Athelney
TRUST PLC

# Annual Report

## for the year ended 31 December 2014

**COMPANY NUMBER:** 02933559

# Athelney Trust plc

## CONTENTS

# Athelney Trust plc

## DIRECTORS OF THE COMPANY

**The Directors of the Company are:**

**Hugo Deschampsneufs, non-executive Chairman**

Hugo Deschampsneufs, aged 69, 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.

**Dr Emmanuel Clive Pohl, non-executive Vice Chairman**

Manny Pohl, aged 61, 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 Au$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 30 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.

**Robin Boyle, Managing Director**

The assets of the Company have been managed since formation by Robin Boyle, the Managing Director of the Company. Aged 70, he has spent the last fifty 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.

## DIRECTORS OF THE COMPANY
## (CONTINUED)

### David Horner, non-executive Director (until 30 January 2015)

David Horner aged 55, 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. In 2013 he resigned his membership of The Institute of Chartered Accountants in England and Wales, as his career is now fully involved in Fund Management.

### Jonathan Lancelot Addison, alternate non-executive Director

Jon Addison, aged 62, 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.

# 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 2014. The salient points are as follows:

- Audited Net Asset Value ("NAV") was 228p per share (31 December 2013: 219.3p) an increase of 4 per cent.
- Revenue return per ordinary share was 7.8p, (31 December 2013: 6.1p).
- Recommended final dividend of 6.7p per share (2013: 5.5p), an increase of 21.8 per cent.

### Review of 2014

*The inherent vice of capitalism is the unequal sharing of blessings: the inherent virtue of socialism is the equal sharing of miseries.* – Winston Churchill

*Capitalism is great when you're young, healthy and don't have kids. As soon as you have kids, you need to move to Sweden, believe me.* – Cormac O'Brien.

*My dear boy, as long as you don't invade Afghanistan you'll be fine.* – advice from MacMillan to Douglas-Hume on the latter taking over as P.M.

*Lose money for my firm and I will be understanding. Lose a shred of reputation and I will be ruthless.*- Warren Buffett.

Squeezing out a modest overall return proved more difficult than expected in 2014. Mind you, some of the news-flow was not terribly helpful: the tragedies of the three Malaysian airliners; the spread of Ebola; Scotland's referendum; the rise of UKIP; Russia's annexation of Crimea and invasion of East Ukraine; trouble in Gaza and NATO's withdrawal from Afghanistan. More specifically, here are my Top Ten stories which affected stock markets in the year:-

**January:** Signs of slowing economic growth in China led to a sell-off in mining shares and all sorts of commodities. Prices for such things were depressed all year.

**March:** Russia's military invasion of Ukraine triggered a global flight from risky shares.

**April:** Big sell-off in tech shares on Wall Street.

**June:** Markets recovered, aided by news of a bid approach for Shire, a London-quoted pharma.

**August:** The U.S. started its air campaign against Islamic State (IS).

**September**: Investors sold, spooked by a single opinion poll giving the Yes campaign a lead.

## CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

**October**: Markets were unimpressed by the ECB's failure to introduce QE.
Investors bought back again on Japan's new inflationary package.

**December:** Oil prices collapsed, hurt by OPEC's decision in November not to reduce production and further signs that demand was flagging.

Tesco issued another profit warning and worries about Greece flared up again.

The Santa rally finally arrived on 18 December – the Fed, having quit QE at the end of October, said that it would be patient about raising U.S. interest rates. The plunging rouble started to stabilize.

In major markets, New York and Tokyo rose by 3 per cent and 2.8 per cent but London, with quite a few mining and oil shares in its index, fell by 6.2 per cent.

China was the outstanding market of the year, being up by 42.9 per cent on hopes of lower interest rates and easier lending conditions and, to my mind, totally ignoring the collapse in Tier 2,3 and 4 city residential property prices and the massive over-production of everything from cement and steel to ships and solar panels. Argentina and Venezuela (rises of 42.3 per cent and 39.8 per cent respectively) were spooked by hyper-inflation, masked by authoritarian governments fiddling the figures. On the less positive side Greece, Columbia and Saudi Arabia fell by 28.2, 19.8 and 14.1 per cent respectively.

Returning to London, and small caps in particular, the Athelney Trust NAV increased by 4 per cent so the overall return for the year (i.e. capital plus dividend) was 6.5 per cent. The Fledgling saw an increase of 6.2 per cent with the FTSE Small Cap showing a decrease of 1.5 per cent and the AIM All-share indices falling by 17.4 per cent.

September saw the NATO summit in Wales. This is how it was previewed in Pravda. *Like an ageing drag queen who can no longer make a living from dressing up in skirts and parading onstage in disguise, today no amount of make-up can hide what NATO is, and always has been: a wolf in sheep's clothing…For many years, NATO has been looking for something to do, like an odd-job man living in a deserted ghost town, like a skilled factory worker in a robot factory, like an ageing and unemployable drag queen who has gone to seed and whose pot belly turns her into the subject of ridicule when she tries to stuff it into her skirt, these days playing to bawling audiences of drunks.* What can Pravda mean?

Every now and then, the spivs and get-rich-quick merchants come out of the woodwork to defend their right to sell aggressively shares that they do not own or have borrowed specially for the occasion, so-called hedge funds come particularly to mind. They usually make a plausible case until it is given a sharp tap, at which point it tends to fall to bits. So it was in November when the short sellers said that the practice provides liquidity (how?) and can question perceived views on over-valued shares (fair enough).

However, their leading weapon is often a sophisticated strategy to weaken share prices by spreading information or, to be blunt, disinformation. This last, where it occurs, is disseminated through co-ordinated attacks via bulletin boards and leaks to the media. Growing doubts about a company are expressed by a number of apparently independent commentators who are, in reality, in collusion. If a business relies on public deposits like a retail bank or is at an early stage of its development and so is spending cash without much to show for it by way of profit, it can become a sitting duck for this strategy. Short sellers must declare their every trade, even if it is carried out in so-called secret *dark pools.*

*Congratulations to the designers of the eight postage stamps introduced in October, celebrating prime ministers gazing towards us beginning with William Pitt the Younger. However, there are two incredible omissions: Benjamin Disraeli and David Lloyd George. Was Harold Wilson really in the same league?*

The concept of *shareholder value* or to run the company for the shareholder's benefit sounds as sensible as anything else in the financial world and to suggest otherwise is wholly heretical. Yet I think that an American, with his typical way of phrasing things, might well be tempted to call it *the world's dumbest idea.* Why so? I believe that companies which put its customers first have done better than those that have tried to prioritize its shareholders or staff (examples, supermarkets and investment banks respectively) whereas customers are often cattle merely to be milked for profit. The focus on shareholder value has also led companies into actions which, while flattering short-term performance ratios and keeping shareholders temporarily flush with cash, do nothing to help develop better products and services over the long term – financial engineering, share buy-backs, capital underinvestment and over-aggressive cost-cutting do not keep customers happy. My view is that only by focusing on being a good business which loves its customers can decent returns be delivered to shareholders over the long term. Is this a truth universally acknowledged? Our hypothetical American friend might say *Like heck it is!*

*I suppose that John (now Lord, what is the country coming to?) Prescott probably ranks as my third un-favourite Labour politician but even I was amazed when he said in November that his party had a problem communicating. My goodness, when you get a lecture from him on the English language then you are in trouble, said David Cameron. In Prescott's defence, I would say*: Frankfully, to be so irrespective of a former deputy prize milliner was unsusceptible. Let's not mince about the bush: it was below the bolt.

December saw George Osborne's final Autumn Statement before the General Election in May. He was able to take the credit for some politically popular measures such as the modest reform of Stamp Duty, a further rise in the personal income tax allowance, reductions in Air Passenger Duty for families and help for smaller businesses and the U.K. regions. How much more rewarding it would have been, though, if he had embarked on some simple reforms so that the burden of tax was distributed more fairly and rationally.

