

Athelney Trust plc

**Interim Report
for the six months ended 30 June 2005**

Athelney Trust plc

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

CHAIRMAN'S STATEMENT

I have pleasure in enclosing the unaudited results for the six months to 30 June 2005. The salient points are as follows:-

- Unaudited Net Asset Value ("NAV") is 143.6p per share (31 December 2004 : 134.9p, 30 June 2004: 119.8p), a rise of 6.4 per cent over six months and an increase of 19.9 per cent over the past year.
- Gross Revenue rose by 26.2 per cent to £39,600 compared with the half year ended 30 June 2004 of £31,391 and the full year to 31 December 2004 of £79,822.
- On a like-for-like basis (after allowing for a dividend received early and a special dividend in this half year), Gross Revenue increased by 16.7 per cent.
- Revenue return per ordinary share was 1.2p, up 71.4 per cent from the previous half year. (31 December 2004: 2.4p, 30 June 2004: 0.7p).
- As is the Board's practice, consideration of a dividend for 2005 will be left until the final results are known.

The Market

After a whirlwind 2003 and 2004, when Athelney's NAV increased by 33.3 per cent and 21.6 per cent respectively, shareholders could be forgiven for being disappointed by the apparently pedestrian 6.4 per cent rise over the past six months. However, this is much more typical of the sort of return likely to be achieved over the next few years. Indeed, when allowance is made for dividends received of approximately 1 per cent the overall return compares most favourably with that resulting from holdings of gilts, cash, residential property and index-linked investments.

And yet the economic background is, on the face of it, not conducive to good markets. Interest rates, although coming down, are still in my opinion far too high in a non-inflationary environment. Manufacturing industry is in technical recession having contracted in both Q1 and Q2. Oil hit \$60 at the end of June, yet with political uncertainties, terrorism and a distinct shortage of refining capacity, only a cock-eyed optimist would predict a sharp fall to more sensible levels. Furthermore, the long awaited slowdown in house price inflation is well underway, although mortgage applications rose to a peak of 96,000 in May compared with only 77,000 last November.

Government tax revenues will be way below those forecast by Mr. Brown since the economy is likely to grow by 2 per cent this year, rather than 3 to 3.5 per cent. Having said all that, there are a number of factors which give cause for cautious optimism. Corporate profits, for instance, are buoyant, partly due to the huge revenues being generated by the oil companies. Another important component is the trend to have everything made in China rather than manufacture it ourselves. Whilst the Renminbi remains massively undervalued and wage rates a fraction of our own, the trend will continue, as will the steady increase in outsourcing which, when it works well, certainly adds to profits.

Although economic growth is muted here in the UK and arguably less than that in the Eurozone, the US continues to trundle along with growth of 3.5 per cent or so, while those two new heavyweights, India and China, are racing away at 7 per cent and 9 per cent respectively.

Results

Gross Revenue rose by 26.2 per cent to £39,600 compared with the six months to 30 June 2004. When due allowance is made for a special dividend from Latham (James) and S & U paying its final dividend on 3 June this year, several weeks earlier than in 2004, on a like-for-like basis Gross Revenue increased by 16.7 per cent, which was still a most satisfactory result.

	<u>Number</u>
Companies paying dividends	61
Companies sold (therefore no true comparison)	9
Companies purchased (therefore no true comparison)	10
Increased total dividend in the half year	36
Reduced total dividend in the half year	2
No change in dividend	4

Corporate Activity

Cash takeovers were completed in respect of three holdings: *Countryside Properties*, *Bristol & West Investments* and *Merrydown*, the last representing a profit of 296 per cent. *Vantis* also took over *Numerica*: in this case shares were preferred to cash. At the time of writing, cash bids for *James Beattie* and *Broadcastle* seem likely to go through, *Urbium* is looking to do a deal, there is a long and tortuous MBO at *Park Group* which may or may not happen and *Wyevale* is under pressure from a group of aggressive shareholders.

Portfolio Review

The following were purchased for the first time or were existing holdings which have been increased in size: *Belhaven Group*, *Clinton Cards*, *Domestic & General*, *Treant*, *Arbuthnot Banking (formerly Secure Trust Banking Group)*, *City Lofts Group*, *Jarvis Securities*, *Nichols*, *Numerica Group*, *RWS Holdings*, *Tenon Group* and *Urbium*.

ICM Computers and *Patientline* have been sold and the holding of *Camellia* has again been top-sliced.

Dividend

As is the Board's practice, consideration of a dividend for 2005 will be left until the final results are known. It is also worth re-stating that the Board wishes to pursue a steady and progressive strategy via regular increases in the dividend.

Update

The unaudited NAV at 29 July was 145.6p per share. On that same date, Athelney shares were quoted at 119.5p so the discount to NAV was 17.9 per cent compared with 25.8 per cent at 28 February. The position continues to improve.

Outlook

What we all need to do now is to keep interest rates low and credit plentiful. In these circumstances, the outlook for equity markets is likely to be favourable over an extended period of time. Rising dividend income, however, is likely to represent a higher proportion of overall returns than in the past.

Hugo Deschampsneufs
Chairman

31 August 2005

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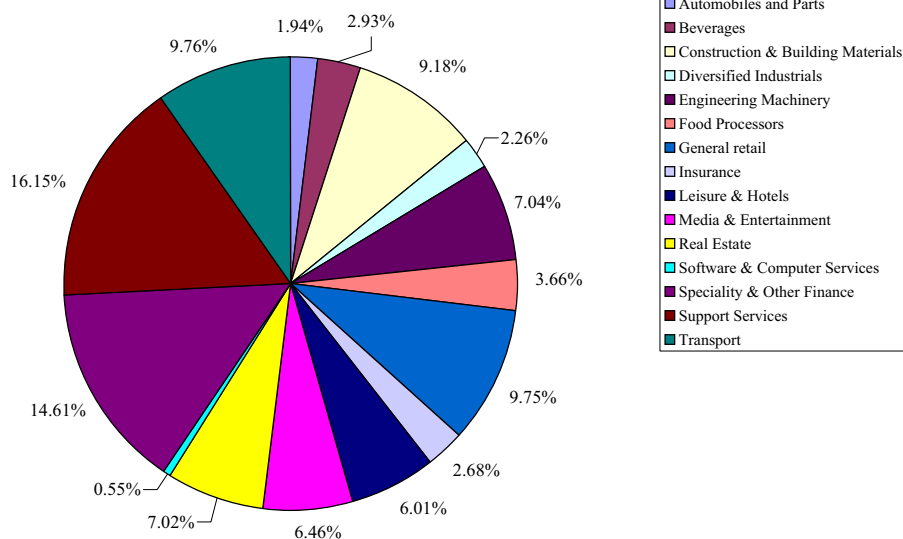
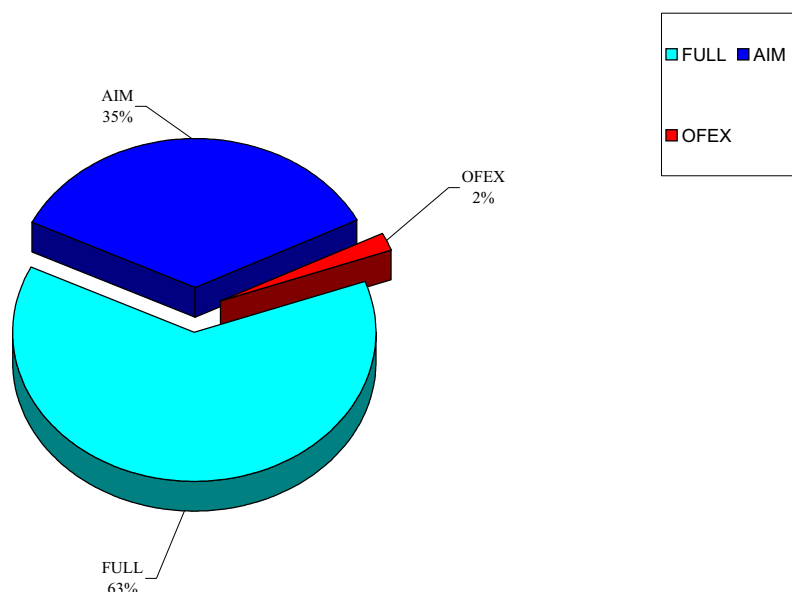
INVESTMENT AND PORTFOLIO ANALYSIS AT 30 JUNE 2005

SECTOR	STOCK	HOLDING	VALUE (£)	SECTOR £	%			
Automobiles and Parts	European Motor Holdings	11,350	30,645	53,649	1.94%			
	Lookers	7,200	23,004					
Beverages	Nichols	14,000	27,790	80,740	2.93%			
	Shepherd Neame "A"	6,000	52,950					
Construction & Building Materials	Ben Bailey	6,800	31,518	253,419	9.18%			
	Clarke (T)	18,000	44,010					
	Galliford Try	65,000	38,188					
	Gibbs & Dandy	10,000	39,350					
	Havelock Europa	24,000	31,800					
	Latham (James)	16,000	27,040					
	Rok Property	7,500	41,513					
Diversified Industrials	N.W.F. Group	13,000	62,400	62,400	2.26%			
Engineering Machinery	Gooch & Housego	18,000	36,810	194,285	7.04%			
	Goodwin	17,000	69,700					
	Severfield-Rowen	6,500	41,275					
	Slingsby (H.C.)	4,000	46,500					
Food Processors	Treant	10,500	28,718	100,718	3.66%			
	Wynnstay Group	30,000	72,000					
General Retail	Beattie, James	17,000	27,880	269,153	9.75%			
	Clinton Cards	28,500	24,083					
	Flying Brands	14,000	26,530					
	Mallett	12,000	30,960					
	SCS Upholstery	12,000	40,680					
	Stanley Gibbons	90,000	83,250					
	Wyevale Garden Centres	7,000	35,770					
Insurance	Domestic & General	3,300	24,140	74,080	2.68%			
	Personal Group Holdings	22,000	49,940					
Leisure & Hotels	Belhaven Group	5,250	25,856	165,941	6.01%			
	Enterprise Inns	10,000	83,400					
	Ultimate Leisure	9,500	28,975					
	Urbium	3,400	27,710					
Media & Entertainment	International Greetings	18,000	81,900	178,233	6.46%			
	Landround	5,000	15,625					
	Media Square	213,179	53,828					
	RWS Holdings	14,000	26,880					
Real Estate	City Lofts Group	25,000	21,875	193,307	7.02%			
	Colliers C.R.E.	16,000	23,120					
	Mountview Estates	1,925	93,362					
	Smart (J) & Co.	4,000	25,600					
	Unite Group	10,000	29,350					
Software & Computer Services	Pennant International	116,000	15,080	15,080	0.55%			
Speciality & Other Finance	Albemarle & Bond	20,000	24,000	403,144	14.61%			
	Arbuthnot Banking Group	8,818	34,170					
	Broadcastle	40,000	40,800					
	Camellia	1,300	82,549					
	Cardpoint	30,000	40,800					
	Charles Taylor Consulting	8,000	19,320					
	Jarvis Securities	20,000	15,600					
	Park Group	80,000	22,400					
	S & U	8,000	43,600					
	Tenon Group	72,500	21,931					
	Vantis	14,750	23,674					
	Vantis (RFD 1/5/05)	21,917	34,300					
	Support Services	Brandon Hire	20,000			30,400	446,000	16.15%
		Dawson Holdings	34,000			51,340		
Enterprise		16,000	63,480					
Erinaceous Group		13,000	36,205					
Fountains		20,000	30,400					
Genus		15,000	49,350					
Penna Consulting		16,000	18,320					
VP Group		17,000	35,785					
Waterman Group		40,000	39,400					
Watermark Group		20,000	26,000					
WSP Group		23,000	65,320					
Transport	Air Partner	8,500	49,513	269,243	9.76%			
	Braemar Seascope	20,000	74,000					
	Clarkson	8,000	64,160					
	Fisher (James)	17,000	54,570					
	PD Ports	25,000	27,000					

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INVESTMENT AND PORTFOLIO ANALYSIS AT 30 JUNE 2005
(CONTINUED)

Portfolio Value	£	2,759,392	100.00%
Net Current Assets	£	82,836	
Deferred tax	£	(253,600)	
TOTAL VALUE	£	2,588,628	
Shares in issue		1,802,802	
Unaudited NAV		143.6p	

Portfolio
by SectorsPortfolio
by Listing

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**INTERIM STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)**

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited 6 months ended 30 June 2005			Unaudited 6 months ended 30 June 2004			<i>Year ended 31 December 2004</i>
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	<i>Total £</i>
Profits on investments	-	174,698	174,698	-	184,327	184,327	535,518
Income	39,600	-	39,600	31,391	-	31,391	79,822
Investment management expenses	(3,875)	(10,375)	(14,250)	(3,363)	(9,853)	(13,216)	(26,599)
Other expenses	(17,946)	-	(17,946)	(18,920)	-	(18,920)	(38,199)
Return on ordinary activities before taxation	17,779	164,323	182,102	9,108	174,474	183,582	550,542
Taxation	3,692	(28,799)	(25,107)	4,104	(26,637)	(22,533)	(82,362)
Return on ordinary activities after taxation	21,471	135,524	156,995	13,212	147,837	161,049	468,180
Dividend	-	-	-	-	-	-	(36,056)
Transfer to reserves	21,471	135,524	156,995	13,212	147,837	161,049	432,124
Return per ordinary share	1.2p	7.5p	8.7p	0.7p	8.2p	8.9p	26.0p

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INTERIM BALANCE SHEET AS AT 30 JUNE 2005

	Unaudited 30 June 2005	Unaudited 30 June 2004	31 December 2004
	£	£	£
Fixed assets			
Investments	<u>2,759,392</u>	<u>2,216,684</u>	<u>2,555,581</u>
Current assets			
Debtors	90,852	107,871	116,514
Cash at bank and in hand	<u>21,884</u>	<u>37,539</u>	<u>61,311</u>
	112,736	145,410	177,825
Creditors: amounts falling due within one year	<u>(29,900)</u>	<u>(36,536)</u>	<u>(57,673)</u>
Net current assets	<u>82,836</u>	<u>108,874</u>	<u>120,152</u>
Total assets less current liabilities	2,842,228	2,325,558	2,675,733
Provisions for liabilities and charges	(253,600)	(165,000)	(244,100)
Net assets	<u><u>2,588,628</u></u>	<u><u>2,160,558</u></u>	<u><u>2,431,633</u></u>
Capital and reserves			
Called up share capital	450,700	450,700	450,700
Share premium account	405,605	405,605	405,605
Other reserves - non distributable			
Capital reserve - realised	479,588	449,882	389,458
Capital reserve - unrealised	1,174,839	791,496	1,129,445
Revenue reserve	<u>77,896</u>	<u>62,875</u>	<u>56,425</u>
Shareholders' funds - all equity	<u><u>2,588,628</u></u>	<u><u>2,160,558</u></u>	<u><u>2,431,633</u></u>
Net Asset Value per share	143.6p	119.8p	134.9p

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INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited 6 months ended 30 June 2005		Unaudited 6 months ended 30 June 2004		Year ended 31 December 2004
	£	£	£	£	£
Net cash (outflow) / inflow from operating activities		(3,372)		(4,604)	19,170
Servicing of finance					
Dividends paid	(36,056)		(32,450)		(32,450)
Net cash (outflow) from servicing of finance		<u>(36,056)</u>		<u>(32,450)</u>	<u>(32,450)</u>
Taxation					
Corporation tax paid		-		-	-
Investing activities					
Purchases of investments	(269,360)		(382,084)		(575,195)
Sales of investments	269,361		382,084		575,193
Net cash inflow / (outflow) from investing activities		<u>1</u>		<u>-</u>	<u>(2)</u>
(Decrease) in cash in the year		<u><u>(39,427)</u></u>		<u><u>(37,054)</u></u>	<u><u>(13,282)</u></u>
Reconciliation of operating net revenue to net cash (outflow) / inflow from operating activities		£		£	£
Revenue return on ordinary activities before taxation		17,779		9,108	34,813
(Increase) in debtors		(3,452)		(4,051)	(398)
(Decrease) / increase in creditors		(7,324)		192	4,544
Management expenses charged to capital		(10,375)		(9,853)	(19,789)
		<u><u>(3,372)</u></u>		<u><u>(4,604)</u></u>	<u><u>19,170</u></u>

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NOTES TO THE INTERIM ACCOUNTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. The financial information contained in this report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). The results for the year ended 31 December 2004 were reported on by the auditors and received an unqualified report and contained no statement under Section 237(2) or (3) of the Companies Act 1985 (as amended) and a copy of the audited accounts has been filed with the Registrar of Companies.
2. These unaudited results have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2004.
3. The calculation of earnings per share for the six months ended 30 June 2005 is based on the attributable return on ordinary activities after taxation and on the average weighted number of shares in issue during the period.

	6 months ended 30 June 2005			6 months ended 30 June 2004		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
Attributable return on ordinary activities after taxation	21,471	135,524	156,995	13,212	147,837	161,049
Number of shares		1,802,802			1,802,802	
Return per ordinary share	1.2p	7.5p	8.7p	0.7p	8.2p	8.9p

	12 months ended 31 December 2004		
	Revenue	Capital	Total
	£	£	£
Attributable return on ordinary activities after taxation	42,818	425,362	468,180
Number of shares		1,802,802	
Return per ordinary share	2.4p	23.6p	26.0p

4. Copies of the interim results for the six months ended 30 June 2005 will be sent to all shareholders as soon as practicable. Copies of the interim results will be available free of charge for one month from the Company's Nominated Adviser:

Noble & Company Limited
76 George Street
Edinburgh
EH2 3BU

Athelney Trust plc**Officers and Financial Advisers**

Directors: H.B. Deschampsneufs (Chairman)
R.G. Boyle (Managing Director)
D.A. Horner (Non-Executive)

Secretary: J.M. Davies
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Nominated Adviser: Noble & Company Limited
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36 Renfield Street
Glasgow, G2 1NA

Auditor: Clement Keys
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Birmingham, B15 1TS

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