Athelney
TRUST PLC

Annual Report

for the year ended 31 December 2012

COMPANY NUMBER: 2933559

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 67, 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 an 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 53, 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 68, he has spent the last forty three 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, now Brady Exploration plc an AIM-traded commercial investigations and stocktaking business.

Jonathan Lancelot Addison, non-executive Director

Jon Addison, aged 60, 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) which 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 Pricewaterhouse Coopers 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, 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.

DIRECTORS OF THE COMPANY (CONTINUED)

Dr Emmanuel Clive Pohl, alternate non-executive Director

Manny Pohl, aged 59, is the Chairman and CEO of investment house EC Pohl & Co which he founded after he stepped down in June 2012 as Managing Director and Chair of the Investment Committee of Hyperion Asset Management Limited. Manny founded Hyperion in 1996 and headed the business through its evolution into today's independent, highly acclaimed fund manager with in excess of $3.2 billion in funds under management. Manny holds engineering and MBA degrees from the University of Witwatersrand and a doctorate in Business Administration (Economics) from Potchefstroom University.

Manny has over 29 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. Furthermore, his engineering background gives him a methodical and disciplined approach to his role. He has served on the Boards of several major corporations in his native South Africa and his 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 enclose the results for the year ended 31 December 2012. The salient points are as follows:

- Audited Net Asset Value ("NAV") was 149.1p per share (31 December 2011: 123p) an increase of 21.1 per cent.
- Revenue return per ordinary share was 5.4p, (31 December 2011: 5.4p).
- Recommended final dividend of 5p per share (2011: 4.95p), an increase of 1 per cent.

Review of 2012

We all know what to do, we just don't know how to get re-elected after we have done it. – Jean-Claude Juncker, prime minister of Luxembourg.

Insanity: doing the same thing over and over again and expecting different results – Albert Einstein.

To be broke is not a disgrace, it is only a catastrophe. Nero Wolfe, *The League of Frightened Men* by Rex Stout (1935).

Think how much barbarism there is around us, from the brutal savagery of the gutter to the cunning savagery of the Stock Exchange! George Gissing, *The Crown of Life* (1899).

Let's first have a look at some performance numbers for the year 2012 – and really good they are, too. Taking the major markets, Tokyo, New York, London and Shanghai rose by 22.9 per cent, 9.8 per cent, 8.2 per cent and 3.1 per cent respectively. Best performers among the minor markets were Venezuela +303 per cent, Egypt +55.5 per cent and Turkey + 55.3 per cent. In fact, the only market that I could find which actually fell last year was Spain and that only by 0.6%. Back to London, where small caps had a very good year, with the Small Cap Index up by a powerful 24.4%, Fledgling by 19.8% but the real tiddlers, as represented by the AIM index, rose only by 2.2% (more of this later). For the year as a whole, the Athelney Trust NAV increased by 21.1 per cent so, with 44 per cent, 14 per cent and 39 per cent invested in Small Cap, Fledgling and AIM indices respectively, the blended average comes out at 17.6 per cent so one is relatively pleased by the overall result despite another poor result from AIM.

Over the past 17 years since AIM started, the total return from the index of all its constituents has been *minus* 1.9 per cent a year and, obviously, worse if adjusted for inflation. Critics often say that the poor performance might be due to AIM's preponderance of small oil, gas and mining companies (in which Athelney does not invest) but that cannot explain away 17 poor years. Two passing thoughts: one, that the average dividend yield is only 0.8 per cent (although the ten largest of Athelney's AIM holdings actually yield 4.3 per cent on average) and; two, that AIM shares are more volatile than those on the main market.

Many AIM companies are very small and have founder-managers who retain large stakes so are not traded easily: in fact, 37 per cent of AIM companies are traded less than once a day. Such volatility may put off potential investors. Again, investors originally probably put too high a value on AIM's growth potential, which encouraged too many of the wrong sort to come to market. Many of the worst and smallest businesses have left AIM and valuations of the balance are much more realistic so, to my mind, performance in future should pick up markedly.

But much of the good performance of major markets was, in my opinion, due to everyone's favourite central banker, Mario Draghi. Yes, I would certainly give credit to the president of the European Central Bank for his *whatever it takes to save the euro* comment in July, although his second sound-bite that same day, this time in London, was even more helpful – *and, believe me, it will be enough.* Mr. Draghi achieved two things. The euro stopped sliding against the dollar: indeed, the exchange rate has recovered sharply from $1.20 in the summer to just over $1.30. Bond yields moved sharply down for Italy and Spain in particular with 10-year bonds for the former down from 7% to 4.5% and the latter from 7.5% to 5.2%.

However, words alone will not keep the Eurozone together. Investors worry about the level of complacency that sets in whenever Eurozone leaders make the slightest bit of progress. It is simply not good enough to have the ECB standing on the side-lines ready to wade into debt markets when the next stage of the crisis occurs, which it undoubtedly will. The Eurozone will remain in recession for most of 2013 and, meanwhile, the ability of bailed-out countries to meet ever more demanding targets (see Albert Einstein's quote above) must be in doubt. Mr. Draghi has taken the Eurozone a step towards safety but there are many more to take.

I particularly liked the news story about the American software developer working for Verizon who outsourced his job to China for about 10 per cent of what he was being paid. Could I do the same?

To: Chairman, Athelney Trust plc
From: Rent-a Riter .com

Thank you for selecting Rent-a Riter.com to write your chairman's reports. As agreed, we will provide you with two commentaries per year on corporate, economic and market news for £2,500 per annum. Please confirm the following template: funny introduction, outline consensus view, state why that view is wrong, set out alternative, list arguments for and against, end with funny pay-off line which refers back to introduction.
Perhaps not…….

For the first time since the 1950s, we learnt last year that UK pension funds held more bonds (aka fixed interest stocks) than equities. In 1956, though, George Ross Goobey, manager of Imperial Tobacco's pension fund, gave a landmark speech at the conference of the Association of Superannuation and Pension Funds. He reminded delegates that it was possible to lose money in British Government stocks and that it made sense for equities to yield less than bonds because the latter was being gradually undermined by inflation whereas equity dividends should increase in line with rising prices.

Studies going back 80 years and including several depressions show that shares have increased in value at a rate which offsets the long-term rate of inflation and, on top of this, have shown a real yield in terms of purchasing power of about 4-5%, he said. One by one, speakers stood up to make the contrary argument – *interest payments on gilts are not passed or cut* etc. etc. In the following years, Goobey was shown to be correct and on 27 August 1959 the yield on 2.5% Consols was 4.77% and that of the FT 30 Index 4.76% – the so-called reverse yield gap had arrived.

The pension funds had already got the message: in 1958, Manchester Corporation started buying dividend yields of 7% and others rapidly followed. The market rose by 122% between 1958 and 1960. Not everyone was happy with that, *the public has been sold a pup* said a prominent chartist. He was wrong and the market rose by 49% from June 1962 to October 1964 and, apart from a few blips, the reverse yield gap stayed until 2008 when QE (quantitative easing) and plain fear forced bond yields to historic lows.