National Insurance is now a much bigger burden on low earners than is income tax – raising the threshold for NI should have been a greater priority than increasing income tax allowances. Value Added Tax is riddled with anomalies and inconsistencies. Books are taxed at 20 per cent if listened to or read on computer or tablet yet there is no VAT on hardback or software books. Caviar and other high-value foods attract zero VAT while shoes and basic clothing attract 20 per cent tax - I could go on and on but it just gets boring. There were three key messages from the Autumn Statement: economic output of 'only' 2-2.5 per cent is the new norm; there is still a long way to go before control over public spending is re-established; tax reform rather than tax reductions should be at the heart of the next parliament.

*Vladimir Putin, in a speech to the Kremlin in December, said:* Hitler tried to destroy Russia……Just remember how that ended. *We do, Herr Putin, it ended with Germany as a democracy and Europe becoming a safer place.*

Capital investment in the global oil industry will fall sharply in 2015 and onwards, thus following the price of crude oil down. OPEC's decision not to cut output in November marked the end of four years of remarkably stable oil prices. With OPEC temporarily abdicating the role of price stabilizer, the market has now taken over that role – little comfort to an industry with high capital costs and a long delay before investments become profitable. The past 150 years have been marked by frequent boom and bust cycles, with each low squeezing investment and creating the base for the next boom. There are new features to the current cycle, though, with fracking and the growth of U.S. shale oil created by a $100 oil price and how the industry will react to a $70 or even $60 oil price is yet to be seen. Shale oil is expensive to drill but, once tapped, produces prodigious amounts of cash. If skilled workers are laid off and capital investment cut back as in the past, the ride upward in the oil price might be just as wild as the fall in 2014.

*Rupert Soames, the grandson of Sir Winston Churchill, took over as CEO of troubled outsourcer Serco in June and started (as is traditional) a review of the business. It had previously emerged that Serco had been over-charging the Government on contracts to tag criminals.* We've gone up the street saying bring out your dead and lots of bodies started flying out of the windows, *said Soames.*

What does Brazilian billionaire Joseph Safra's purchase of the Gherkin office block in the City and Qatar's offer for chunks of Canary Wharf tell us? At the risk of stating the obvious, overseas investors still find that commercial property in this country is highly attractive even though the statistics are not particularly exciting: since 1981, the average total annual return on City offices has been 8.1 per cent of which three-quarters has come from income. The picture of West End property is admittedly better, at 10.2 per cent of which 60 per cent was income. The fact is that billionaires and sovereign wealth funds often are more concerned about capital preservation rather than income or growth (just for the record, the Gherkin was bought on a yield of only 3.7 per cent). It is when we look at the country as a whole that the argument for investment in commercial property becomes compelling.

The current average yield on all properties across the country is reckoned to be about 6.4 per cent, compared with a negative yield on index-linked government debt and 1.8 per cent on 10-year gilts. Even the FTSE index, stuffed full of high-yielding mining, oil and bank shares, only offers 3.6 per cent. After the big run-up in property over the last 18 months, there is bound to be some reluctance to buy now. Yet the *cushion* in that 6.4 per cent is very wide by past standards. Property is surely less vulnerable to a market set-back than blue-chips or government or corporate bonds. NB Your company finished the year with 20 per cent of its portfolio in commercial and residential property shares.

*According to* The Economist, *the business world is divided in two: those companies that have been hacked and those that do not know that they have been hacked.*

The source of the £260 million discrepancy in the Tesco accounts is as old as book-keeping itself: the premature recognition of revenue. Suppliers make payments to supermarkets that meet certain sales targets for their products, run promotions or place goods in eye-catching positions such as the end of aisles. Tesco managers appear to have been too optimistic in forecasting these rebates and may also have under-reported the costs of stolen or out-of-date produce. Working out how much and when to book revenue can be a matter of fine judgement. The complexity of Tesco's deals with suppliers may also have left too much room for discretion but the risks of accounting for such payments are hardly new. The auditors of several big retailers have amplified their warnings in recent years as rebates have taken up a greater proportion of so-called profit. In the most recent report in May, PWC warned of the *risk of manipulation.*

Even if there was no fraudulent intent (and we do not know this yet) and the problems merely stem from a misunderstanding of the rules rather than a cynical manipulation, the huge scale of the error suggests that Tesco's internal controls were not up to the job.

Oh, and another thing! Sir Terry Leahy, ex-CEO and doyen of the supermarket trade, is *shocked* at the way that Tesco has lost sight of its customers. It is true that fewer can be seen in the stores three years after he stepped down. It is shocking that billions of shareholders' funds were destroyed in search of *Fresh & Easy* in California; the build-out of mega-stores in the UK, many of which are now white elephants; the push for growth in Asia and shocking that the return on capital during his reign slumped while declared earnings rose. Yes, we are all shocked Sir Terry!

*A joke which went round the foreign exchange market early in the year:*

Q. What do the rouble and Vladimir Putin have in common?

A. 62.

*This prediction was correct on both counts – Putin had his 62nd birthday on 7 October and the rouble hit 62 to the dollar in frenzied trading several weeks later.*

## CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

Even as Britain enters the sixth year of recovery, economists find excuses to be dismal. Every silver lining has a cloud, high consumer confidence is stoking a large trade deficit and housing boom. Normality will only be reached, they say, when interest rates lift off the floor but this could push householders over the edge. Economic growth is failing to generate much needed tax revenues. Yet the chancellor taking over after the General Election in May will find a red box full of goodies: economic output should be rising, employment strong and inflation near to five-year lows. Looking further ahead, the sort of economy to prosper will be flexible and open. Britain has a head start while continental rivals argue about structural reform. The U.K. has clear advantages – the English language, an adaptable labour market which is quick to switch workers between industries and is attractive to skilled people from all over the world. While U.K. manufacturing has been in relative decline, what is left is highly productive. It can remain that way thanks to a strong science base and every big city has its own Silicon quarter. Politics, though, poses the greatest threat to economic prosperity. A dysfunctional planning system, held hostage by local politics, has resulted in chronic housing shortages. Major projects like high speed rail or a new airport runway take decades to complete. Politicians love to rail against the imagined weaknesses in the immigration laws. By the 2050s (sorry to say that I will not be there), Britain's deep strengths could propel it towards being Europe's largest and most prosperous economy – we have nothing to fear but our politicians.

*Deflation is bad for you, ergo cheaper oil is bad for the EU. Assuming that the average crude oil price is $70 for 2015, this would save the Eurozone the handy sum of $145 billion, or 0.9 per cent of economic output even before knock-on effects. Maybe Europe should be our contrarian bet for 2015?*

### Capital Gains

During the year the Company realised capital profits arising on the sale of investments in the sum of £478,743 (31 December 2013: £297,801).

### Portfolio Review

Holdings of *Andrews Sykes, Beazley, Brit, Capital & Regional, DX Group, Epwin Group, Games Workshop, Hiscox, John Menzies, McColls Retail, Novae Group* and *UK Commercial* were all purchased for the first time. Additional holdings of *Amlin, Catlin, Costain, Lancashire Holdings, Londonmetric, Picton Property Income, Treatt,* and *Vianet,* were also acquired. *Arbuthnot Banking Group, H & T Group* and *Macfarlane Group,* were sold. In addition, a total of twenty holdings were top-sliced to provide capital for the new purchases.

## CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

### Corporate Activity

Holdings of *Abbey Protection* and *ACM Shipping* were taken over in the year with Abbey Protection having a profit as a percentage of cost of 27.2 percent. *Connect Group* undertook a rights issue which was fully taken up.

### Dividend

The Board is pleased to recommend an increased annual dividend of 6.7p per ordinary share (2013: 5.5p). This represents an increase of 21.8 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 9 April 2015, the dividend will be paid on 16 April 2015 to shareholders on the register on 20 March 2015.

For those patient investors who subscribed for Athelney Trust shares in the IPO of 1994, the annual return has now risen to 13.4 per cent net of basic rate tax on the capital originally invested.

