Athelney
TRUST PLC

Annual Report

for the year ended 31 December 2010

COMPANY NUMBER: 02933559

Athelney Trust plc

CONTENTS

Athelney Trust plc

DIRECTORS OF THE COMPANY

The Directors of the Company are:

Hugo Deschampsneufs, non-executive Chairman

Hugo Deschampsneufs, aged 65, 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 adviser 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 51, 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.

Robin Boyle, Managing Director

The assets of the Company have been managed since formation by Robin Boyle, the Managing Director of the Company. Aged 66, he has spent the last forty two 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 Plc run by Chelverton Asset Management Limited. Between 2006 and 2008 he was non-executive Director of Capcon Holdings plc, an AIM-traded commercial investigations and stocktaking business.

Additional Directors

On 28 June 2010 the Board appointed Jonathan Addison as a director (non-executive) of the company and Manny Pohl as an alternate director, both appointments will be submitted for shareholder approval at the next Annual General Meeting. Their respective C.Vs are:

Jonathan Lancelot Addison, non-executive Director

Jon Addison, aged 57, has over 30 years experience in the investment management industry, including wide experience in superannuation. Currently he is the Investment Manager, (part time), formally Fund Manager of the Meat Industry Employee Superannuation Fund (MIESF) whom he joined in 1999 and where he is responsible for the investment management of the fund. Prior to his appointment to MIESF, Jon was a Director and Asset Consultant within the corporate finance section of PricewaterhouseCoopers and in this role was responsible for establishing an investment consulting practice with clients ranging from superannuation funds to insurance funds and funds managers. Prior to that, he was a manager Investment Consultant at Sedgwick Noble Lowndes. Jon holds Non Executive Directorships with, African Enterprise Limited, African Enterprise New Zealand Limited, African Enterprise International, Hawksbridge Limited,

DIRECTORS OF THE COMPANY
(CONTINUED)

Global Masters Fund, TPCG Limited and Phosphagenics Limited. Jon holds a Bachelor of Economics Degree and a postgraduate diploma from the Institute of Company Secretaries and is a member of the Australian Institute of Company Directors and has addressed a number of Australian and International conferences on investment related matters.

Dr Emmanuel Clive Pohl, alternate non-executive Director

Manny Pohl, aged 56, founded Hyperion Asset Management Limited in 1996 and has headed the business through its evolution into today's independent funds management company with A$2.6 bn in funds under management. He is responsible for managing the overall business as well as the investment of client portfolios. Manny has nearly 25 years of investment experience, initially as head of research for leading South African broking firm, Davis Borkum Hare, followed by Westpac Investment Management in Australia after he emigrated to Australia in 1994. His engineering background gives him a methodical and disciplined approach to his role. Manny holds engineering and MBA degrees from the University of Witwatersrand and a doctorate in Business Administration (Economics) from Potchefstroom University. He has served on the Boards of several major corporations in his native South Africa and adopted home Australia.

Athelney Trust plc

Waterside Court, Falmouth Road, Penryn, Cornwall, TR10 8AW
Telephone: 01326 378 288   Email: hugo@athelneytrust.co.uk

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

I have the pleasure of enclosing the results for the year ended 31 December 2010. The salient points are as follows:

- Audited Net Asset Value ("NAV") was 142p per share (31 December 2009: 127p) an increase of 11.9 per cent.
- Gross Revenue increased by 15.7 per cent to £142,303 (31 December 2009: £122,963).
- On a like-for-like basis gross revenue rose by 5.49 per cent to £129,715 compared with the full year to 31 December 2009 of £122,963
- Revenue return per ordinary share was 5.7p, an increase of 7.5 per cent (31 December 2009: 5.3p).
- Recommended dividend of 4.9p per share (2009: 4.75p), an increase of 3.2 per cent.

Review of 2010

The salary of the chief executive of the large corporation is not a market award for achievement. It is frequently in the nature of a warm personal gesture by the individual to himself – J.K. Galbraith.

My overriding impression of 2010 was of one catastrophe followed by another: the terrible loss of life in the Haiti earthquake, the volcanic ash at Eyjafjallajokull (how *does* one pronounce that by the way?) which brought Europe and its airlines to ground in May, floods, fires and other earthquakes too numerous to mention, and the travel chaos at Christmas. Nor must I forget the BP oil spill.* Then there was the General Election, the formation of a Coalition Government, followed by the Comprehensive Spending Review which promised to sort out this country's budgetary problems in a mere four years. In between all that, we had the sight of European politicians taking on the markets and having their bluff called. First they were caught out on Greece, where a no-bailout agreement became a £65bn rescue. Next, they created a bailout fund of £400bn hoping that the size of the thing would shock markets into submission: six months later Ireland had to be saved. Politicians then agreed a permanent fund, due in 2013, which made matters worse by being subsequently diluted. O dear!

Against expectations, 2010 was a year when it was hard to lose money: all one needed to grasp was that the eurozone's fringes had a serious problem and so avoid anything to do with Portugal, Ireland, Italy, Greece and Spain. New York rose by 13 per cent, London by 11 per cent and, although Tokyo fell by 2 per cent, the strong currency would have produced an overall gain of 11 per cent if one was investing using British pounds. So much for the major markets: plusses for smaller markets saw Argentina +51 per cent, Indonesia +44 per cent, Thailand +40 per cent, Chile and Denmark +36 per cent and Columbia +35 per cent. If you didn't get too many of those (I certainly didn't) then perhaps you avoided these: Greece-36 per cent, Spain-19 per cent, China –17 per cent (this gets my vote for the one major surprise) and Italy –12 per cent. As to picking out the *best* investments for 2010, I think that Paul the Octopus (so good at forecasting the results of World Cup football matches) would have been hard pressed. Equity markets in fashionable areas like China and Brazil went backwards, the oil price went sideways, as did property prices. Defying its critics (including me), gold continued its apparently inexorable rise.