Today, the equity market yields 3.6% *net of basic rate tax* compared with the 2.1% *before tax* on a 10-year gilt. Today's world is very different from that of the 1950s but the two important questions have remained all these years: will there be inflation and do you trust the government to protect the purchasing power of your savings and investments? How about yes and no respectively? In 1956, I hope that you would have chosen equities and in 2013 you should do the same.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Many pundits see China as an attractive place to invest in 2013 and I can at least see why. The market has been depressed for even longer than our equity markets in the West, being down by about 40 per cent since 1992 but having bounced strongly in the fourth quarter of 2012. Ratings seem relatively good value and local investors have ceased that crazy speculation on borrowed money that made the local stock market look so dangerous to conservative investors. Yes, I grant that the present rally in prices may well continue for the time being but, longer term, I retain my doubts.

Any study of financial cycles shows that a combination of strong credit growth and rapidly rising property prices provides an indicator, not of strength, but of financial fragility. China is currently experiencing a huge boom in credit: in the five years to 2012, the country's rate of debt to GDP rose by about 60 per cent – a much larger increase than that experienced by either the U.S. prior to 2008 or Japan in the second half of the 1980s. Reckless credit expansion produces unsustainable growth and results in the misallocation of capital: such *malinvestment* (as our Austrian economist friends would say) is generally accompanied by a property bubble. China resembles a vast building site (62 new airports to be built this year) with land prices in Shanghai and Beijing up by five times since 2005. No-one can tell when the cycle will peak – all I know is that the longer this boom lasts the harder the landing will be.

As an appendix to the above, I was interested to read a recent news story about Chinese government officials who have been panicked into a fire sale of their illicit properties by the introduction of a house registration system. Until recently, a bribe was paid in property not cash with that property put into a relative's name and only sold after six months. Apparently, 714 such officials fled the country last October during the holidays to buy properties in the Cayman Islands and the U.S. and start a new life. Some high-end houses are now being deliberately designed for fleeing Chinese with ponds for koi carp and second kitchens for, er, pungent cooking.

Every computer-user knows the feeling of dread when a new piece of software causes the entire system to crash. On 1 August, Knight Capital, a U.S. stockbroker, started to use a new software programme to execute its trades. Within an hour, the programme had reduced the entire market to a shambles, sending wrong buy and sell orders which cost Knight Capital $440m to sort out and forcing its shareholders to accept a rescue bid just five days later. This was just the latest in a series of glitches linked to computerised trading, the most serious of which was the so-called flash-crash of May 2010 on which I commented unfavourably at the time.

The financial world needs markets to allocate capital so as to reward good companies with a higher share price but high frequency traders are seeking to benefit from tiny changes in price and are not interested in a company's future prospects. Such traders might well be dealing in cigarette cards. What we need is an expansion of the circuit-breaker introduced in 1987 in response to Black Monday, when the market fell by 23 per cent in a day. The most successful investor in my life-time, Warren Buffett, says his ideal holding period for a share is for ever. Surely it would not harm investors unduly if they have to wait a second or two before dealing.

I am indebted to Lucy Kellaway of the pinko paper for the following Mangled Meanings by Management for 2012:-

- *In the wholesale channel, Burberry exited doors not aligned with brand status and invested in presentation through both enhanced assortments and dedicated, customised real estate in key doors.* (Funny, I thought Burberry made clothing not doors).
- *We have made substantial progress* against *our strategic objectives.* (Lloyds).
- *I've got some slides to talk to…..*(No-one listening?)
- *What is a* Head Inventiologist?
- *Optimizing the customer footprint across geographies.* (Citibank sacking 1,100 employees).
- Stockbroker Religare described a fall in profits at United Spirits as *Ebitda* de-grew *by 23.3 per cent.*
- Finally, *You have to appreciate that the milestones we have set in these swim lanes provide a road map for this flow chart. When we get to toll gates, we'll assess where you sit in the waterfall……..*

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Is a fraudster the victim of circumstances or does he give in to bad impulses that others suppress? Probably a little of both: Kweku Adoboli was jailed for seven years on 10 November for a banking fraud leading to a $2.3bn loss. Adoboli was a reckless gambler and a liar – he used his position as a trader to defraud billions from Swiss banking employer UBS. Having said that, the penitent and tearful Adoboli is an expression of a dysfunctional investment banking culture that cries out for reform. In better times, one line manager praised him for making $6m before ticking him off for breaking his dealing limits in the process!

Adoboli worked on the Exchange Trade Funds desk which, apparently combines servicing bank clients *and* prop trading, i.e. making bets on behalf of UBS. Such a combination is quite common but, nevertheless, the thought of it makes me feel rather queasy. Like predecessors Nick Leeson and Jerome Kerviel, Adoboli moved out of the back office to the trading desk, presumably bringing with him a knowledge of systems useful when concealing escalating losses. Perhaps it is better for such box-wallahs and paper-shufflers to follow a completely separate career path.

On 23 November, Psy, a rather chubby South Korean pop star, claimed the title for the most-watched online video of all time. His rodeo-dancing Gangnam Style clip was viewed more than 805m times. His sudden success tells us that video has become the dominant form of online content. Three years ago such entertainment was less than 30 per cent of peak-time internet traffic in America – that share has now doubled, whereas web-browsing has sunk by two-thirds. Just as I was getting the hang of it……

Many international companies that appear to be operating successfully in Britain pay little or no corporation tax here. It is not difficult to understand why ordinary people being paid wages and salaries and small British companies that pay tax at the normal rate on their profits are angry. But the origin of the problem is easier to describe than to solve. If a business operates in many countries and makes a profit, in which country is the profit earned? The old rule that the profit belongs to the country in which the business is managed or headquartered does not work very well because it is often hard to identify exactly where that is. Moreover, if it is highly profitable, then countries all over the world will want to tax it. Profits are therefore often tucked away in tax havens – then there is the case of the Scotch whisky brands which are apparently owned by companies based in the Netherlands.

This is all a familiar problem to tax collectors in America where States deal with the issue through apportionment. Instead of attempting to estimate what percentage of a company's profit was earned in, say, California or Nevada, States use the Massachusetts Formula which gives equal weight to sales, payroll and assets as well as profits. Unfortunately, America agreed to keep apportionment within its own boundaries after a long and successful campaign by the Brutish government and business in the mid-1980s. So a global agreement on apportionment would seem like the only sensible way forward, perhaps through the G8 or G20.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Results

	Number
Companies paying dividends	79
Companies sold (therefore no true comparison)	15
Companies purchased (therefore no true comparison)	9
Increased total dividends in the year	33
Reduced total dividends in the year	15
No change in dividend	7

Capital Gains

During the year the Company realised capital profits arising on the sale of investments in the sum of £183,707 (31 December 2011: £158,922).

Portfolio Review

Holdings of *Abbey Protection, Greencore, Lok'n Store, NewRiver Retail, Photo-Me, Sweett Group, UTV Media and 4imprint* were all purchased for the first time. Additional holdings of *Air Partner, Chime Communications, Hansard Global, Huntsworth and Randall & Quilter* were also acquired. *Alumasc and Timeweave* were sold. In addition, a total of twenty one holdings were top-sliced to provide capital for the new purchases.

