-10m barrels per day (bpd) by 2017, which would absorb the possible 5m bpd increase in Chinese demand. I do not, though, pretend that squeezing an extra 9-10m bpd will be easy – Venezuela, Russia, Nigeria and Iran will, at best, provide stable supplies. The UK, US and Norway peaked in 1999, 1970 and 2001 respectively. However, Saudi Arabia (+3.5m bpd), Iraq (+3.7m bpd) and Kuwait, amongst others, are planning substantial capacity and production increases. Then there are countries like Canada, second only to Saudi Arabia in reserves, Brazil, aiming to double production, Angola, plus 50 per cent by 2015, and Kazakhstan. These increases then have to be linked with country-wide initiatives to change the environment: China is targeting 15 per cent of total energy use from alternative sources by 2020, most European countries offer subsidies for green energies, the US has legislated to raise mileage per gallon on new vehicles, and so on. OPEC spare capacity at present is as much as 6m bpd, there are dramatic increases in oil supply to come and more, much more, alternative energy all suggest to me that I should believe in peak demand, not peak supply.

The year 2009 was a disappointing one as far as dividends were concerned with private investors on average receiving 15 per cent less than in 2008. In total, 202 UK companies cut their dividends in 2009, of which more than one third paid no dividend at all. Bank shares, traditionally held by private investors for income, had a bad year with Royal Bank of Scotland and Lloyds Banking Group paying nothing at all and even powerful HSBC cut its payout. Retailers' dividends fell by 62 per cent, while household goods companies did even worse at 64 per cent: cyclical companies as a group cut by 25 per cent. In these difficult circumstances, the Board is pleased that a small increase in Athelney's total dividend for the year has proved possible.

Results

Gross Revenue decreased by 0.8 per cent compared to 2008. A breakdown of the companies paying dividends is given below:

	Number
Companies paying dividends	59
Companies sold (therefore no true comparison)	3
Companies purchased (therefore no true comparison)	9
Increased total dividends in the year	29
Reduced total dividends in the year	6
No change in dividend	11
Companies trade suspended (therefore no true comparison)	1

Athelney Trust plc

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Corporate Activity

During the year two companies went into Administration – *Smallbone* and *Aero Inventory*. Their shares have been valued at nil in these accounts.

During the year the Company incurred actual realised capital profits arising on the sale of investments in the sum of £118,623.

Portfolio Review

Holdings of *Alumasc*, *ATH Resources, Chesnara, Cineworld*, *Consort Medical*, *Fenner, Matchtech, McKay Securities, Mucklow Group* and *Town Centre Securities* were all purchased for the first time. *Avesco, Creston, Dawson Holdings, FDM Group, Finsbury Food Group, Galliford Try, Gooch & Housego, Mallett, Nichols, OPD Group, Pennant International*, *Prime People, Shepherd Neame, Vantis, Victoria* and *Waterman Group* were all sold. In addition, a total of fourteen holdings were top-sliced to provide capital for the new purchases.

Dividend

On 13 January 2010 the Board had recommended the payment of an Interim Dividend of 4.75p per share. Previously the Company had not paid an Interim Dividend. Consequently the Board does not recommend the payment of a Final Dividend (2009: 4.7p)

Update

The unaudited NAV at 28 February 2010 was 124.8p whereas the share price on the same day stood at 123p. Further updates can be found on www.athelneytrust.co.uk

Outlook

Last year it was the banks: this year it is countries. The economic crisis, which seemed to have moderated in the latter part of 2009, is once again in full swing as the threat of sovereign default grows, with all eyes on Greece and other members of Club Med such as Spain, Portugal and Italy. Not only that but policy changes abroad are worrying investors: China is reigning in lending due to concerns about asset-bubbles, Brazil's fiscal stimulus is being phased out, India's central bank has raised reserve requirements whereas other central banks are gradually unwinding the emergency liquidity facilities they introduced at the height of the crisis. QE, furthermore, is apparently coming to an end. All this has knocked confidence, share prices and commodities. Optimism about a V-shaped recovery has been replaced by my own favourite, the L-shape, or a double-dip recession. Japan has slipped back into deflation and domestic demand has stalled even in countries, such as Germany, where households have no excess debt to pay off. The way forward is clear: we must encourage productivity, investment and competition, free trade, cut spending rather than raising taxes and agree new financial regulations. Oh yes, and we must reform public sector pensions, raise the retirement age and means-test benefits. None of this will help markets in the short-term, which is why I am hoping for a small rise of 5-7 per cent this year rather than something more dramatic.

