Athelney
TRUST PLC

Annual Report

for the year ended 31 December 2016

COMPANY NUMBER: 02933559

Athelney Trust plc

CONTENTS

Athelney Trust plc

Directors of the Company

Dr Emmanuel Clive Pohl, non-executive Chairman

Manny Pohl, aged 63, 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 Australian fund manager. 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, the UK and his adopted home Australia.

Robin Boyle, Managing Director and Fund Manager

The assets of the Company have been managed since formation by Robin Boyle, the Managing Director of the Company. Aged 72, he has spent over fifty-odd 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.

Simon Moore, non-executive Director

Simon Moore, aged 56, is a Senior Investment Manager at Seven Investment Management. He has been an investment trust analyst since 1994 and has worked with several stockbrokers in the City of London including Williams de Broe, Teather & Greenwood and Collins Stewart. He was also Head of Research at Tilney Bestinvest, a national UK Financial Adviser with £11bn under management. Simon is a long standing member of two important committees at the Association of Investment Companies: the Statistics committee and the Property and Infrastructure Forum. In 2013 & 2014 Simon was chosen as one of the Citywire Wealth Manager Top 100 most influential people in UK private client fund selection. Simon is a scientist by training and has worked at two start-up UK biotechnology companies, before passing on his knowledge and passion as a science tutor for the Open University. He has a Biochemistry BSc from Imperial College, and an MSc in Computer-modelling of molecules from Birkbeck College. He is a member of the UK Society of Investment Professionals and the CFA institute.

Seven Investment Management confirms that there is no conflict of interest with Simon Moore's position as a Director.

Athelney Trust plc

Strategic Report

Chairman's Statement and Business Review

I enclose the results for the year ended 31 December 2016. The salient points are as follows:

- The total return, which is the increase in NAV plus the dividend, is 5.7 per cent (31 December 2015: 10.4 per cent)
- Audited Net Asset Value ("NAV") was 251.1p per share (31 December 2015: 245p) an increase of 2.5 per cent.
- Revenue return per ordinary share was 10p (31 December 2015: 9.3p).
- Recommended final dividend of 8.6p per share (2015: 7.9p), an increase of 8.8 per cent.

Review of 2016

I'd rather take advice from my valet than from the Conservative Party Conference – Arthur Balfour, prime minister 1902-05.

The stock market is a device for transferring money from the impatient to the patient – Warren Buffett.

Lack of money is the root of all evil – George Bernard Shaw.

The only function of economic forecasting is to make astrology look respectable – John Kenneth Galbraith, economist.

Imagine a time-traveller, landing in the City of London in January 2016, proclaiming that the UK would vote to leave the EU, a presidential candidate who advocated debt renegotiation would be headed for the White House and that Italy would reject the reforms of Prime Minister Matteo Renzi. Surely, the men in white coats would have arrived, bundled him into the back of a van and then disappeared. But the first shock of 2016 was the big sell-off in Chinese stock-markets when a clumsy attempt to calm market nerves in January back-fired spectacularly, sparking world-wide turmoil. The price of oil dropped to its lowest level for 13 years. All this meant that investors slowly worked out that there would have to be more helpful intervention rather than less. And so it came to pass that Japan announced a surprise experiment with interest rates below zero, the Federal Reserve raised rates just once rather than the early forecast of four times, the Bank of England cut the bank rate after the referendum and the European Central Bank turned to new measures such as buying up corporate debt for the first time. Because of the collapse in the British pound after the referendum, depressed sectors in London markets such as miners and oils suddenly perked up and finished the year on a strong note as the Chinese economy started to react positively to yet another economic stimulus having been applied by the government. There was a strong correlation between markets which did comparatively well and the underlying economies where growth and employment statistics were improving.

Major markets ended on a strong note, tantalised by the thought that Donald Trump would cut corporate and personal tax rates and spend, spend, spend on infrastructure. New York, Tokyo and London finished with rises of 14.4, 2.9 and 15.2 per cent respectively although Shanghai fell by 10.7 per cent. Amongst lesser markets, Egypt, Argentina and Pakistan rose by 80, 55.4 and 48.4 per cent whereas at the other end of the scale Sweden, Czech Republic and Italy rose by modest percentages of 0.2, 1.2 and 2 respectively.

I am indebted to the Private Eye *satirical magazine for the full details of the new Police Degree Course:-*

Introduction: *Hello, hello, hello!*

Lecture: *Don't do that again, sonny.*

Tutorial: *Anything that you say will be written down and used against you.*

Examination: *What's all this, then?*

Chairman's Statement and Business Review
(continued)

As far as small companies were concerned, Athelney Trust did not have a good year with a total return (i.e. capital growth plus dividend) of just 5.7 per cent whereas the FTSE Small Companies, Fledgling and AIM All-share all did much better with rises of 11, 15.3 and 15.2 per cent respectively. This under-performance was due to the heavy falls in commercial property shares immediately after the referendum and, although some recovery was experienced later in the year, it was not enough to make up for lost ground on the three indices.

Politics is a tough old game isn't it? Imagine having to choose between Hillary Clinton and Donald Trump? Or, even better, an election with three candidates: the first is half paralysed with polio, suffers from high blood pressure, anaemia and numerous other serious diseases, has been known to lie, consults an astrologist, cheats on his wife, is a chain-smoker and drinks too many martinis; the second is obese, has already lost three elections, suffers from depression, has had two heart attacks, smokes cigars and in the evening glugs champagne, port, brandy and whisky before taking two sleeping tablets; the third is a decorated war hero, who respects women, loves animals, might drink a beer from time to time and doesn't smoke. Did you reject one and two and go for three? Congratulations, you rejected Roosevelt and Churchill and elected, er, Adolf Hitler.

No-one compiles lists of wealth destruction, if they did, it would be fair to say that the fall in the pound after the referendum would rank highly. UK household net worth was valued at £16.5tn in January 2016 but just £14tn today. In dollar terms, value equivalent to the market capitalization of the FTSE 100 Index has been destroyed. Most Britons' wealth is held for paying sterling-denominated bills which, of course, did not leap by 15 per cent in 2016. This highlights a bit of a problem: everything is valued in terms of a currency yet what is a currency really worth? One answer is *what it will buy* – what Harold Wilson meant when talking about *the pound in your pocket*. So now we get round to discussing *purchasing power parity (PPP)*. A silly example: in November, a pound suddenly bought less Toblerone than before. PPP struggles with sharp foreign exchange movements so instead look at supply and demand. Measured by nominal GDP (i.e. without making any adjustment for inflation), 2016 did not see a 15 per cent leap in demand for pounds and the prospect of exit from the EU rather hints at a lower demand for sterling. More than this, sterling's attraction was based on London's deep and liquid financial markets that provide a home for trillions of pounds. Britons could afford fuel, overseas holidays and, yes, Toblerone only because the City kept sterling high. Brexit threatens this: if a strong pound is no longer sustainable, then previous living standards cannot be, either.

Aberdeenshire business-owner wins presidential election – The Buchan Observer, Peterhead, Aberdeenshire.

Why do companies obsess over quarterly/six-monthly profits and yet fail to invest in the business for the longer-term? Conventional wisdom places the blame squarely on the pursuit of shareholder value which, it is believed, has fuelled short-term thinking and irresponsible behaviour. Wrong! The culprits are executives, investment managers and the business press who think that the objective of shareholder value is to boost the share price by meeting the market's profit expectations. What does managing for shareholder value mean? It means managing for cash flow not earnings per share: it means managing for the long-term not the short-term. It means that managers must control risk carefully when investing capital. Many executives claim that they have no choice but to adopt a short-term approach given that the average holding period is about one year. This reasoning is deeply flawed: what should matter is not portfolio turnover but the time horizons of those who are saving to meet long-term needs. Shareholder value has not failed management: management has failed true shareholder value.

The U.K. government's approach to the Brexit negotiations could form a suitable addition to Charles Mackay's book about the South Sea Bubble. It would fit neatly after the section on the prospectus seeking funds for a company for carrying on an undertaking of great advantage, but nobody to know what it is.

On the subject of Britain's exit from the EU, we have no doubt all heard the terms *hard* and *soft* Brexit to illustrate whether we leave or stay in the single market and/or the customs union but what about a *train crash* Brexit in which we fail to agree a sensible deal and we simply crash out of the EU with chaotic consequences for trade and diplomatic relations? The problem is that the negotiations are too complicated to complete in the given time. Britain and the EU will have to unpick and then reorder a legal, economic and trading relationship that has been knitted together over the course of more than 40 years. But the two sides will just have two years to achieve and ratify a deal after Britain triggers Article 50, thus giving formal notice that it intends to leave. If there was great goodwill on both sides no doubt that the talks could be accelerated but I believe that there is plenty of ill will on both sides of the Channel. A major flashpoint is likely to be the EU's estimate of Britain's financial liabilities following exit, covering everything from money already pledged to the EU's budget to the pensions of retired bureaucrats: estimates in Brussels indicate a figure of €50bn-€60bn. The right response would be to negotiate that figure down and then have it spread over a large number of years. In reality, however, hard-liners in the Conservative party may be vigorously opposed and the only alternative might be to hand the problem to the European Court of Justice for arbitration. Such a procedure is likely to take a very long time and our membership of the EU may simply lapse with damaging consequences for Europe-wide supply chains, ports would be clogged up with paper-work and financial services firms would lose the *passporting rights* which are required to do business across the EU. Let us hope that this interpretation is too gloomy but it really is a shame that the coming dispute is so pointless and self-defeating.