Dividend

The Board is pleased to recommend an increased annual dividend of 5p per ordinary share (2011: 4.95p). This represents an increase of 1 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 9 April 2013, the dividend will be paid on 12 April 2013 to shareholders on the register on 21 March 2013.

For those patient investors who subscribed for Athelney Trust shares in the IPO of 1994, the annual return has now risen to 10 per cent net of basic rate tax on the capital originally invested.

Athelney Trust plc

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Update

The unaudited NAV at 28 February 2013 was 160.9p whereas the share price on the same day stood at 130p. Further updates can be found on www.athelneytrust.co.uk

Prospects

Markets from London to Tokyo to New York hit multi-year highs in January and the VIX, known as the *fear gauge*, fell to its lowest since 2007. Is all this optimism justified? *Up to a point, Lord Copper.* There are three reasons for feeling more hopeful about the world economy: disasters such as the breaking up of the euro and the fiscal cliff in America have been avoided, the ECB, the Fed and the Bank of Japan have promised unlimited bond-buying and there is tentative evidence of accelerating economic growth. There is, though, a gap between market optimism and economic reality. In America, increased workers' payroll taxes will choke off demand. The single currency area may not fracture but the IMF expects the euro-zone economy to contract by 0.2 per cent in 2013. Those on the periphery are mired in recession whereas even the core is looking a little weaker. With more financial austerity ahead and credit tight, it is hard to see much growth in the UK and continental Europe.

So, markets may improve this year on hopes of a better 2014 and blue-chips may out-perform small caps. but *cautious optimism* feels right to me rather than anything stronger.

H.B. Deschampsneufs
Chairman
6 March 2013

Athelney Trust plc

CORPORATE GOVERNANCE STATEMENT

UK Corporate Governance Code

The Board is committed to achieving and demonstrating high standards of Corporate Governance as set out in the UK Corporate Governance Code published in June 2010. The Corporate Governance 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 Corporate Governance 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 Corporate Governance Code relating to corporate reporting, risk management and internal control principles 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 Corporate Governance 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.

- 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.

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

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.

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 and 3.

The Directors of the Company meet at regular Board Meetings, during the year to 31 December 2012, the Board met three times with all Directors present.

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 2012 Annual General Meeting for a term to expire at the next Annual General Meeting. All four non-executive Directors offer themselves for re-election at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit Committee

The Audit Committee comprises Hugo Deschampsneufs and David Horner, with David Horner as Chairman. The Committee met once during the year ended 31 December 2012. 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.

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 LLP. 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.

Remuneration Committee

The Remuneration Committee comprises Hugo Deschampsneufs and David Horner with David Horner as 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 20 to 21 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 Company Secretary also ensures timely delivery of information and reports and that the statutory obligations of the Company are met.

All the directors have access to the advice and services of the company secretary.

Independent Professional Advice and Director's Training

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

The chairman liaises on a regular basis with the other Directors and the Company Secretary to ensure that they are maintaining adequate training and continuing professional development.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

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 the 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 company, 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.

Athelney Trust plc

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

Re-appointment of non-executive Directors at the AGM

At the AGM the Chairman recommends the following non-executive Directors be proposed for re-election:-

Hugo Deschampsneufs –non-executive Chairman
David Horner – non-executive Director
Jonathan Lancelot Addison - non-executive Director
Dr Emmanuel Clive Pohl, alternate non-executive Director

The above non-executive Directors should be re-elected for the following reason:-

In each case they continue to be valued members of the board bringing fresh insight to the company using their respective knowledge and experience in the management of other investment companies, and by their actions demonstrate effective commitment to their roles.

R.G. Boyle
Managing Director
6 March 2013

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2012

	Stock	Holding	Value (£)	SECTOR £	%
Chemicals	Treatt	9,000	34,650	**34,650**	**1.21%**
Construction and materials	Renew Holdings	55,000	47,300	**47,300**	**1.65%**
Electronic and electrical equipment	XP Power Ltd	4,000	40,320	**40,320**	**1.41%**
Food and beverages	Greencore Group	32,500	32,988		
	Wynnstay Group	17,000	74,332	**107,320**	**3.75%**
General financial	Albemarle & Bond	15,000	32,155		
	Arbuthnot Banking Group	4,500	34,638		
	Camellia	600	58,822		
	Charles Taylor	25,000	42,063		
	Jarvis Securities	32,500	55,169		
	Park Group	160,000	101,200		
	Randall & Quilter Investment Holdings	40,000	42,300		
	S & U	8,000	73,760	**440,107**	**15.40%**
Healthcare equipment and services	Consort Medical	4,500	34,718	**34,718**	**1.21%**
Industrial engineering	Goodwin	2,400	47,076		
	Hill & Smith	12,500	49,719		
	Slingsby (H.C)	4,000	19,000		
	Vitec	6,500	41,259	**157,054**	**5.49%**
Industrial transportation	ACM Shipping	22,500	32,175		
	Braemar Shipping Services	12,000	45,570		
	Fisher (James)	4,000	32,380		
	UK Mail	18,000	53,685	**163,810**	**5.73%**
Insurance	Abbey Protection	35,000	37,100		
	Chesnara	16,000	30,840		
	Hansard Global	30,000	28,725		
	Personal Group Holdings	8,000	25,760	**122,425**	**4.28%**
Media	4Imprint	12,500	44,344		
	Chime Communications	20,000	46,100		
	Haynes Publishing Group	18,000	33,300		
	Huntsworth	70,000	28,000		
	M&C Saatchi Plc	35,000	63,088		
	Quarto Group Inc Com	40,500	55,384		
	UTV Media	25,000	29,875		
	Wilmington Group	42,500	64,174	**364,265**	**12.74%**
Real Estate - REITs	Local Shopping REIT	70,000	16,975		
	McKay Securities	22,500	30,206		
	Mucklow Group	9,000	31,950		
	Town Centre Securities	27,500	51,356	**130,487**	**4.56%**