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 2008. 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, such a Committee is not considered necessary.

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 2009, the Board met six 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.

The non-executive Directors were appointed at the 2009 Annual General Meeting for a term to expire at the next Annual General Meeting. Both non-executive Directors offer themselves for re-election at the forthcoming Annual General Meeting.

Audit Committee

The Audit Committee comprises the independent Directors, with David Horner as Chairman. The Committee met twice during the year ended 31 December 2009. 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 18 to 19 and in note 4 to the financial statements.

The Committee met twice during the year and both committee members were present at both 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.

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INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2009

Sector	Stock	Holding	Cost (£)	Current Price (p)	Value (£)	£	%
Aerospace and defence	Aero Inventory *	14,000	43,937	-	-		
	Umeco	13,750	53,951	282	38,775	**38,775**	**1.78%**
Chemicals	Treatt	10,500	24,605	273	28,667	**28,667**	**1.31%**
Construction and materials	Alumasc	30,000	30,910	98	29,400		
	Clarke (T)	26,700	29,870	135	36,045		
	Renew Holdings	55,000	42,054	37	20,350	**85,795**	**3.93%**
Electronic and electrical equipment	XP Power Ltd	20,000	40,993	445	89,000	**89,000**	**4.07%**
Food and beverages	Wynnstay Group	25,000	22,348	226	56,500	**56,500**	**2.59%**
General financial	Albemarle & Bond	15,000	14,999	262	39,300		
	Arbuthnot Banking Group	10,000	34,134	370	37,000		
	Camellia	1,000	23,958	7,350	73,500		
	Charles Taylor Consulting	20,000	44,568	201	40,200		
	Jarvis Securities	25,000	20,169	170	42,500		
	Park Group	200,000	32,817	18	36,000		
	RSM Tenon	62,000	19,541	49	30,070		
	S & U	8,000	23,901	435	34,800	**333,370**	**15.26%**
Healthcare equipment and services	Consort Medical	8,000	30,102	390	31,200		
	Tristel	75,000	36,212	58	43,500	**74,700**	**3.42%**
House, leisure and personal goods	Havelock Europe	24,000	16,430	24	5,760		
	Smallbone *	36,500	36,366	-	-	**5,760**	**0.26%**
Industrial engineering	Fenner	32,000	8,768	168	53,600		
	Goodwin	5,000	3,072	1,020	51,000		
	Hill & Smith	20,000	32,930	340	68,000		
	Severfield-Rowen	20,000	20,903	173	34,600		
	Slingsby (H.C)	4,000	9,958	630	25,200		
	Vitec	13,000	25,015	386	50,180	**282,580**	**12.94%**
Industrial transportation	Braemar Shipping Services	13,000	16,118	425	55,250		
	Clarkson	5,000	12,748	740	37,000		
	Fisher (James)	5,500	4,666	445	24,475	**116,725**	**5.34%**
Insurance	Chesnara	16,000	30,182	196	31,360		
	Personal Group Holdings	17,500	15,908	290	50,750	**82,110**	**3.76%**
Media	Chime Communications	20,000	20,311	217	43,400		
	Huntsworth	55,000	24,154	64	34,925		
	M&C Saatchi Plc	45,000	41,093	80	36,000		
	Quarto Group Inc Com	40,500	47,369	85	34,425	**148,750**	**6.81%**

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INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2009 (CONTINUED)