Donald Trump is New York. Glitz, greed, glamour and an ambition so colossal that it will probably not rest until he rules the world – which one day he just might. Even when he seems to lose, at the last minute he comes out the winner. Could Trump possibly make it to the White House? Of course not, says everyone who knows anything about American politics. It's a bad joke. But then Trump has often done what can't be done and if the White House can take a senile movie star, why not a casino operator? Polly Toynbee, *Guardian,* 26 May 1988.

If devaluation was the springboard to economic success then Britain should have the most successful economy in the world. Alas, as we are all surely aware, one devaluation has followed another. For most of the 1800s, the pound was worth just under \$5: the Napoleonic War weakened the pound temporarily as did the US Civil War the dollar, which fell to \$10 to the pound at one stage. The financial burdens of the Great War saw sterling fall to \$3.66. Despite abandoning the Gold Standard, successive British governments still viewed fixed rates as desirable and so in 1940 the pound was pegged to \$4.03 which, on the face of it, looks far too high. \$4.03 became \$2.80 in 1949. This was maintained until 1971 when currencies were allowed to float freely, since when the rate has drifted even lower due to the higher rate of inflation that we experienced in the UK, which had the effect of debasing the purchasing power of the pound. Inflation is forecast to remain high compared with America so we can expect a further fall in due course, although I happen to feel that the pound has fallen too far and might perk up a touch if we can avoid a train crash Brexit.

December. Beloved leader of the Labour Party, Jeremy Corbyn, walked out of a karaoke party for Labour MPs where they sang Tony Blair's 1997 election-winning anthem Things Can Only Get Better *accompanied by chants of* We want Tony!

The accord by OPEC members in November will come to symbolise the passing of one of the world's most powerful cartels. After 50 years in control of the oil price, OPEC has submitted to the economic power of a much-changed global market. The agreement to cut production by 1.2m barrels a day raised prices at the time by almost 10 per cent. It is not, however, a deal which is capable of lifting prices to the preferred level of \$60 or \$70. But will Iran limit its production when it desperately needs increased output to sustain its economy? Will Russia cut production by 300,000 barrels a day? When did Russia last participate in an OPEC quota? Answer: never. Then, there is a surge in production coming from Brazil, Canada and Kazakhstan to add to the present surplus. The US shale business, furthermore, is entirely capable of ramping up production again. For all these reasons, the current deal is inadequate and is likely to fail. Too many of the promises are vague and the incentive to cheat is too high. OPEC has no enforcement mechanism against those who break the agreement, the result being, I believe, that the oil price will fall back later in the year. OPEC as a cartel is on its last legs and everyone will have to get used to the new reality.

Chairman's Statement and Business Review
(continued)

In the run-up to Athelney Trust's year end, the Dow Jones Index almost reached 20,000. I ignored all the kerfuffle. Most indices are weighted by market capitalisation – the share price multiplied by the number of shares in issue. So, companies with a higher market value get a higher weighting in the index tracking that market. The Dow, on the other hand, weights companies by price not market cap. This is because equity indices were a new concept when Charles Dow constructed it in 1896. Back then, it included 12 companies and adding all the share prices together and dividing by 12 gave the value of the index. Fast forward to today with 30 companies in the index but it really is rather silly that Goldman Sachs is the top share in the index just because its share price is a whopping $238 whereas Apple is only $116. Yet Apple is the larger company by a country mile.

In 1920, America put its faith in a businessman-president called Warren Harding, whose slogan was *America first!* This meant what it does now: anti-immigrant, nativism, and isolationist. White working-class and rural Americans were defending a supremacy they saw coming under threat and they were responding to the fact that the economic boom of the 1920s did not extend its benefits much beyond the urban middle-class: there was a resurgence in the Ku Klux Klan. Harding's successors, Calvin Coolidge and Herbert Hoover, were also businessmen. Their policies created the conditions for the 1929 crash and the depression: very dark days indeed. The whole world has much to fear from President Trump's threat to tear up trade agreements and impose punitive restrictions on imports. And even if he refrains from starting a trade war, the loose-tongued, fact-lite style he cultivated during the campaign could wreak serious damage: his hyperbole now carries the weight of the American presidency. His victory was enough to chill some financial markets and marks an alarming step away from a liberal, open economy towards more isolationism and less prosperity for us all. And another thing, isn't it rather worrying that he now has access to the nuclear codes yet seemingly can't control his Twitter account?

Henry Gatewood, corrupt banker in the classic 1939 movie Stagecoach, *wished that the US president was a businessman.* America for Americans, *he said*. Don't let the government meddle with business! Reduce taxes! What the country needs is a businessman for president! *So why did it take 77 years? Presumably because of Harding, Coolidge and Hoover*.........

Chancellor Philip Hammond is a worried man. The tax system is getting out of touch with the way Britons live and work, leading to a hole in projected tax revenues from the rapid rise in incorporated small businesses. The shortfall is set to grow to £3.5bn a year by 2020/21 so something must be done to protect the tax base. The chancellor is right to be concerned: there was a 25 per cent rise in such small companies in 2015 alone. Much of this stems from the *gig economy* in which companies increasingly trade services with others rather than hire employees. But self-employed and small companies pay less tax than employees for exactly the same work. These tax advantages can be shared between those who want to buy services and those who sell them – the 13.8 per cent payroll tax being the most important. Ration your sympathy for chancellors, though, since government decisions have been just as important as changing work practices. National Insurance raised about half income tax revenues in 1979 but now, following a number of stealth increases, it now raises 70 per cent. The rise in personal allowances from £6,475 a year in 2010/11 to £11,500 in 2017/18 along with an additional £5,000 dividend tax allowance provides the opportunity for some couples to extract £26,328 a year free of income tax and national insurance. No-one should be surprised or disappointed that so many wish to incorporate: after all, one by one child benefit, the personal allowance and pension tax relief are all tapered at different levels of income, creating wide bands where the effective rate of tax is 60 per cent. One final thought: the Office of Budget Responsibility thinks that almost half of the £50bn annual increase in income tax revenues he wants to collect by 2020 will come from the 1.5 per cent of taxpayers earning over £150,000 a year. It is exactly this kind of individual that can shift money about. He should not be worried about these tax revenues failing to materialise: he should be scared stiff.

Long before Somerset Maugham branded Monaco a sunny place for shady people *the tax haven that Philip and Tina Green call home was given an even worse review by brief visitor Karl Marx. The arch critic of capitalism described Monaco in 1882 as a* robber's nest.

Finally, under this heading, I am pleased to report that in April Athelney Trust raised £407,000 before expenses by placing 174,800 shares at 233.2p. I look forward to welcoming personally the new investors to their first Annual General Meeting in Spring, 2017.

Chairman's Statement and Business Review
(continued)

Capital Gains

During the year the Company realised capital profits before expenses arising on the sale of investments in the sum of £294,251 (31 December 2015: £332,648).

Portfolio Review

Holdings of *Cape, Custodian REIT, Forterra, Lavendon, Ocean Wilsons, Schroder European, Target Healthcare, TP Icap and XL Media* were all purchased for the first time. Additional holdings of *Air Partner, Andrew Sykes, Begbies Traynor, Epwin, Gattaca, Greencore, KCOM, McColls Retail, Photo-me, Picton Property Income, Trinity Mirror and Vianet* were also acquired. *Amlin* and *Stanley Gibbons* were sold. In addition, five holdings were top-sliced to provide capital for the new purchases.

Corporate Activity

The holdings of *Premier Farnell, UK Mail* and *Wireless* were taken over at a capital profit of 41.2, 47.0 and 94.5 percent respectively.

Dividend

The Board is pleased to recommend an increased annual dividend of 8.6p per ordinary share (2015: 7.9p). This represents an increase of 8.8 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 30 March 2017, the dividend will be paid on 6 April 2017 to shareholders on the register on 10 March 2017.

For those patient investors who subscribed for Athelney Trust shares in the IPO of 1994, the annual return has now risen to 17.5 per cent net of basic rate tax on the capital originally invested.