### Update

The unaudited NAV at 28 February 2015 was 237.2p whereas the share price on the same day stood at 195p. Further updates can be found on www.athelneytrust.co.uk

### Post Balance Sheet Date

On 30 January 2015 David Horner resigned as a Director having held the position for 12 years. The Board as a whole express their sincere thanks to David for all his input during his time with the Company.

## CHAIRMAN'S STATEMENT AND BUSINESS REVIEW (CONTINUED)

**Prospects**

**It looks like being another tricky year. I defy anyone (including the respective heads of the central banks which have dominated markets since 2008/9) to know the answers to: will Vladimir Putin succeed in dragging America into a proxy war in Ukraine, how will the coalition dislodge IS from the towns of Iraq and Syria, will the problem of Greece be fixed, will China deliberately devalue the reminbi thus exporting even more deflation, will quantitative easing in the euro zone and Japan be enough to counteract any tightening or threat of tightening (i.e. raising interest rates) in America and Britain? What will happen to commodity prices such as oil, gas, iron ore and gold and what effect will that have on investor confidence? How will all these various factors impact on equity markets? My opinion, for what it is worth, is that smaller companies are better value than blue chips and that, with a decent tail-wind, a modest uplift in asset prices of equities and commercial property is the most likely outcome.**

**H.B. Deschampsneufs**
**Chairman**
**4 March 2015**

# Athelney Trust plc

## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2014

| | Stock | Holding | Value (£) | SECTOR £ | % |
|---|---|---|---|---|---|
| **Chemicals** | Treatt | 22,500 | 30,600 | **30,600** | **0.69** |
| **Construction & material** | Costain Group | 14,666 | 40,991 | | |
| | Epwin Group | 35,000 | 34,213 | | |
| | Renew Holdings | 20,000 | 57,650 | **132,854** | **3.00** |
| **Electronic & electrical equipment** | XP Power Limited | 3,000 | 41,910 | | |
| | Sprue Aegis | 20,000 | 65,000 | **106,910** | **2.41** |
| **Food & beverages** | Greencore Group | 20,000 | 57,220 | | |
| | Wynnstay Group | 12,500 | 67,875 | **125,095** | **2.82** |
| **General Financial** | Camellia | 500 | 44,000 | | |
| | Charles Taylor | 25,000 | 62,438 | | |
| | GLI Finance | 100,000 | 59,500 | | |
| | Jarvis Securities | 24,500 | 118,763 | | |
| | Juridica Investments | 22,000 | 28,160 | | |
| | Park Group | 140,000 | 81,900 | | |
| | PLUS500 | 8,500 | 50,958 | | |
| | Randall & Quilter Investment Holdings | 40,000 | 46,400 | | |
| | S & U | 4,000 | 79,680 | **571,799** | **12.90** |
| **Industrial engineering** | Goodwin | 1,300 | 32,357 | | |
| | Hill & Smith | 12,500 | 72,438 | | |
| | Slingsby (H.C) | 4,000 | 15,990 | | |
| | Vitec | 6,500 | 38,545 | **159,330** | **3.59** |
| **Industrial transportation** | Braemar Shipping Services | 23,162 | 95,427 | | |
| | DX Group | 40,000 | 34,900 | | |
| | Fisher (James) | 3,000 | 35,940 | | |
| | UK Mail | 12,500 | 59,765 | **226,032** | **5.10** |
| **Insurance** | Amlin | 14,000 | 66,934 | | |
| | Beazley | 20,000 | 57,580 | | |
| | Brit Plc | 25,000 | 67,600 | | |
| | Catlin | 12,000 | 80,460 | | |
| | Chesnara | 16,000 | 54,240 | | |
| | Hansard Global | 30,000 | 26,325 | | |
| | Hiscox | 5,340 | 38,448 | | |
| | Lancashire Holdings | 8,000 | 44,760 | | |
| | Novoe Group | 10,000 | 59,575 | **495,922** | **11.19** |
| **Leisure Goods** | Games Workshop | 5,500 | 28,573 | **28,573** | **0.64** |
| **Media** | 4Imprint | 8,000 | 64,360 | | |
| | Chime Communication | 20,000 | 56,750 | | |
| | Huntsworth | 70,000 | 34,125 | | |
| | M&C Saatchi | 12,000 | 39,570 | | |
| | Quarto Group Inc Com | 40,500 | 60,851 | | |
| | UTV Media | 20,000 | 34,950 | | |
| | Wilmington Group | 32,500 | 70,444 | **361,050** | **8.15** |
| **Property Investment Companies** | Picton Property Income | 117,201 | 75,888 | | |
| | Standard Life Property Income | 65,000 | 50,700 | **126,588** | **2.86** |
| **Real Estate Investment & services** | Capital & Regional | 100,000 | 52,250 | | |
| | F & C UK Real Estate Investments | 64,500 | 60,468 | | |
| | Lok'n Store Group | 30,000 | 74,625 | | |
| | Londonmetric Property | 45,000 | 68,625 | | |
| | Mountview Estates | 1,500 | 158,055 | | |
| | Palace Capital | 16,000 | 57,560 | | |
| | Redefine | 55,000 | 29,948 | | |
| | Schroder Real Estate Investment Trust | 109,000 | 64,583 | | |
| | UK Commercial Property Trust | 40,000 | 35,260 | **601,374** | **13.57** |

## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2014 (CONTINUED)

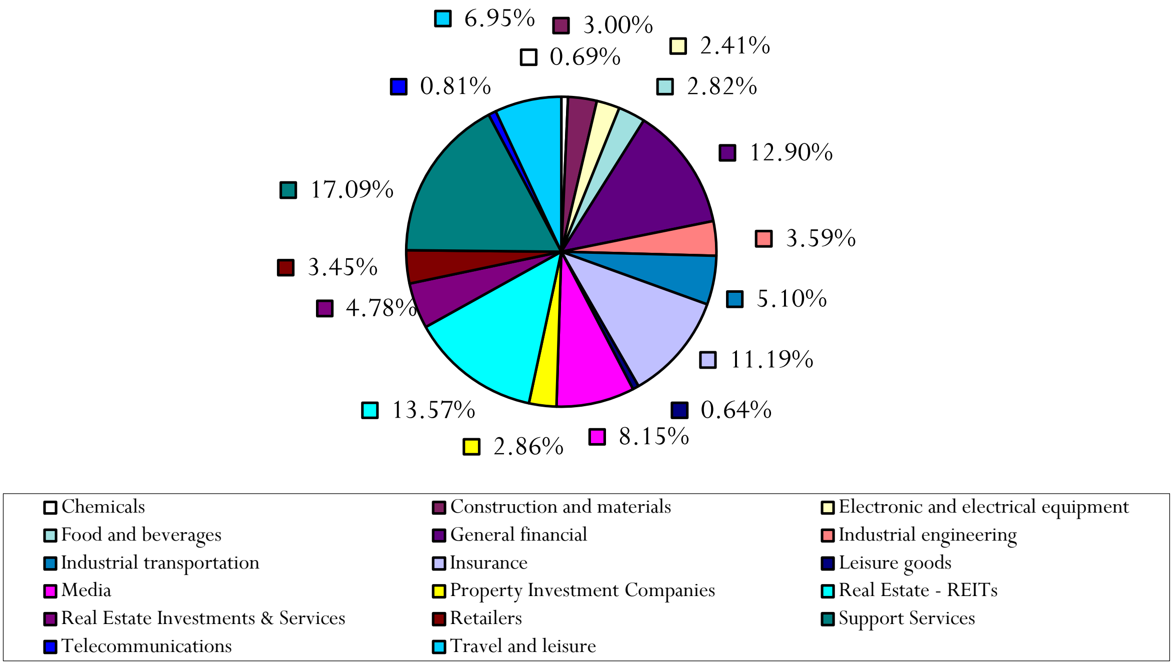
| | Stock | Holding | Value (£) | SECTOR £ | % |
|---|---|---|---|---|---|
| **REITs** | NewRiver Retail | 25,000 | 73,688 | | |
| | Town Centre Securities | 27,500 | 73,389 | | |
| | Tritax Big Box | 60,000 | 64,650 | **211,727** | **4.78** |
| **Retailers** | McColls Retail Group | 30,000 | 53,925 | | |
| | Stanley Gibbons | 35,000 | 99,050 | **152,975** | **3.45** |
| **Support services** | Andrew Sykes Group | 10,000 | 30,000 | | |
| | Begbies Traynor | 60,000 | 25,800 | | |
| | Communisis | 100,000 | 49,620 | | |
| | Connect Group | 64,285 | 98,838 | | |
| | Hydrogen | 40,000 | 30,400 | | |
| | ISG | 18,000 | 62,055 | | |
| | Latham (James) | 7,500 | 42,356 | | |
| | Matchtech | 18,500 | 100,825 | | |
| | Menzies (John) | 12,000 | 42,630 | | |
| | Nationwide Accident Repair | 45,000 | 31,388 | | |
| | RWS Holdings | 4,000 | 34,430 | | |
| | St Ives | 37,500 | 71,155 | | |
| | Vianet Group | 40,000 | 28,800 | | |
| | VP | 17,500 | 109,287 | **757,584** | **17.09** |
| **Telecommunications** | KCOM Group | 40,000 | 35,800 | **35,800** | **0.81** |
| **Travel and leisure** | Air Partner | 18,000 | 46,350 | | |
| | Cineworld | 19,800 | 82,170 | | |
| | GVC Holdings | 30,000 | 144,225 | | |
| | Photo-Me | 25,000 | 35,155 | **307,900** | **6.95** |