Sector	Stock	Holding	Cost (£)	Current Price (p)	Value (£)	£	%
Mining	ATH Resources	40,000	30,203	92	36,800	**36,800**	**1.68%**
Real estate	McKay Securities	22,500	32,958	155	34,875		
	Mountview Estates	1,500	18,867	4,000	60,000		
	Mucklow Group	10,000	32,324	303	30,325		
	Smart (J) & Co.	4,000	21,009	425	17,000		
	Town Centre Securities	22,500	31,140	139	31,275	**173,475**	**7.93%**
Retailers	H & T Group	17,000	31,807	300	51,000		
	Stanley Gibbons	47,500	5,779	133	63,175	**114,175**	**5.23%**
Support services	Interior Services Group	30,000	49,048	162	48,600		
	Latham (James)	14,000	7,401	165	23,100		
	Macfarlane Group	155,000	35,205	20	30,225		
	Matchtech	12,500	30,177	250	31,250		
	N.W.F Group	40,000	11,707	92	36,800		
	Nationwide Accident Repair	30,000	37,194	78	23,400		
	RWS Holdings	9,000	15,862	310	27,900		
	VP	25,000	31,591	173	43,250		
	WSP Group	13,000	11,435	275	35,750	**300,275**	**13.75%**
Technology software and services	Group NBT	12,000	13,947	315	37,800		
	Phoenix IT	15,000	32,864	265	39,750	**77,550**	**3.55%**
Travel and leisure	Air Partner	7,000	19,233	450	31,500		
	Cineworld	30,000	31,822	150	45,000		
	Gaming VC	30,000	40,605	210	63,000	**139,500**	**6.39%**

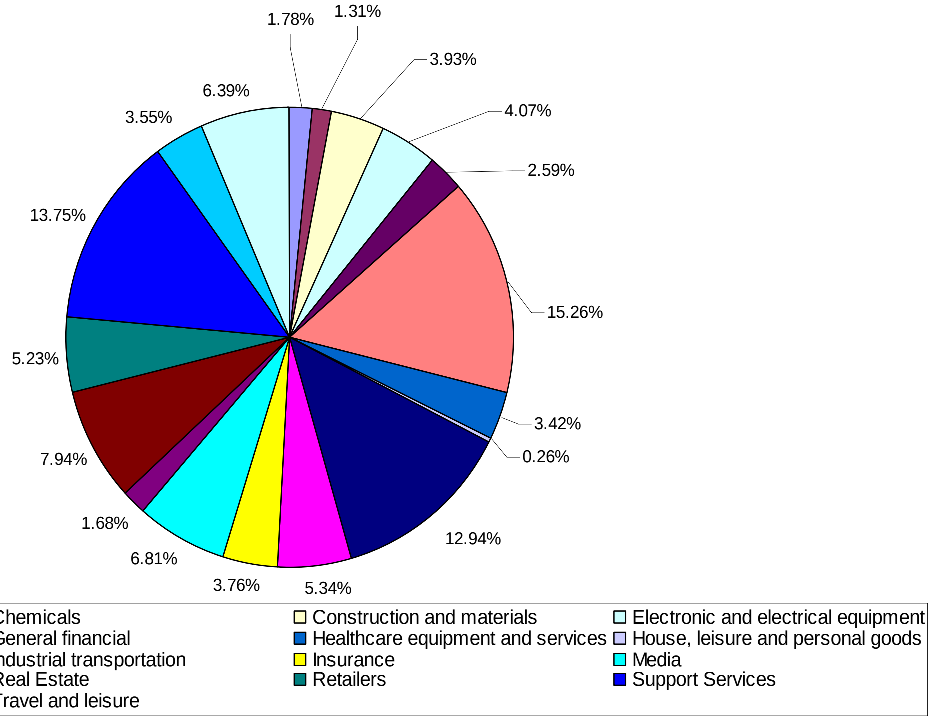
** In Administration*

Portfolio Value		£ 2,184,507	100%
Net Current Assets		£ 105,100	
TOTAL VALUE		£ 2,289,607	
Shares in issue		1,802,802	
Audited NAV	127p		

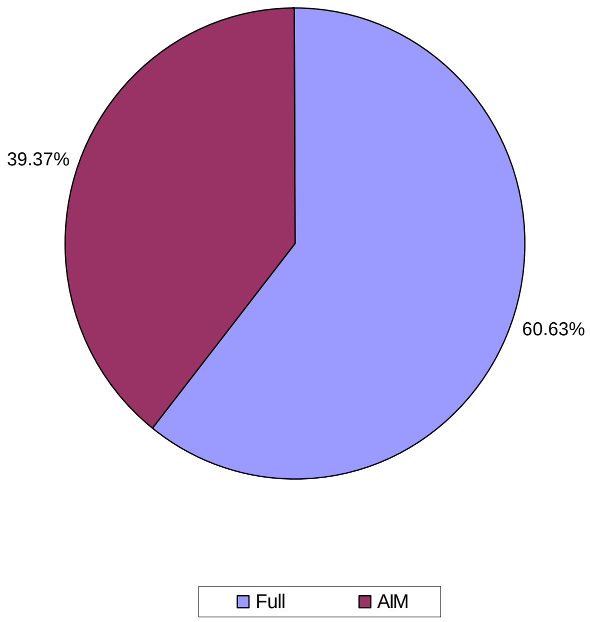
Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2009 (CONTINUED)