Update

The unaudited NAV at 31 January 2017 was 250.4p whereas the share price on the same day stood at 240.5p. Further updates can be found on www.athelneytrust.co.uk

Strategic Report
(continued)

Chairman's Statement and Business Review
(continued)

Prospects

While 2016 was the year the unlikely became true, investors entered 2017 no better equipped to tell the difference between reality and illusion. Nevertheless, one or two hints are starting to emerge: the global economy has picked up, inflation is rising, central banks are still being helpful and US investors remain committed to the view that President Trump will deliver on tax cuts and infrastructure spending, yet will not upset the apple-cart by starting trade wars or grabbing the nuclear codes. It is right, I think, to be cautiously optimistic but I would be the first to admit that there is much which could go wrong. It is important that Athelney Trust buckles down to the task of identifying good companies, with many of the old-fashioned virtues, capable of steady growth in profitability, out of which would come a rising dividend.

Dr. E C Pohl
Chairman
22 February 2017

Athelney Trust plc
Strategic Report (continued)
Investment and Portfolio Analysis at 31 December 2016

	Stock	Holding	Value (£)	SECTOR £	%
Chemicals	Treatt	22,500	56,756	**56,756**	**1.1**
Construction & materials	Costain Group	14,666	51,844		
	Epwin Group	40,000	40,800		
	Forterra	40,000	69,600		
	Heath (Samuel) & Sons	15,500	38,750	**200,994**	**3.9**
Electronic & electrical equipment	XP Power Limited	3,000	52,050		
	Sprue Aegis	15,000	26,250	**78,300**	**1.5**
Food & beverages	Greencore Group	23,692	58,377		
	Wynnstay Group	10,000	53,725	**112,102**	**2.2**
General financial	Camellia	500	53,998		
	Charles Taylor	35,714	86,560		
	Jarvis Securities	24,500	82,075		
	Jupiter Fund Management	15,000	66,525		
	Juridica Investments	35,000	6,038		
	Park Group	140,000	101,850		
	Randall & Quilter Investment Holdings	40,000	51,900		
	Record	125,000	45,625		
	River & Mercantile Group	22,500	47,869		
	S & U	4,000	88,060		
	TP ICAP	15,000	64,980	**695,480**	**13.6**
Industrial engineering	Goodwin	2,000	34,100		
	Hill & Smith	9,000	107,820		
	Low & Bonar	65,000	42,413		
	Slingsby (H.C)	4,000	2,000		
	Vitec	6,500	42,120	**228,453**	**4.5**
Industrial transportation	Braemar Shipping Services	23,162	64,506		
	DX Group	50,000	8,875		
	Fisher (James)	3,000	46,770		
	Ocean Wilsons	6,500	66,398	**186,549**	**3.6**
Insurance	Beazley	16,000	61,984		
	Chesnara	16,000	58,400		
	Hansard Global	30,000	30,600		
	Hiscox	4,699	47,742		
	Lancashire Holdings	8,000	55,480		
	Novae Group	10,000	68,700	**322,906**	**6.3**
Leisure goods	Games Workshop	8,000	57,040	**57,040**	**1.1**
Media	4Imprint	6,500	115,310		
	Huntsworth	70,000	25,900		
	M&C Saatchi	8,500	32,279		
	Quarto Group Inc Com	50,000	149,000		
	Trinity Mirror	42,500	44,944		
	Wilmington	32,500	88,195		
	XLmedia	55,000	50,600	**506,228**	**9.9**
Oil, Equipment & Services	Cape	22,500	32,794	**32,794**	**0.6**
Property, commercial & residential	AEW UK REIT	65,000	61,750		
	Capital & Regional	135,000	73,913		
	Custodian REIT	60,000	65,400		
	Harworth Group	52,500	47,119		
	F & C UK Real Estate Investments	64,500	63,694		
	Lok'n Store Group	15,000	70,463		
	London Metric Property	45,000	69,930		
	Mountview Estates	1,500	165,923		
	Palace Capital	13,000	47,418		
	Picton Property Income	175,000	132,125		
	Regional REIT Ltd	50,000	53,750		
	Schroder Real Estate Investment Trust	109,000	62,130		

Investment and Portfolio Analysis at 31 December 2016
(continued)

	Stock	Holding	Value (£)	SECTOR £	%
Property, commercial & residential (continued)	Schroder European Real Estate	50,000	55,000		
	Standard Life Property Income	65,000	55,900		
	Target Healthcare REIT	100,000	112,750		
	Town Centre Securities	27,500	76,106		
	Tritax Big Box	60,000	83,640		
	UK Commercial Property Trust	50,000	42,200	**1,339,211**	**26.2**
Retailers	McColls Retail Group	35,000	65,013		
	Safestyle UK	22,500	65,250	**130,263**	**2.6**
Support services	Andrew Sykes Group	19,500	81,900		
	Begbies Traynor	100,000	48,000		
	Communisis	100,000	43,120		
	Connect Group	64,285	98,035		
	Gattaca	21,500	59,286		
	Latham (James)	5,500	41,236		
	Lavendon	40,000	105,500		
	Menzies (John)	9,500	56,573		
	St Ives	37,500	47,719		
	Vianet Group	50,000	45,500		
	VP	17,500	133,788	**760,657**	**14.9**
Telecommunications	KCOM Group	56,000	52,920	**52,920**	**1.0**
Travel & leisure	Air Partner	22,500	111,375		
	Cineworld	19,800	111,771		
	GVC Holdings	12,500	80,250		
	Photo-Me	32,500	53,219	**356,615**	**7.0**

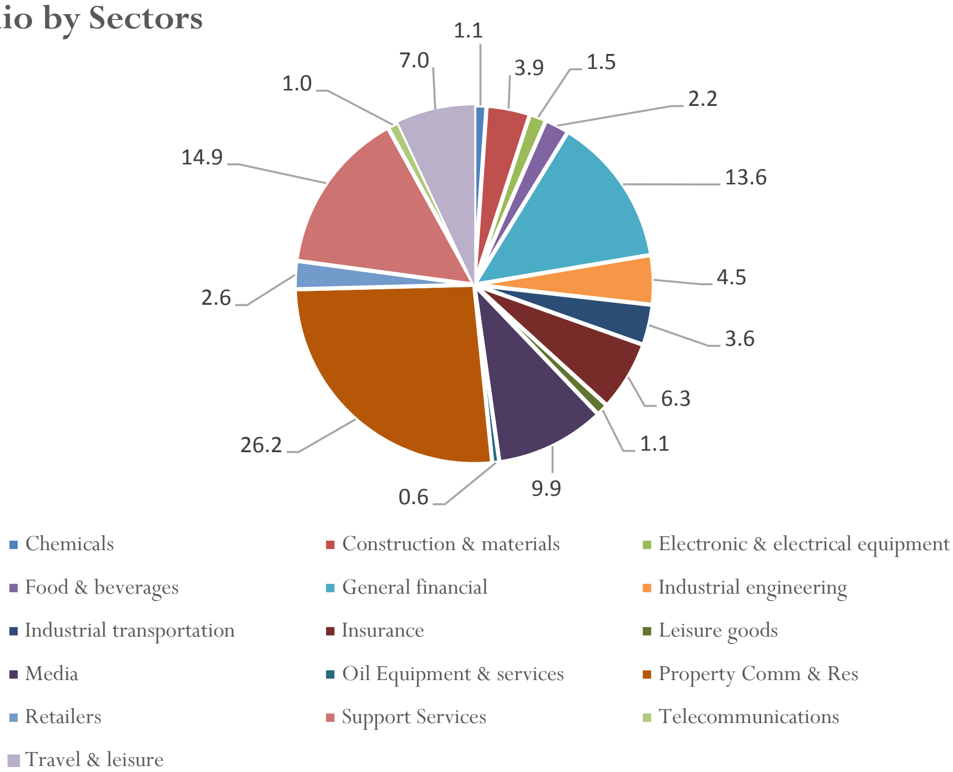
Portfolio Value		£	5,117,268	100%
Net Current Assets		£	301,265	
TOTAL VALUE		£	5,418,533	
Shares in issue			2,157,881	
Audited NAV	251.1p			

Athelney Trust plc

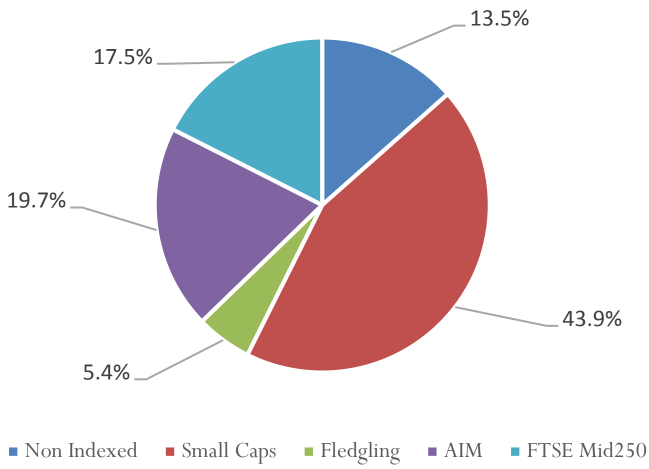
Strategic Report
(continued)

Portfolio Breakdown by Sector and Index

Portfolio by Sectors



Portfolio by listing



Strategic Report
(continued)
Other Statutory Information

As explained within the Report of the Directors on pages 22 to 25, the Company carries on business as an investment trust. Investment trusts are collective closed-ended public limited companies.