Commodities promised much but some, like cocoa, lost ground: others, such as cotton, posted strong gains but not even a heat-seeking missile could track the violent swings in many commodities. Perhaps to calm themselves down, investors turned to fine wines. The value of investment-grade Claret rose by 32% on the back of demand from Asia but wine has a great advantage over all other types of investment in that both winners and losers may buy the stuff – the former to celebrate, the latter to commiserate. No wonder the average annual return on fine wine over the past fifteen years is more than 15%, a performance which few other asset classes can match. More of this later.
Overall, then, a pretty decent year – indeed, with two victories against Australia in both Rugby and cricket and the Ryder Cup coming back to Europe, some of us reckoned it was not at all bad.

**BP lost 340,000 times what it saved by not running a particular test on its Macondo well in the Gulf of Mexico. Source – Tim Harford, author of the Undercover Economist.*

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Look around the world and the forces are massing. On one side are Californian prison guards, London tube drivers, French railworkers, Greek civil servants and teachers everywhere. Opposite stand various cash-strapped governments. Even the mere mention of cuts has brought public-sector workers onto the streets of Europe: when the austerity plans are put into action, expect much worse. Perhaps not a re-run as fought out so brutally between capital and labour in Thatcher's Britain, more as one between the taxpayers and the 'tax eaters' (William Cobbett). Politicians have repeatedly given in to the unions by increasing pensions, adding holidays or dropping reforms as well as bumping up pay. This time they have to fight because they are so short of money but it is crucial that the war must be won in the right way.

Amid all the pain of austerity, there exists a huge opportunity to redesign government by focusing on productivity and improving services, not just cutting costs. The immediate battle will be over benefits – holidays are often absurdly generous but the real issue **is** pensions. Sixty-five should be the *minimum* retirement age for those who work in classrooms and offices and new civil servants should be switched to defined-contribution pensions.

Private sector productivity has soared in the West over the last 25 years – companies have achieved this because they have the freedom to manage, to experiment, to expand successful initiatives, to close down bad ones, to promote talented people. Across the sector, unions have fought all of this, most cruelly in education. It is harder to reconstruct government than business but even small productivity gains can bring large savings. The coming battle should be about delivering better services, not about cutting resources and focusing on productivity should help politicians redefine the debate. The imminent retirement of the baby-boomers is a chance to hire a new generation of workers with different contracts. Politicians face a choice: push ahead, reform and create jobs in the long term or give in again, cut services and raise more taxes.

The debate about bankers' pay often generates plenty of heat but precious little light yet it is vitally important that the rules on pay should make banks safer. I have long believed that bonuses (both immediate and deferred) should be paid in new shares, which would strengthen the bank's ability to absorb losses, even if the bankers sold their bonus shares in the secondary market. But now we have a new type of security called cocos (*Do you mean cocoa?: Ed.)* which would be absolutely ideal for the job. Cocos (Contingent Convertible Bonds) convert into ordinary shares in situations of great financial stress and would consequently strengthen the capital of the issuing bank. Unlike bonuses paid in new shares, however, the cocos would offer no upside gain, the best outcome being that the holder would be repaid at maturity. Having to hold their cocos to maturity would align the bankers' interests with the depositors and other bondholders rather than the equity investors. Surely that would make for safer banks. Paradoxically, this might mean bonuses going up initially but that would be a price well worth paying.

Shock number one, shortly after Athelney Trust's year end, was contained in the announcement that inflation as measured by the Consumer Price Index had shot up to 3.7 per cent for the year 2010. Immediately, there were calls to tighten policy by raising interest rates but, like many a knee-jerk reaction, this would be just plain wrong since there is every sign that this overshooting might not continue. Why not? According to the Treasury, the latest average forecast for growth of the economy in 2011 is 1.9 per cent compared with the even more muted forecast from the O.E.C.D. of a mere 1.2 per cent. Broad money (M4) rose by only 2 per cent in the year to September and there is a huge tightening under way because of spending cuts and tax and National Insurance rises. The O.E.C.D. says that the output gap, the difference between actual and potential output, is as high as 4 per cent. Unemployment is at 8 per cent and unit labour costs are only rising at 1.5 per cent and there is no sign of that ominous trend, the wage-price spiral. In short, leave interest rates well alone unless there is some sign that inflationary expectations are rising and that they are being reflected in wage settlements.

The second shock was the news, issued just a couple of weeks after the first, that the economy had shrunk by 0.5 per cent in the fourth quarter of 2010. The cold winter kept customers away from hotels, airports and leisure centres and stopped building work. Statisticians reckon that, without the bad weather, the economy would have been flat but that is far from certain. Business surveys had indicated that progress was slowing but there was still some growth yet history tells us that it is not unusual for recoveries to stall. Experience cautions against reacting to one set of bad numbers but what if cold weather was not to blame and it became obvious that the economy had lost momentum? That Mr Osborne has a plan for fixing the budget deficit is welcome (it would be very nice if America had one, too) and the spending cuts should not be delayed but the introduction of new taxes should be scrapped if more bad figures emerge.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Now we turn from an economy that can scarcely grow at all to one which is growing so fast that some economists believe that it will overtake that of America in the next 40 years – China. But are things quite as rosy as they appear to be? Thinking back, I remember in the 1970s we were told that Japan would overtake the U.S. about the year 2000 and, even harder to believe, in the 1960s it was forecast that Russia would become the top economy, based on the rapid growth in the 1950s as the latter industrialized.

Perhaps forecasts about China have more to them – output has grown by 9.9 per cent per year since 1979. In three decades, only once has annual growth dropped below 4 per cent: over the same period, the U.K. has only twice grown by more than 4 per cent. To my mind, this rate of progress is unsustainable as productivity catches up with other developing countries. Japan, South Korea and Taiwan sustained their high growth only for about three decades. After Japan's period of industrialization, growth halved to 4.6 per cent for the next 25 years before slowing down to virtually nothing. What could cause a slowdown in China? Fiscal and monetary tightening to control food inflation could work too well. The housing bubble in the large cities could burst, leaving indebted individuals and local authorities in a mess. Finally, the state-controlled banks may need another huge injection of cash to make up for all their wild lending in recent years. Any or all of these suggests to me that China is not the right place to invest at the moment.