Athelney Trust plc

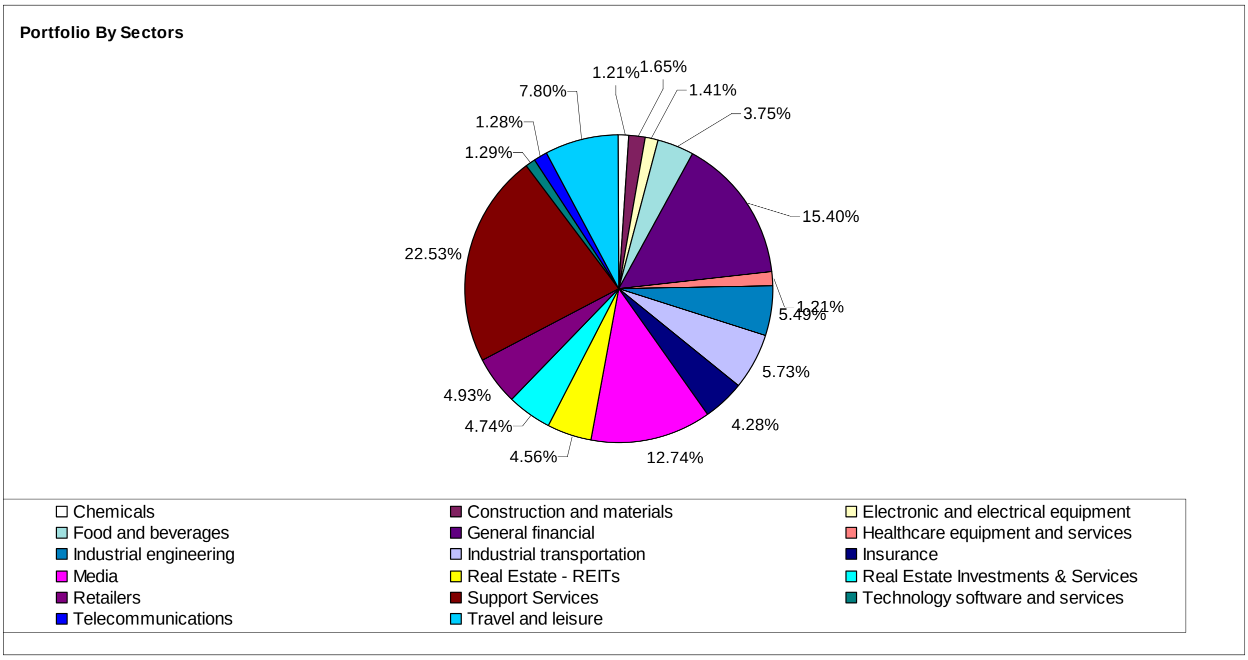
INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2012 (CONTINUED)

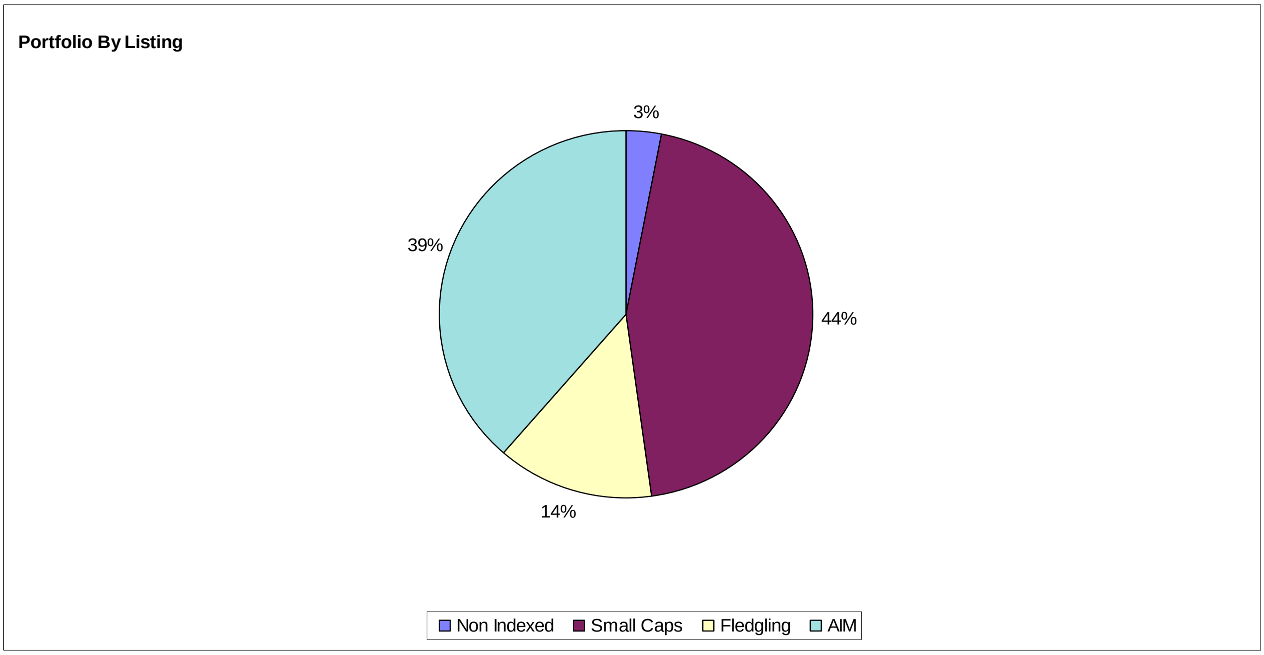
	Stock	Holding	Value (£)	SECTOR £	%
Real Estate - Real Estate Investments & Services	Lok'n Store Group	30,000	34,500		
	Mountview Estates	1,500	70,673		
	Newriver Retail	15,000	30,450	**135,623**	**4.74%**
Retailers	H & T Group	17,000	47,728		
	Stanley Gibbons	40,000	93,200	**140,928**	**4.93%**
Support services	Begbies Traynor	60,000	20,922		
	Vianet Group	32,500	31,850		
	Communisis	100,000	39,000		
	Fiberweb	50,000	34,375		
	Interior Services Group	30,000	42,000		
	Latham (James)	14,000	37,800		
	Macfarlane Group	160,000	44,000		
	Matchtech	22,500	53,494		
	Nationwide Accident Repair	45,000	29,138		
	Office 2 Office	20,000	24,750		
	Paypoint	3,750	30,900		
	RWS Holdings	5,500	33,413		
	Smiths News	50,000	79,875		
	St Ives	50,000	50,750		
	Sweett Group	114,725	18,356		
	VP	21,500	73,798	**644,421**	**22.53%**
Technology software and services	Phoenix IT	20,000	36,750	**36,750**	**1.29%**
Telecommunications	KCOM Group	50,000	36,500	**36,500**	**1.28%**
Travel and leisure	Air Partner	18,000	54,855		
	Cineworld	25,000	65,250		
	GVC Holdings (trading had been suspended prior to the balance sheet date but was resumed on 28 January 2013)	30,000	68,100		
	Photo-Me	55,000	34,788	**222,993**	**7.80%**

Portfolio Value		£ 2,859,671	100%
Net Current Assets		£ 96,357	
TOTAL VALUE		£ 2,956,028	
Shares in issue		1,983,081	
Audited NAV	149.1p		

Athelney Trust plc

INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2012 (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 2012. 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 9.

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 to 9.

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 one employee 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 2012	**1 January 2012**
H.B. Deschampsneufs	78,038	78,038
R.G. Boyle	448,970	443,970
D.A. Horner	20,000	20,000

H.B. Deschampsneufs' interest includes 19,163 (2011:19,163) shares held in his Self-Invested Personal Pension. R.G. Boyle's interest includes 16,970 (2011:16,970) shares held in his Self-Invested Personal Pension. D.A. Horner's interest includes 20,000 (2011:20,000) 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 which itself holds 225,060 shares in the company and an effective 20% interest in Hyperion Asset Management, a company that manages portfolios for clients who have a controlling interest in Global Masters Fund. There have been no changes in the above Directors' interests up to 28 February 2013.

Included within R.G. Boyle's holding is an interest in Trehellas House Limited, a company which holds 391,600 (2011: 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 on behalf of its clients 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 accounting 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the company; and
- the Report of the Directors 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 that it faces.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

Capital Structure

At 31 December 2012 the Company's capital structure consisted of 1,983,081 Ordinary Shares of 25p each (2011: 1,983,081 Ordinary Shares of 25p each).