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 three male Directors, can be found on page 2.

The Company has one male employee (2015: two male employees).

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, whose 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.

Investment 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 Fund Manager's conviction in those holdings and his 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 2016 can be found on pages 9 to 11 of the annual report.

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 15 to 21, 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 his stance towards environmental, social and governance issues.

Strategic Report
(continued)
Other Statutory Information
(continued)

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 3 to 8 which forms part of the Strategic Report.

Principal Risks and Uncertainties and Risk Management

As stated within the Corporate Governance Statement on pages 15 to 21, 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 12 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 – Relevant legislation and regulations which apply to the Company include the Companies Act 2006, the Corporation Tax Act 2010 ("CTA") and the Listing Rules of the Financial Conduct Authority ("FCA"). The Company has noted the recommendations of the UK Corporate Governance Code and its statement of compliance appears on pages 15 to 21. A breach of the CTA could result in the Company losing its status as an investment company and becoming subject to capital gains tax, whilst a breach of the Listing Rules might result in censure by the FCA. At each Board meeting the status of the Company is considered and discussed, so as to ensure that all regulations are being adhered to by the Company and its service providers.

The Board is not aware of any breaches of laws or regulations during the period under review and up to the date of this report.

• 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.

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

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.

Strategic Report
(continued)

Other Statutory Information
(continued)

Statement Regarding Annual Report and Financial Statements

Following a detailed review of the Annual Report and Financial Statements 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.

Environment Emissions

The Company does not have any physical assets, property, or operations of its own and as such does not generate any greenhouse gas or other emissions.

Social, Community and Human Rights Issues

The Company has one employee (2015: two employees) and, as far as the Board is aware, no issues exist in respect of social, community or human rights issues.

Alternative Investment Fund Manager's Directive ("AIFMD")

The Company is registered as its own AIFM with the FCA under the AIFMD and confirms that all required returns have been completed and filed.

BY ORDER OF THE BOARD

J. Girdlestone
Secretary

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

22 February 2017

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 2014 which can be found at www.frc.org.uk. The Association of Investment Companies issued its own Code of Corporate Governance in July 2016 (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 agreements for provision of their services but no limit has been imposed on the overall length of service. The recommendation of the Code is for fixed term renewable contracts. In recent years each of the Directors has retired and, where appropriate, sought re-election each year. The Board has determined that this policy will cease in 2016 and from 2017 the Directors will retire by rotation on a three yearly basis in accordance with the Company's articles of association.

- The Company has one employee. The Company Secretary's line of communication in relation to whistle-blowing is to the Chairman of the Company.

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

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

At the end of the year the Board consisted of three directors, of which two are independent. The Board has agreed that the Chairman will retire at the forthcoming AGM and, he has indicated he will seek re-election. The biographies of all the Directors are contained on page 2.

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.

Corporate Governance Statement
(Continued)

The Directors of the Company meet at regular Board Meetings, during the year ended 31 December 2016, the Board met four times with all Directors present.

	Board Meetings	Audit Committee	Remuneration Committee
Dr. E C Pohl	4	2	1
R G Boyle	4	-	-
S Moore	4	2	1

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 12 to 14. 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 the Fund 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 Fund Manager and Company Secretary.

The Fund 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 Fund 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)

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 Fund Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Fund 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.

Chairman and Senior Independent Director

The Chairman, Dr E.C. Pohl, 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.

Remuneration Committee

The Remuneration Committee comprises Dr Emmanuel Pohl and Simon Moore (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 27 to 30 and in note 4 to the financial statements.

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.

Corporate Governance Statement
(Continued)

Independent Professional Advice and Directors' 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.

Institutional Investors – Use of Voting Rights

The Fund Manager, 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 Fund Manager who votes against resolutions he believes may damage shareholders' rights or economic interests.

Audit Committee

The Audit Committee is chaired by Simon Moore and attended by Dr. Emmanuel Pohl. The committee met twice 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, Hazlewoods LLP, including its independence and objectivity. It is also the forum through which Hazlewoods LLP 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 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 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 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 and the dividend forecast for the year are agreed on a monthly basis with the Fund Manager and the Company Secretary.

Corporate Governance Statement
(Continued)

The Audit Committee reviews the scope and results of the audit and, during the year, considered and approved Hazlewoods LLP's plan for the audit of the financial statements for the year ended 31 December 2016. At the conclusion of the audit Hazlewoods LLP 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. Hazlewoods LLP 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.

As part of the review of auditor independence and effectiveness, Hazlewoods LLP has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating Hazlewoods LLP, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. Following professional guidelines, the audit partner rotates after five years.

The Board of Directors of the Company comprised three male Directors in the year to 31 December 2016. While the Board recognises the benefits of diversity in future appointments to the Board, the key criteria for the appointment of new directors will be the appropriate skills and experience in the interest of shareholder value. The Directors are satisfied that the Board currently contains members with an appropriate breadth of skills and experience.

Company Information

The following information is disclosed in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6.

- The Company's capital structure and voting rights are summarised on pages 23 and 24.
- Details of the substantial shareholders in the Company are listed on page 23.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 22.
- The Board is seeking to renew its current powers to issue shares at the forthcoming Annual General Meeting.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to the control attached to securities; no restrictions on voting rights; no agreements which the Company is party to that might affect its control following a successful takeover.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Corporate Governance Statement
(Continued)

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 30 March 2017, is set out on pages 48 to 52. The Annual Report and Notice of Annual General Meeting are sent to shareholders at least 20 working days before the Meeting.

Viability Statement

The directors have assessed the prospects of the Company for a period of three years. The board believes this time period is appropriate having consideration for the Company's principal risks and uncertainties (outlined on page 13), its portfolio of listed equity investments and cash balances, and its ability to achieve the stated dividend policy.

In making this assessment, the directors have considered detailed information provided at board meetings which includes the Company's balance sheet, investment portfolio and income and operating expenses.

Based on the above, the Board confirms that the Company fully expects it will be able to continue in operation and meet its liabilities as they fall due over the three year period of this assessment.

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.

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.

Internal Control Assessment Process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- The nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- The threat of such risks becoming a reality;
- The Company's ability to reduce the incidence and impact of risk on its performance; and
- The cost and benefits to the Company of third parties operating the relevant controls.

Corporate Governance Statement
(Continued)

Against this background, the Board has split the review of risk and associated controls into four sections reflecting the nature of the risks being addressed. These sections are as follows:

- Corporate strategy;
- Published information, compliance with laws and regulations;
- Relationship with service providers; and
- Investment and business activities.

The key procedures which have been established to provide internal controls are as follows:

- Custody and valuation of assets is undertaken by Speirs & Jeffrey Limited;
- The duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- Mandates for authorisation of investment transactions and expense payments are set by the Board; and
- The Board reviews financial information produced by the Fund Manager and the Company Secretary in detail on a regular basis.

In accordance with guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the system of internal control as it has operated over the year.

BY ORDER OF THE BOARD

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

J. Girdlestone
Secretary
22 February 2017

Athelney Trust plc

Report of the Directors

The Directors present their report and audited financial statements of the Company for the year ended 31 December 2016. 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 £211,428 (2015: £184,378) as detailed on page 34.

It is recommended that a dividend of 8.6p (2015: 7.9p) 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. The Company has been granted approval from HM Revenue & Customs ('HMRC') as an authorised investment trust under Section 1158 of the Corporation Tax Act 2010 for the year ended 31 December 2015. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2016 so as to be able to continue to obtain approval as an authorised investment trust, under Section 1158 of the Corporation Tax Act 2010. The Company is an investment company as defined in Section 833 of the Companies Act 2006.

Directors

Biographical details of the Directors, can be found on page 2.

As explained in more detail in the Corporate Governance Statement on pages 15 to 21, the Board has resolved that with effect from the 2017 Annual General Meeting the Directors will revert to the arrangements for retirement contained in the Company's Articles of Association, so that the Directors will retire by rotation on a three yearly cycle.

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 15 to 21, the performance of the Director 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 this Director is 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' 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. It is not considered that an interest in the Company's shares held by a Director will of itself give rise to a situation where that Director's interests or duties conflict with the interests of the Company.

Report of the Directors
(continued)

Capital Structure

At 31 December 2016 the Company's capital structure consisted of 2,157,881 Ordinary Shares of 25p each (2015: 1,983,081 Ordinary Shares of 25p each).

Directors and Their Interests

The Directors who held office during the year and at the date of this report are shown below; their interest in the ordinary shares of the Company are stated on page 29 in the Directors' Remuneration Report.