O no, not more about Europe I hear you cry! But yes, I would like to mention the Europe Financial Stability Fund (EFSF) because I don't think that it is anything like big enough or designed well enough. The U.S. Treasury's Troubled Asset Relief Programme (TARP) started out as a vehicle for buying up toxic assets from U.S. banks and subsequently became something completely different, a way of recapitalizing those banks. The EFSF has raised money in the market towards the rescue of Ireland and as part of its mission to provide liquidity for those countries frozen out of capital markets. In practice, the size of the fund is only £220 billion and I worry that it would not be enough to fund Ireland, Greece and Portugal. But just think about Spain, which has £400 billion of financing needs up to the end of 2013, Belgium has £160 billion and Italy a whopping £700 billion – and that is before we get round to the banks. Many are under-capitalized – Spain's cajas (savings banks) may need up to £75 billion, for example. Like the TARP, the EFSF must change tack and raise a great deal more money.

Now that Mr Gordon Brown has run away to Scotland, I find I must direct my steady gaze at Ed Balls, recently appointed shadow chancellor after a long stint as Chief Secretary to the Treasury in the last Labour Government. He is attempting to portray the Conservatives as the bankers' best friends: in the absence of any deal forcing banks to lend more to small business, Mr Balls claimed that it was 'typical of a Conservative Party which has not been on the case with the banks since it took office and opposed tougher regulation throughout the last decade before the global financial crisis hit.' Could this be the same Mr Balls whose speech to the City of London Corporation in October 2006 included the boast that 'our light-touch and risk-based regulatory approach – combined with the great pool of talent gathered from across the planet – that underpins London's success as a modern international financial centre.' And again, this time to the British Bankers' Association, 'It is your success and the strength of the economy that enables you to fulfil your wider social responsibilities.' Is this man a hypocrite? Surely not.

Finally, under this sub-heading, some clever people at the International Monetary Fund (IMF) have pointed out the close correlation of price movements between fine wine and crude oil, although they do not start from the same place. A bottle of really good Claret bottled in 1982, for instance, might cost north of £3,000 whereas the equivalent amount of Chateau Brent sells for only 30p. Yet between 1998 and 2010, there was a correlation of over 90 per cent between changes in oil and wine prices. Emerging markets have accounted for more than 100 per cent of the increase in global oil demand, while oil consumption in rich countries has declined. Similarly, rising incomes in emerging countries has encouraged wine drinking, whereas consumption in Europe, notably France and Italy, has declined. China overtook Britain in 2010 as the biggest export market for Claret. Much of the demand from Asia is for drinking, not investment, whereas wine has become a fashionable way to diversify a portfolio here in Europe. Western wine buffs accuse the Chinese of not knowing how to drink good wine, horrified by reports of good reds being mixed with Coca-Cola or being knocked back in one *(Shurely shum mishtake: Ed.).*

Results

Gross Revenue increased by 15.7 per cent compared to 2009 but this amount included a special dividend of £12,588 from GVC Holdings, formerly Gaming VC Holdings. If that is excluded altogether then, on a like-for-like basis, Gross Revenue actually rose by 5.49 per cent. However, if GVC had declared an unchanged interim dividend (in fact, it declared no interim at all) and a correspondingly smaller special dividend, then Gross Revenue would have increased by 9.6 per cent.

	Number
Companies paying dividends	64
Companies sold (therefore no true comparison)	11
Companies purchased (therefore no true comparison)	14
Increased total dividends in the year	27
Reduced total dividends in the year	22
No change in dividend	2

Capital Gains

During the year the Company realised capital profits arising on the sale of investments in the sum of £93,459 (31 December 2009: £118,623).

Portfolio Review

Holdings of *ACM Shipping, Chaucer Holdings, Hardy Underwriting Bermuda, Haynes Publishing Group, HMV, Local Shopping REIT, Morson Group, Omega Insurance, Paypoint, Randall & Quilter* and *Wincanton* were all purchased for the first time. Additional holdings of *Alumasc*, *Charles Taylor Consulting*, *Renew Holdings*, *Macfarlane Group*, *Matchtech*, *Mucklow Group* and *Town Centre Securities* were also acquired. *Havelock Europe, NWF Group, Severfield Rowen* and *WSP Group* were all sold. In addition, a total of four holdings were top-sliced to provide capital for the new purchases.

Dividend

The Board is pleased to recommend an increased annual dividend of 4.9p per ordinary share (2009: 4.75p). This represents an increase of 3.2 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 27 April 2011, the dividend will be paid on 4 May 2011 to shareholders on the register on 8 April 2011.

Update

The unaudited NAV at 28 February 2011 was 142.1 p whereas the share price on the same day stood at 135p. Further updates can be found on www.athelneytrust.co.uk

Prospects

What about 2011? Well, it doesn't take a rocket scientist to work out that it is going to be a very hard year for us as consumers. The rise in VAT, increases in income tax and National Insurance, inflation likely to be running at 5% in the Spring/Summer period, more unemployment and so on will all impact on our ability to spend in the shops. As investors, though, we may do better – I have pencilled in a gain in equity markets of 8-12% for the year with a rise in total dividends thanks to BP (and Lloyds in 2012).

H.B. Deschampsneufs
Chairman

28 February 2011

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 (Combined Code) published in June 2008. The Combined Code can be found on the Financial Reporting Council (FRC) website www.frc.org.uk. 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 five 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
Jonathan Addison, non-executive
Manny Pohl, alternate non-executive

Hugo Deschampsneufs and David Horner 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 five 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 five 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 2010, the Board met five times and all Directors were present at all Board Meetings with the exception of Jonathan Addison and Manny Pohl who were elected on 28 June 2010. Of the three Board Meetings following appointment, none were attended by Jonathan Addison and Manny Pohl attended one.

Chairman and Senior Independent Director

The Chairman, 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.