| | | | |
|---|---|---|---|
| Portfolio Value | | £ 4,432,113 | 100% |
| Net Current Assets | | £ 89,557 | |
| TOTAL VALUE | | £ 4,521,670 | |
| Shares in issue | | 1,983,081 | |
| Audited NAV | 228p | | |

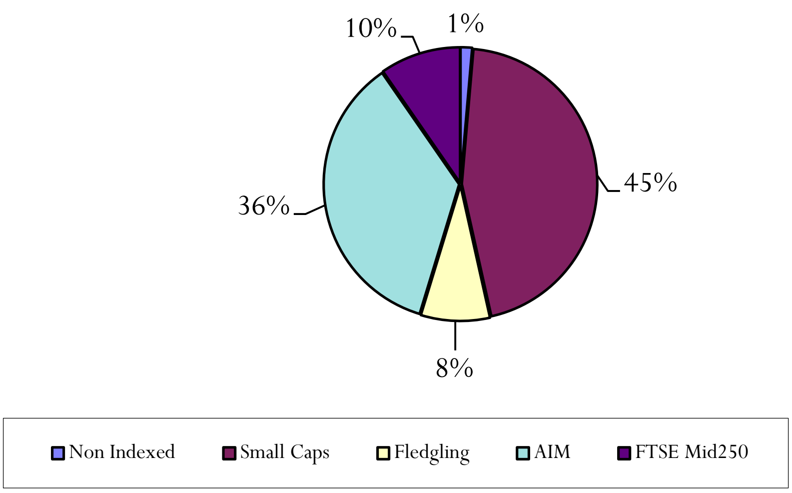
# Athelney Trust plc

## INVESTMENT AND PORTFOLIO ANALYSIS AT 31 DECEMBER 2014
## (CONTINUED)

### Portfolio By Sectors




### Portfolio By Listing



## STRATEGIC REPORT

As explained within the Report of the Directors on page 18, the Company carries on business as an investment trust. Investment trusts are collective closed-ended public limited companies.

### Business Model

### Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate and gearing strategy, corporate governance procedures and risk management. Biographical details of the five male Directors, can be found on pages 2 to 3.

The Company has one male employee.

### Investment Objective

The investment objective of the Trust is to provide shareholders with prospects of long-term capital growth with the risks inherent in small cap. investment minimised through a wide spread of holdings over various industries and sectors. The Fund Manager also considers that it is highly important to maintain a progressive dividend record.

### Investment Policy

The assets of the Trust are allocated predominantly to companies with a market capitalization of less than £100m with either a full listing on the London Stock Exchange or a trading facility on AIM. The assets of the Trust have been allocated in two main ways: first, to the shares of those companies which have grown steadily over the years in terms of profits and dividends but, despite this progress, the market rating has remained low or very low; second, to those companies whose shares are standing at a low level compared with the value of land, buildings or cash in the balance sheet.

### Strategy

The investment strategy employed by the Fund Manager in meeting the investment objective focuses on active stock selection. The selection of individual holdings is based on analysis of, amongst other things, market positioning, competitive advantage, financial strength and cash flows. The weighting of individual investments reflects the Managers' conviction in those holdings and their aggregate views on asset allocation, including between UK and overseas equities, corporate bonds, cash and gearing.

### Investment of Assets

At each Board meeting, the Board considers compliance with the Company's investment policy and other investment restrictions during the reporting period. An analysis of the portfolio on 31 December 2014 can be found on pages 12 to 14 of the accounts.

### Responsible Ownership

The Fund Manager takes a particular interest in corporate governance and social responsible investment policy. As stated within the Corporate Governance Statement on pages 23 to 28. The Fund Manager's current policy is available on its website www.athelneytrust.co.uk. The Board supports the Fund Manager on his voting policy and their stance towards environmental, social and governance issues.

## STRATEGIC REPORT (CONTINUED)

**Environment Emissions**

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, or operations of its own and does not generate any greenhouse gas or other emissions.

**Social, Community and Human Rights Issues**

The Company has only one employee and, as far as the Board is aware, no issues exist in respect of social, community or human rights issues.

**Review of Performance and Outlook**

Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 4 to 11 which forms part of the Strategic Report.

**Principal Risks and Uncertainties and Risk Management**

As stated within the Corporate Governance Statement on pages 23 to 28, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established a continuing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below and in note 13 which provides detailed explanations of the risks associated with the Company's financial instruments.

• Market – the Company's fixed assets consist almost entirely of listed securities and it is therefore exposed to movements in the prices of individual securities and the market generally.

• Investment and strategic – incorrect investment strategy, asset allocation, stock selection and the use of gearing could all lead to poor returns for shareholders.

• Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Loss of investment trust status could lead to the Company being subject to tax on capital gains.

• Operational – failure of the accounting systems or disruption to its business, or that of other third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

• Financial – inadequate controls by the Fund Manager or other third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching bond and loan borrowing facilities could lead to a loss of shareholders' confidence and financial loss for shareholders.

• Liquidity –the Company may have difficulty in meeting obligations associated with financial liabilities.

## STRATEGIC REPORT (CONTINUED)

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio. Investment risk is spread through holding a wide range of securities in different industrial sectors.

**Statement Regarding Annual Report and Accounts**

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

**BY ORDER OF THE BOARD**

**J. Girdlestone**
**Secretary**

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

**4 March 2015**

## 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 2014. This report also contains certain information required in accordance with s992 of the Companies Act 2006.

### Results and Dividends

The return on ordinary revenue activities before dividends for the year is £155,129 (2013: £121,884) as detailed on page 34.

It is recommended that a dividend of 6.7 p (2013: 5.5p) per ordinary share be paid.

### Principal Activity and Status

The Company (company number: 02933559) is a public limited company and an investment company in terms of the Companies Act 2006.

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust.

### Directors

Biographical details of the Directors, can be found on pages 2 and 3.

As explained in more detail in the Corporate Governance Statement on pages 23 to 28, the Board has agreed that all Directors will retire annually. Accordingly, the four Directors will retire at the Annual General Meeting. Being eligible the four Directors offer themselves for re-election, Mr D Horner resigned as a director on 30 January 2015.

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 23 to 28, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected. In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution remove any Director without notice.

### Directors' Deeds of Indemnity

Each Director of the Company is entitled to be indemnified to the extent permitted by the Companies Act 2006 against liabilities incurred by any of them in the execution of their duties and exercise of their powers.