Portfolio By Sectors



Portfolio By Listing



REPORT OF THE DIRECTORS OF

Athelney Trust plc

The directors present their report and audited financial statements of the Company for the year ended 31 December 2009. This report also contains certain information required in accordance with s992 of the Companies Act 2006.

Principal Activity and Business Review

The principal activity of the Company is that of an investment trust. 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 trust. Details of these are given in the Chairman's Statement and Business Review on pages 3 to 6.

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 its 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 14 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 2009	**1 January 2009**
H.B. 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 (2008: 19,163) shares held in his Self-Invested Personal Pension. R.G. Boyle's interest includes 16,970 (2008: 16,970) shares held in his Self-Invested Personal Pension. D.A. Horner's interest includes 20,000 (2008: 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 25 March 2010.

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 Directors' 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). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the total return of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 and other information included in annual reports may differ from legislation in other jurisdictions.

Statement Under the Disclosure and Transparency Rules 4.1.12

The Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and net return of the company; and
- the Directors Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

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). This authority expired at the date of the last Annual General Meeting and the Board is not seeking to renew this authority.

Move from AIM to a Full Listing

The Company moved to a Full Listing on 24 September 2008 (see note 7, page 30).

Capital Structure

At 31 December 2009 the Company's capital structure consisted of 1,802,802 Ordinary Shares of 25p each (2008: 1,802,802 Ordinary Shares of 25p each).

Allotment of Ordinary Shares

The Directors are proposing to allot 198,088 Ordinary Shares in accordance with a placing letter dated 15 March 2010. The Shares are to be issued at a price of 120.15p per share, raising approximately £238,000 gross. This placing is subject to approval by the shareholders at the AGM on 5 May 2010.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

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.

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.

Results and Dividends

The return on ordinary revenue activities before dividends for the year is £94,825 (2008: £99,603) as detailed on page 22.

On 13 January 2010 the Board recommended the payment of an Interim Dividend of 4.75p per share.

Significant Shareholders

At 25 March 2010, 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.B. Deschampsneufs	78,038	4.32
Mrs E. Davison	75,000	4.16
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.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

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 each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Auditors

Clement Keys have expressed their willingness to continuing office as Auditors and a resolution proposing that they be re-appointed and to authorise the Directors to determine their remuneration will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

J. Girdlestone
Secretary

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

25 March 2010

Athelney Trust plc

DIRECTORS' REMUNERATION REPORT

The Board has prepared this Report in accordance with the requirements of Section 421 of the Companies Act 2006. 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 20 and 21.

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' Remuneration

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 2010.

The remuneration 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

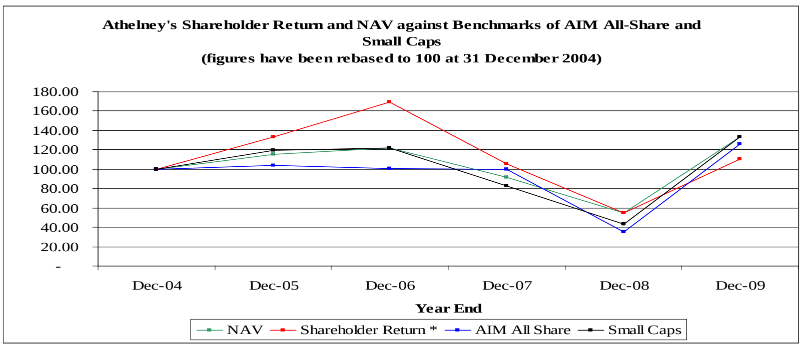
All the Directors have a service contract with the Company. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years after that.

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 six financial years ended 31 December 2009, 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' remuneration for the year (audited information)

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

	2009	2008
	£	£
Hugo Deschampsneufs (Chairman, non-executive)	8,333	6,667
Robin Boyle (Managing Director)	40,000	35,000
David Horner (Non-executive)	6,667	5,833
	55,000	47,500

Approval

The Directors' Remuneration Report was approved by the Board on 25 March 2010.