Dr. E. C. Pohl	(Non-executive Chairman)
R. G. Boyle	(Managing Director)
S. Moore	(Non-executive Director)

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.

J L Addison has been appointed as alternate director for Dr Pohl but as Dr Pohl was able to attend all meetings of the Board and its committees during the year, Mr Addison was not required to act as his alternate.

Substantial 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	449,055	20.81
Global Masters Fund	297,359	13.78
Mr G.W. & Mrs D.J. Whicheloe	104,000	4.82
NS Salvesen and Salvesen Family Trust	87,500	4.05
Mrs E. Davison	75,000	3.48
Mr C. Frostick	69,720	3.23

There have been no other changes in the above major shareholdings in the company up to 28 February 2017.

Share Issue

On 21 April 2016 the Company issued a further 174,800 Ordinary Shares of 25p each, at £2.33 per share, raising £407,000 before expenses, and increasing the issued share capital from 1,983,081 to 2,157,881 as per the Special Resolution detailed at the AGM held on 7 April 2016.

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.

Report of the Directors
(continued)

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 12 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 12 to the financial statements 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 financial statements.

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 12 to the financial statements.

Annual General Meeting

The Notice of Annual General Meeting is set out on pages 48 to 52.

Report of the Directors
(continued)

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.

Re-appointment of Auditor

A resolution will be put to the shareholders at the Annual General Meeting proposing the re-appointment of Hazlewoods LLP as Auditor to the Company. Hazlewoods LLP has indicated its willingness to continue in office.

BY ORDER OF THE BOARD

J. Girdlestone
Secretary

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

22 February 2017

Athelney Trust plc

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements and have elected to prepare them in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors state that to the best of their knowledge:

- the Financial Statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Chairman's Statement and Report of the Directors include 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information related to the Company including on the company's website www.athelneytrust.co.uk

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

J.Girdlestone
Secretary
22 February 2017

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 and Simon Moore. Simon Moore chairs the meetings. The Committee considers and approves Directors' remuneration.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract and retain directors with suitable skills and experience, and is determined in such a way as to reflect the experience of the Board as a whole, in order to be comparable with other organisations and appointments. It is intended that this policy will continue for the year ending 31 December 2017 and thereafter.

The fees for non-executive Directors are determined within the limits set out in the Company's Articles of Association. The approval of shareholders would be required to increase the limits set out in the Articles of Association. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, as the Board does not consider such arrangements or benefits necessary or appropriate. Fees for any new Director appointed will be made on the same basis.

The salary for the Managing Director and Fund Manager was fixed on 1 April 2015 at 1% of portfolio value calculated on a monthly basis and will continue on this basis until determined otherwise.

Directors' Service Contracts

Each of the Directors has a service contract or letter of engagement with the Company.

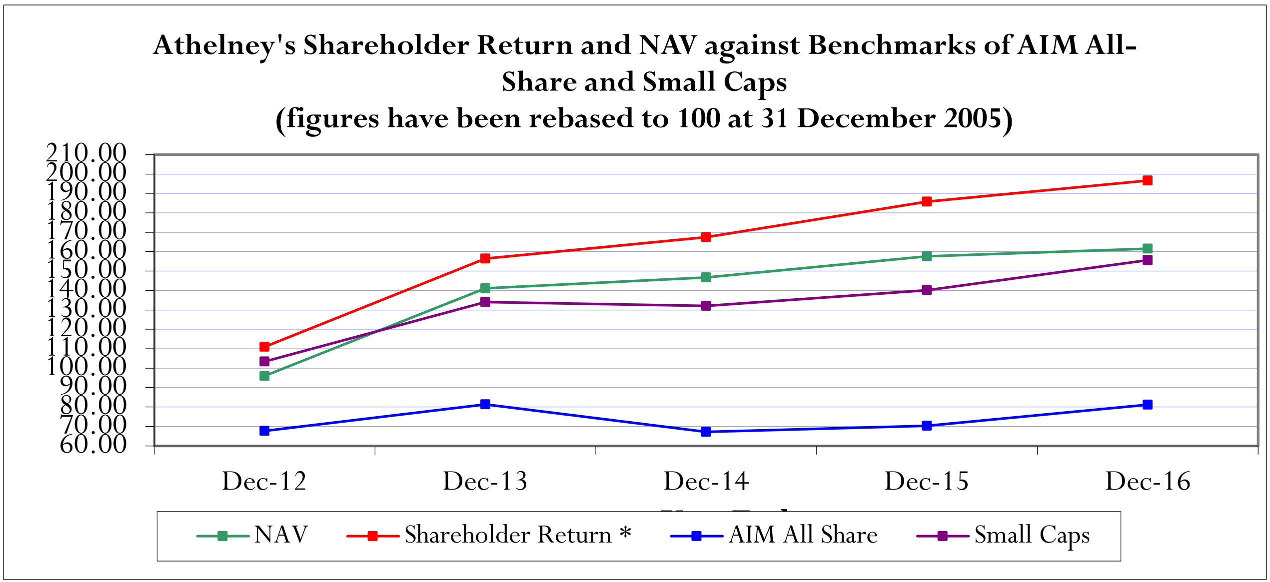
The Managing Director Mr R. Boyle has a service contract commencing 21 August 2008 which provides for termination by either party on one year's notice at any time.

The letters of engagement for the two non-executive Directors, Dr. E. C. Pohl and Mr S. Moore, provide for their appointment to continue until the Annual General Meeting following the appointment and, following re-election at that meeting, for renewal by the Board on terms to be agreed from time to time. The letters of engagement for Dr E. C. Pohl and Mr S. Moore commenced on 28 June 2010 and 1 May 2015 respectively.

Directors' Remuneration Report
(continued)

Company Performance

The graph below compares, for the five financial years ended 31 December 2016, 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 or non-executive directors' fees:

	2016 £	2015 £
Dr E. C. Pohl (Chairman, Non-executive)	10,500	6,125
R. G. Boyle (Managing Director)	49,401	46,747
S. Moore (Non-executive)	10,500	7,000
H. Deschampsneufs (Non-executive) resigned 24/5/15	-	4,167
D. Horner (Non-executive) resigned 30/1/15	-	625
J. L. Addison (Alternate Director)	-	-
	70,401	64,664

Directors' Remuneration Report
(continued)

Directors' beneficial and family interests (audited)

The interests of the Directors and their families in the Ordinary shares of the Company are set out below:

	31 December 2016 (or date of resignation if earlier)	31 December 2015 (or date of appointment if later)
R.G. Boyle	449,055[2]	418,705
Dr E.C. Pohl	-[1]	-
S. Moore	32,000	25,700
J. L. Addison (Alternate Director)	-	-

Notes:

1. Dr. E. C. Pohl is the sole beneficial owner of E C Pohl & Co Pty Limited, which owns 54.1% of the issued share capital of Global Masters Fund Limited on behalf of itself and clients whose portfolios it manages. Global Masters Fund Limited holds 297,359 (2015: 275,509) shares in the company.

2. Included within R.G. Boyle's holding is an interest in Trehellas House Limited, a company which holds 391,600 (2015: 391,600) ordinary shares representing 18.42 per 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 a right of first refusal to such number of shares owned by 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 nor, Trehellas House Limited having determined to sell those shares, any obligation on E C Pohl & Co to buy.

There have been no changes to any of the above holdings between 31 December 2016 and the date of this report. None of the Directors has any non-beneficial interests to disclose.

None of the Directors nor any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year other than through their holdings in the Company's shares.

The Directors' Remuneration Report for the year ended 31 December 2015 was approved by shareholders at the Annual General Meeting held on 7 April 2016. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	1,065,465	100
Against	Nil	-
Total votes cast	1,065,465	100
Number of votes withheld	Nil	-

Directors' Remuneration Report
(continued)

	Expected Fees for the Year to 31 December 2017	Fees for Year to 31 December 2016
Chairman basic fee	10,500	10,500
Managing Director 1% of net assets	51,000	49,401
Non-Executive Director basic fee	10,500	10,500

Approval

The Directors' Remuneration Report was approved by the Board on 22 February 2017.

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 2016, which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 14. 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 26, 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 2016 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

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to a users’ understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Valuation and existence of investments:
The Company’s investment portfolio is one of the key drivers of performance results, of which 100% is represented by quoted investments. The investments are not considered to be at a high risk of material misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments.

However, due to their materiality in the context of the financial statements as a whole, they are considered to be a significant risk area. Our audit work included, but was not restricted to, consideration of the design and implementation of controls over the pricing of quoted investments and agreeing 100% of investment prices to independent sources. We considered the appropriateness of the use of the quoted bid price by reviewing the liquidity of the market of the quoted investments held.

Allocation of costs between capital and revenue
The Company allocates expenditure between revenue and capital on the basis of the Board's expected long term capital and revenue returns. The allocation is important as it affects distributable reserves. Our audit work included, but was not restricted to, a detailed review of the actual dividend and capital income received in the past 5 years compared to the Board's expected long-term capital and revenue returns. The company's accounting policy on this allocation is included in note 1.