Allotment of Ordinary Shares

The Directors are seeking authority to allot further shares not to exceed 10% of the existing shareholding the Chairman's letter in this respect can be found at page 40. This is subject to approval by the shareholders at the AGM on 9 April 2013.

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 £107,956 (2011: £107,296) as detailed on page 26.

It is recommended that a final dividend of 5p (2011: 4.95p) per ordinary share be paid.

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	448,970	22.64
Global Masters Fund	225,060	11.35
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 2013.

REPORT OF THE DIRECTORS OF

Athelney Trust plc
(CONTINUED)

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 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 the Report of the Directors 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 LLP have expressed their willingness to continue in 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

6 March 2013

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 24 and 25.

Remuneration Committee

The Company has a Remuneration Committee comprising Hugo Deschampsneufs and David Horner. David 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 2013. The remuneration of the non-executive Directors is 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

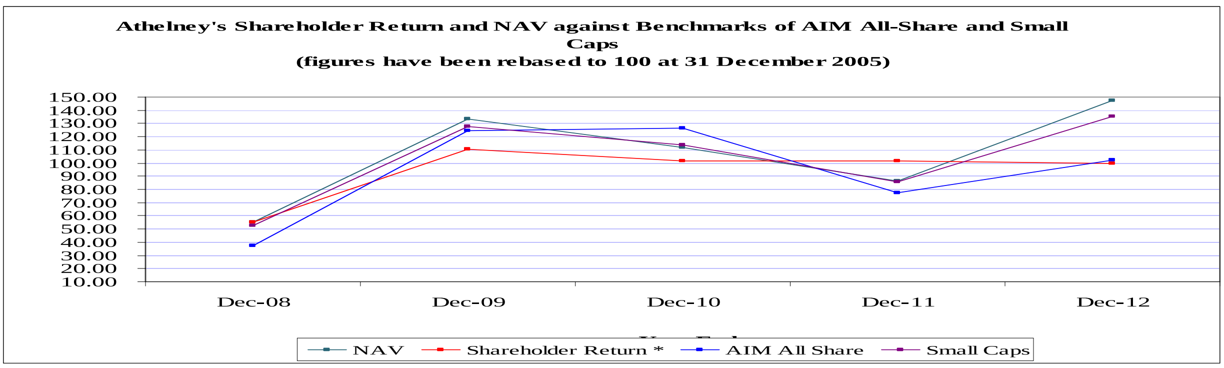
All the Directors have a service contract with the Company. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years after that.

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 five financial years ended 31 December 2012, 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.

Athelney Trust plc

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:

	2012 £	2011 £
Hugo Deschampsneufs (Chairman, non-executive)	10,000	10,000
Robin Boyle (Managing Director)	45,000	45,000
David Horner (Non-executive)	7,500	7,500
Jonathan Addison (Non-executive)	-	-
Manny Pohl (alternate Non-executive)	-	-
	62,500	62,500

Approval

The Directors' Remuneration Report was approved by the Board on 6 March 2013.

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 2012, 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 19, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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 Report of the Directors 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 10 to 14 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.

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 on page 13, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Simon Atkins FCA
Senior Statutory Auditor
for and on behalf of

Clement Keys LLP
Chartered Accountants
Statutory Auditors

8 Calthorpe Road
Edgbaston
Birmingham
B15 1QT

6 March 2013

Athelney Trust plc

INCOME STATEMENT
(INCORPORATING THE REVENUE ACCOUNT)

		For the Year Ended 31 December 2012			For the Year Ended 31 December 2011		
	Note	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**
Gains/(losses) on investments held at fair value	**8**	-	601,046	601,046	-	(293,815)	(293,815)
Income from investments	**2**	141,049	-	141,049	139,558	-	139,558
Investment Management expenses	**3**	(5,774)	(52,847)	(58,621)	(5,785)	(53,169)	(58,954)
Other expenses	**3**	(27,319)	(39,658)	(66,977)	(26,477)	(41,610)	(68,087)
Net return/(loss) on ordinary activities before taxation		107,956	508,541	616,497	107,296	(388,594)	(281,298)
Taxation	**5**	-	-	-	-	-	-
Net return/(loss) on ordinary activities after taxation	**6**	107,956	508,541	616,497	107,296	(388,594)	(281,298)
Net return/(loss) per ordinary share	**6**	5.4p	25.6p	31.1p	5.4p	(19.5p)	(14.1p)
Dividend per ordinary share paid during the year	**7**	4.95p			4.9p		

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 30 to 37 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 2011	495,770	545,281	620,251	951,712	203,148	2,816,162
Transfer between capital reserves	-	-	(23,568)	23,568	-	-
Net profits on realisation of investments	-	-	158,922	-	-	158,922
Decrease in unrealised appreciation	-	-	-	(452,737)	-	(452,737)
Expenses allocated to capital	-	-	(94,779)	-	-	(94,779)
Profit for the year	-	-	-	-	107,296	107,296
Dividend paid in year	-	-	-	-	(97,171)	(97,171)
Shareholders' Funds at 31 December 2011	495,770	545,281	660,826	522,543	213,273	2,437,693
Balance brought forward at 1 January 2012	495,770	545,281	660,826	522,543	213,273	2,437,693
Net profits on realisation of investments	-	-	183,707	-	-	183,707
Increase in unrealised appreciation	-	-	-	417,339	-	417,339
Expenses allocated to capital	-	-	(92,505)	-	-	(92,505)
Profit for the year	-	-	-	-	107,956	107,956
Dividend paid in year	-	-	-	-	(98,162)	(98,162)
Shareholders' Funds at 31 December 2012	495,770	545,281	752,028	939,882	223,067	2,956,028

The notes on pages 30 to 37 form part of these financial statements.

Athelney Trust plc

BALANCE SHEET AS AT 31 DECEMBER 2012

Company Number: 02933559

	Note	2012	2011
		£	£
Fixed assets			
Investments held at fair value through profit and loss	**8**	2,859,671	2,375,521
Current assets			
Debtors	**9**	90,209	57,349
Cash at bank and in hand		21,369	19,954
		111,578	77,303
Creditors: amounts falling due within one year	**10**	(15,221)	(15,131)
Net current assets		96,357	62,172
Total assets less current liabilities		2,956,028	2,437,693
Provisions for liabilities and charges		-	-
Net assets		2,956,028	2,437,693
Capital and reserves			
Called up share capital	**11**	495,770	495,770
Share premium account	**12**	545,281	545,281
Other reserves (non distributable)			
Capital reserve - realised	**12**	752,028	660,826
Capital reserve - unrealised	**12**	939,882	522,543
Revenue reserve (distributable)	**12**	223,067	213,273
Shareholders' funds - all equity		2,956,028	2,437,693
Net Asset Value per share	**14**	149.1p	123p

Approved and authorised for issue by the Board of Directors on 6 March 2013.

……………………………….
R.G. Boyle
Director

The notes on pages 30 to 37 form part of these financial statements.