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 2009, which comprise the Income Statement, the Reconciliation of Movements in Shareholders’ Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors’ Responsibilities set out on pages 14 and 15, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2009 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ATHELNEY TRUST PLC
(CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out in page 9, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

Simon Atkins ACA
Senior Statutory Auditor
for and on behalf of

Clement Keys
Chartered Accountants
Statutory Auditors

39/40 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

25 March 2010

Athelney Trust plc

INCOME STATEMENT
(INCORPORATING THE REVENUE ACCOUNT)

	Note	For the Year Ended 31 December 2009			For the Year Ended 31 December 2008		
	Note	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**
Profits/(losses) on investments held at fair value	**9**	-	650,678	650,678	-	(1,482,105)	(1,482,105)
Income from investments	**2**	122,963	-	122,963	123,951	-	123,951
Investment Management expenses	**3**	(5,121)	(46,839)	(51,960)	(4,466)	(41,700)	(46,166)
Other expenses	**3**	(23,017)	(40,301)	(63,318)	(19,882)	(44,947)	(64,829)
Exceptional items	**7**	-	-	-	-	(128,782)	(128,782)
Net return/(loss) on ordinary activities before taxation		94,825	563,538	658,363	99,603	(1,697,534)	(1,597,931)
Taxation	**5**	-	-	-	-	256,283	256,283
Net return/(loss) on ordinary activities after taxation	**6**	94,825	563,538	658,363	99,603	(1,441,251)	(1,341,648)
Net return/(loss) per ordinary share	**6**	5.3p	31.3p	36.5p	5.5p	(79.9)p	(74.4)p
Dividend per ordinary share paid during the year	**8**	4.7p			3.5p		

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 13.

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 26 to 33 form part of these financial statements.

Athelney Trust plc

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called-up Share Capital £	Share Premium £	Capital reserve realised £	Capital reserve unrealised £	Revenue reserve £	Total Shareholders' Funds £
Balance brought forward at 1 January 2008	450,700	405,605	892,893	1,239,083	132,441	3,120,722
Net gains 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
Balance brought forward at 1 January 2009	450,700	405,605	589,079	101,646	168,946	1,715,976
Net profits on realisation of investments	-	-	118,623	-	-	118,623
Increase in unrealised appreciation	-	-	-	532,055	-	532,055
Expenses allocated to capital	-	-	(87,140)	-	-	(87,140)
Taxation	-	-	-	-	-	-
Profit for the year	-	-	-	-	94,825	94,825
Dividend paid in year	-	-	-	-	(84,732)	(84,732)
Shareholders' Funds at 31 December 2009	450,700	405,605	620,562	633,701	179,039	2,289,607

The notes on pages 26 to 33 form part of these financial statements.

Athelney Trust plc

BALANCE SHEET AS AT 31 DECEMBER 2009

Company Number: 02933559

	Note	2009	2008
		£	£
Fixed assets			
Investments held at fair value through profit and loss	9	2,184,507	1,657,321
Current assets			
Debtors	10	96,088	65,090
Cash at bank and in hand		26,321	26,038
		122,409	91,128
Creditors: amounts falling due within one year	11	(17,309)	(32,473)
Net current assets		105,100	58,655
Total assets less current liabilities		2,289,607	1,715,976
Provisions for liabilities and charges		-	-
Net assets		2,289,607	1,715,976
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	620,562	589,079
Capital reserve - unrealised	13	633,701	101,646
Revenue reserve (distributable)	13	179,039	168,946
Shareholders' funds - all equity		2,289,607	1,715,976
Net Asset Value per share	16	127p	95.2p

Approved and authorised for issue by the Board of Directors on 25 March 2010

……………………………….
R.G. Boyle
Director

The notes on pages 26 to 33 form part of these financial statements

Athelney Trust plc

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

		2009		2008
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(38,477)		39,973
Taxation				
Corporation tax paid		-		(24,564)
Capital Expenditure and Financial Investment				
Purchases of investments	(442,039)		(975,591)	
Sale of investments	565,531		1,003,983	
Net cash inflow from Capital Expenditure and Financial Investment		123,492		28,392
Equity dividends paid		(84,732)		(63,098)
Increase/(decrease) in cash in the year		283		(19,297)

Reconciliation of operating net revenue to net cash (outflow)/inflow from operating activities	£	£
Revenue on ordinary activities before taxation	94,825	99,603
(Increase)/decrease in debtors	(30,998)	140,683
(Decrease)/increase in creditors	(15,164)	15,116
Investment management expenses charged to capital	(46,839)	(41,700)
Other expenses charged to capital	(40,301)	(44,947)
Exceptional items charged to capital (note 7)	-	(128,782)
	(38,477)	39,973

Reconciliation of net cashflow to movement in net funds

	Net funds at 31.12.2008	Cashflow	Net funds at 31.12.2009
	£	£	£
Cash at bank and in hand	26,038	283	26,321

The notes on pages 26 to 33 form part of these financial statements

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. Accounting Policies

1.1 Basis of Preparation of Financial Statements

The financial statements are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investments held at fair value.

The financial statements are prepared in accordance with the Companies Act 2006, applicable UK accounting standards and the provisions of the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued by the A.I.C. in January 2009.

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 and Capital Accounts in an allocation that the Board consider to be a fair distribution of the costs incurred.

1.5 Investments

Listed investments comprise those listed on the Official List of the London Stock Exchange. Profits or 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 2009

1. Accounting Policies (continued)

1.7 Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are are recognised for all taxable timing differences but deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. 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.

1.9 Dividends

In accordance with FRS 21 "Events after the Balance Sheet Date", dividends are included in the accounts in the year in which they are paid.

2. Income

Income from investments

	2009	2008
	£	£
UK dividend income	122,666	113,571
Bank interest	297	10,230
Other income	-	150
Total income	122,963	123,951

UK dividend income

	2009	2008
	£	£
UK listed investments	72,344	56,920
AIM investments	50,322	55,707
Other investments	-	944
	122,666	113,571

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. Return on Ordinary Activities Before Taxation

	2009	2008
	£	£
The following amounts (inclusive of VAT) are included within investment management and other expenses:		
Directors’ remuneration:		
- Services as a director	15,000	12,500
- Otherwise in connection with management	40,000	35,000
Auditors’ remuneration (also see note 7):		
- Audit Services - Statutory audit	9,365	9,505
- Audit Services - Audit related regulatory reporting	1,466	999
Miscellaneous expenses:		
- Other wages and salaries	25,703	17,170
- Nominated Adviser’s fees	-	10,406
- PR and communications	7,448	6,285
- Stock Exchange subscription	7,321	7,961
- Sundry investment management and other expenses	8,975	11,169
	115,278	110,995

4. Employees

	2009	2008
	£	£
Costs in respect of Directors:		
Wages and salaries	55,000	47,500
Social security costs	4,771	3,991
	59,771	51,491
Costs in respect of administrator:		
Wages and salaries	19,167	15,833
Social security costs	1,765	1,337
	20,932	17,170
Total:		
Wages and salaries	74,167	63,333
Social security costs	6,536	5,328
	80,703	68,661
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 2009

5. Taxation

	2009			2008		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£	**£**	**£**	£	£	£
(i) The tax charge for the year is based on the return for the year						
Corporation tax for current year	-	-	-	-	-	-
Tax relief on management expenses charged to income	-	-	-	-	-	-
Deferred taxation	-	-	-	-	(256,283)	(256,283)
	-	-	-	-	(256,283)	(256,283)

(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:

	2009	2008
	£	£
Total return on ordinary activities before tax	658,363	(1,597,931)
Total return on ordinary activities multiplied by the average small company rate of corporation tax 21% (2008: 21%)	138,256	(335,566)
Effects of:		
UK dividend income not taxable	(23,552)	(23,850)
Revaluation of shares not taxable	(111,732)	292,681
Capital gains not taxable	(24,911)	-
Indexation relief for capital gains	-	(2,858)
Unrelieved management expenses	21,939	48,225
Losses carried forward	-	21,545
Other	-	(177)
Change in tax rate	-	-
Current tax charge for the year	-	-

The Company has unrelieved excess revenue management expenses of £31,538 at 31 December 2009 (2008: £14,212) and £102,597 (2008: £102,597) of capital losses for Corporation Tax purposes and which are available to be carried forward to future years. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

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NOTES TO THE FINANCIAL STATEMENTS
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5. Taxation continued

The Company has received provisional approval from HM Revenue and Customs under Section 842 ICTA 1988, therefore the Company is not liable to Corporation Tax on any realised investment gains for 2009 or in the future. The Directors intend to continue to meet the conditions required to obtain approval and therefore no deferred tax has been provided on any capital gains or losses arising on the revaluation or disposal of investments.

6. Return per Ordinary Share

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

		2009			2008	
	£	**£**	**£**	£	£	£
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Attributable return/(loss) on ordinary activities after taxation	94,825	563,538	658,363	99,603	(1,441,251)	(1,341,648)
Number of shares		1,802,802			1,802,802	
Return per ordinary share	5.3p	31.3p	36.5p	5.5p	(79.9)p	(74.4)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 £nil (2008: £14,599) paid to the Company's auditors in connection with the Company obtaining a Full Listing.

8. Dividend

	2009	**2008**
	£	**£**
Dividend in respect of 2008 of 4.7p (2008: 3.5p) per share	84,732	63,098

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 interim dividend of 4.75p (2009 a final dividend – 4.7p) per share amounting to a total of £85,633 (2009: £84,732) has been approved by the Board, for payment on 01 April 2010.

	2009
	£
Revenue available for distribution	94,825
Interim dividend in respect of financial year ended 31 December 2009	(85,633)
Undistributed Revenue Reserve	9,192

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

9. Investments

	2009	2008
	£	£
Movements in year		
Valuation at beginning of year	1,657,321	3,167,818
Purchases at cost	442,039	975,591
Sales - proceeds	(565,531)	(1,003,983)
- realised gains/(losses) on sales	118,623	(88,385)
Increase/(decrease) in unrealised appreciation	532,055	(1,393,720)
Valuation at end of year	2,184,507	1,657,321
Book cost at end of year	1,527,239	1,533,219
Unrealised appreciation at the end of the year	657,268	124,102
	2,184,507	1,657,321

	2009	2008
UK listed investments	1,324,512	833,193
AIM investments	859,995	797,986
PLUS investments	-	26,142
	2,184,507	1,657,321

Gains on investment

	2009	2008
	£	£
Realised gains/(losses) on sales	118,623	(88,385)
Increase/(decrease) in unrealised appreciation	532,055	(1,393,720)
	650,678	(1,482,105)

The purchase and sales proceeds above include transaction costs of £2,188 (2008: £3,176) and £2,898 (2008: £4,546) respectively.

10. Debtors

	2009	2008
	£	£
Investment transaction debtors	84,103	59,148
Other debtors	11,985	5,942
	96,088	65,090

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

11. Creditors: amounts falling due within one year

	2009	2008
	£	£
Social security and other taxes	3,690	3,087
Other creditors	171	4,272
Accruals and deferred income	13,448	25,114
	17,309	32,473

12. Called Up Share Capital

	2009	2008
	£	£
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

13. Reserves

		2009		
	Share premium account	**Capital reserve realised**	**Capital reserve unrealised**	**Revenue reserve**
	£	**£**	**£**	**£**
Balance at 1 January 2009	405,605	589,079	101,646	168,946
Net gains on realisation of investments	-	118,623	-	-
Inrease in unrealised appreciation	-	-	532,055	-
Expenses allocated to capital	-	(87,140)	-	-
Profit for the year	-	-	-	94,825
Dividend paid in year	-	-	-	(84,732)
Balance at 31 December 2009	405,605	620,562	633,701	179,039

14. 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 purchases 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 2009

14. 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 2.88 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.

15. Post Balance Sheet Event

The Directors propose to allot 198,088 Ordinary Shares at 120.15p in accordance with a placing letter dated 15 March 2010. This will have the effect of raising approximately £238,000 gross. The allotment is subject to approval by the shareholders at the AGM on 5 May 2010.

16. Net Asset Value Per Share

The net asset value per share is based on net assets of £2,289,607 (2008: £1,715,976) divided by 1,802,802 (2008: 1,802,802) ordinary shares in issues.

	2009	2008
Net asset value	127p	95.2p

Athelney Trust plc

OFFICERS AND FINANCIAL ADVISERS

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