Management override of financial controls
The risk of management override is always considered to be a significant audit risk. Our audit work included, but was not restricted to a review of all significant management estimates and judgements applied during the completion of the financial statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in note 1.

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 £106,000. This has been calculated by reference to several benchmarks of the financial statements and approximates to approximately 2% of total 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 £39,000.

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 £5,000 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. The day-to-day management of the Company's investment portfolio is managed internally, whilst the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATHELNEY TRUST PLC
(Continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors' 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.

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 24, 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.

Scott Lawrence FCA
Senior Statutory Auditor
for and on behalf of

Hazlewoods LLP
Statutory Auditor, Cheltenham

22 February 2017

Athelney Trust plc

Income Statement

	Note	For the Year Ended 31 December 2016			For the Year Ended 31 December 2015		
		Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**
Gains on investments held at fair value	**8**	-	236,357	236,357	-	391,473	391,473
Income from investments	**2**	242,157	-	242,157	218,309	-	218,309
Investment Management expenses	**3**	(5,210)	(46,933)	(52,143)	(5,149)	(46,910)	(52,059)
Other expenses	**3**	(25,519)	(63,393)	(88,912)	(28,782)	(59,514)	(88,296)
Net return on ordinary activities before taxation		211,428	126,031	337,459	184,378	285,049	469,427
Taxation	**5**	-	-	-	-	-	-
Net return on ordinary activities after taxation	**6**	211,428	126,031	337,459	184,378	285,049	469,427
Net return per ordinary share	**6**	10p	6p	16p	9.3p	14.4p	23.7p
Dividend per ordinary share paid during the year	**7**	7.9p			6.7p		

The total column of this statement is the profit and loss account for the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued during the above financial years.
A statement of movements of reserves is given overleaf.
A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above Statement.

The notes on pages 38 to 46 form part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called-up Share Capital £	Share Premium £	Capital reserve realised £	Capital reserve unrealised £	Revenue reserve £	Total Shareholders' Funds £
Balance brought forward at 1 January 2015	495,770	545,281	1,336,934	1,851,828	291,857	4,521,670
Net profits on realisation of investments	-	-	332,648	-	-	332,648
Increase in unrealised appreciation	-	-	-	58,825	-	58,825
Expenses allocated to Capital	-	-	(106,424)	-	-	(106,424)
Profit for the year	-	-	-	-	184,378	184,378
Dividend paid in year	-	-	-	-	(132,866)	(132,866)
Shareholders' Funds at 31 December 2015	495,770	545,281	1,563,158	1,910,653	343,369	4,858,231
Balance brought forward at 1 January 2016	495,770	545,281	1,563,158	1,910,653	343,369	4,858,231
Net profits on realisation of investments	-	-	294,251	-	-	294,251
Decrease in unrealised appreciation	-	-	-	(57,894)	-	(57,894)
Expenses allocated to Capital	-	(28,127)	(110,326)	-	-	(138,453)
Profit for the year	-	-	-	-	211,428	211,428
Dividend paid in year	-	-	-	-	(156,663)	(156,663)
Shares issued in the year	43,700	363,933	-	-	-	407,633
Shareholders' Funds at 31 December 2016	**539,470**	**881,087**	**1,747,083**	**1,852,759**	**398,134**	**5,418,533**

The notes on pages 38 to 46 form part of these financial statements.

Athelney Trust plc

Statement of the Financial Position as at 31 December 2016

Company Number: 02933559

	Note	2016	2015
		£	£
Fixed assets			
Investments held at fair value through profit and loss	8	5,117,268	4,709,749
Current assets			
Debtors	9	256,964	124,368
Cash at bank and in hand		59,133	39,493
		316,097	163,861
Creditors: amounts falling due within one year	10	(14,832)	(15,379)
Net current assets		301,265	148,482
Total assets less current liabilities		5,418,533	4,858,231
Provisions for liabilities and charges		-	-
Net assets		5,418,533	4,858,231
Capital and reserves			
Called up share capital	11	539,470	495,770
Share premium account		881,087	545,281
Other reserves (non distributable)			
Capital reserve - realised		1,747,083	1,563,158
Capital reserve - unrealised		1,852,759	1,910,653
Revenue reserve (distributable)		398,134	343,369
Shareholders' funds - all equity		5,418,533	4,858,231
Net Asset Value per share	13	251.1p	245p

Approved and authorised for issue by the Board of Directors on 22 February 2017.

R. Boyle

R.G. Boyle
Director

The notes on pages 38 to 46 form part of these financial statements.

Athelney Trust plc

Statement of Cash flows for the Year Ended 31 December 2016

	2016	2015
	£	£
Cash flows from operating activities		
Net revenue return	211,428	184,378
Adjustment for:		
Expenses charged to capital	(110,326)	(106,424)
Decrease in creditors	(547)	(447)
Increase in debtors	(132,596)	(37,122)
Cash (used)/from operations	(32,041)	40,385
Cash flows from investing activities		
Purchase of investments	(741,319)	(755,023)
Proceeds from sales of investments	570,157	868,860
Net cash from investing activities	(171,162)	113,837
Financing activities		
Share issue	379,506	-
Net cash from financing activities	379,506	-
Equity dividends paid	(156,663)	(132,866)
Net increase in cash	19,640	21,356
Cash at the beginning of the year	39,493	18,137
Cash at the end of the year	59,133	39,493

The notes on pages 38 to 46 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting Policies

1.1 Statement of Compliance and Basis of Preparation of Financial Statements

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS 102"), the Companies Act 2006 and with the AIC Statement of Recommended Practice ("SORP") issued in November 2014 (amended January 2017), regarding the Financial Statements of Investment Trust Companies and Venture Capital Trusts. All the Company's activities are continuing.

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 102 "Income Tax". Interest is dealt with on an accruals basis.

1.3 Investment Management Expenses

All three directors are involved in investment management, 10% of their salaries or fees 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. Unlisted investments are traded on AIM. 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, similarly, AIM-traded investments are valued using the closing bid price on 31 December.

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 102 "Events after the end of the Reporting Period", 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

	2016 £	2015 £
UK dividend income	175,503	151,071
Foreign dividend income	46,439	56,033
UK Property REITs	20,210	11,144
Bank interest	5	61
Total income	242,157	218,309

UK dividend income

	2016 £	2015 £
UK Main Market listed investments	115,086	93,474
UK AIM-traded shares	60,417	57,597
	175,503	151,071

Notes to the Financial Statements
For the Year Ended 31 December 2016

3. Return on Ordinary Activities before Taxation

	2016	2015
	£	£
The following amounts (inclusive of VAT) are included within investment management and other expenses:		
Directors' remuneration:		
- Services as a director	21,000	17,291
- Otherwise in connection with management	49,401	47,372
Auditors' remuneration:		
- Audit Services - Statutory audit	10,500	10,500
Miscellaneous expenses:		
- Other wages and salaries	10,300	31,233
- Management services	22,140	-
- PR and communications	9,662	11,935
- Stock exchange subscription	6,420	6,180
- Sundry investment management and other expenses	11,632	15,844
	141,057	140,355

On 1 April 2016 the Company entered into a contract with J Girdlestone to provide management services at an annual cost of £24,600 plus VAT.

4. Employees

	2016	2015
	£	£
Costs in respect of Directors:		
Wages and salaries	70,401	64,663
Social security costs	2,971	4,402
	73,372	69,065
Costs in respect of administrator:		
Wages and salaries	6,687	25,250
Social security costs	642	1,581
	7,329	26,831
Total:		
Wages and salaries	77,088	89,913
Social security costs	3,613	5,983
	80,701	95,896
Average number of employees:		
Chairman	1	1
Investment	2	2
Administration	-	1
	3	4

5. Taxation

(i) On the basis of these financial statements no provision has been made for corporation tax (2015: Nil).
(ii) Factors affecting the tax charge for the year.

The tax charge for the period is lower than (2015: lower than) the average small company rate of corporation tax in the UK of 20 per cent. The differences are explained below:

	2016	2015
	£	£
Total return on ordinary activities before tax	337,459	469,427
Total return on ordinary activities multiplied by the average small company rate of corporation tax 20% (2015: 20%)	67,492	93,885
Effects of:		
UK dividend income not taxable	(34,430)	(36,876)
Revaluation of shares not taxable	11,578	(11,765)
Capital gains not taxable	(58,850)	(66,530)
Unrelieved management expenses	14,210	21,286
Current tax charge for the year	-	-

The Company has unrelieved excess revenue management expenses of £92,354 at 31 December 2016 (2015: £83,051) and £102,597 (2015: £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 2015, 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 2015. 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 102.