Athelney Trust plc

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	2012		2011	
	£	£	£	£
Net cash outflow from operating activities		(17,319)		(12,466)
Taxation				
Corporation tax paid		-		-
Capital Expenditure and Financial Investment				
Purchases of investments	(308,880)		(550,494)	
Sales of investments	425,776		647,844	
Net cash inflow from Capital Expenditure and Financial Investment		116,896		97,350
Equity dividends paid		(98,162)		(97,171)
Increase/(decrease) in cash in the year		1,415		(12,287)

Reconciliation of operating net revenue to net cash outflow from operating activities	£	£
Revenue on ordinary activities before taxation	107,956	107,296
Increase in debtors	(32,860)	(25,104)
Increase in creditors	90	121
Investment management expenses charged to capital	(52,847)	(53,169)
Other expenses charged to capital	(39,658)	(41,610)
Net Cash outflow from operating activities	(17,319)	(12,466)

Reconciliation of net cashflow to movement in net funds

	Net funds at 31.12.2011	**Cashflow**	**Net funds at 31.12.2012**
	£	**£**	**£**
Cash at bank and in hand	19,954	1,415	21,369

The notes on pages 30 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 financial statements 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

	2012 **£**	**2011** **£**
UK dividend income	141,018	139,493
Bank interest	31	65
Total income	141,049	139,558

UK dividend income

	2012 £	**2011** £
UK Main Market listed investments	94,597	85,531
UK AIM listed investments	46,421	53,962
	141,018	139,493

Athelney Trust plc

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. Return on Ordinary Activities Before Taxation

	2012 £	2011 £
The following amounts (inclusive of VAT) are included within investment management and other expenses:		
Directors’ remuneration:		
- Services as a director	17,500	17,500
- Otherwise in connection with management	45,000	45,000
Auditors’ remuneration:		
- Audit Services - Statutory audit	10,260	10,200
- Audit Services - Statutory audit movement on accruals from previous years	100	210
- Audit Services - Audit related regulatory reporting	1,050	1,050
Miscellaneous expenses:		
- Other wages and salaries	31,307	30,365
- PR and communications	5,847	6,230
- Stock Exchange subscription	7,638	6,163
- Sundry investment management and other expenses	6,896	10,323
	125,598	127,041

4. Employees

	2012 £	2011 £
Costs in respect of Directors:		
Wages and salaries	62,500	62,500
Social security costs	5,583	5,729
	68,083	68,229
Costs in respect of administrator:		
Wages and salaries	23,500	22,500
Social security costs	2,224	2,136
	25,724	24,636
Total:		
Wages and salaries	86,000	85,000
Social security costs	7,807	7,865
	93,807	92,865
Average number of employees:		
Chairman	1	1
Investment	2	2
Administration	1	1
	4	4

5. Taxation

(i) On the basis of these financial statements no provision has been made for corporation tax (2011: Nil).

(ii) Factors affecting the tax charge for the year

The tax charge for the period is the same as (2011:higher than) the average small company rate of corporation tax in the UK 20 per cent. The differences are explained below:

	2012 £	**2011** £
Total return/(loss) on ordinary activities before tax	616,497	(281,298)
Total return on ordinary activities multiplied by the average small company rate of corporation tax 20% (2011: 20.25%)	123,299	(56,963)
Effects of:		
UK dividend income not taxable	(24,072)	(24,151)
Revaluation of shares not taxable	(83,468)	91,679
Capital gains not taxable	(36,741)	(32,182)
Unrelieved management expenses	20,982	21,617
Current tax charge for the year	-	-

The Company has unrelieved excess revenue management expenses of £67,123 at 31 December 2012 (2011: £43,155) and £102,597 (2011: £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 2011, 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 2011. 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".

	2012			**2011**		
	£ Revenue	**£ Capital**	**£ Total**	**£ Revenue**	**£ Capital**	**£ Total**
Attributable return/(loss) on ordinary activities after taxation	107,956	508,541	616,497	107,296	(388,594)	(281,298)
Weighted average number of shares		1,983,081			1,983,081	
Return per ordinary share	5.4p	25.6p	31.1p	5.4p	(19.5p)	(14.1p)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

7. Dividend

	2012 £	2011 £
Final dividend in respect of 2011 of 4.95p (2011: an interim dividend of 4.9p was paid in respect of 2010) per share	98,162	97,171

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 5p (2011: 4.95p) per ordinary share be paid amounting to a total of £99,154. For the year 2011, a final dividend of 4.95p was paid on 24 April 2012 amounting to a total of £98,162.

	2012 £	2011 £
Revenue available for distribution	107,956	107,296
Final dividend in respect of financial year ended 31 December 2012	(99,154)	(98,162)
Undistributed Revenue Reserve	8,802	9,134

8. Investments

	2012 £	2011 £
Movements in year		
Valuation at beginning of year	2,375,521	2,766,686
Purchases at cost	308,880	550,494
Sales - proceeds	(425,776)	(647,844)
- realised gains on sales	183,707	158,922
Increase/(decrease) in unrealised appreciation	417,339	(452,737)
Valuation at end of year	2,859,671	2,375,521
Book cost at end of year	1,919,789	1,852,978
Unrealised appreciation at the end of the year	939,882	522,543
	2,859,671	2,375,521
UK Main Market listed investments	1,754,504	1,444,747
UK AIM listed investments	1,105,167	930,774
	2,859,671	2,375,521

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

8. Investments (continued)

Gains/(losses) on investments

	2012 £	2011 £
Realised gains on sales	183,707	158,922
(Increase)/decrease in unrealised appreciation	417,339	(452,737)
	601,046	(293,815)

The purchase costs and sales proceeds above include transaction costs of £2,305 (2011: £5,355) and £1,719 (2011: £3,178) respectively.

9. Debtors

	2012 £	2011 £
Investment transaction debtors	76,299	41,356
Other debtors	13,910	15,993
	90,209	57,349

10. Creditors: amounts falling due within one year

	2012 £	2011 £
Social security and other taxes	2,975	3,049
Other creditors	172	930
Accruals and deferred income	12,074	11,152
	15,221	15,131

11. Called Up Share Capital

	2012 £	2011 £
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	495,770
(2011: 1,983,081 Ordinary Shares of 25p)		

12. Reserves

	2012			
	Share premium account	**Capital reserve realised**	**Capital reserve unrealised**	**Revenue reserve**
	£	**£**	**£**	**£**
Balance at 1 January 2012	545,281	660,826	522,543	213,273
Net gains on realisation of investments	-	183,707	-	-
Increase in unrealised appreciation	-	-	417,339	-
Expenses allocated to capital	-	(92,505)	-	-
Profit for the year	-	-	-	107,956
Dividend paid in year	-	-	-	(98,162)
Balance at 31 December 2012	545,281	752,028	939,882	223,067

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 5.73 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 £2,956,028 (2011: £2,437,693) divided by 1,983,081 (2011: 1,983,081) ordinary shares in issue at the year end.

