Athelney
TRUST PLC

Annual Report

for the year ended 31 December 2017

COMPANY NUMBER: 02933559

Athelney Trust plc

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Athelney Trust plc

Directors of the Company

Dr Emmanuel Clive Pohl, non-executive Chairman

Manny Pohl, aged 64, 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 73, he has spent over fifty years in a number of different roles with institutional fund management and stock broking firms but always retaining an intense interest in Small Caps. His first job in the City of London was with the company that eventually became Gartmore; he then went on to Panmure Gordon, Hoare Govett and Capel-Cure Myers before becoming founder, major shareholder and Managing Director of a private stockbroking 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 57, 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 2017. The salient points are as follows:

- The total return, which is the increase in NAV plus the dividend, is 16.8 per cent (31 December 2016: 5.7 per cent)
- Audited Net Asset Value ("NAV") was 284.8p per share (31 December 2016: 251.1p) an increase of 13.4 per cent.
- Revenue return per ordinary share was 9.6p (31 December 2016: 10p).
- Recommended final dividend of 8.9p per share (2016: 8.6p), an increase of 3.5 per cent.

Review of 2017

The Treasury predicted I would become the most unpopular man in Britain. This was the only correct forecast that the Treasury made in the several years that I was chancellor. Former Chancellor of the Exchequer Norman, now Lord, Lamont.

Get your facts right, then you can distort them as you please. Mark Twain.

If you put the…government in charge of the Sahara Desert, in five years there would be a shortage of sand. Professor Milton Friedman.

If 2016 was the year of shock and surprise, then 2017 was the year of disruption. A blizzard of tweets followed President Trump's inauguration (*my nuclear button is bigger than yours* - all grown-up stuff, of course), answered by bots from the likes of Russia, China and North Korea. Prime Minister *(strong and stable leadership)* May turned a cast-iron majority into something much more precarious depending on the goodwill of the DUP and the Scottish Conservatives. The general election campaign was a superb example of ineptitude. As far as Brexit was concerned, Britain gave way completely on the Irish border, the rights of EU workers and the divorce settlement so was allowed to prepare for trade talks this year. Let us see how easy they turn out to be! Syria spent its sixth year in civil war and Yemen was not far behind in terms of danger to life. The rise of the populist parties continued in Europe and brought with it an exceptionally unwelcome increase in anti-Semitism, particularly in Hungary and Poland. President Maduro of Venezuela continued with his quest to destroy what at one time had been the strongest economy in Latin America. Tanks rolling down the streets of Harare eventually persuaded autocratic President Mugabe to resign while, at the same time, the Generals were claiming *no, there is no coup.*

For the most part, though, global markets continued their serene progress and thus improved on my hope that we could hang on to our gains of the first half. Major markets did very well with New York, Tokyo, Shanghai and London improving by 26.1, 19.1, 8.6 and 7.4 per cent respectively. Turkey, Hong Kong and Austria did particularly well in smaller markets with rises of 48.5, 38.9 and 33.2 per cent respectively whereas Saudi Arabia, with a fall of 0.2 per cent, and Russia and Sweden underperformed with small rises of 2.7 and 4.6 per cent. Russia is often touted as a recovery situation but four sets of sanctions have always put me off, resulting from: the arrest and murder of Sergei Magnitsy, the invasion of eastern Ukraine and the Crimea, the shooting down by pro-Moscow fighters of Malaysian Airlines flight number 17 and interference in the U.S. general election. A better recovery proposition might be battered and bashed retailers and shopping malls. Westfield is being bought by Unibail-Rodamco, Hammerson has bid for Intu and Brookfield is trying to buy out GGP. Hedge funds are heavily short and therefore vulnerable. The same comment applies, in my opinion, to underrated brewery groups such as Greene King and Marston's.

Chairman's Statement and Business Review
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For the record, the Athelney Trust total return for 2017 was 16.8 per cent whereas the FTSE Small Cap., Fledgling and AIM All-share indices rose by 14.9, 23 and 24.1 per cent respectively, which just goes to underline the point that 2017 was about *growth strategies* while those based on *value* and *income* did well enough without matching the strong performance of Fledgling and AIM.

Ryanair boss Michael O'Leary only proposed getting rid of the co-pilot. But now Airbus has gone one better: pilotless 'planes. Soon, everyone will be baffled by flight attendant Elaine Dickinson of the Airplane! film, who memorably said There's no reason to become alarmed and we hope that you enjoy the rest of your flight. By the way, is there anyone on board who can fly a 'plane?

Let me start this paragraph with a quote: *The single greatest edge an investor can have is a long-term orientation.* So said the shrewd Seth Klarman in his book (Margin of Safety, Risk Averse Investing Strategies for the Thoughtful Investor) written over 25 years ago and still a great read. Private investors think themselves at a great disadvantage compared with the professional fund manager, who has access to considerable resources as well as by-the-second information about companies and markets. But many fund managers are incapable of thinking beyond a year and some not even beyond a quarter. This hands a great advantage to the thoughtful investor who, ideally, should do as little as possible whereas the majority of fund managers are incentivised to do things to show their bosses and clients that they are doing their job and deserve to keep it. There is a saying that time in the market, rather than timing the market, leads to a satisfactory end result. The less you chop and change your investments, the fewer mistakes you are likely to make. By following the simple rule of doing as little as possible, the private investor will tend, over the long term, to avoid many pitfalls that damage those unable to sit still. Remember, while you may be doing nothing with your money, that does not mean that your money is not doing anything for you.

The world's central banks now own a fifth of their respective countries' national debt after years of quantitative easing. The central banks are owned by the states whose paper they are holding so the ultimate owners of all the government debt are the governments themselves. If you owe something to yourself, in what sense do you owe it? Answers on a postcard to Mark Carney, c/o Bank of England, EC2R 8AH.

With all the problems that face us as a country, it would be good to report that the underlying economy was doing well – unfortunately, that is not the case; in fact, the short-term economic performance is already disappointing. Consensus forecasts cluster around GDP growth of around 1.5 per cent for 2018, lower than just about anything in the developed world except for Japan and Italy. So what is going wrong? The aftermath of the financial crisis has been devastating, the recovery from which has been the weakest since the war. Real household incomes are just five per cent higher than in 2007. Between 2007 and 2016, real wages grew by 10.6 in Germany and 6.4 per cent on average in Organisation for Economic Co-operation and Development members. Those of us aged 22-39 experienced a 10 per cent fall in real earnings between 2007 and 2017 and were particularly hard hit by the jump in house prices from 3.6 times average annual earnings 20 years ago to 7.6 times today.

Chairman's Statement and Business Review
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The UK economy remains the most regionally divided: inner London is the richest in Europe but there are some areas of high deprivation. Part-time employment is relatively high and zero-hours work has increased from 0.7 per cent in 2007 to 2.8 per cent today. Productivity is poor and very close to that of Italy. This dire record partly reflects the long (and growing) tail of poor performers. Last, but not least, UK investment on capital equipment, research and development is exceptionally weak. Some argue that perverse incentives reward management for an increase in share prices rather than any improvement in the long-term performance of companies. This is not a description of a healthy economy well able to withstand the severe shock of worse access to its most important market – it is absurd to claim otherwise. The Brexit shock, coupled with the UK's underlying weaknesses, is likely to make the rising disappointment for the many who voted to Leave all the more severe. The collective sigh of relief which greeted the agreement on a two-year period of transition was wholly misplaced – all we have succeeded in doing is moving the cliff-edge from 2019 to 2021.

Some 47 per cent of Sports Direct's independent shareholders voted to remove chairman Keith Hellawell at September's AGM, believing him unable to impose corporate governance discipline on chief executive and majority shareholder Mike Ashley. So it was good of Mr. Ashley to show how seriously he now takes such matters. He didn't turn up.

The average Briton must find nearly eight times his or her salary to buy the average British house. Not in the Persimmon boardroom. The £232m notional profit on share options split between three executive Directors would be enough to purchase 300 such homes. Startling arithmetic like this comes with a few caveats. The three men in question, the CEO, FD and MD, could sell only 40 per cent of their options at the end of 2017. Obviously, the remainder could produce less or more when ultimately sold and the profits are likely to be taxed at rates approaching 50 per cent. The irony is that the long-term investment plan aimed to recognise good performance over a decade rather than just three or five years. It was also spread amongst 140 senior managers, though the top three received a third of the total awards. What the remuneration committee did not anticipate was the soaring share price. When shareholders approved the plan in 2012 (with some dissent), the shares were priced at 657p but were 2738p five years later. Ministers, trying to sound tough on inequality, will be embarrassed. So they should be. The main factor driving the increase in house-building shares has been the government's own interventions in the housing market which have fuelled demand without increasing supply. Quite rightly, the Chairman of the board and the Chair of the remuneration committee have now gone.

More proof of the railways' insatiable demand for money. One rail operator has come up with its third cash-call in three years. Anyone would think that Hornby operated real trains………

The border between accounting scandal and fraud is marked by the bars of a jail. Steinhoff, a South African-based, Dutch-registered, Frankfurt-listed retail group (containing Poundland) is under investigation by prosecutors in Germany over suspected *inflated revenue numbers* [which] *made their way into the accounts* and in December the Company said that it was considering the *validity and recoverability* of €60 billion of assets. Further back, the year 2002 was a classic of its type. Multibillion-dollar frauds at WorldCom and Tyco landed executives in jail but only three years later. Global Crossing filed for bankruptcy protection after it said that profits were inflated. Xerox admitted to over-stating revenues. Six years passed from 2009 before the chairman of Indian software group Satyam was sentenced. Let's Gowex of Spain collapsed in 2014: its CEO said that the accounts were untrustworthy and that he was responsible. The case continues. London-listed Globo failed in 2015: the CEO and CFO resigned, telling the board about *falsification of data and misrepresentation of the Company's financial situation.* Investigations continue. Justice should be as swift and as painful as possible – surely the authorities can do better than this!

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Maybe Stephen Haddrill's 25-page speech on Lessons from the Financial Crisis *was meant to be satire. The head of the Financial Reporting Council (FRC) opened up with the news that the business had cost us £11 trillion in financial support for UK banks without mentioning that the FRC had cleared all accountancy firms of inadequate audits. He did admit, though, that one of the big four firms only produced a 'satisfactory' FTSE-350 audit 65 per cent of the time. KPMG, as it happens.*

In October, John McDonnell, the shadow chancellor, reaffirmed the commitments in the Labour manifesto to bring Royal Mail, rail, water and the energy sector into public ownership. This raises not a few questions, of which possibly the least interesting is how much it will all cost. After all, if I borrow £200,000 to buy a house worth £200,000 then I do not become £200,000 worse off at the point of purchase. Similarly, to the extent that the government pays what the assets are worth, then overall the public sector would be no better or no worse off. Nevertheless, the printed media seems determined to concentrate on this area. The second question, in my view more important, is how much to pay for these assets. Forcibly buying assets at below market value smacks of expropriation and it would be crucial to the stability of the British economy that any compensation payment is seen to be reasonable. What is certain is that, if investors believe that they are at risk of being expropriated in the future, they will not invest, to the detriment of the whole country: that would be a disaster. The third and most important question is what benefit, if any, we might gain from spending an enormous amount of time, effort and disruption on renationalising these industries. It is important to remember that sectors of the economy such as energy and water are already highly regulated in terms of prices that can be charged and the amount of capital investment which must be undertaken. Broadly speaking, the regulatory framework is trying to ensure that these companies act in the public interest while the profit motive pushes them to be as efficient as possible. Labour government ministers should not be allowed a free hand to run these utilities any more than should private shareholders. It is not at all clear that from the inglorious past that such ministers are likely to be either more competent or more trustworthy than our present system of regulatory bodies.

Ah, those far-off days when trains, gas, electricity and water were all in public hands and there were no fat-cat oligarchs gouging deep profits out of our services – or so the young plus Jez Corbyn appear to believe. Those with longer memories might remember terrible trains, trying to get a telephone (and then sharing the line with one's next-door neighbour), sewage in the river and at sea, with state-owned industries run for the benefit of their employees. Estimated losses from 1948 to 1970 - £105 billion in today's money. Of course, it will be different next time…..

The price of Bitcoin rose from about \$1,000 at the beginning of the year to \$14,129 at the end but, for the life of me, I cannot see that there is any point to the thing apart from representing a mad, wild speculation. In *The Hitchhiker's Guide to the Galaxy,* Douglas Adams wrote about similarly useless money. *The exchange rate of eight Ningis to one Pu is simple enough but since the Ningi is a triangular rubber coin 6,800 miles along each side, no-one has ever collected enough to own one Pu. Ningis are not negotiable currency because Galactibanks refuses to deal in fiddling small change.* Back to Bitcoin, where a chap on the staff of the *Wall Street Journal* set out to buy lunch in December, paid \$76.16 for a \$10 pizza and ended up lunching on an ice cream instead. Apart from the \$9.47 in fees, the problem was that the seller had not up-dated the pizza price to reflect price changes in the Bitcoin. The buyer gave up after waiting 30 minutes for the order to be confirmed and settled for a \$5 ice cream sandwich (?) instead, for which he paid \$17.50 including \$9.62 in fees. He finally got his pizza four hours later but, alas, by which time he had lost his appetite.

I am often asked, Gentle Reader, is Britcoin a real currency and can I lose money if I hold onto it? The answer is, of course, that the pound, or Britcoin as it is sometimes referred to in the media, is an unstable and unpredictable currency often used by speculators in shady deals or in money-laundering operations and is not advisable for use by ordinary consumers. In recent years, Britcoin has been talked up but then crashed spectacularly with huge losses to investors. At present, the Britcoin remains fragile and ordinary punters are advised to stick to better regulated and more reliable currencies such as the Venezuelan Maduro or Zimbabwean Bling-bling.

Sensible taxes transfer money to the government in a straightforward way but stupid taxes are the ones which encourage stupid behaviour in the population. Stamp duty, for example, discourages older couples from downsizing and so forces them to live on in a house which is too big for them. Inheritance tax falls mainly on the less well off since the rich can gift their assets before they die, whereas the moderately off have only their house to bequeath. Mind you, the wallpaper tax of 1712 was not much better: the rich simply bought plain, untaxed wallpaper, then had it stencilled by hand. The idea of the window tax of 1696 was that the more windows you had the richer you were likely to be. You can still see the result in buildings of the period: surplus windows were merely bricked up. Hat and wig taxes were introduced in the late 18th Century: result, endless bickering about exactly what was a hat and the terminal decline of the wig industry. A tax on gin was introduced on the craze that peaked in 1742: result, the rise of the bootleggers who often mixed the rough product with turpentine and sulphuric acid. Blindness was a common side effect of this particularly stupid tax.

How to claim compensation from Tesco for its accounting scandal: submit claim to KPMG via web portal with evidence of share deals; wait for assessment at 24.5p per share plus 4 per cent interest; download Notice of Acceptance and Release form, sign and upload to portal; wait 35 days for payment. How to claim a refund on a dodgy packet of sprouts: return to store; show receipt; receive cash. Should do better!

When was the last time that the UK exported more goods than it imported for a decent period – say five years or so? The short answer is never. Over the past 200 years, this great trading nation has had a surplus in manufactured goods for fewer years than you, Gentle Reader, has fingers. Even during the Empire in all its pomp and the industrial revolution, the UK invariably sucked in more goods than it pumped out. It's not that we don't make anything – in fact the UK remains one of the world's biggest manufacturers. But we have never been truly self-sufficient in such goods: indeed, the only thing preventing Britain's balance of payments looking truly horrendous is the services we have sold abroad – financial, legal, consultancy, administration, retail and so on. In all but two peacetime years over the past two centuries, the UK exported far more services than it imported. How to square this with the political debate about Brexit? Listening to *strong and stable leader* Theresa May banging on about securing tariff-free access to European markets, you might be forgiven for believing that all we need is a replacement for the customs union, a quick trade deal and, hey presto, British lorries and containers will still be able to cross the Channel. Unfortunately, this catastrophically misses the point. As it happens, those lorries already face the lowest tariffs in history: these days the problems come from non-tariff barriers such as product standards (does the product conform to our rules), rules on immigration (no consulting work in the EU without permission) and qualifications (a legal degree or medical qualifications may not work in the EU). Which brings us to the single market, which is everything to do with non-tariff barriers policed by the Tories hate figure, the European Court of Justice. It works very well in goods but not so in services: architects can work well throughout Europe but it is much harder for accountants to do so.

Chairman's Statement and Business Review
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What we need is a series of deep, complex deals with Europe and the world that harmonise regulation. Such deals are fiendishly difficult to negotiate: for instance I would expect the UK government to protect the NHS from overseas competition and farmers from those with lower standards on the use of hormones in meat and GM food. Striking such complex deals would invariably involve a loss of sovereignty – will the government explain to Leave voters that, having taken back control, Britain will have to give it up again?

An historic moment. One of the world's largest companies has changed its name. Wal-Mart Stores has found a way of better reflecting our company's path to win the future of retail. *Yes, from now on it's to be called, er, Walmart.*

Capital Gains

During the year the Company realised capital profits before expenses arising on the sale of investments in the sum of £296,629 (31 December 2016: £294,251).

Portfolio Review

Holdings of *Biffa, Countrywide, Crest Nicholson, Debenhams, Greene King, Hostelworld, Ibstock, Marstons, Murgitroyds, NWF, The PRS REIT* and *Safecharge* were all purchased for the first time. Additional holdings of *Air Partner, M&C Saatchi* and *Record* were also acquired. *Beasley, Hiscox, Lancashire Holdings* and *Novae* were sold. In addition, eleven holdings were top-sliced to provide capital for the new purchases.

Corporate Activity

The holdings of *Lavendon* and *Cape* were taken over at a capital profit of 99.1 and 19.8 percent respectively.

Dividend

The Board is pleased to recommend an increased annual dividend of 8.9p per ordinary share (2016: 8.6p). This represents an increase of 3.5 per cent over the previous year. Subject to shareholder approval at the Annual General Meeting on 21 March 2018, the dividend will be paid on 6 April 2018 to shareholders on the register on 2 March 2018.

For those patient investors who subscribed for Athelney Trust shares in the IPO of 1994, the annual return has now risen to 17.8 per cent net of basic rate tax on the capital originally invested.

Update

The unaudited NAV at 31 January 2018 was 279.4p whereas the share price on the same day stood at 262p. Further updates can be found on www.athelneytrust.co.uk

Chairman's Statement and Business Review
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Prospects

The Federal Reserve has raised rates three times since the end of 2016 and, in September 2017, announced a reduction in its $4.5 trillion balance sheet. Despite the Fed's gradual removal of monetary accommodation, monetary conditions have not tightened: I would argue that they have in fact become looser. Long-term interest rates have hardly changed, markets keep going up and the dollar has not appreciated markedly. The most plausible reason for this apparent paradox is that the European Central Bank, the Bank of Japan and the Bank of England are still pursuing policies of extreme monetary accommodation. So, in theory at least, global markets may have a decent-enough year. As I said at this time last year, much could go wrong (geopolitical risks, trade protectionism, higher oil prices for instance) but monetary policy is unlikely to be unhelpful and so I would hope for a modest 5-7 per cent rise in net asset value in 2018 plus a further 3 per cent from dividends, all being well.

Dr. E C Pohl
Chairman
14 February 2018

Athelney Trust plc
Strategic Report (continued)
Investment and Portfolio Analysis at 31 December 2017

	Stock	Holding	Value (£)	SECTOR £	%
Chemicals	Treatt	16,000	73,552	**73,552**	**1.2**
Construction & materials	Costain Group	14,666	68,564		
	Epwin Group	40,000	33,240		
	Forterra	40,000	119,200		
	Heath (Samuel) & Sons	15,500	73,579		
	Ibstock	22,500	59,940	**354,523**	**5.9**
Electronic & electrical equipment	XP Power Limited	2,000	68,580		
	Sprue Aegis	15,000	28,830	**97,410**	**1.6**
Food & beverages	Greencore Group	19,000	43,624		
	Wynnstay Group	8,000	38,000	**81,624**	**1.4**
General financial	Camellia	500	58,768		
	Charles Taylor	35,714	96,428		
	Jarvis Securities	24,500	132,839		
	Jupiter Fund Management	15,000	94,200		
	Juridica Investments	35,000	3,570		
	Park Group	140,000	122,220		
	Randall & Quilter Investment Holdings	40,000	52,000		
	Record	150,000	66,300		
	River & Mercantile Group	22,500	80,348		
	S & U	4,000	91,360		
	TP ICAP	15,000	79,725	**877,758**	**14.7**
Home construction	Crest Nicholson	12,000	65,340	**65,340**	**1.1**
Industrial engineering	Goodwin	2,000	40,480		
	Hill & Smith	7,000	93,660		
	Low & Bonar	65,000	35,425		
	Slingsby (H.C)	4,000	3,600		
	Vitec	5,500	62,095	**235,260**	**3.9**
Industrial transportation	Braemar Shipping Services	23,162	62,700		
	DX Group	50,000	4,300		
	Fisher (James)	3,000	46,920		
	Ocean Wilsons	6,500	71,110	**185,030**	**3.1**
Insurance	Chesnara	16,000	62,240		
	Hansard Global	30,000	25,800	**88,040**	**1.5**
Leisure goods	Games Workshop	6,500	171,080	**171,080**	**2.9**
Media	4Imprint	4,000	75,960		
	Huntsworth	70,000	56,350		
	M&C Saatchi	16,000	59,392		
	Quarto Group Inc Com	50,000	70,600		
	Trinity Mirror	42,500	33,660		
	Wilmington	32,500	77,415		
	XLmedia	45,000	88,740	**462,117**	**7.7**
Property, commercial & residential	AEW UK REIT	65,000	64,480		
	Capital & Regional	135,000	78,570		
	Countrywide	30,000	36,000		
	Custodian REIT	60,000	70,200		
	Harworth Group	52,500	56,175		
	F & C UK Real Estate Investments	64,500	66,435		
	Lok'n Store Group	11,000	46,717		
	London Metric Property	32,500	60,418		
	Mountview Estates	1,500	167,985		
	Palace Capital	13,000	42,861		
	Picton Property Income	175,000	143,850		
	Regional REIT Ltd	50,000	51,350		
	Schroder Real Estate Investment Trust	109,000	65,400		
	Schroder European Real Estate	50,000	53,850		
	Standard Life Property Income	65,000	60,450		

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Investment and Portfolio Analysis at 31 December 2017
(continued)

	Stock	Holding	Value (£)	SECTOR £	%
Property, commercial & residential (continued)	Target Healthcare REIT	100,000	112,200		
	The PRS REIT	50,000	52,600		
	Town Centre Securities	27,500	78,375		
	Tritax Big Box	60,000	89,220		
	UK Commercial Property Trust	50,000	44,250	**1,441,386**	**24.3**
Retailers	Debenhams	100,000	34,500		
	McColls Retail Group	35,000	92,295		
	Safestyle UK	22,500	38,250	**165,045**	**2.8**
Support services	Andrew Sykes Group	19,500	104,325		
	Begbies Traynor	100,000	65,300		
	Biffa	25,000	65,443		
	Communisis	100,000	64,200		
	Connect Group	64,285	71,806		
	Gattaca	21,500	65,317		
	Latham (James)	5,500	43,434		
	Menzies (John)	9,500	64,600		
	Murgitroyd	12,500	59,375		
	NWF Group	35,000	57,120		
	Safecharge International	20,000	59,140		
	St Ives	37,500	29,813		
	Vianet Group	50,000	67,500		
	VP	17,500	151,375	**968,748**	**16.2**
Telecommunications	KCOM Group	56,000	50,680	**50,680**	**0.8**
Travel & leisure	Air Partner	112,500	157,163		
	Cineworld	19,800	118,899		
	Greene King	10,000	55,500		
	GVC Holdings	12,500	115,563		
	Hostelworld	22,500	86,108		
	Marstons	50,000	56,150		
	Photo-Me	32,500	59,703	**649,086**	**10.9**

Portfolio Value		£ 5,966,679	100%
Net Current Assets		£ 178,845	
TOTAL VALUE		£ 6,145,524	
Shares in issue		2,157,881	
Audited NAV	284.8p		

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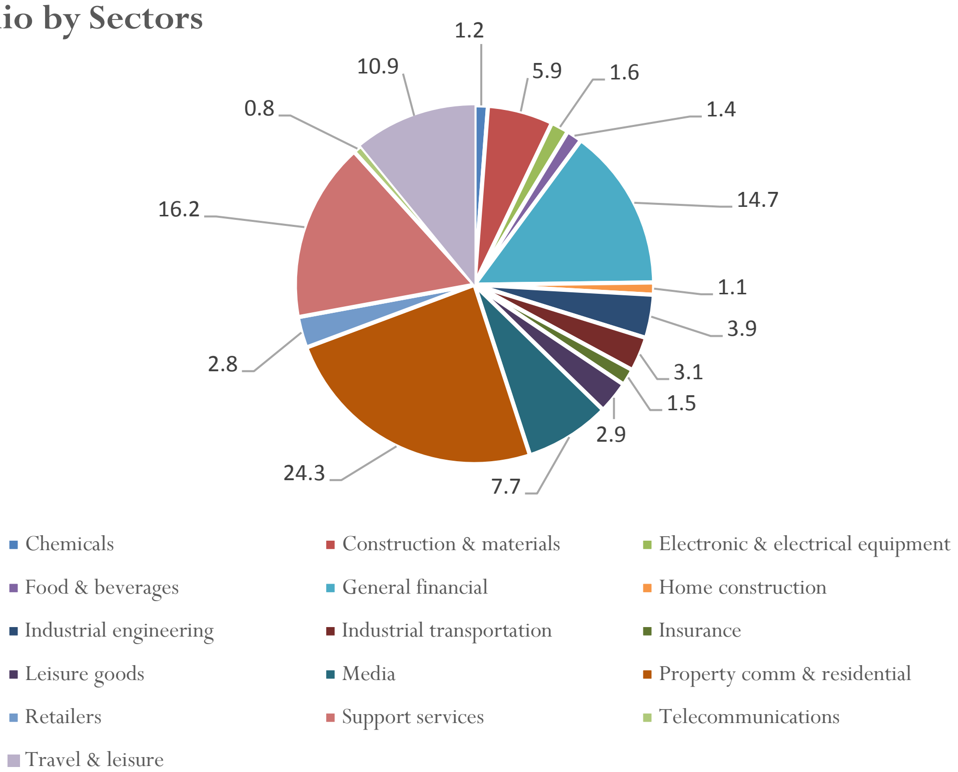
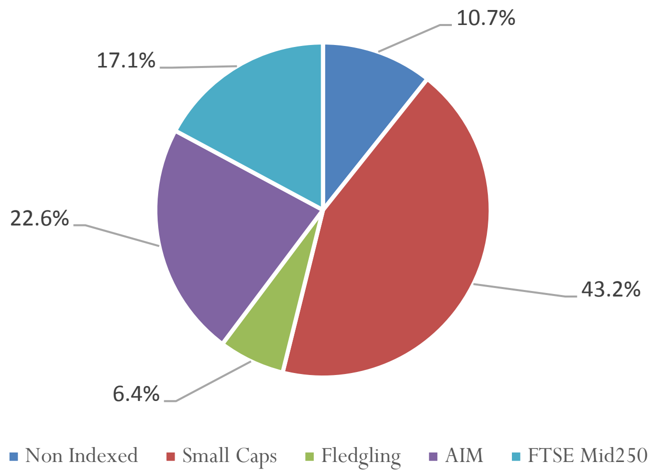
Strategic Report
(continued)
Portfolio Breakdown by Sector and Index

Portfolio by Sectors



Portfolio by listing



Strategic Report
(continued)
Other Statutory Information

As explained within the Report of the Directors on pages 23 to 26, 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 (2016: one male employee).

Investment Objective

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

Investment Policy

The assets of the Trust are allocated predominantly to companies with a market capitalization of less than £100m with either a full listing on the London Stock Exchange or a trading facility on AIM. The assets of the Trust have been allocated in two main ways: first, to the shares of those companies which have grown steadily over the years in terms of profits and dividends but, despite this progress, 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 2017 can be found on pages 10 to 12 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 16 to 22, 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 9 which forms part of the Strategic Report.

Principal Risks and Uncertainties and Risk Management

As stated within the Corporate Governance Statement on pages 16 to 22, 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 16 to 22. 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.

On the 3 January 2018 MiFIDll and KID came into force with the introduction of the Key Information Document (KID). The Company has complied with the legislation and the deadlines to ensure that shares in the Company were still able to be traded. A copy of the Company's KID can be found on the website www.athelneytrust.co.uk.

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 (2016: one employee) 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

14 February 2018

Athelney Trust plc

Corporate Governance Statement

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

The Company is required to comply with, or to explain its non-compliance with, the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (the 'FRC') in April 2016 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 Directors retire by rotation on a three yearly basis in accordance with the Company's articles of association with effect from the 2017 AGM.

- 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 Mr S Moore will retire at the forthcoming AGM and, he has indicated he will seek re-election. Re-election is subject to a continuing satisfactory performance by the director seeking re-election, the Board confirm that they are happy for Mr S Moore to seek re-election at the forthcoming AGM. 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 2017, the Board met four times with all Directors present.

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

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 Board of Directors of the Company comprised three male Directors in the year to 31 December 2017. 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.

The basis on which the Company aims to generate value over the longer term is set out in the Strategic Report on pages 13 to 15. 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

The Chairman, Dr E.C. Pohl, is independent. He considers himself to have sufficient time to commit to the Company's affairs. The Chairman does however have additional commitments, further information can be found on page 31 under Directors' beneficial and family interests.

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 in character and judgement and there are no relationships or circumstances which are likely to affect or could appear to affect the Directors' 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 29 to 32 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

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 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 and Voting Policy

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. The Fund Manager 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 once during the year. The duties of the committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the auditor, 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 2017. 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 33 to 36.

The Audit Committee would also review any potential 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. No non-audit services have been provided in the year.

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.

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 24 and 25.
- Details of the substantial shareholders in the Company are listed on page 24.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 23.
- 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.

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 21 March 2018, is set out on pages 51 to 55. The Annual Report and Notice of Annual General Meeting are sent to shareholders at least 20 working days before the Meeting.

Corporate Governance Statement
(Continued)

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 14), its portfolio of listed equity investments and cash balances, and its ability to achieve the stated dividend policy. The Directors have assessed the ability of the Company to continue as a going concern (outlined on page 25).

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

J. Girdlestone
Secretary
14 February 2018

Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW

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 2017. 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 £206,177 (2016: £211,428) as detailed on page 37.

It is recommended that a dividend of 8.9p (2016: 8.6p) per ordinary share be paid.

Principal Activity and Status

The Company (company number: 02933559) is a public limited company, limited by shares and incorporated in England and Wales. It is an investment company as defined in Section 833 of the Companies Act 2006. The registered office is Waterside Court, Falmouth Road, Penryn, TR10 8AW.

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 2016. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2017 so as to be able to continue to obtain approval as an authorised investment trust, under Section 1158 of the Corporation Tax Act 2010.

Directors

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

In accordance with the arrangements for retirement contained in the Company's Articles of Association, the Directors will retire by rotation on a three yearly cycle. Mr Simon Moore will retire by rotation at the 2018 AGM and will offer himself for re-election.

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 16 to 22, Mr Moore's performance as a Director continues to be effective and he demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that Mr Moore 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 2017 the Company's capital structure consisted of 2,157,881 Ordinary Shares of 25p each (2016: 2,157,881 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 31 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	349,640	16.20
Mr G.W. & Mrs D.J. Whicheloe	104,000	4.82
Mrs E. Davison	75,000	3.48
Mr C. Frostick	69,720	3.23

Out of the six major shareholders listed above two are under the direct control of two of the Directors. The remaining four are in regular contact with the Directors (or their respective agent) to ensure that they are frequently appraised and are content with the manner in which the Company is being run.

There have been no other changes in the above major shareholdings in the Company up to 14 February 2018.

Report of the Directors
(continued)

Dividends

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

Capital Entitlement

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

Voting

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

Payment of Suppliers

It is the Company's policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to the terms used. The Company contracts the terms on which business will take place throughout the year with its suppliers. There are accrued expenses outstanding at the end of the year, all of which appear as creditors in the balance sheet.

Going Concern

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Company, and forecast revenues for the current financial year. The Directors have also taken into account the Company's investment policy, which is described on page 13 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 51 to 55.

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

14 February 2018

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;
- consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's position and performance, business model and strategy; 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

Statement of Directors' responsibilities in respect of the financial statements
(Continued)

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
14 February 2018

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 33 to 36.

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 2018 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. There are no provisions in the service agreements for payments to be made for loss of office.

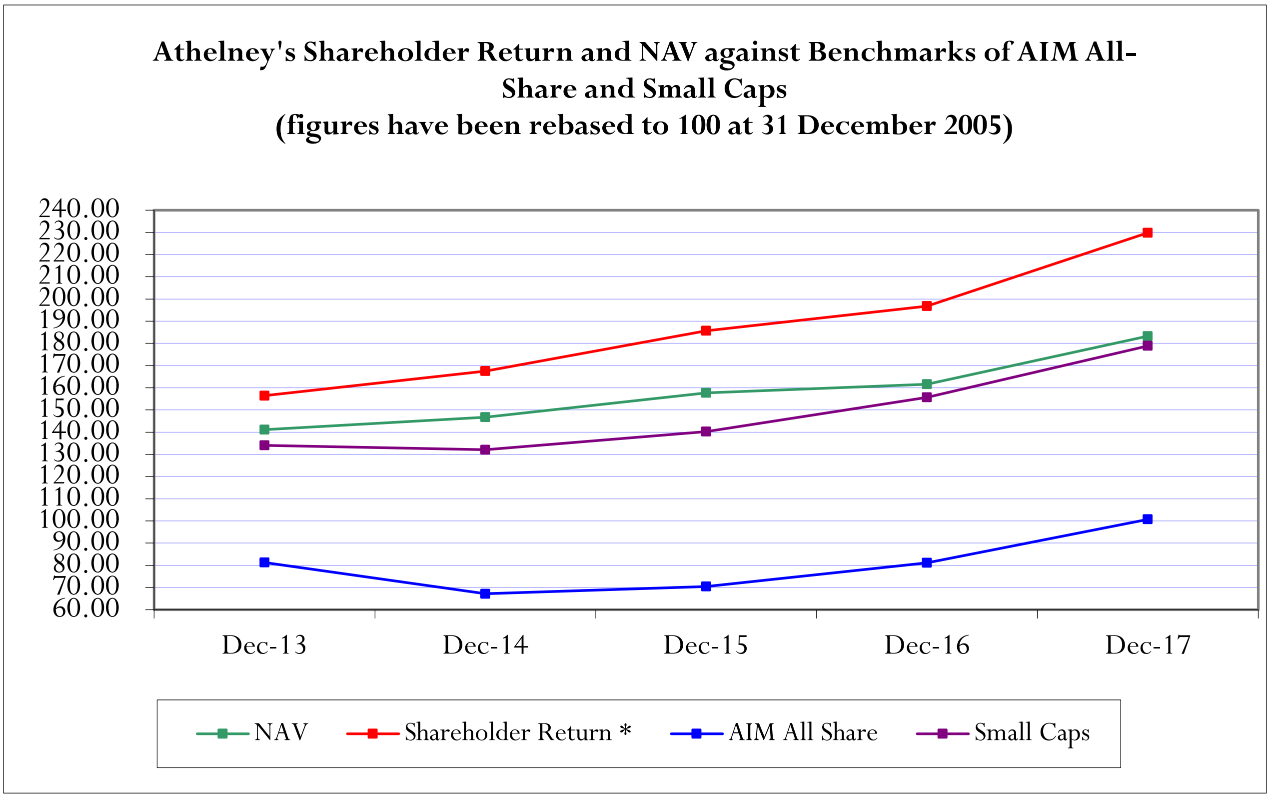
The Managing Director Mr R. Boyle has a service contract commencing 21 August 2008 which provides for termination by either party on one year's notice at any time.

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 2017, 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:

	2017 £	2016 £
Dr E. C. Pohl (Chairman, Non-executive)	10,500	10,500
R. G. Boyle (Managing Director)	57,474	49,401
S. Moore (Non-executive)	10,500	10,500
	78,474	70,401

The Director's remuneration for the year of £78,474 is before the proposed dividend of 8.9p (2016:8.6p) per ordinary share. As stated in the Chairman's Statement on page 3 this is an increase of 3.5 per cent on last year.

Directors' Remuneration Report
(continued)

	Expected Fees for the Year to 31 December 2018	Fees for Year to 31 December
Chairman basic fee	10,500	10,500
Managing Director 1% of net assets	60,000	57,474
Non-Executive Director basic fee	10,500	10,500

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 2017 (or date of resignation if earlier)	31 December 2016 (or date of appointment if later)
R.G. Boyle	449,055[2]	449,055
Dr E.C. Pohl	-[1]	-
S. Moore	32,000	32,000

<u>**Notes:**</u>

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 349,640 (2016: 297,359) 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 (2016: 391,600) ordinary shares representing 18.1 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 2017 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' are fully aware that the Company is not a closed company and the rules associated with this status. The purchasing and selling of shares to/from the Directors is discussed at length with the Company Secretary and the other Directors to ensure that any share movements do not affect the Company's tax status.

Directors' Remuneration Report
(continued)

The Directors' Remuneration Report for the year ended 31 December 2016 was approved by shareholders at the Annual General Meeting held on 30 March 2017. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	1,256,449	58.2
Against	Nil	-
Total votes cast	1,256,449	58.2
Number of votes withheld	Nil	-

The Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting held on 30 March 2017. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	1,256,449	58.2
Against	Nil	-
Total votes cast	1,256,449	58.2
Number of votes withheld	Nil	-

Approval

The Directors' Remuneration Report was approved by the Board on 14 February 2018.

J. Girdlestone
Company Secretary

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

Opinion

We have audited the financial statements of Athelney Trust plc for the year ended 31 December 2017, which comprise the Statement of Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law. we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with international Standards on Auditing (UK) ((ISAs UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of investments

The Company's investment portfolio is one of the key drivers of its 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 for which evidence of the market price is readily available. 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 seven 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 to the financial statements.

Management override of financial controls
The risk of management override is always considered a significant audit risk but is particularly relevant for the Company due to the size of the organisation structure. 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 to the financial statements.

Our application of materiality
We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we use to determine the extent of testing needed, to reduce to an appropriately low-level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £123,000, which is 2.0% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £52,000, which is 25% of the Company's net return on ordinary activities before taxation, excluding gains on investments at fair value.

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the 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 Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25 in relation to going concern;
- the parts of the statement on corporate governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

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

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities (set out on pages 27-28), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability' to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scott Lawrence FCA
Senior Statutory Auditor
for and on behalf of

Hazlewoods LLP
Statutory Auditor, Cheltenham.

14 February 2018

Athelney Trust plc

Income Statement

	Note	For the Year Ended 31 December 2017			For the Year Ended 31 December 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
		£	£	£	£	£	£
Gains on investments held at fair value	8	-	835,709	835,709	-	236,357	236,357
Income from investments	2	238,832	-	238,832	242,157	-	242,157
Investment Management expenses	3	(6,128)	(56,042)	(62,170)	(5,210)	(46,933)	(52,143)
Other expenses	3	(26,527)	(73,817)	(100,344)	(25,519)	(63,393)	(88,912)
Net return on ordinary activities before taxation		206,177	705,850	912,027	211,428	126,031	337,459
Taxation	5	-	-	-	-	-	-
Net return on ordinary activities after taxation	6	206,177	705,850	912,027	211,428	126,031	337,459
Net return per ordinary share	6	9.6p	32.7p	42.3p	10p	6p	16p
Dividend per ordinary share paid during the year	7	8.6p			7.9p		

The total column of this statement is the profit and loss account for the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued during the above financial years.
A statement of movements of reserves is given 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 41 to 49 form part of these financial statements.

Athelney Trust plc

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called-up Share Capital	Share Premium	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total Shareholders' Funds
	£	£	£	£	£	£
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
Balance brought forward at 1 January 2017	539,470	881,087	1,747,083	1,852,759	398,134	5,418,533
Net profits on realisation of investments	-	-	296,629	-	-	296,629
Increase in unrealised appreciation	-	-	-	539,080	-	539,080
Expenses allocated to Capital	-	-	(129,859)	-	-	(129,859)
Profit for the year	-	-	-	-	206,177	206,177
Dividend paid in year	-	-	-	-	(185,036)	(185,036)
Shareholders' Funds at 31 December 2017	**539,470**	**881,087**	**1,913,853**	**2,391,839**	**419,275**	**6,145,524**

The notes on pages 41 to 49 form part of these financial statements.

Athelney Trust plc

Statement of the Financial Position as at 31 December 2017

Company Number: 02933559

	Note	2017	2016
		£	£
Fixed assets			
Investments held at fair value through profit and loss	8	5,966,679	5,117,268
Current assets			
Debtors	9	156,798	256,964
Cash at bank and in hand		45,289	59,133
		202,087	316,097
Creditors: amounts falling due within one year	10	(23,242)	(14,832)
Net current assets		178,845	301,265
Total assets less current liabilities		6,145,524	5,418,533
Provisions for liabilities and charges		-	-
Net assets		6,145,524	5,418,533
Capital and reserves			
Called up share capital	11	539,470	539,470
Share premium account		881,087	881,087
Other reserves (non distributable)			
Capital reserve - realised		1,913,853	1,747,083
Capital reserve - unrealised		2,391,839	1,852,759
Revenue reserve (distributable)		419,275	398,134
Shareholders' funds - all equity		6,145,524	5,418,533
Net Asset Value per share	13	284.8 p	251.1p

Approved and authorised for issue by the Board of Directors on 14 February 2018.

R. Boyle

R.G. Boyle
Director

The notes on pages 41 to 49 form part of these financial statements.

Athelney Trust plc

Statement of Cash flows for the Year Ended 31 December 2017

	2017	2016
	£	£
Cash flows from operating activities		
Net revenue return	206,177	211,428
Adjustment for:		
Expenses charged to capital	(129,859)	(110,326)
Increase/(decrease) in creditors	8,410	(547)
Decrease/(increase) in debtors	100,166	(132,596)
Cash from/(used) operations	184,894	(32,041)
Cash flows from investing activities		
Purchase of investments	(674,520)	(741,319)
Proceeds from sales of investments	660,818	570,157
Net cash used in investing activities	(13,702)	(171,162)
Financing activities		
Share issue	-	379,506
Net cash used in financing activities	-	379,506
Equity dividends paid	(185,036)	(156,663)
Net (decrease)/increase in cash	(13,844)	19,640
Cash at the beginning of the year	59,133	39,493
Cash at the end of the year	45,289	59,133

The notes on pages 41 to 49 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2017

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.

1.7 Judgements

The Directors confirm that no judgements have been made in the process of applying the Company's accounting policies.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting Policies (continued)

1.8 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.

1.9 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. Unrealised capital reserves cannot be distributed by way of dividends or similar.

1.10 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 go ex-div.

1.11 Share Issue Expenses

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

1.12 Financial Instruments

Short term debtors and creditors are held at cost.

2. Income

Income from investments

	2017 £	2016 £
UK dividend income	154,547	175,503
Foreign dividend income	43,876	46,439
UK Property REITs	40,334	20,210
Bank interest	75	5
Total income	238,832	242,157

UK dividend income

	2017 £	2016 £
UK Main Market listed investments	101,879	115,086
UK AIM-traded shares	52,668	60,417
	154,547	175,503

Notes to the Financial Statements
For the Year Ended 31 December 2017

3. Return on Ordinary Activities before Taxation

	2017	2016
	£	£
The following amounts (inclusive of VAT) are included within investment management and other expenses:		
Directors' remuneration:		
- Services as a director	21,000	21,000
- Otherwise in connection with management	57,474	49,401
Auditors' remuneration:		
- Audit Services - Statutory audit	10,500	10,500
Miscellaneous expenses:		
- Other wages and salaries	4,134	10,300
- Management services	30,996	22,140
- PR and communications	3,891	9,662
- Stock exchange subscription	7,920	6,420
- Sundry investment management and other expenses	26,599	11,632
	162,514	141,055

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. An increase of 10% was agreed in July 2017 making the annual fee £27,060 plus VAT.

4. Employees and Directors' Remuneration

	2017	2016
	£	£
Costs in respect of Directors:		
Non-executive directors' fees	21,000	21,000
Wages and salaries	57,474	49,401
Social security costs	4,134	2,971
	82,608	73,372
Costs in respect of administrator:		
Wages and salaries	-	6,687
Social security costs	-	642
	-	7,329
Total:		
Non-executive directors' fees	21,000	21,000
Wages and salaries	57,474	49,401
Social security costs	4,134	3,613
	82,608	80,701
Average number of employees:		
Chairman	-	-
Investment	1	1
Administration	-	-
	1	1

5. Taxation

(i) On the basis of these financial statements no provision has been made for corporation tax (2016: Nil).
(ii) Factors affecting the tax charge for the year.

The tax charge for the period is lower than (2016: lower than) the average small company rate of corporation tax in the UK of 19 per cent. The differences are explained below:

	2017	2016
	£	£
Total return on ordinary activities before tax	912,027	337,459
Total return on ordinary activities multiplied by the average small company rate of corporation tax 19.25% (2016: 20%)	175,565	67,492
Effects of:		
UK dividend income not taxable	(29,750)	(34,430)
Revaluation of shares not taxable	(103,773)	11,578
Capital gains not taxable	(57,101)	(58,850)
Unrelieved management expenses	15,059	14,210
Current tax charge for the year	-	-

The Company has unrelieved excess revenue management expenses of £127,919 at 31 December 2017 (2016: £92,354) and £102,597 (2016: £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 2016, 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 2016. 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.

	2017			2016		
	£	£	£	£	£	£
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Attributable return on ordinary activities after taxation	206,177	705,850	912,027	211,428	126,031	337,459
Weighted average number of shares		2,157,881			2,104,868	
Return per ordinary share	9.6p	32.7p	42.3p	10p	6p	16p

7. Dividend

	2017 £	2016 £
Final dividend in respect of 2016 of 8.6p (2016: a final dividend of 7.9p was paid in respect of 2015) per share	185,036	156,663

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 8.9p (2016: 8.6p) per ordinary share be paid out of revenue profits amounting to a total of £192,051. For the year 2016, a final dividend of 8.6p was paid on 6 April 2017 amounting to a total of £185,036.

	2017 £	2016 £
Revenue available for distribution	206,177	211,428
Final dividend in respect of financial year ended 31 December 2017	(192,051)	(185,036)
Undistributed Revenue Reserve	14,126	26,392

8. Investments

	2017 £	2016 £
Movements in year		
Valuation at beginning of year	5,117,268	4,709,749
Purchases at cost	674,520	741,319
Sales - proceeds	(660,818)	(570,157)
- realised gains on sales	296,629	294,251
Increase/(decrease) in unrealised appreciation	539,080	(57,894)
Valuation at end of year	5,966,679	5,117,268
Book cost at end of year	3,574,834	3,264,509
Unrealised appreciation at the end of the year	2,391,845	1,852,759
	5,966,679	5,117,268
UK Main Market listed investments	4,618,263	4,109,077
UK AIM-traded shares	1,348,416	1,008,191
	5,966,679	5,117,268

Notes to the Financial Statements
For the Year Ended 31 December 2017

8. Investments (continued)

Gains on investments

	2017	2016
	£	£
Realised gains on sales	296,629	294,251
Increase/(decrease) in unrealised appreciation	539,080	(57,894)
	835,709	236,357

The purchase costs and sales proceeds above include transaction costs of £5,711 (2016: £3,695) and £2,401 (2016: £1,344) respectively.

9. Debtors

	2017	2016
	£	£
Investment transaction debtors	148,483	249,295
Other debtors	8,315	7,669
	156,798	256,964

10. Creditors: amounts falling due within one year

	2017	2016
	£	£
Social security and other taxes	2,959	2,623
Other creditors	8,628	172
Accruals and deferred income	11,655	12,037
	23,242	14,832

11. Called Up Share Capital

	2017	2016
	£	£
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	539,470
(2016: 2,157,881 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 Fund 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 2017 would have decreased net assets attributable to shareholders by 55.3 pence per share (2016: 47.4 pence per share). An increase of the same percentage would have an equal but opposite effect on net assets available to shareholders.

	2017	2016
	£	£
Fair value through profit or loss investments	5,966,679	5,117,268

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 an optimal capital structure, taking into consideration the future capital requirements of the Company and capital efficiency, projected operating cash flows and projected strategic investment 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 2017	At Amortised Cost	Assets at fair value through profit or loss	Total
	£	£	£
Assets as per the balance sheet			
Investments	-	5,966,679	5,966,679
Debtors	156,798	-	156,798
Cash at bank	45,289	-	45,289
Total	**202,087**	**5,966,679**	**6,168,766**
Liabilities as per the balance sheet			
Creditors	23,242	-	23,242
Total	**23,242**	**-**	**23,242**

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**

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 an 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 (2016: classification A investments only).

13. Net Asset Value per Share

The net asset value per share is based on net assets of £6,145,524 (2016: £5,418,533) divided by 2,157,881 (2016: 2,157,881) ordinary shares in issue at the year end.

	2017	2016
Net asset value per share	284.8p	251.1p

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	£38,619[2]
Dr. Manny Pohl	£25,573[1]
Mr Simon Moore	£2,752

<u>**Notes:**</u>

1. Dr Manny Pohl's relationship with Global Masters Fund Limited is described in Note 1 to the table of Directors' interests on page 31. During the year a dividend of £25,573 was paid to Global Masters Fund Limited.
2. This figure includes £33,678 paid to Trehellas House Limited. Mr Robin Boyle's interest in Trehellas House Limited is described in Note 2 to the table of Directors' interests on page 31.

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

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 21 March 2018 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 19 March 2018. 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").

14 February 2018

Dear Shareholder,

2018 ANNUAL GENERAL MEETING
APPROVAL OF ANNUAL REPORT AND ACCOUNTS AND OTHER RESOLUTIONS

Introduction

The 2018 Annual General Meeting ("AGM") of the Company is to be held on 21 March 2018 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 6, 7 and 8.
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 2017 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 6 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 Resolution 6, the Directors will (pursuant to paragraph (i) of Resolution 6) have the necessary authority until the date of the next annual general meeting, or 30 April 2019 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 6, (pursuant to paragraph (ii) of Resolution 6) the Directors will have authority, until the date of the next annual general meeting of the Company or 30 April 2019 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 its activities, there is no present intention of issuing ordinary shares pursuant to the authority proposed in Resolution 6.

Resolution 7 proposes as follows:
If the Directors wish to exercise the authority under Resolution 6 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 7 will empower the Directors until the date of the next annual general meeting of the Company, or 30 April 2019 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 12 February 2018 (being the last practicable date prior to publication of this document), the Company held no shares in treasury.

Resolution 8 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 2019 or on 30 April 2019 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 5 relate to the receiving of the report and accounts; the declaration of a dividend; the approval of the report of the remuneration committee; the re-election of Mr S. Moore 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 19 March 2018. 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 21 March 2018 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 2017.

2 To declare a final dividend of 8.9p per ordinary share. It is intended that dividend cheques in respect of the dividend will be posted on 6 April 2018 to all shareholders on the register of members at close of business on 2 March 2018.

3 To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) as set out on pages 29 to 32 of the Company's Accounts for the year ended 31 December 2017.

4 To re-elect Mr S Moore as a Director of the Company retiring by rotation.

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

SPECIAL BUSINESS

6 **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 2019, 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.

7 **Limited disapplication of pre-emption rights**

That, subject to the passing of Resolution 6 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 6 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 6 above; and

(b) in connection with a pre-emptive offer pursuant to the authority given by paragraph (ii) of Resolution 6 above

such power to expire at the conclusion of the next annual general meeting or on 30 April 2019, 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 6 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.

8 **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 2019 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 14 February 2018

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 2 March 2018 (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 14 February 2018 (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

ATHELNEY TRUST PLC
Company Number 02933559
Form of Proxy for use at the Annual General Meeting to be held at 4.30pm on 21 March 2018
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 21 March 2018 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 2017.				
2	To declare a final dividend of 8.9p per ordinary share.				
3	To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 December 2017.				
4	To re-elect Mr S Moore as a Director retiring by rotation.				
5	To appoint Hazlewoods as the Auditors and authorise the Directors to fix their remuneration.				
6	To resolve that the Directors be generally and unconditionally authorised to allot shares to the extent stated in the resolution.				
7	To resolve to dis-apply the statutory pre-emption rights to the extent stated in this resolution.				
8	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.