	2016			2015		
	£	£	£	£	£	£
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Attributable return on ordinary activities after taxation	211,428	126,031	337,459	184,378	285,049	469,427
Weighted average number of shares		2,104,868			1,983,081	
Return per ordinary share	10p	6p	16p	9.3p	14.4p	23.7p

7. Dividend

	2016 £	2015 £
Final dividend in respect of 2015 of 7.9p (2015: a final dividend of 6.7p was paid in respect of 2014) per share	156,663	132,866

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 8.6p (2015: 7.9p) per ordinary share be paid amounting to a total of £185,578. For the year 2015, a final dividend of 7.9p was paid on 14 April 2016 amounting to a total of £156,663.

	2016 £	2015 £
Revenue available for distribution	211,428	184,378
Final dividend in respect of financial year ended 31 December 2016	(185,578)	(156,663)
Undistributed Revenue Reserve	25,850	27,715

8. Investments

	2016 £	2015 £
Movements in year		
Valuation at beginning of year	4,709,749	4,432,113
Purchases at cost	741,319	755,023
Sales - proceeds	(570,157)	(868,860)
- realised gains on sales	294,251	332,648
(Decrease)/Increase in unrealised appreciation	(57,894)	58,825
Valuation at end of year	5,117,268	4,709,749
Book cost at end of year	3,264,509	2,799,096
Unrealised appreciation at the end of the year	1,852,759	1,910,653
	5,117,268	4,709,749
UK Main Market listed investments	4,109,077	4,089,885
UK AIM-traded shares	1,008,191	619,864
	5,117,268	4,709,749

8. Investments (continued)

Gains on investments

	2016	2015
	£	£
Realised gains on sales	294,251	332,648
(Decrease)/Increase in unrealised appreciation	(57,894)	58,825
	236,357	391,473

The purchase costs and sales proceeds above include transaction costs of £3,695 (2015: £5,796) and £1,344 (2015: £3,605) respectively.

9. Debtors

	2016	2015
	£	£
Investment transaction debtors	249,295	119,311
Other debtors	7,669	5,057
	256,964	124,368

10. Creditors: amounts falling due within one year

	2016	2015
	£	£
Social security and other taxes	2,623	3,056
Other creditors	172	172
Accruals and deferred income	12,037	12,151
	14,832	15,379

11. Called Up Share Capital

	2016	2015
	£	£
Authorised		
10,000,000 Ordinary Shares of 25p	2,500,000	2,500,000
Allotted, called up and fully paid		
2,157,881 Ordinary Shares of 25p	539,470	495,770
(2015: 1,983,081 Ordinary Shares of 25p)		

12. 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.

The major risks associated with the Company are market, credit 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 price risk arises mainly from uncertainty about future prices of financial investments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements other than movements in exchange rates and interest rates.

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager who gives timely reports of relevant information to the Directors.

Adherence to the investment objectives and the internal controls on investments set by the Company mitigates the risk of excessive exposure to any one particular type of security or issuer.

The Company's exposure to other changes in market prices at 31 December on its investments is as follows:

A 20% decrease in the market value of investments at 31 December 2016 would have decreased net assets attributable to shareholders by 47.4 pence per share (2015: 47.5 pence per share). An increase of the same percentage would have an equal but opposite effect on net assets available to shareholders.

	2016	2015
	£	£
Fair value through profit or loss investments	5,117,268	4,709,749

Market risk also arises from changes in interest rates and exchange risk. All of the Company's assets are in sterling and accordingly the Company has limited currency exposure. The majority of the Company's financial assets are non-interest bearing, as a result the Company's financial assets are not subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held with the custodian to be delayed.

Liquidity Risk

Liquidity Risk is the risk that the Company may have difficulty in meeting obligations associated with financial liabilities. The Company is able to reposition its investment portfolio when required so as to accommodate liquidity needs. However it may be difficult to realise its investment portfolio in adverse market conditions.

Maturity Analysis of Financial Liabilities

The Company's financial liabilities consist of creditors as disclosed in note 10. All items are due within one year.

12. Financial Instruments (continued)

Capital management policies and procedures
The Company's capital management objectives are:

- to ensure the company's ability to continue as a going concern;
- to provide an adequate return to shareholders;
- to support the company's stability and growth;
- to provide capital for the purpose of further investments.

The Company actively and regularly reviews and manages its capital structure to ensure and optimal capital structure, taking into consideration the future capital requirements of the company and capital efficiency, projected operating cash flows and projected strategic investments opportunities. The management regards capital as total equity and reserves, for capital management purposes.

Fair values of financial assets and financial liabilities
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.

Financial instruments by category
The financial instruments of the Company fall into the following categories

31 December 2016	**At Amortised Cost**	**Assets at fair value through profit or loss**	**Total**
	£	**£**	**£**
Assets as per the balance sheet			
Investments	-	5,117,268	5,117,268
Debtors	256,964	-	256,964
Cash at bank	59,133	-	59,133
Total	**316,097**	**5,117,268**	**5,433,365**
Liabilities as per the balance sheet			
Creditors	14,832	-	14,832
Total	**14,832**	**-**	**14,832**

31 December 2015	**At Amortised Cost**	**Assets at fair value through profit or loss**	**Total**
	£	**£**	**£**
Assets as per the balance sheet			
Investments	-	4,709,749	4,709,749
Debtors	124,368	-	124,368
Cash at bank	39,493	-	39,493
Total	**163,861**	**4,709,749**	**4,873,610**
Liabilities as per the balance sheet			
Creditors	15,379	-	15,379
Total	**15,379**	**-**	**15,379**

12. Financial Instruments (continued)

Fair value hierarchy
In accordance with FRS 102, the Company must disclose the fair value hierarchy of financial instruments.

The fair value hierarchy consists of the following three classifications:

Classification A – Quoted prices in active markets for identical assets or liabilities.
Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on and arm's length basis.

Classification B – The price of a recent transaction for an identical asset, where quoted prices are unavailable.

The price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Classification C – Inputs for the asset or liability that are based on observable market data and unobservable market data, to estimate what the transaction price would have been on the measurement data in an arm's length exchange motivated by normal business considerations.

The Company only holds classification A investments (2015: classification A investments only).

13. Net Asset Value per Share

The net asset value per share is based on net assets of £5,418,533 (2015: £4,858,231) divided by 2,157,881 (2015: 1,983,081) ordinary shares in issue at the year end.

	2016	2015
Net asset value	251.1p	245.0p

14. Dividends paid to directors

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

Mr Robin Boyle	£32,485[2]
Dr. Manny Pohl	£-[1]
Mr Simon Moore	£2,030

Notes:

1. Dr Manny Pohl's relationship with Global Masters Fund Limited is described in Note 1 to the table of Directors' interests on page 29. During the year a dividend of £23,491 was paid to Global Masters Fund Limited.
2. This figure includes £30,936 paid to Trehellas House Limited. Mr Robin Boyle's interest in Trehellas House Limited is described in Note 2 to the table of Directors' interest on page 29.

Athelney Trust plc

OFFICERS AND FINANCIAL ADVISERS

Directors:	Dr E.C. Pohl (Chairman) R.G. Boyle (Managing Director) S. Moore (Director) J. L. Addison (Alternate Director)	Email: mannypohl@athelneytrust.co.uk Email: robinboyle@athelneytrust.co.uk Email: simonmoore@athelneytrust.co.uk
Secretary:	J. Girdlestone Waterside Court Falmouth Road Penryn Cornwall, TR10 8AW	Email: john@athelneytrust.co.uk Tel: 01326 378 288
Registered Office:	Waterside Court Falmouth Road Penryn Cornwall, TR10 8AW	Website: www.athelneytrust.co.uk Email: info@athelneytrust.co.uk Tel: 01326 378 288
Company Number:	02933559 (Incorporated and registered in England)	
Solicitor:	Druces LLP Salisbury House London Wall London EC2M 5PS	Email: d.smith@druces.com Tel: 020 7638 9271
Stockbroker:	Speirs & Jeffrey Limited 50 George Square Glasgow, G2 1EH	Email: graeme.dickie@speirsjeffrey.co.uk Tel: 0141 248 4311
Auditors:	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT	Email: scott.lawrence@hazlewoods.co.uk Tel: 01242 237 661
Banker:	HSBC Bank Plc Market Street Falmouth Cornwall, TR11 3AA	
Registrar:	Share Registrars Limited Suite E First Floor 9 Lion & Lamb Yard Farnham Surrey, GU9 7LL	Email: peter@shareregistrars.uk.com Tel: 01252 821 390
Public Relations Consultants:	City Road Communications Limited 42-44 Carter Lane London, EC4V 5EA	Email: paulquade@cityroad.uk.com Tel: 0207 248 8010

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the content or action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in Athelney Trust plc please send this document, together with the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

ATHELNEY TRUST PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting to be held at the offices of Druces LLP, Salisbury House, London Wall, London EC2M 5PS on 30 March 2017 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 28 March 2017. Instructions for the appointment of proxies through CREST are contained in the Notes to the Notice of Annual General Meeting.

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

Directors
Dr E.C. Pohl
R.G.Boyle
S. Moore

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").

22 February 2017

Dear Shareholder,

2017 ANNUAL GENERAL MEETING
APPROVAL OF ANNUAL REPORT AND ACCOUNTS AND OTHER RESOLUTIONS

Introduction

The 2017 Annual General Meeting ("AGM") of the Company is to be held on 30 March 2017 at 4.30pm at the offices of Druces LLP, Salisbury House, London Wall, London EC2M 5PS. 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 additional items of special business to be considered at Resolutions 7, 8 and 9.
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 2016 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 on the issue of new shares for cash which are contained in the Companies Act should be disapplied and that the Company should be allowed to purchase its own shares.

Resolution 7 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 7, the Directors will (pursuant to paragraph (i) of Resolution 7) have the necessary authority until the date of the next annual general meeting, or 30 April 2018 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 £53,947, which is equivalent to 10 per cent of the current issued share capital.

In addition, upon the passing of Resolution 7, (pursuant to paragraph (ii) of Resolution7) the Directors will have authority, until the date of the next annual general meeting of the Company or 30 April 2018 if earlier, to allot and/or grant equity securities (as defined in section 560(1) of the Act) in connection with a rights issue or other pre-emptive offer in favour of Shareholders (subject to certain exclusions) up to an aggregate nominal amount equal to £53,947.

The Directors will continue to seek to renew this authority at each annual general meeting.

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 7.

Resolution 8 proposes as follows:
If the Directors wish to exercise the authority under Resolution 8 and issue 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. This can be a cumbersome and particularly expensive exercise for a company of this size.

Accordingly if passed Resolution 8 will empower the Directors until the date of the next annual general meeting of the Company, or 30 April 2018 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) by way of a pre-emptive offer(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 £53,947. 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 for cash when they believe it is in the interests of the Company to do so.

As at 20 February 2017 (being the last practicable date prior to publication of this document), the Company held no shares in treasury.

Resolution 9 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 2018 or on 30 April 2018 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 6 relate to the receiving of the report and accounts; the declaration of a dividend; the approval of the report of the remuneration committee; the approval of the Directors' Remuneration Policy; the re-election of Dr E.C Pohl who retires 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 28 March 2017. 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.

Instructions for appointing a proxy through CREST are given in the notes to the Notice.

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 and my fellow directors unanimously recommend that you vote in favour of them.

Yours faithfully,

Dr Emmanuel Pohl
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 Druces LLP, Salisbury House, London Wall, London EC2M 5PS on 30 March 2017 at 4.30pm to consider the following Ordinary and Special business, of which Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions:

ORDINARY BUSINESS

1 To receive and adopt the Company's Accounts for the year ended 31 December 2016.

2 To declare a final dividend of 8.6p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on 06 April 2017 to all shareholders on the register of members at close of business on 10 March 2017.

3 To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) as set out on pages 27 to 30 of the Company's Accounts for the year ended 31 December 2016.

4 To approve the Directors' Remuneration Policy as set out on page 27 of the Company's Accounts.

5 To re-elect Dr E.C.Pohl as a Director of the Company retiring by rotation.

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

SPECIAL BUSINESS

7 **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 £53,947; and

(ii) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a further nominal amount of £53,947 in connection with a pre-emptive offer

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 30 April 2018, 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:

(a) "pre-emptive offer" means a rights issue or an offer of equity securities open for acceptance for a period fixed by the directors to (i) 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 (ii) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in all such 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; and

(b) "rights issue" means an offer to (i) ordinary shareholders in proportion (or as near as may be practicable) to their existing holdings; (ii) to 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; in either case 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.

8 Limited disapplication of pre-emption rights

That, subject to the passing of Resolution 7 above, the directors be empowered to allot equity securities (as defined in section 560(1) of the Companies Act 2006) wholly for cash pursuant to the authority given by paragraph (i) of Resolution 9 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) generally, up to an aggregate nominal amount of £53,947 pursuant to the authority given by paragraph (i) of Resolution 7 above; and

(b) in connection with a pre-emptive offer pursuant to the authority given by paragraph (ii) of Resolution 7 above

such power to expire at the conclusion of the next annual general meeting or on 30 April 2018, 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) pre-emptive offer has the same meaning as in Resolution 7 above;

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

(c) 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.

9 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 30 April 2018 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 22 February 2017

By Order of the Board
John Girdlestone
Company Secretary

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

Notes

Appointment of Proxies

1. A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.

3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods:
3.1 in hard copy form by post or by hand to the Company Secretary at the address shown on the form of proxy; or
3.2 in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,
and in each case must be received by the Company Secretary or as the case may be the Company's Registrars not less than 48 hours before the time fixed for the meeting. Please note that any electronic communication sent to us/our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.

4. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company Secretary at Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

5. Crest Members

5.1 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

5.2 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA36) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

5.3 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Only those shareholders registered in the Register of Members of the Company as at 6.00p.m. on 28 March 2017 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.

7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Notes

Nominated Persons

8. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy cannot be exercised by a Nominated Person they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member who has nominated him to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

lssued Shares and Total Voting Rights

9. As at 20 February 2017 (being the last business day before the publication of this Notice), the Company's issued share capital consisted of 2,157,881 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are currently 2,157,881.

Website Publication of Audit Concerns

10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting.
The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

Members' Right to ask Questions

11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

11.1 to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

11.2 the answer has already been given on a website in the form of an answer to a question; or

11.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
Documents on Display

12. The following documents are available for inspection at the Company's registered office at Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW during normal business hours on each weekday (public holidays excluded) from the date of this Notice of Annual General Meeting until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting:

12.1 copy of the Managing Director’s service contract with the Company;

12.2 copies of Letters of Appointment of the Non-Executive Directors; and

12.3 a copy of the Articles of Association of the Company.

A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.athelneytrust.co.uk

NOTES:

ATHELNEY TRUST PLC
Company Number 02933559
Form of Proxy for use at the Annual General Meeting to be held at 4:30 p.m. on 30 March 2017 at the offices of Druces LLP. Salisbury House, London Wall, London EC2M 5PS

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 30 March 2017 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 2016.				
2	To declare a final dividend of 8.6p per ordinary share.				
3	To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 December 2016.				
4	To approve the Directors' Remuneration Policy.				
5	To re-elect Dr. E.C. Pohl as a Director retiring by rotation.				
6	To appoint Hazlewoods as the Auditors and authorise the Directors to fix their remuneration.				
7	To resolve that the Directors be generally and unconditionally authorised to allot shares to the extent stated in the resolution.				
8	To resolve to dis-apply the statutory pre-emption rights to the extent stated in this resolution.				
9	To Authorise purchase of own shares.				

Your attention is drawn to the notes overleaf.

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

NOTES

1. To be valid, completed forms must be returned to the Company by one of the following methods:

   1.1 in hard copy form by post, by courier or by hand to the Company's Registered Office Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW; or

   1.2 in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

   and in each case must be received by the Company Secretary or (as the case may be) the Company's Registrars not less than 48 hours before the time fixed for the meeting. If someone else signed the form on your behalf, you or that person must send the power of attorney or other written authority under which it is signed to the Company's registrars so that it is received not less than 48 hours before the time fixed for the meeting.

2. A corporation must execute this form either under its common seal or under the hand of an officer or attorney duly authorised in writing.

3. This form enables you to instruct your proxy how to vote, whether on a show of hands or on a poll, on the resolutions to be proposed at the meeting. If you want your proxy to vote in a certain way on the resolutions specified please place an 'X' in the relevant boxes. If you fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution; however it should be noted that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

4. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting, provided each proxy is appointed to exercise rights in respect of different shares. The appointment of the chairman as proxy has been included for convenience. If you wish to appoint any other person or persons as proxy or proxies delete the words "the chairman of the meeting" and add the name and address of the proxy or proxies appointed in the space provided. If you do not delete such words and you appoint a proxy or proxies, the chairman shall not be entitled to vote as proxy. If your proxy is being appointed in relation to less than your full voting entitlement, the number of shares in respect of which each such proxy is to vote must be specified in the space provided. In the absence of any specific direction, a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.

5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Company's agent (ID 7RA36) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. See the notes to the notice of the Annual General Meeting for further information on proxy appointment through CREST.

6. To appoint more than one proxy, please photocopy this form indicating on each copy the name of the proxy you wish to appoint and the number of shares in respect of which the proxy is appointed.

7. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and 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 will be determined by the order in which the names stand in the register of members in respect of the shares.

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

9. Returning the form of proxy will not prevent you from attending the meeting and voting in person.

10. You may not use any electronic address provided either in this form of proxy or any related documents (including the notice of meeting) to communicate with the Company for any purposes other than those expressly stated.

11. Any questions regarding the proxy form are to be addressed to the Company Secretary, whose contact details are shown in paragraph 1 above.