	2012	**2011**
Net asset value	149.1p	123p

Athelney Trust plc

OFFICERS AND FINANCIAL ADVISERS

Directors:	H.B. Deschampsneufs (Chairman)	Email: hugo@athelneytrust.co.uk
	R.G. Boyle (Managing Director)	Email: robin@athelneytrust.co.uk
	D.A. Horner	Email: dah@chelvertonam.com
	J.L. Addison	Email: jladdison@bigpond.com
	Dr. E.C. Pohl (Alternate Director)	Email: manny.pohl@ecpohl.com
Secretary:	J. Girdlestone Waterside Court Falmouth Road Penryn Cornwall, TR10 8AW	Email: john@athelneytrust.co.uk Tel: 01326 378 288
Registered Office:	Waterside Court Falmouth Road Penryn Cornwall, TR10 8AW	Website: www.athelneytrust.co.uk Email: info@athelneytrust.co.uk Tel: 01326 378 288
Company Number:	02933559 (Registered in England)	
Solicitor:	McClure Naismith LLP 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 LLP 8 Calthorpe Road Edgbaston Birmingham, B15 1QT	Email: simon.atkins@clementkeys.co.uk Tel: 0121 456 4456
Banker:	HSBC Bank Plc Market Street Falmouth Cornwall, TR11 3AA	
Registrar:	Share Registrars Limited Suite E First Floor 9 Lion & Lamb Yard Farnham Surrey, GU9 7LL	Email: peter@shareregistrars.uk.com Tel: 01252 821 390
Public Relations Consultants:	City Road Communications Limited 42-44 Carter Lane London, EC4V 5EA	Email: paulquade@cityroad.uk.com Tel: 0207 248 8010

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the content or action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.
If you have sold or otherwise transferred all your shares in Athelney Trust plc please send this document, together with the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

ATHELNEY TRUST PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting to be held at the offices of McClure Naismith LLP, Equitable House, 47 King William Street, London EC4R 9AF on 9 April 2013 at 4.30pm is set out at the end of this document. The accompanying Form of Proxy for use at the Annual General Meeting should be completed and returned and to be valid to reach John Girdlestone, C/O Athelney Trust plc, Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW as soon as possible but, in any event so as to arrive not later than 48 hours prior to the meeting time being not later than 4.30pm on 7 April 2013.

Letter from the Chairman
Athelney Trust PLC
(Incorporated and registered in England and Wales with No. 02933559)

Directors
H. B. Deschampsneufs
R.G. Boyle
D.A. Horner
J.L. Addison
Dr E.C. Pohl

Registered office:
Waterside Court
Falmouth Road
Penryn
Cornwall TR10 8AW

To the holders of ordinary shares of 25p each ("Shares") in the capital of Athelney Trust plc ("Company").

6 March 2013

Dear Shareholder,

ANNUAL GENERAL MEETING
APPROVAL OF ANNUAL REPORT AND ACCOUNTS AND OTHER RESOLUTIONS

Introduction

The Annual General Meeting ("AGM") of the Company is to be held on 9 April 2013 at 4.30pm at the offices of McClure Naismith LLP, Equitable House, 47 King William Street, London EC4R 9AF. A copy of the notice convening the AGM (the "Notice") is set out at the end of this letter.

Your full attention is directed to the full terms of the Notice.

As you will see from the Notice, there are those additional items of special business to be considered at Resolutions 10, 11 & 12 and I am writing to you to explain its purpose.

In addition, the normal business of the Annual General Meeting including appointment of directors and the approval of the Annual Report and Accounts for the year ended 31 December 2012 will be undertaken at this meeting. Reference is made to those resolutions at the end of this letter. A copy of the Annual Report and Accounts is enclosed.

Proposal

It is the belief of the directors of the Company (the "Directors" or the "Board") that the Company would benefit from the directors being authorised to allot further shares in the Company so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for, or convert other securities into, shares to be granted after the authority ends. The directors further believe that the statutory pre-emption rights contained in the Companies Act be disapplied and that the Company be allowed to purchase its own shares.

Resolution 10 proposes as follows:
The authority given to the Directors to allot further shares or to grant rights to subscribe for, or to convert securities into ordinary shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006.

Upon the passing of the Resolution 10, the Directors will have the necessary authority until the date of the next annual general meeting or, 9 April 2014 if earlier, to allot and/or grant equity securities (as defined in section 560(1) of the Act), up to an aggregate nominal amount of £49,577.

In addition, upon the passing of Resolution 10, (pursuant to paragraph (ii) of Resolution 10) the Directors will have authority, until the date of the next annual general meeting of the Company or 9 April 2014 if earlier, to allot and/or grant equity securities (as defined in section 560(1) of the Act) in connection with a rights issue in favour of Shareholders up to an aggregate nominal amount equal to £49,577 as reduced by the aggregate nominal amount of any shares issued under paragraph (a)(i) of Resolution 10.

The Directors will continue to seek to renew this authority at each annual general meeting in accordance with current best practice.

This limited authority will enable the Directors to issue shares when they believe it is in the interests of the Company to do so. While the Company would always consider from time to time the best manner of financing the Company, there is no present intention of issuing ordinary shares pursuant to Resolution 10.

Resolution 11 proposes as follows:
If the Directors wish to exercise the authority under Resolution 10 and offer Shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of their statutory pre-emption rights, the new shares must be offered first to existing shareholders in proportion to their existing shareholdings.

Resolution 11 empowers the Directors until the date of the next annual general meeting of the Company or, 9 April 2014 if earlier, to allot and/grant equity securities for cash (or transfer shares which are from time to time held by the Company in treasury)
(i) (a) by way of a rights issue (subject to certain exclusions), or (b) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions) or
(ii) otherwise than pursuant to (i) up to an aggregate nominal value of £49,577. The Directors will seek to renew such authority and power at successive annual general meetings.

This limited authority will enable the Directors to issue shares when they believe it is in the interests of the Company to do so.

As at 25 February 2013 (being the last practicable date prior to publication of this document), the Company held no shares in treasury.

Resolution 12 proposes as follows:
That authority be granted to the directors to make market purchases (as defined in section 693 Companies Act 2006) of ordinary shares of 25p in the capital of the Company. In this case the authority contained in the resolution will be limited to a maximum number of ordinary shares of 25p each equivalent to 10 per cent of the issued ordinary shares of the Company at a minimum price of 25 pence per share and a maximum price (exclusive of expenses) being an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share of the Company (as derived from the Daily Official List of London Stock Exchange plc) for the five trading days immediately preceding the day on which the share is contracted to be purchased. This authority will expire at the Annual General Meeting for 2014 or on 9 April 2014 if sooner.

Other resolutions

The other resolutions proposed to be taken at the AGM are set out below and constitute the normal annual business of the meeting.

Resolutions 1 to 9 relate to the receiving of the report and accounts; the declaration of a dividend; the approval of the report of the remuneration committee; the re-election of the five directors who retire by rotation under the articles of association; and the re-appointment of the auditors and approval of authority to set their remuneration.

Form of proxy and meeting arrangements

A form of proxy is enclosed for you to complete according to the instructions given in the Notice and on the proxy form. The completed form should be sent to John Girdlestone, C/O Athelney Trust plc, Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW to be received not later than 48 hours before the start of the meeting being not later than 4.30pm on 7 April 2013. Appointment of a proxy will not prevent you from attending and voting at the meeting if you subsequently find that you are able to do so.

We would very much welcome you to the meeting, if you can attend, where there will be an opportunity for you to ask questions relating to the business of the meeting.