Hugo Deschampsneufs and David Horner were appointed at the 2010 Annual General Meeting for a term to expire at the next Annual General Meeting. Jonathan Addison and Manny Pohl were appointed by the Board on 28 June 2010. All four non-executive Directors offer themselves for re-election at the forthcoming Annual General Meeting.

Audit Committee

The Audit Committee comprises two of the independent Directors, with David Horner as Chairman. The Committee met once during the year ended 31 December 2010. 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 once during the year.

Remuneration Committee

The Remuneration Committee comprises Hugo Deschampsneufs and David Horner. David 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 once during the year and both committee members were present at the meeting.

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, 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.

Athelney Trust plc

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, Robin Boyle, and Company Secretary, 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, Robin Boyle. The Manager votes against resolutions he believes may damage shareholders' rights or economic interests.

R.G. Boyle
Managing Director

11 March 2011

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2010

	Stock	Holding	Value (£)	SECTOR £	%
Aerospace and defence	Umeco	13,750	60,809	**60,809**	**2.19%**
Chemicals	Treatt	10,500	37,800	**37,800**	**1.37%**
Construction and materials	Alumasc	42,000	51,660		
	Clarke (T)	26,700	30,972		
	Renew Holdings	70,000	32,900	**115,532**	**4.17%**
Electronic and electrical equipment	XP Power Ltd	10,000	104,200	**104,200**	**3.77%**
Food and beverages	Wynnstay Group	20,000	58,600	**58,600**	**2.12%**
General financial	Albemarle & Bond	15,000	47,100		
	Arbuthnot Banking Group	10,000	40,600		
	Camellia	1,000	94,250		
	Charles Taylor Consulting	25,000	41,250		
	Jarvis Securities	25,000	33,750		
	Park Group	200,000	62,000		
	Randall & Quilter	29,042	26,210		
	RSM Tenon	62,000	35,650		
	S & U	8,000	47,360	**428,170**	**15.46%**
Healthcare equipment and services	Consort Medical	8,000	38,800		
	Tristel	75,000	45,750	**84,550**	**3.06%**
Industrial engineering	Fenner	16,000	57,087		
	Goodwin	3,000	37,500		
	Hill & Smith	20,000	55,100		
	Slingsby (H.C)	4,000	26,000		
	Vitec	13,000	76,050	**251,737**	**9.10%**
Industrial transportation	ACM Shipping	16,000	34,720		
	Braemar Shipping Services	13,000	68,900		
	Clarkson	5,000	56,550		
	Fisher (James)	5,500	27,473		
	Wincanton	14,000	24,150	**211,793**	**7.66%**
Insurance	Chaucer Holdings	65,000	33,963		
	Chesnara	16,000	37,680		
	Hardy Underwriting Bermuda	15,000	41,250		
	Omega Insurance	30,000	28,800		
	Personal Group Holdings	17,500	49,000	**190,693**	**6.89%**
Media	Chime Communications	20,000	44,400		
	Haynes Publishing Group	15,000	34,050		
	Huntsworth	55,000	38,638		
	M&C Saatchi Plc	45,000	57,150		
	Quarto Group Inc Com	40,500	52,650	**226,888**	**8.20%**

Athelney Trust plc

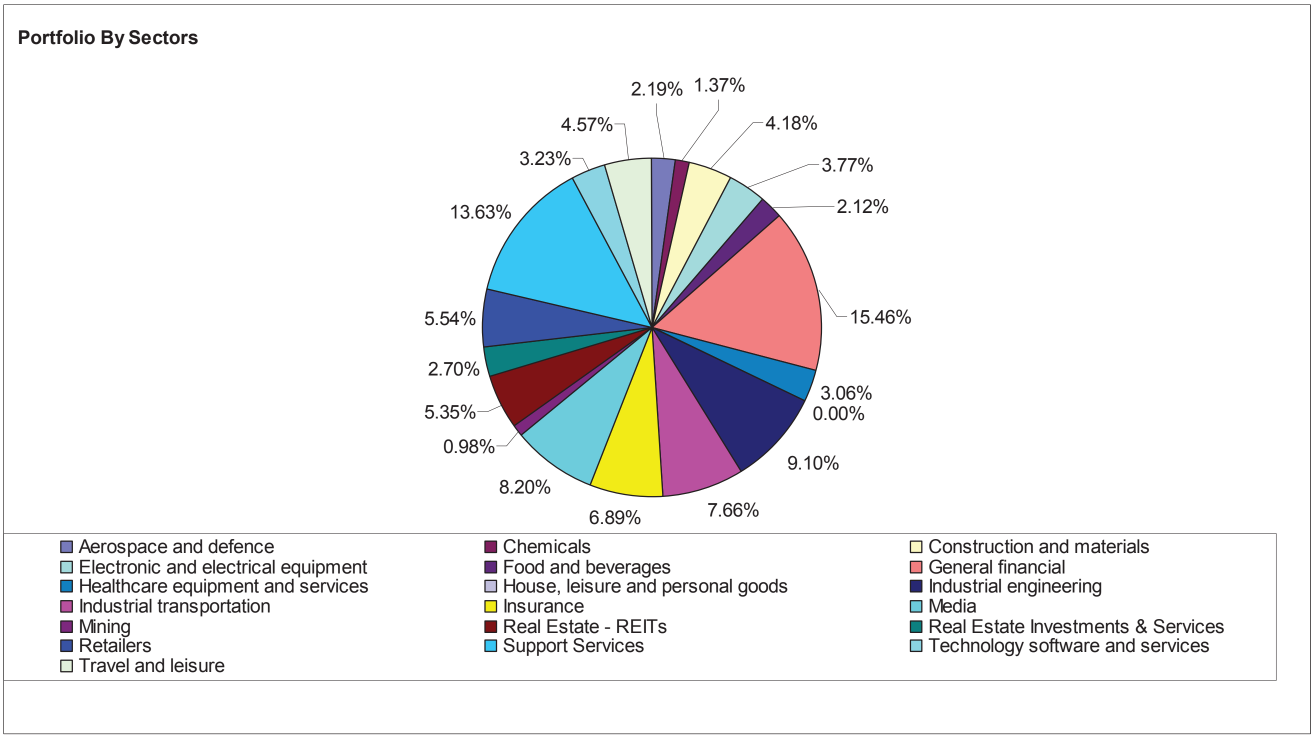
INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2010 (CONTINUED)

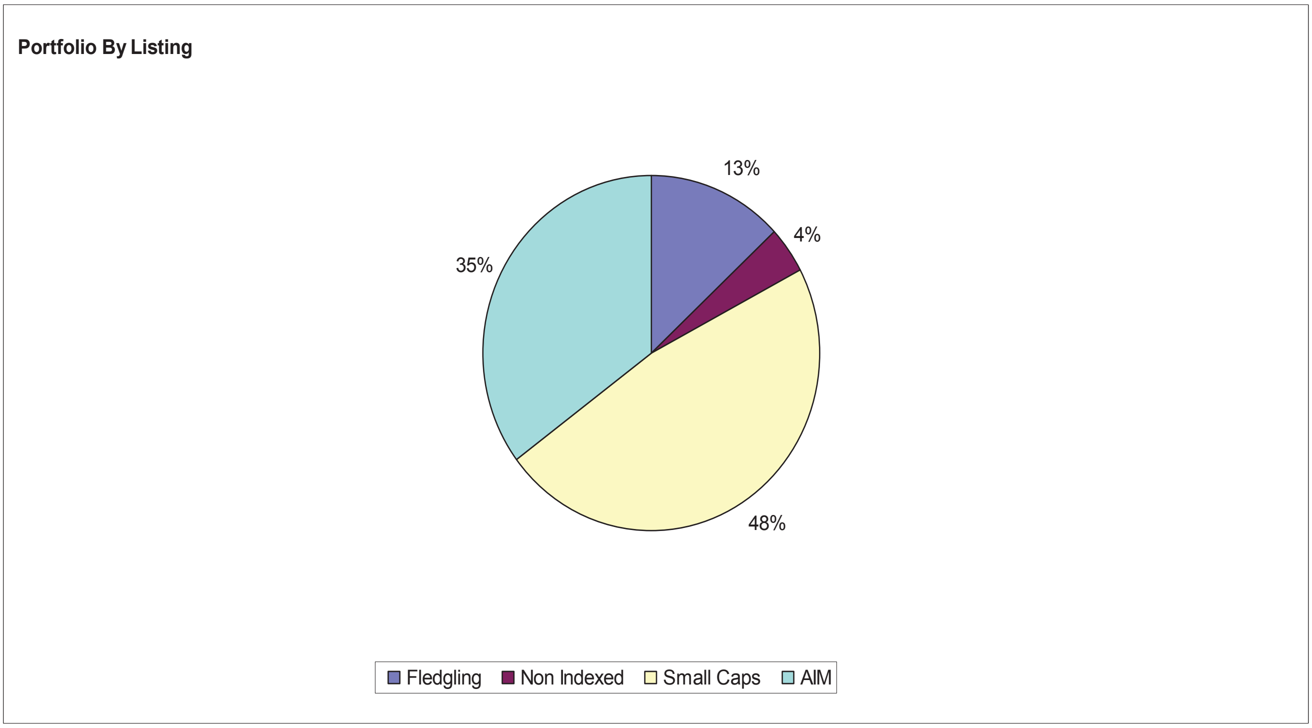
	Stock	Holding	Value (£)	SECTOR £	%
Mining	ATH Resources	40,000	27,200	**27,200**	**0.98%**
Real Estate - REITs	Local Shopping REIT	70,000	38,500		
	McKay Securities	22,500	26,100		
	Mucklow Group	12,500	36,156		
	Town Centre Securities	27,500	47,300	**148,056**	**5.35%**
Real Estate - Real Estate Investments & Services	Mountview Estates	1,500	58,500		
	Smart (J) & Co.	4,000	16,200	**74,700**	**2.70%**
Retailers	HMV	60,000	19,200		
	H & T Group	17,000	58,140		
	Stanley Gibbons	47,500	76,000	**153,340**	**5.54%**
Support services	Interior Services Group	30,000	55,800		
	Latham (James)	14,000	26,880		
	Macfarlane Group	200,000	60,000		
	Matchtech	17,500	40,250		
	Morson Group	30,000	35,400		
	Nationwide Accident Repair	30,000	29,100		
	Paypoint	11,000	39,050		
	RWS Holdings	9,000	32,850		
	VP	25,000	57,500	**376,830**	**13.63%**
Technology software and services	Group NBT	12,000	49,800		
	Phoenix IT	15,000	39,488	**89,288**	**3.23%**
Travel and leisure	Air Partner	7,000	30,800		
	Cineworld	30,000	64,500		
	GVC Holdings	30,000	31,200	**126,500**	**4.57%**

Portfolio Value		£ 2,766,686	100%
Net Current Assets		£ 49,476	
TOTAL VALUE		£ 2,816,162	
Shares in issue		1,983,081	
Audited NAV	142p		

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2010 (CONTINUED)





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 2010. 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 4 to 7.

Current and Future Developments

A review of the main features of the year and outlook is contained in the Chairman's Statement and Business Review on pages 4 – 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 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 13 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 2010	**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 (2009: 19,163) shares held in his Self-Invested Personal Pension. R.G. Boyle's interest includes 16,970 (2009: 16,970) shares held in his Self-Invested Personal Pension. D.A. Horner's interest includes 20,000 (2009: 20,000) shares owned by a pension fund in which D.A. Horner has an interest. Dr. E.C. Pohl holds an interest of 5,000 shares in Global Masters Fund and an effective 20% interest in Hyperion Asset Management, a company that has a controlling interest in Global Masters Fund. There have been no changes in the above Directors' interests up to 28 February 2011.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

Included within R.G. Boyle's holding is an interest in Trehellas House Limited, a company which holds 391,600 (2009: 391,600) ordinary shares representing 19.75 per cent of the company's share capital. R.G. Boyle has separately entered into an agreement with Hyperion Asset Management Limited giving Hyperion Asset Management Limited the ability to acquire such number of shares from Trehellas House Limited as shall when taken with their existing holding not exceed 29.9% of the issued equity share capital of the company. The price for any such sale and purchase has been agreed at the net tangible asset value of each share as determined by the most recent published statement. This agreement amounts to a right of first refusal only and there is no obligation on Trehellas House Limited to sell its shares at any particular time or, having determined to sell those shares, no obligation on Hyperion Asset Management Limited to buy.

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.

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.

Capital Structure

At 31 December 2010 the Company's capital structure consisted of 1,983,081 Ordinary Shares of 25p each (2009: 1,802,802 Ordinary Shares of 25p each).

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

Allotment of Ordinary Shares

At the Annual General Meeting held on 5 May 2010 the shareholders approved the placing of 180,279 new Ordinary Shares of 25p to Global Masters Fund and these were allotted at 120.15p per new ordinary share.

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 £109,742 (2009: £94,825) as detailed on page 23.

It is recommended that a final dividend of 4.9p (2009: Nil) per ordinary share be paid. For the year 2009, an interim dividend of 4.75p was paid on 1 April 2010.

Significant Shareholders

The Directors have been notified of the following major shareholdings in the Company that represent greater than 3% of the voting rights:

	Ordinary Shares	**% of issue**
Mr R.G. Boyle	443,970	22.39
Global Masters Fund	180,279	9.09
Mr G.W. & Mrs D.J. Whicheloe	114,000	5.75
NS Salvesen and Salvesen Family Trust	87,500	4.41
Mr H.B. Deschampsneufs	78,038	3.94
Mrs E. Davison	75,000	3.78
Mr D.C. & Mrs B.I. Mattey	60,000	3.03

There have been no changes in the above major shareholdings in the company up to 28 February 2011.

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.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

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 are accrued expenses outstanding at the end of the year, all of which appear 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 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

11 March 2011

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 21 and 22.

Remuneration Committee

The Company has a Remuneration Committee comprising Hugo Deschampsneufs and David Horner. David 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 2011. 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

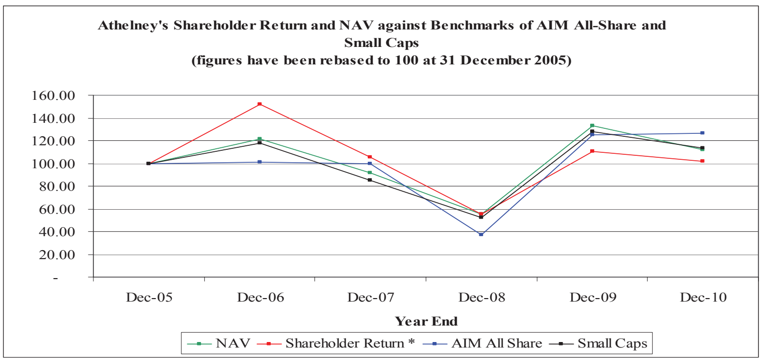
All the Directors have a service contract with the Company. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years after that.

The Managing Director 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 Robin Boyle giving six months' written notice.

The service contracts for the four non-executive Directors, Hugo Deschampsneufs and David Horner, Jonathan Addison and Manny Pohl 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 and 28 June 2010 (for Jonathan Addison and Manny Pohl) respectively.

Company Performance

The graph below compares, for the six financial years ended 31 December 2010, 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:

	2010	2009
	£	£
Hugo Deschampsneufs (Chairman, non-executive)	10,000	8,333
Robin Boyle (Managing Director)	45,000	40,000
David Horner (Non-executive)	7,500	6,667
Jonathan Addison	-	-
Manny Pohl	-	-
	62,500	55,000

Approval

The Directors' Remuneration Report was approved by the Board on 11 March 2011.

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 2010, 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 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 page 16, 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 and express an opinion on 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 2010 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;
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 8 to 11 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out in page 10, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' Remuneration.

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

11 March 2011

Athelney Trust plc

INCOME STATEMENT
(INCORPORATING THE REVENUE ACCOUNT)

		For the Year Ended 31 December 2010			For the Year Ended 31 December 2009		
	Note	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**
Profits/(losses) on investments held at fair value	**8**	-	411,470	411,470	-	650,678	650,678
Income from investments	**2**	142,303	-	142,303	122,963	-	122,963
Investment Management expenses	**3**	(5,783)	(52,752)	(58,535)	(5,121)	(46,839)	(51,960)
Other expenses	**3**	(26,778)	(41,018)	(67,796)	(23,017)	(40,301)	(63,318)
Net return/(loss) on ordinary activities before taxation		109,742	317,700	427,442	94,825	563,538	658,363
Taxation	**5**	-	-	-	-	-	-
Net return/(loss) on ordinary activities after taxation	**6**	109,742	317,700	427,442	94,825	563,538	658,363
Net return/(loss) per ordinary share	**6**	5.7p	16.5p	22.2p	5.3p	31.3p	36.5p
Dividend per ordinary share paid during the year	**7**	4.75p			4.7p		

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 12.

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 34 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 2009	450,700	405,605	589,079	101,646	168,946	1,715,976
Net gains 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
Balance brought forward at 1 January 2010	450,700	405,605	620,562	633,701	179,039	2,289,607
Issue of ordinary shares	45,070	171,535	-	-	-	216,605
Share issue costs	-	(31,859)	-	-	-	(31,859)
Net profits on realisation of investments	-	-	93,459	-	-	93,459
Increase in unrealised appreciation	-	-	-	318,011	-	318,011
Expenses allocated to capital	-	-	(93,770)	-	-	(93,770)
Taxation	-	-	-	-	-	-
Profit for the year	-	-	-	-	109,742	109,742
Dividend paid in year	-	-	-	-	(85,633)	(85,633)
Shareholders' Funds at 31 December 2010	495,770	545,281	620,251	951,712	203,148	2,816,162

The notes on pages 27 to 34 form part of these financial statements.

Athelney Trust plc

BALANCE SHEET AS AT 31 DECEMBER 2010

Company Number: 02933559

	Note	2010	2009
		£	£
Fixed assets			
Investments held at fair value through profit and loss	8	2,766,686	2,184,507
Current assets			
Debtors	9	32,245	96,088
Cash at bank and in hand		32,241	26,321
		64,486	122,409
Creditors: amounts falling due within one year	10	(15,010)	(17,309)
Net current assets		49,476	105,100
Total assets less current liabilities		2,816,162	2,289,607
Provisions for liabilities and charges		-	-
Net assets		2,816,162	2,289,607
Capital and reserves			
Called up share capital	11	495,770	450,700
Share premium account	12	545,281	405,605
Other reserves (non distributable)			
Capital reserve - realised	12	620,251	620,562
Capital reserve - unrealised	12	951,712	633,701
Revenue reserve (distributable)	12	203,148	179,039
Shareholders' funds - all equity		2,816,162	2,289,607
Net Asset Value per share	14	142p	127p

Approved and authorised for issue by the Board of Directors on 11 March 2011

…………………………………

R.G. Boyle
Director

The notes on pages 27 to 34 form part of these financial statements

Athelney Trust plc

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

		2010		2009
	£	**£**	£	£
Net cash inflow/(outflow) from operating activities		77,516		(38,477)
Taxation				
Corporation tax paid		-		-
Capital Expenditure and Financial Investment				
Purchases of investments	(433,724)		(442,039)	
Sale of investments	263,015		565,531	
Net cash inflow from Capital Expenditure and Financial Investment		(170,709)		123,492
Equity dividends paid		(85,633)		(84,732)
Financing				
Issue of ordinary share capital		216,605		-
Share issue costs		(31,859)		-
Increase/(decrease) in cash in the year		5,920		283

Reconciliation of operating net revenue to net cash inflow/(outflow) from operating activities	**£**	**£**
Revenue on ordinary activities before taxation	109,742	94,825
Decrease/(increase) in debtors	63,843	(30,998)
(Decrease)/increase in creditors	(2,299)	(15,164)
Investment management expenses charged to capital	(52,752)	(46,839)
Other expenses charged to capital	(41,018)	(40,301)
	77,516	(38,477)

Reconciliation of net cashflow to movement in net funds

	Net funds at 31.12.2009	**Cashflow**	**Net funds at 31.12.2010**
	£	**£**	**£**
Cash at bank and in hand	26,321	5,920	32,241

The notes on pages 27 to 34 form part of these financial statements

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010

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 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.

1.10 Share Issue Expenses

The costs associated with issuing shares are written off against any premium arising on the issue of Share Capital.

2. Income

Income from investments

	2010	2009
	£	£
UK dividend income	142,095	122,666
Bank interest	208	297
Total income	142,303	122,963

UK dividend income

	2010	2009
	£	£
UK listed investments	84,093	72,344
AIM investments	58,002	50,322
	142,095	122,666

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

3. Return on Ordinary Activities Before Taxation

	2010 £	2009 £
The following amounts (inclusive of VAT) are included within investment management and other expenses:		
Directors' remuneration:		
- Services as a director	17,500	15,000
- Otherwise in connection with management	45,000	40,000
Auditors' remuneration:		
- Audit Services - Statutory audit	9,960	9,365
- Audit Services - Statutory audit movement on accruals from previous years	904	-
- Audit Services - Audit related regulatory reporting	1,146	1,466
Miscellaneous expenses:		
- Other wages and salaries	30,454	25,703
- PR and communications	3,051	7,448
- Stock Exchange subscription	8,061	7,321
- Sundry investment management and other expenses	10,255	8,975
	126,331	115,278

4. Employees

	2010 £	2009 £
Costs in respect of Directors:		
Wages and salaries	62,500	55,000
Social security costs	5,805	4,771
	68,305	59,771
Costs in respect of administrator:		
Wages and salaries	22,500	19,167
Social security costs	2,148	1,765
	24,648	20,932
Total:		
Wages and salaries	85,000	74,167
Social security costs	7,954	6,536
	92,954	80,703

In addition to the above costs, £5,000 gross wages and £640 Employers National Insurance costs have been charged against the Share Premium Account to reflect the administrative work undertaken by the Company Secretary in respect of the issue of Ordinary Shares.

	2010	2009
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 2010

5. Taxation

(i) On the basis of these financial statements no provision has been made for corporation tax (2009: Nil).

(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:

	2010	2009
	£	£
Total return on ordinary activities before tax	427,442	658,363
Total return on ordinary activities multiplied by the average small company rate of corporation tax 21% (2009: 21%)	89,763	138,256
Effects of:		
UK dividend income not taxable	(22,973)	(23,552)
Revaluation of shares not taxable	(57,347)	(111,732)
Capital gains not taxable	(29,062)	(24,911)
Unrelieved management expenses	19,619	21,939
Current tax charge for the year	-	-

The Company has unrelieved excess revenue management expenses of £31,191 at 31 December 2010 (2009: £31,538) and £102,597 (2009: £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.

For the year ended 31 December 2009, the Company received approval from HM Revenue and Customs under Section 1158 of the Corporation Tax Act 2010, therefore the Company was not liable to Corporation Tax on any realised investment gains for 2009. 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”.

		2010			2009	
	£	**£**	**£**	£	£	£
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Attributable return/(loss) on ordinary activities after taxation	109,742	317,700	427,442	94,825	563,538	658,363
Weighted average number of shares		1,922,988			1,802,802	
Return per ordinary share	5.7p	16.5p	22.2p	5.3p	31.3p	36.5p

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

7. Dividend

	2010 £	2009 £
Interim dividend in respect of 2009 of 4.75p (2009: a final dividend of 4.7p was paid in respect of 2008) per share	85,633	84,732

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered.

It is recommended that a final dividend of 4.9p (2009: Nil) per ordinary share be paid amounting to a total of £97,171. For the year 2009, an interim dividend of 4.75p was paid on 1 April 2010 amounting to a total of £85,633.

	2010 £	2009 £
Revenue available for distribution	109,742	94,825
Final dividend in respect of financial year ended 31 December 2010	(97,171)	(85,633)
Undistributed Revenue Reserve	12,571	9,192

8. Investments

	2010 £	2009 £
Movements in year		
Valuation at beginning of year	2,184,507	1,657,321
Purchases at cost	487,124	442,039
Sales - proceeds	(316,415)	(565,531)
- realised gains/(losses) on sales	93,459	118,623
Increase/(decrease) in unrealised appreciation	318,011	532,055
Valuation at end of year	2,766,686	2,184,507
Book cost at end of year	1,791,407	1,527,239
Unrealised appreciation at the end of the year	975,279	657,268
	2,766,686	2,184,507

UK listed investments	1,789,421	1,324,512
AIM investments	977,265	859,995
	2,766,686	2,184,507

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

8. Investments continued

Gains on investment

	2010	2009
	£	£
Realised gains/(losses) on sales	93,459	118,623
Increase/(decrease) in unrealised appreciation	318,011	532,055
	411,470	650,678

The purchase and sales proceeds above include transaction costs of £2,052 (2009: £2,188) and £1,327 (2009: £2,898) respectively.

9. Debtors

	2010	2009
	£	£
Investment transaction debtors	17,432	84,103
Other debtors	14,813	11,985
	32,245	96,088

10. Creditors: amounts falling due within one year

	2010	2009
	£	£
Social security and other taxes	2,885	3,690
Other creditors	173	171
Accruals and deferred income	11,952	13,448
	15,010	17,309

11. Called Up Share Capital

	2010	2009
	£	£
Authorised		
10,000,000 Ordinary Shares of 25p	2,500,000	2,500,000
Allotted, called up and fully paid		
1,983,081 Ordinary Shares of 25p	495,770	450,700
(2009: 1,802,802 Ordinary Shares of 25p)		

During the year 180,279 Ordinary Shares with an aggregate nominal value of £45,070 were issued for consideration of £216,605. The premium of £171,535 has been recognised within the Share Premium Account against which £31,859 has been charged in respect of share issue costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

12. Reserves

	2010			
	Share premium account £	Capital reserve realised £	Capital reserve unrealised £	Revenue reserve £
Balance at 1 January 2010	405,605	620,562	633,701	179,039
Issue of ordinary share capital	171,535	-	-	-
Share issue costs	(31,859)	-	-	-
Net gains on realisation of investments	-	93,459	-	-
Increase in unrealised appreciation	-	-	318,011	-
Expenses allocated to capital	-	(93,770)	-	-
Profit for the year	-	-	-	109,742
Dividend paid in year	-	-	-	(85,633)
Balance at 31 December 2010	545,281	620,251	951,712	203,148

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

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

Market Risk

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 9.33 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.

14. Net Asset Value Per Share

The net asset value per share is based on net assets of £2,816,162 (2009: £2,289,607) divided by 1,983,081 (2009: 1,802,802) ordinary shares in issue at the year end.

	2010	2009
Net asset value	142p	127p

Athelney Trust plc

OFFICERS AND FINANCIAL ADVISERS

Directors:	H.B. Deschampsneufs (Chairman) R.G. Boyle (Managing Director) D.A. Horner J.L. Addison (Appointed 28 June 2010) Dr. E.C. Pohl (Alternate Director) (Appointed 28 June 2010)	Email: hugo@athelneytrust.co.uk Email: robin@athelneytrust.co.uk Email: dah@chelvertonam.com Email: jladdison@bigpond.com Email: manny.pohl@hyperionam.com.au
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:	02933559 (Registered in England)	
Solicitor:	McClure Naismith 49 Queen Street Edinburgh EH12 3NH	Email: awilliamson@McClureNaismith.com Tel: 0131 272 8378
Stockbroker:	Speirs & Jeffrey Limited 36 Renfield Street Glasgow, G2 1NA	Email: graeme.dickie@speirsjeffrey.co.uk Tel: 0141 248 4311
Auditors:	Clement Keys 39/40 Calthorpe Road Edgbaston Birmingham, B15 1TS	Email: simon.atkins@clementkeys.co.uk Tel: 0121 456 4456
Banker:	HSBC Bank Plc Market Street Falmouth Cornwall, TR11 3AA	
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 Limited 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 seventeenth Annual General Meeting of the Company will be held at the offices of McClure Naismith LLP, Solicitors, Equitable House, 47 King William Street, London EC4R 9AF on Wednesday 27 April 2011 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 2010.

2. To declare a final dividend of 4.9p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on Wednesday 4 May 2011 to all shareholders on the register of members at close of business on Friday 8 April 2011.

3. To approve the Directors' Remuneration Report for the year ended 31 December 2010.

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

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

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

7. To re-elect J.L. Addison as a Director of the Company until the date of the next Annual General Meeting.

8. To re-elect Dr. E.C. Pohl as an alternate Director of the Company until the date of the next Annual General Meeting.

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

By Order of the Board

John Girdlestone
Secretary
17 March 2011

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 177 of the Companies Act 2006 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 27 April 2011

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 McClure Naismith LLP, Solicitors, Equitable House, 47 King William Street, London EC4R 9AF on Wednesday 27 April 2011 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 2010			
2	To declare a final dividend of 4.9p per ordinary share			
3	To approve the Directors' Remuneration Report for the year ended 31 December 2010			
4	To re-elect R.G. Boyle as a Director			
5	To re-elect H.B. Deschampsneufs as a Director until the date of the next Annual General Meeting			
6	To re-elect D.A. Horner as a Director until the date of the next Annual General Meeting			
7	To re-elect J.L. Addison as a Director until the date of the next Annual General Meeting			
8	To re-elect Dr. E.C. Pohl as a Director until the date of the next Annual General Meeting			
9	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 08 April 2011 (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.