### Conflicts of Interest

Each Director has a statutory duty to avoid a situation where he has, or could have, a direct or indirect interest which conflicts, or may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised by the Board in accordance with the Company's Articles of Association. The Board has approved a protocol for identifying and dealing with conflicts and conducts a review of actual or possible conflicts at least annually. No conflicts or potential conflicts were identified during the year.

## REPORT OF THE DIRECTORS OF
## Athelney Trust plc
### (CONTINUED)

**Capital Structure**

At 31 December 2014 the Company's capital structure consisted of 1,983,081 Ordinary Shares of 25p each (2013: 1,983,081 Ordinary Shares of 25p each).

**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 2014 | 1 January 2014 |
|---|---|---|
| H.B. Deschampsneufs | 78,038 | 78,038 |
| R.G. Boyle | 411,205 | 428,175 |
| D.A. Horner | nil | 20,000 |

H.B. Deschampsneufs' interest includes 19,163 (2013:19,163) shares held in his Self-Invested Personal Pension. R.G. Boyle's interest includes 19,605 (2013:16,970) shares held in his Self-Invested Personal Pension.

Dr E.C. Pohl and EC Pohl & Co, a company which he controls and which manages portfolios for clients, have a controlling interest in Global Masters Fund which itself holds 257,649 (2013: 220,679) shares in the company. There have been no changes in the above Directors' interests up to 28 February 2015.

Included within R.G. Boyle's holding is an interest in Trehellas House Limited, a company which holds 391,600 (2013: 391,600) ordinary shares representing 19.75per cent of the company's share capital. R.G. Boyle has separately entered into an agreement with E C Pohl & Co giving E C Pohl & Co on behalf of its client Global Masters Fund 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 E C Pohl & Co 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.

**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 | 411,205 | 20.74 |
| Global Masters Fund | 257,649 | 12.99 |
| Mr G.W. & Mrs D.J. Whicheloe | 104,000 | 5.24 |
| 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 |
| Mr P.G. Grodzinski | 60,000 | 3.03 |

There have been no other changes in the above major shareholdings in the company up to 28 February 2015.

# REPORT OF THE DIRECTORS OF
# Athelney Trust plc
## (CONTINUED)

**Dividends**

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

**Capital Entitlement**

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

**Voting**

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

**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.

**Going Concern**

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Company, and forecast revenues for the current financial year. The Directors have also taken into account the Company's investment policy, which is described on page 15 and which is subject to regular Board monitoring processes, and is designed to ensure that the Company is invested in listed securities and those traded on AIM.

The Company retains title to all assets held by its custodian. Note 13 to the accounts sets out the financial risk profile of the Company and indicates the effect on its assets and liabilities of falls and rises in the value of securities, market rates of interest and changes in exchange rates.

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

## Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 13 to the accounts.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Under company law the Directors are required to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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.

# REPORT OF THE DIRECTORS OF

# Athelney Trust plc
**(CONTINUED)**

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 Strategic Report and 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.

## Disclosure of Information to Auditors

The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Auditors

Clement Keys LLP will not be seeking re-election as auditors at the forthcoming Annual General Meeting. The Directors propose the appointment of Hazlewoods LLP as auditors of the company with their remuneration to be fixed by the Directors.

**BY ORDER OF THE BOARD**

**J. Girdlestone**
**Secretary**

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

4 March 2015

## Athelney Trust plc

### CORPORATE GOVERNANCE STATEMENT

Shareholders hold the directors of a company responsible for the stewardship of that company's affairs. Corporate governance is the process by which a board of directors discharges this responsibility. The Company's arrangements in respect of corporate governance are explained in this report.

The Company is required to comply with, or to explain its non-compliance with, the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (the 'FRC') in September 2012 which can be found at www.frc.org.uk. The Association of Investment Companies issued its own Code of Corporate Governance in November 2014 (the 'AIC Code'), which can be found at www.theaic.co.uk and which has been approved by the FRC as it addresses all the principles of the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues which are of specific relevance to investment trusts. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders than the UK Corporate Governance Code on its own.

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 every year. 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 four 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 four Directors, a Directors' and Officers' Liability Insurance policy has not been arranged but is a matter constantly under review by the Board.

At the end of the year the Board consisted of four independent Directors. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. The biographies of all the Directors are contained on pages 2 and 3.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board believes that each Director is independent in character and that there are no relationships or circumstances which are likely to affect his judgement. All Directors receive relevant training, collectively or individually, as necessary. 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.

The Directors of the Company meet at regular Board Meetings, during the year to 31 December 2014, the Board met twice with all Directors present.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure reduces his ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of services of any of the Company's Directors, including the Chairman, has been imposed, although the Board believes in the merits of periodic and progressive refreshment of its composition.

The basis on which the Company aims to generate value over the longer term is set out in the Strategic Report on pages 15 to 17. All matters, including corporate and gearing strategy, investment and dividend policies, corporate governance procedures and risk management are reserved for the approval of the Board of Directors. The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

### 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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 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 2014 Annual General Meeting for a term to expire at the next Annual General Meeting. All three non-executive Directors offer themselves for re-election at the forthcoming Annual General Meeting.

### Remuneration Committee

The Remuneration Committee comprises Hugo Deschampsneufs, David Horner and Dr Emmanuel Pohl with Dr Emmanuel Pohl 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 29 to 30 and in note 4 to the financial statements.

The Committee met once during the year and all 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.

### 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.

### Audit Committee

The Audit Committee is chaired by Dr Emmanuel Pohl and attended by Hugo Deschampsneufs and David Horner. The committee met once during the year. The duties of the committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the auditor, Clement Keys LLP (CK), including its independence and objectivity. It is also the forum through which CK reports to the Board of Directors.

Much of the Board's corporate governance responsibility is discharged through the Audit Committee. This Committee operates within clearly defined written terms of reference which are available upon request at the Company's registered office.

### Significant Issues Considered by the Audit Committee in Relation to the Financial Statements

| Matter | Action |
|---|---|
| **Investment Portfolio Valuation**<br>The Company's portfolio is invested predominantly in listed securities. Although all the securities are fully listed or traded on AIM, errors in the portfolio valuation could have a material impact on the Company's net asset value per share. | The portfolio is valued at bid price at the end of each month by the custodians Speirs & Jeffrey Limited. |
| **Misappropriation of Assets**<br>Misappropriation of the Company's investments or cash balances could have a material impact on its net asset value per share. | The portfolio is valued at bid price at the end of each month by the custodians Speirs & Jeffrey Limited. The portfolio is agreed on a monthly basis by the company secretary during the completion of the monthly accounts. |
| **Income Recognition**<br>Incomplete or inaccurate income recognition could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover. | The level of income received for the year is agreed on a monthly basis with the Fund Manager, the company secretary and the dividend forecast for the year. |

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Audit Committee reviews the scope and results of the audit and, during the year, considered and approved CK's plan for the audit of the financial statements for the year ended 31 December 2014. At the conclusion of the audit CK did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. CK issued an unqualified audit report which is included on pages 31 to 33.

The Audit Committee also reviews the provision of non-audit services by the auditor. It has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee. In addition to statutory audit fees of £10,500 (2013: £10,260) CK received fees for audit related regulatory reporting services of £1,050 for the year (2013: £1,050) which related to the work completed on the review of the interim accounts. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, CK has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating CK, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The appointment has not been put out to tender notwithstanding CK's tenure over many years as the Audit Committee, from direct observation and enquiry, remains satisfied that CK continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates after five years. However, Clement Keys LLP will not be seeking re-election as auditors at the forthcoming Annual General Meeting and the Directors will be proposing the appointment of Hazlewoods LLP as auditors of the company.

### Relations with Shareholders

The Company places great importance on communication with shareholders and welcomes their views. The Chairman and other Directors are available to meet shareholders. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors of the Company.

The notice of the Annual General Meeting, to be held in London on 9 April 2015, is set out on pages 47 to 54. The Annual Report and Notice of Annual General Meeting are sent to shareholders at least 20 working days before the Meeting.

### Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. It has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the Financial Reporting Council.

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 and is consistent with the internal control guidance issued by the Financial Reporting Council.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Directors, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

**Corporate Governance and Social Responsible Investment Policy**

The Board is aware of its duty to act in the interests of the company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Investment Manager considers social environmental and ethical factors which may affect the performance or value of the company's investments. The Directors, through the Manager, encourage companies in which investments are held to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective is to deliver superior long term returns for Shareholders which the Board believe will be produced on a sustainable basis by investing in companies which adhere to best practice in the area of Corporate Governance. Accordingly the Fund Manager will seek to favour companies which pursue best practice in this area.

**BY ORDER OF THE BOARD**

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

**J. Girdlestone**
**Secretary**

**4 March 2015**

# 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 31 to 33.

### Remuneration Committee

The Company has a Remuneration Committee comprising Dr Emmanuel Pohl, Hugo Deschampsneufs and David Horner Emmanuel Pohl 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 2015. 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 every year 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.

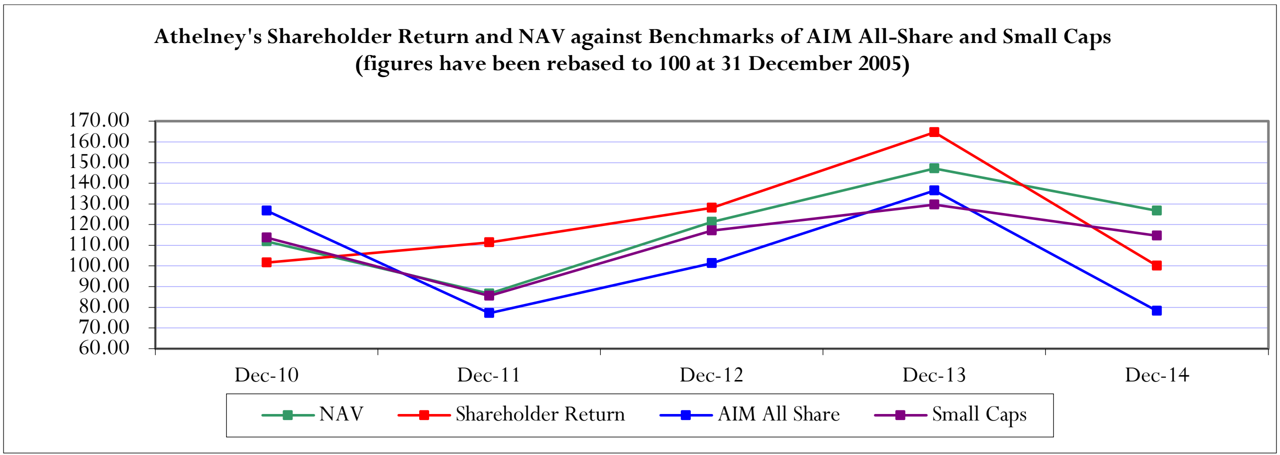
The service contracts for the three non-executive Directors, Hugo Deschampsneufs Emmanuel Pohl and Jonathan Addison provide for their contract to continue until the Annual General Meeting following the appointment and for renewal at each subsequent Annual General Meeting. Their service contracts commenced 21 August 2008 and 19 August 2008 and 28 June 2010 (for Jonathan Addison and Emmanuel Pohl) respectively.

# Athelney Trust plc

## DIRECTORS' REMUNERATION REPORT (CONTINUED)

### Company Performance

The graph below compares, for the five financial years ended 31 December 2014, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the AIM All-Share Index and Small Caps Index. The comparison is made between AIM All-Share and Small Caps as the majority of investment holdings by the Company are a constituent of one or the other of these two indices.




*Assuming all dividends are reinvested
Past Performance is no guarantee of future performance.

### Directors' Remuneration for the Year (audited information)

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

| | 2014 £ | 2013 £ |
|---|---|---|
| Hugo Deschampsneufs (Chairman, non-executive) | 10,000 | 10,000 |
| Manny Pohl (Vice Chairman, non-executive) | - | - |
| Robin Boyle (Managing Director) | 45,000 | 45,000 |
| David Horner (Non-executive) | 7,500 | 7,500 |
| Jonathan Addison (Alternate Director) | - | - |
| | 62,500 | 62,500 |

### Approval

The Directors' Remuneration Report was approved by the Board on 4 March 2015.

**J. Girdlestone**
**Company Secretary**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

# ATHELNEY TRUST PLC

We have audited the financial statements of Athelney Trust plc for the year ended 31 December 2014, which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. 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 auditor's 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, 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 (APB'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

**Our assessment of risks of material misstatement**

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit engagement team:

*Valuation and existence of investments:*
Due to the materiality of investments in the context of the financial statements as a whole.

*Completeness of investment income:*
Due to the materiality of the investment income in the context of revenue results for the year.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

# ATHELNEY TRUST PLC
## (CONTINUED)

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit. This assists us in determining the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on our audit and on the financial statements and in forming our audit opinion. We also took into account that matters below these thresholds may still be considered material for qualitative reasons.

We determined materiality for the financial statements as a whole to be £79,700. This has been calculated by reference to several benchmarks of the financial statements and approximates to approximately 2.5% of investment assets. Due to the significance of the company's net assets compared to the amounts in the revenue column of the Income Statement, we calculated a separate materiality for the revenue column of the Income Statement of £23,500.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £3,985 in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

**An overview of the scope of our audit**

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement, together with an assessment of the control environment. Following this assessment, we determined the extent of testing required in each area within the financial statements. We considered the main areas of focus to be investment valuation and existence and investment income. We obtained audit evidence primarily through substantive procedures.

Our procedures over the existence, completeness and valuation of the company's investment portfolio included, but were not limited to:

- agreeing investment holdings to third party documentation;
- designing audit procedures to check that such investments have been correctly valued (at bid price);
- reviewing acquisitions and disposals of shares in the period to test whether all have been recorded accurately; and
- reviewing investment values after the balance sheet date, to consider the implications for the financial statements where there have been material changes.

Our procedures over the completeness of investment income included but were not limited to:

- for a sample of investments held confirming that the income that should have been received has been received and recorded within the accounting records;
- assessing whether any dividend receipts should be treated as capital receipts; and
- ensuring that income has been recognised in accordance with the company's accounting policies.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

# ATHELNEY TRUST PLC
## (CONTINUED)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 20, in relation to going concern; and
- 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 shareholders by the Board on directors' remuneration.

Ross Cocker FCA
Senior Statutory Auditor
for and on behalf of

**Clement Keys LLP**
Statutory Auditor

No. 8 Calthorpe Road
Edgbaston
Birmingham
B15 1QT

4 **March 2015**

# Athelney Trust plc

## INCOME STATEMENT
## (INCORPORATING THE REVENUE ACCOUNT)

| | | For the Year Ended 31 December 2014 | | | For the Year Ended 31 December 2013 | | |
|---|---|---|---|---|---|---|---|
| | **Note** | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| | | **£** | **£** | **£** | **£** | **£** | **£** |
| Gains on investments held at fair value | **8** | - | 221,717 | 221,717 | - | 1,466,773 | 1,466,773 |
| Income from investments | **2** | 189,458 | - | 189,458 | 155,571 | - | 155,571 |
| Investment Management expenses | **3** | (5,661) | (51,644) | (57,305) | (5,765) | (53,034) | (58,799) |
| Other expenses | **3** | (28,668) | (44,156) | (72,824) | (27,922) | (42,804) | (70,726) |
| **Net return on ordinary activities before taxation** | | 155,129 | 125,917 | 281,046 | 121,884 | 1,370,935 | 1,492,819 |
| Taxation | **5** | - | - | - | - | - | - |
| **Net return on ordinary activities after taxation** | **6** | 155,129 | 125,917 | 281,046 | 121,884 | 1,370,935 | 1,492,819 |
| **Net return per ordinary share** | **6** | 7.8p | 6.3p | 14.1p | 6.1p | 69.1p | 75.3p |
| **Dividend per ordinary share paid during the year** | **7** | 5.5p | | | 5.0p | | |

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 38 to 45 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 2013 | 495,770 | 545,281 | 752,028 | 939,882 | 223,067 | 2,956,028 |
| Net profits on realisation of investments | - | - | 297,801 | - | - | 297,801 |
| Increase in unrealised Appreciation | - | - | - | 1,168,972 | - | 1,168,972 |
| Expenses allocated to Capital | - | - | (95,838) | - | - | (95,838) |
| Profit for the year | - | - | - | - | 121,884 | 121,884 |
| Dividend paid in year | - | - | - | - | (99,154) | (99,154) |
| **Shareholders' Funds at 31 December 2013** | 495,770 | 545,281 | 953,991 | 2,108,854 | 245,797 | 4,349,693 |
| Balance brought forward at 1 January 2014 | 495,770 | 545,281 | 953,991 | 2,108,854 | 245,797 | 4,349,693 |
| Net profits on realisation of investments | - | - | 478,743 | - | - | 478,743 |
| (Decrease)/Increase in Unrealised appreciation | - | - | - | (257,026) | - | (257,026) |
| Expenses allocated to Capital | - | - | (95,800) | - | - | (95,800) |
| Profit for the year | - | - | - | - | 155,129 | 155,129 |
| Dividend paid in year | - | - | - | - | (109,069) | (109,069) |
| **Shareholders' Funds at 31 December 2014** | 495,770 | 545,281 | 1,336,934 | 1,851,828 | 291,857 | 4,521,670 |

The notes on pages 38 to 45 form part of these financial statements.

# Athelney Trust plc

## BALANCE SHEET AS AT 31 DECEMBER 2014

**Company Number: 02933559**

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | £ | £ |
| **Fixed assets** | | | |
| Investments held at fair value through profit and loss | 8 | 4,432,113 | 4,298,919 |
| **Current assets** | | | |
| Debtors | 9 | 87,246 | 41,782 |
| Cash at bank and in hand | | 18,137 | 24,709 |
| | | 105,383 | 66,491 |
| **Creditors: amounts falling due within one year** | 10 | (15,826) | (15,717) |
| **Net current assets** | | 89,557 | 50,774 |
| **Total assets less current liabilities** | | 4,521,670 | 4,349,693 |
| **Provisions for liabilities and charges** | | - | - |
| **Net assets** | | 4,521,670 | 4,349,693 |
| **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 | 1,336,934 | 953,991 |
| Capital reserve - unrealised | 12 | 1,851,828 | 2,108,854 |
| Revenue reserve (distributable) | 12 | 291,857 | 245,797 |
| **Shareholders' funds - all equity** | | 4,521,670 | 4,349,693 |
| **Net Asset Value per share** | 14 | 228.0p | 219.3p |

Approved and authorised for issue by the Board of Directors on 4 March 2015.

………………………………

**R.G. Boyle**
**Director**

The notes on pages 38 to 45 form part of these financial statements.

# Athelney Trust plc

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Net cash inflow from operating activities** | | 13,974 | | 74,969 |
| **Taxation** | | | | |
| Corporation tax paid | | - | | - |
| **Capital Expenditure and Financial Investment** | | | | |
| Purchases of investments | (679,659) | | (722,310) | |
| Sales of investments | 768,182 | | 749,835 | |
| **Net cash inflow from Capital Expenditure and Financial Investment** | | 88,523 | | 27,525 |
| Equity dividends paid | | (109,069) | | (99,154) |
| **(Decrease)/Increase in cash in the year** | | (6,572) | | 3,340 |

| **Reconciliation of operating net revenue to net cash outflow from operating activities** | 2014 £ | 2013 £ |
|---|---|---|
| Revenue on ordinary activities before taxation | 155,129 | 121,884 |
| (Increase)/decrease in debtors | (45,464) | 48,427 |
| Increase in creditors | 109 | 496 |
| Investment management expenses charged to capital | (51,644) | (53,034) |
| Other expenses charged to capital | (44,156) | (42,804) |
| **Net cash inflow from operating activities** | 13,974 | 74,969 |

**Reconciliation of net cash flow to movement in net funds**

| | **Net funds at 31.12.2013** | **Cash flow** | **Net funds at 31.12.2014** |
|---|---|---|---|
| | £ | £ | £ |
| Cash at bank and in hand | 24,709 | (6,572) | 18,137 |

The notes on pages 38 to 45 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2014

## 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.

The financial statements have been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

### 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.

## 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**

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| UK dividend income | 189,403 | 155,543 |
| Bank interest | 55 | 28 |
| **Total income** | 189,458 | 155,571 |

**UK dividend income**

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| UK Main Market listed investments | 121,081 | 94,552 |
| UK AIM traded shares | 68,322 | 60,991 |
| | 189,403 | 155,543 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2014

### 3. Return on Ordinary Activities before Taxation

| | 2014 £ | 2013 £ |
|---|---|---|
| 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 | 10,500 | 10,260 |
| - Audit Services - Statutory audit movement on accruals from previous years | 200 | - |
| - Audit Services - Audit related regulatory reporting | 1,050 | 1,050 |
| Miscellaneous expenses: | | |
| - Other wages and salaries | 31,074 | 32,035 |
| - PR and communications | 7,098 | 6,065 |
| - Stock Exchange subscription | 6,844 | 8,241 |
| - Sundry investment management and other expenses | 10,863 | 9,374 |
| | 130,129 | 129,525 |

### 4. Employees

| | 2014 £ | 2013 £ |
|---|---|---|
| Costs in respect of Directors: | | |
| Wages and salaries | 62,500 | 62,500 |
| Social security costs | 4,424 | 5,495 |
| | 66,924 | 67,995 |
| Costs in respect of administrator: | | |
| Wages and salaries | 25,250 | 24,250 |
| Social security costs | 1,400 | 2,290 |
| | 26,650 | 26,540 |
| Total: | | |
| Wages and salaries | 87,750 | 86,750 |
| Social security costs | 5,824 | 7,785 |
| | 93,574 | 94,535 |
| Average number of employees: | | |
| Chairman | 1 | 1 |
| Investment | 2 | 2 |
| Administration | 1 | 1 |
| | 4 | 4 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2014

### 5. Taxation

**(i)** On the basis of these financial statements no provision has been made for corporation tax (2013: Nil).

**(ii) Factors affecting the tax charge for the year**

The tax charge for the period is lower than (2013: lower than) the average small company rate of corporation tax in the UK of 20 per cent. The differences are explained below:

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Total return on ordinary activities before tax | 281,046 | 1,492,819 |
| Total return on ordinary activities multiplied by the average small company rate of corporation tax 20% (2013: 20%) | 56,209 | 298,564 |
| *Effects of:* | | |
| UK dividend income not taxable | (27,662) | (27,412) |
| Revaluation of shares not taxable | 51,405 | (233,794) |
| Capital gains not taxable | (95,749) | (59,560) |
| Unrelieved management expenses | 15,797 | 22,202 |
| Current tax charge for the year | - | - |

The Company has unrelieved excess revenue management expenses of £65,539 at 31 December 2014 (2013: £82,300) and £102,597 (2013: £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 2013, 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 2013. 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".

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| Attributable return on ordinary activities after taxation | 155,129 | 125,917 | 281,046 | 121,884 | 1,370,935 | 1,492,819 |
| Weighted average number of shares | | 1,983,081 | | | 1,983,081 | |
| Return per ordinary share | 7.8p | 6.3p | 14.1p | 6.1p | 69.1p | 75.3p |

## 7. Dividend

| | 2014 £ | 2013 £ |
|---|---|---|
| Final dividend in respect of 2013 of 5.5p (2013: a final dividend of 5p was paid in respect of 2012) per share | 109,069 | 99,154 |

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 6.7 p (2013: 5.5p) per ordinary share be paid amounting to a total of £132,866. For the year 2013, a final dividend of 5.5p was paid on 12 April 2014 amounting to a total of £109,069.

| | 2014 £ | 2013 £ |
|---|---|---|
| Revenue available for distribution | 155,129 | 121,884 |
| Final dividend in respect of financial year ended 31 December 2014 | (132,866) | (109,069) |
| Undistributed Revenue Reserve | 22,263 | 12,815 |

## 8. Investments

| | 2014 £ | 2013 £ |
|---|---|---|
| **Movements in year** | | |
| Valuation at beginning of year | 4,298,919 | 2,859,671 |
| Purchases at cost | 679,659 | 722,310 |
| Sales - proceeds | (768,182) | (749,835) |
| - realised gains on sales | 478,743 | 297,801 |
| (Decrease)/Increase in unrealised appreciation | (257,026) | 1,168,972 |
| Valuation at end of year | 4,432,113 | 4,298,919 |
| Book cost at end of year | 2,580,285 | 2,190,065 |
| Unrealised appreciation at the end of the year | 1,851,828 | 2,108,854 |
| | 4,432,113 | 4,298,919 |
| UK Main Market listed investments | 2,852,033 | 2,679,736 |
| UK AIM traded shares | 1,580,080 | 1,619,183 |
| | 4,432,113 | 4,298,919 |

**8. Investments (continued)**

**Gains on investments**

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Realised gains on sales | 478,743 | 297,801 |
| (Decrease)/Increase in unrealised appreciation | (257,026) | 1,168,972 |
| | 221,717 | 1,466,773 |

The purchase costs and sales proceeds above include transaction costs of £3,484 (2013: £4,496) and £3,527 (2013: £3,615) respectively.

**9. Debtors**

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Investment transaction debtors | 82,794 | 37,105 |
| Other debtors | 4,452 | 4,677 |
| | 87,246 | 41,782 |

**10. Creditors: amounts falling due within one year**

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Social security and other taxes | 3,238 | 3,198 |
| Other creditors | 172 | 172 |
| Accruals and deferred income | 12,416 | 12,347 |
| | 15,826 | 15,717 |

**11. Called Up Share Capital**

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| **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 |
| (2013: 1,983,081 Ordinary Shares of 25p) | | |

**12. Reserves**

| | 2014 | | | |
|---|---|---|---|---|
| | **Share premium account** | **Capital reserve realised** | **Capital reserve unrealised** | **Revenue reserve** |
| | **£** | **£** | **£** | **£** |
| Balance at 1 January 2014 | 545,281 | 953,991 | 2,108,854 | 245,797 |
| Net profits on realisation of investments | - | 478,743 | - | - |
| (Decrease)/Increase in unrealised appreciation | - | - | (257,026) | - |
| Expenses allocated to capital | - | (95,800) | - | - |
| Profit for the year | - | - | - | 155,129 |
| Dividend paid in year | - | - | - | (109,069) |
| Balance at 31 December 2014 | 545,281 | 1,336,934 | 1,851,828 | 291,857 |

**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 14.16 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 £4,521,670 (2013: £4,349,693) divided by 1,983,081 (2013: 1,983,081) ordinary shares in issue at the year end.

| | 2014 | 2013 |
|---|---|---|
| Net asset value | 228.0p | 219.3p |

## 15. Related Parties

During the year the following dividends were paid to the directors of the company as a result of their total shareholding:

| | |
|---|---|
| Mr Robin Boyle | £23,550 |
| Mr Hugo Deschampsneufs | £4,292 |
| Mr David Horner | £1,100 |

# Athelney Trust plc

## OFFICERS AND FINANCIAL ADVISERS

| | | |
|---|---|---|
| Directors: | H.B. Deschampsneufs (Chairman)<br>Dr. E.C. Pohl (Vice Chairman)<br>R.G. Boyle (Managing Director)<br>D.A. Horner (resigned 30/1/15)<br>J.L. Addison (Alternate Director) | Email: hugo@athelneytrust.co.uk<br>Email: manny@athelneytrust.co.uk<br>Email: robin@athelneytrust.co.uk<br><br>Email: jladdison@bigpond.com |
| Secretary: | J. Girdlestone<br>Waterside Court<br>Falmouth Road<br>Penryn<br>Cornwall, TR10 8AW | Email: john@athelneytrust.co.uk<br>Tel: 01326 378 288 |
| Registered Office: | Waterside Court<br>Falmouth Road<br>Penryn<br>Cornwall, TR10 8AW | Website: www.athelneytrust.co.uk<br>Email: info@athelneytrust.co.uk<br>Tel: 01326 378 288 |
| Company Number: | 02933559<br>(Registered in England) | |
| Solicitor: | McClure Naismith LLP<br>49 Queen Street<br>Edinburgh<br>EH12 3NH | Email: awilliamson@mcclurenaismith.com<br>Tel: 0131 272 8378 |
| Stockbroker: | Speirs & Jeffrey Limited<br>50 George Square<br>Glasgow, G2 1EH | Email: graeme.dickie@speirsjeffrey.co.uk<br>Tel: 0141 248 4311 |
| Auditors: | Clement Keys LLP<br>8 Calthorpe Road<br>Edgbaston<br>Birmingham, B15 1QT | Email: ross.cocker@clementkeys.co.uk<br>Tel: 0121 456 4456 |
| Banker: | HSBC Bank Plc<br>Market Street<br>Falmouth<br>Cornwall, TR11 3AA | |
| Registrar: | Share Registrars Limited<br>Suite E First Floor<br>9 Lion & Lamb Yard<br>Farnham<br>Surrey, GU9 7LL | Email: peter@shareregistrars.uk.com<br>Tel: 01252 821 390 |
| Public Relations Consultants: | City Road Communications Limited<br>42-44 Carter Lane<br>London, EC4V 5EA | Email: paulquade@cityroad.uk.com<br>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 2015 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 2015.**

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

**Directors**
H. B. Deschampsneufs
Dr E.C. Pohl
R.G. Boyle
J.L. Addison

**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").**

4 March 2015

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 2015 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 2014 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 2016 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 2016 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 2016 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 2015 (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 2015 or on 9 April 2016 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 four 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 2015. 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 2015 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 2014.

2 To declare a final dividend of 6.7p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on Thursday 16 April 2015 to all shareholders on the register of members at close of business on 20 March 2015.

3 To approve the Directors' Remuneration Report for the year ended 31 December 2014.

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 Dr E.C. Pohl as a Director of the Company until the date of the next Annual General Meeting.

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

8 To appoint Hazlewoods as auditors to the Company and to authorise the Directors to fix their remuneration.

9 That subject to and in accordance with the provisions of the Companies Act 2006, the Company be permitted to send, convey, and/or supply, all types of notices, documents or information to the members by means of electronic equipment for the processing, storage and transmission of data, using wires, radio, optical technologies or any other electronic means, including, without limitation, by making such notices, documents or information available on a website. If this resolution is passed at the meeting, paper copies of annual and half yearly accounts will only be forwarded to those shareholders who make a request in writing.

### 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 2016, 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 £49,557; and

(ii) pursuant to the authority given by paragraph (ii) of Resolution 11 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 2016, 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 11 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 an 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 2016 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 4 March 2015

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.*

**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 2015; 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.

**ATHELNEY TRUST PLC**
**Company Number 02933559**
Form of Proxy for use at the Annual General Meeting to be held on 9 April 2015
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 2015 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 2014. | | | | |
| 2 | To declare a final dividend of 6.7 p per ordinary share. | | | | |
| 3 | To approve the Directors' Remuneration Report for the year ended 31 December 2014. | | | | |
| 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 24). | | | | |
| 6 | To re-elect Dr E. C. Pohl as a Director until the date of the next Annual General Meeting (see comments on page 24). | | | | |
| 7 | To re-elect J.L Addison as an alternate Director until the date of the next Annual General Meeting (see comments on page 24). | | | | |
| 8 | To appoint Hazlewoods as the Auditors and authorise the Directors to fix their remuneration. | | | | |
| 9 | To permit the Company to send, convey, and/or supply, all types of notices, documents or information to the members by means of electronic equipment. | | | | |
| 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 on the previous page.

Signature(s)……………………………………………… Dated……………………………………