Recommendation

I consider that all resolutions in the Notice are in the best interests of the Company and shareholders as a whole and I recommend that you vote in favour of them.

Yours sincerely,

Hugo Deschampsneufs
Chairman

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Athelney Trust plc "the Company" will be held at the offices of McClure Naismith LLP, 4th Floor, Equitable House, 47 King William Street, London, EC4R 9AF on 9 April 2013 at 4.30 pm to consider the following Ordinary and Special business, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 to 12 will be proposed as Special Resolutions:

ORDINARY BUSINESS

1 To receive and adopt the Company's Accounts for the year ended 31 December 2012.

2 To declare a final dividend of 5p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on Friday 12 April 2013 to all shareholders on the register of members at close of business on 21 March 2013.

3 To approve the Director's Remuneration Report for the year ended 31 December 2012.

4 To re-elect R.G. Boyle as a Director of the Company until the date of the next Annual General Meeting.

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

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

SPECIAL BUSINESS

10 **Directors' authority to allot shares**

To resolve that the directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares:

(i) up to an aggregate nominal amount of £49,577; and

(ii) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a further nominal amount of £49,577 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any security into shares allotted or rights to subscribe for or to convert any security into shares in the Company granted under paragraph (i) above) in connection with an offer by way of a rights issue;

such authorities to apply in substitution for all previous authorities pursuant to section 551 of the Companies Act 2006 and to expire at the conclusion of the next annual general meeting or on 9 April 2014, whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for, or convert other securities into, shares to be granted after the authority ends.

For the purposes of this resolution "rights issue" means an offer to:

(a) ordinary shareholders in proportion (or as near as may be practicable) to their existing holdings; and

(b) people who are holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities;

to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory.

11 Limited disapplication of pre-emption rights

That, subject to the passing of Resolution 10 above, the directors be empowered to allot equity securities (as defined in section 560(1) of the Companies Act 2006) wholly for cash:

(i) pursuant to the authority given by paragraph (i) of Resolution 10 above or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 in each case:

(a) in connection with a pre-emptive offer; and

(b) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £49,577; and

(ii) pursuant to the authority given by paragraph (ii) of Resolution 6 above in connection with a rights issue, as if section 561(1) of the Companies Act 2006 did not apply to any such allotment;

such power to expire at the conclusion of the next annual general meeting or on 9 April 2014, whichever is the earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends and the directors may allot equity securities under any such offer or agreement as if the power had not ended.

For the purposes of this resolution:

(a) “rights issue” has the same meaning as in Resolution 10 above;

(b) “pre-emptive offer” means an offer of equity securities open for acceptance for a period fixed by the directors to (a) holders (other than the Company) on the register on a record date fixed by the directors of ordinary shares in proportion to their respective holdings and (b) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in both cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory;

(c) references to an allotment of equity securities shall include a sale of treasury shares; and

(d) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

12 Authority to purchase ordinary shares

That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares of 25p each in the capital of the Company and where such shares are held in treasury, the Company may use them for the purposes of its employees’ share plans, provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased shall be such amount as represents 10 per cent of the Company’s issued share capital from time to time;

(b) the minimum price which may be paid for each ordinary share shall be 25p;

(c) the maximum price, exclusive of expenses, which may be paid for each ordinary share shall be an amount equal to the higher of (a) 105 per cent of the average closing price of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five London business days immediately preceding the day on which such share is contracted to be purchased or (b) the higher of the price of the last independent trade and the highest current bid as stipulated by Article 5(1) of the Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003);

(d) this authority shall expire at the conclusion of the next annual general meeting or on 9 April 2014 whichever is the earlier, unless such authority is renewed before then; and

(e) the Company may make a contract to purchase its ordinary shares under this authority before its expiry which would or might be executed wholly or partly after the expiry, and may make a purchase of its ordinary shares under that contract.

Dated 6 March 2013

By Order of the Board
John Girdlestone

Company Secretary

Registered office:
Waterside Court
Falmouth Road
Penryn
Cornwall TR10 8AW

Notes:

1. *A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.*

2. *Completion of a proxy will not prevent members from attending and voting in person if they so wish.*

3. *The Company specifies that for a member to be entitled to attend and vote at the meeting (and for the determination by the Company of the number of votes they may cast) they must be entered on the Company's register of members by 48 hours before meeting ("the Specified Time"). Changes to entries on the register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting.*

4. *Copies of all directors' service contracts of more than one year's duration will be available for inspection at the Registered Office during normal business hours on weekdays from the date of this notice to the date of the meeting convened by this notice and at the meeting itself for at least 15 minutes prior to and during the meeting. At the date of this Notice there were no directors' service contracts of more than one year's duration.*

5. *The register of directors' interests will be produced at the commencement of the meeting and will remain open and accessible during the continuance of the meeting to any person attending the meeting.*

ATHELNEY TRUST PLC

Company Number 02933559
Form of Proxy for use at the Annual General Meeting to be held on 9 April 2013
at the offices of McClure Naismith LLP
Equitable House, 47 King William Street, London EC4R 9AF

I/We (name in full) ....(**IN BLOCK CAPITALS**) of ....hereby appoint the Chairman of the Meeting or failing him ....of .... to act as my/our proxy to attend, speak and vote at the Annual General Meeting of the Company to be held on 9 April 2013 and at any adjournment thereof.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an "X". If no indication is given below, my/our proxy will vote or abstain from voting at his or her discretion.

RESOLUTIONS		**FOR**	**AGAINST**	**ABSTAIN**	**DISCRETIONARY**
1	To receive and adopt the Company's Accounts for the year ending 31 December 2012.				
2	To declare a final dividend of 5p per ordinary share.				
3	To approve the Director's Remuneration Report for the year ended 31 December 2012.				
4	To re-elect R.G Boyle as a Director until the date of the next Annual General Meeting.				
5	To re–elect H.B Deschampneufs as a Director until the date of the next Annual General Meeting (see comments on page 14).				
6	To re-elect D.A Horner as a Director until the date of the next Annual General Meeting (see comments on page 14).				
7	To re-elect J.L Addison as a Director until the date of the next Annual General Meeting (see comments on page 14).				
8	To re-elect Dr E. C. Pohl as a Director until the date of the next Annual General Meeting (see comments on page 14).				
9	To re-appoint Clement Keys LLP as the Auditors and authorise the Directors to fix their remuneration.				
10	To resolve that the directors be generally and unconditionally authorised to allot shares.				
11	Limited disapplication of Pre-emption rights.				
12	To Authorise purchase of own shares.				

Your attention is drawn to the notes overleaf.

Signature(s)... Dated...

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 4.30 pm on 7 April 2013; or, if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

2. As a member 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.

3. 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 please contact the Company Secretary, John Girdlestone.

4. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

5. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.

6. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:

   (i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

   (ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

7. All joint holders should sign this form.

8. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.

9. In the case of a corporation this proxy must be given under its Common Seal or signed on its behalf by an attorney or officer duly authorised.

10. Any alterations made in this form should be initialled.

11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

12. This Proxy should be returned to John Girdlestone, C/O Athelney Trust plc, Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW.