

ATHELNEY TRUST PLC
INTERIM RESULTS
AND
PORTFOLIO VALUATION
FOR THE SIX MONTHS ENDED 30 JUNE 2004

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

CHAIRMAN'S STATEMENT

I have pleasure in enclosing the unaudited results for the six months to 30 June 2004. The salient points are as follows:-

- Unaudited Net Asset Value ("NAV") is 119.8p per share (31 December 2003 : 110.9p, 30 June 2003: 92.2p), a rise of 8.0 per cent over six months and an increase of 29.9 per cent over the past year.
- Gross Revenue fell by 2.2 per cent to £ 31,391 compared with the half year ended 30 June 2003 of £32,092 and the full year to 31 December 2003 of £101,345.
- On a like for like basis (after allowing for a dividend received early and a special dividend in the previous half year), Gross Revenue increased by 13.8 per cent.
- Revenue return per ordinary share was 0.7p, the same as the previous half year. (31 December 2003: 3.4p, 30 June 2003: 0.7p).
- As is the Board's practice, consideration of a dividend for 2004 will be left until the final results are known.

The Market

Investors - and who can blame them - have been obsessed with a number of domestic issues such as rising interest rates and international problems like terrorism and the rapid rise in commodity prices such as oil, coal and aluminium.

Against this slightly unforgiving background, I am pleased to report that Athelney's NAV rose by 8.0% in the six months to 30 June 2004 and 29.9% over the past twelve months. On a like-for-like basis, Gross Revenue (principally dividend income) rose by 13.8%: again, I think that this is a most satisfactory result underlining the dual attractions of investing in quality small companies, namely those with prospects of capital growth plus a steadily growing income. In Athelney's first full year, the company paid 1p per share to shareholders - nine years later, in 2003, the annual dividend, after a number of increases in intervening years, had increased to 1.8p per share. Nothing is guaranteed in this life, but my opinion is that this steady progression is likely to continue for the foreseeable future.

Markets seem more or less becalmed at the moment and it is difficult to foresee what event or situation might come along to change things. Change they will, though, but it may be the first quarter of 2005 before investors remember that low inflation, lowish interest rates and gently rising corporate profitability against a background of low unemployment is good for markets and have confidence to re-invest in equities.

Results

Gross Revenue fell by 2.2% to £31,391 compared to the six months ended 30 June 2003 although, on a like-for-like basis, the strong upward trend continued with a rise of 13.8%. To illustrate this point further, I give below a breakdown of dividend increases and reductions:-

	<u>Number</u>
Companies paying dividends	<u>62</u>
Companies sold (therefore no true comparison)	12
Companies purchased (therefore no true comparison)	12
Increased total dividend in the half year	30
Reduced total dividend in the half year	2
No change in dividend	6

Portfolio Review

During the first half of 2004, new purchases were made of the following: *Ben Bailey, Brandon Hire, CD Bramall, Countryside Properties, European Motor Holdings, Havelock Europa, Lookers, J Smart & Co., Sportech, Albemarle & Bond Holdings, Fitzhardinge, Gooch & Housego, UK Betting and Ultimate Leisure*. A further four existing holdings increased in size.

CD Bramall (the cash offer from Pendragon was accepted), *Christie Group, Reed Health Group, Cobra Bio-Manufacturing, Ideal Shopping Direct* and *Clyde Marine* have all been sold with some thirteen others top-sliced.

Dividend

As is usual, the Directors will recommend a dividend for 2004 when the results for the year are known.

Close Company Status

It has recently come to the Board's attention that, because of certain share transactions, your company is now a close company for tax purposes. The effect of this is that Athelney's rate of corporation tax will rise from 19% to 30%. As a consequence, any realised gains will be subject to a higher tax rate and the calculation of the deferred tax liability will also rise proportionately. If this tax rate had been applied at 30 June 2004 the effect would have been to reduce profit after taxation from £161,049 to £53,298 and the net asset value per share from 119.8p to 113.9p.

Your Board is actively seeking a solution to this problem, which might include certain large shareholders agreeing to reduce their holdings by disposing of part or all of their holdings to new unconnected individuals, such that the tests for close company status are no longer met. An alternative might be to seek a listing for Athelney on the London Stock Exchange, where the test for close companies is marginally easier to achieve. The additional benefit of a listing on the London Stock Exchange is that, in time, Athelney could apply to the Inland Revenue for authorised investment trust status, which, if granted, would result in any capital gains being free of tax.

Clearly, if we are unable to resolve this issue by way of one of the above routes, then Athelney will be a close company for tax purposes with the consequent reduction in profit after taxation and net asset value per share.

Update

The unaudited NAV at 31 July 2004 was 118.4p per share.

Outlook

It is difficult to imagine what precisely might happen to re-awaken the market from its late-summer sleep. Nevertheless, the economic background is broadly favourable to equity investment generally - and small company investment in particular - and at some point in the future, perhaps first quarter 2005, buyers for strong, well-managed small companies will return. Athelney, however, will continue to seek out those investment opportunities that have benefited its shareholders in the past and will do so in the future.

Hugo Deschampsneufs
Chairman

2 September 2004

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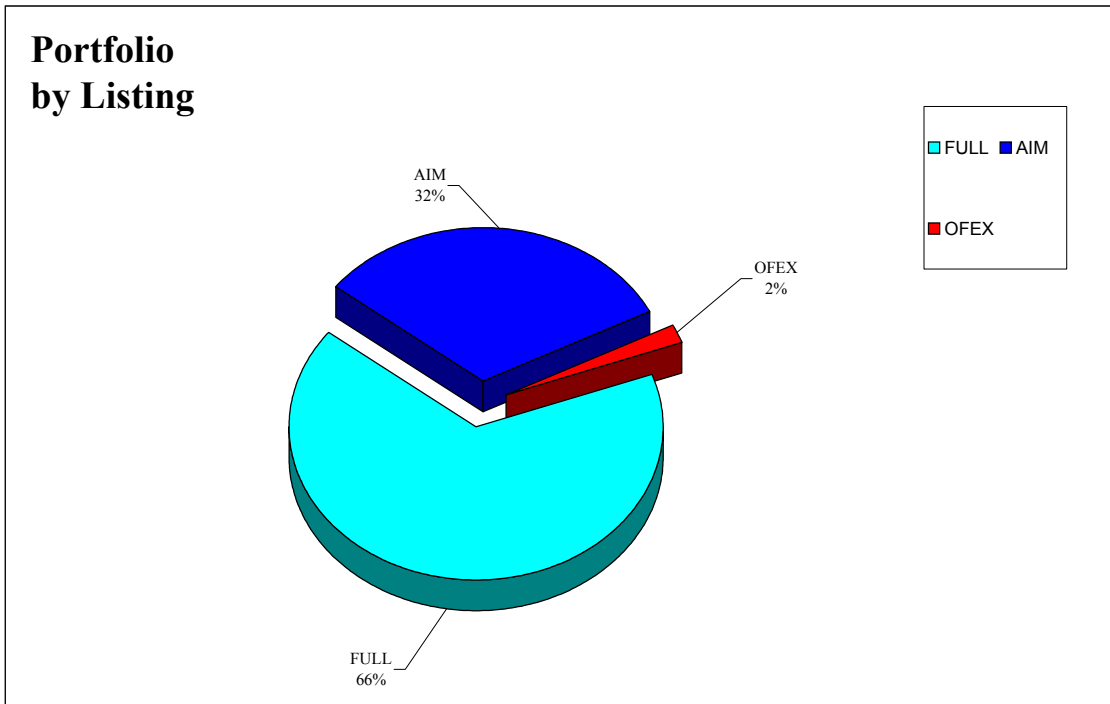
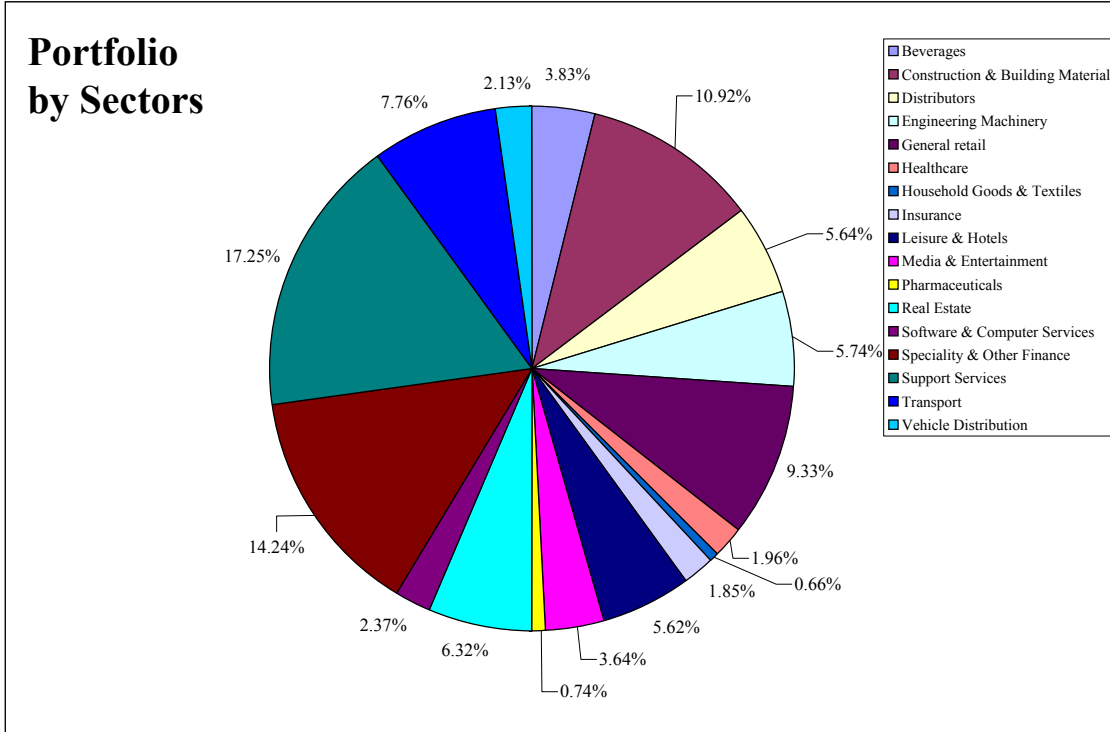
INVESTMENT AND PORTFOLIO ANALYSIS AT 30 JUNE 2004

SECTOR	STOCK	HOLDING	VALUE (£)	SECTOR £	%
Beverages	Shepherd Neame "A"	6,000	42,300		
	Merrydown	47,000	42,535	84,835	3.83%
Construction & Building Materials	Ben Bailey	6,800	27,438		
	Clarke (T)	6,000	30,510		
	Countryside Properties	22,500	49,500		
	Galliford Try	65,000	31,688		
	Gibbs & Dandy	10,000	32,000		
	Havelock Europa	24,000	24,720		
	Latham (James)	4,000	19,900		
	Rok Property	7,500	26,213	241,969	10.92%
Distributors	N.W.F. Group	13,000	64,350		
	Wynstay Group	30,000	60,750	125,100	5.64%
Engineering Machinery	Gooch & Housego	18,000	25,650		
	Goodwin	17,000	40,630		
	Severfield-Rowen	6,500	25,350		
	Slingsby (H.C.)	4,000	35,500	127,130	5.74%
General Retail	Beattie, James	17,000	21,505		
	Flying Brands	14,000	29,120		
	Mallett	12,000	31,920		
	SCS Upholstery	12,000	29,160		
	Stanley Gibbons	90,000	70,650		
	Wyevale Garden Centres	7,000	24,570	206,925	9.33%
Healthcare	Oasis Healthcare	115,000	18,112		
	Patientline	20,000	25,400	43,512	1.96%
Household Goods & Textiles	Collins & Hayes	60,000	14,700	14,700	0.66%
Insurance	Personal Group Holdings	22,000	41,030	41,030	1.85%
Leisure & Hotels	Enterprise Inns	10,000	57,500		
	Sportech	120,000	15,000		
	UK Betting	35,500	21,478		
	Ultimate Leisure	9,500	30,495	124,473	5.62%
Media & Entertainment	Coutts Holdings	26,000	28,210		
	International Greetings	18,000	52,470	80,680	3.64%
Pharmaceuticals	Alliance Pharma	100,000	16,500	16,500	0.74%
Real Estate	Fitzhardinge	16,000	22,640		
	Mountview Estates	1,925	78,444		
	Smart (J) & Co.	4,000	19,000		
	Unite Group	10,000	19,750	139,834	6.32%
Software & Computer Services	ICM Computer Group	7,500	21,750		
	Pennant International	116,000	30,740	52,490	2.37%
Speciality & Other Finance	Albemarle & Bond	20,000	20,000		
	Broadcastle	40,000	31,200		
	Camellia	1,631	82,365		
	Cardpoint	30,000	38,700		
	IFX Group	19,000	19,950		
	Park Group	80,000	23,600		
	S & U	8,000	40,600		
	Secure Trust Banking Group	7,500	28,125		
	Wintrust	6,000	31,170	315,710	14.24%
Support Services	Brandon Hire	20,000	25,200		
	Dawson Holdings	34,000	53,549		
	Enterprise	16,000	50,400		
	Fountains	20,000	26,500		
	Genus	15,000	34,500		
	Landround	5,000	12,450		
	Penna Consulting	16,000	22,000		
	Universe Group	110,000	28,050		
	VP Group	17,000	22,950		
	Waterman Partnership Holdings	40,000	30,000		
	Watermark Group	20,000	27,500		
	WSP Group	23,000	49,450	382,549	17.25%
	Transport	Air Partner	8,500	34,850	
Braemar Seascope		20,000	50,500		
Clarkson		8,000	39,160		
Fisher (James)		17,000	47,430	171,940	7.76%
Vehicle Distribution	European Motor Holdings	11,350	25,311		
	Lookers	7,200	21,996	47,307	2.13%

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INVESTMENT AND PORTFOLIO ANALYSIS AT 30 JUNE 2004 (CONTINUED)

Portfolio Value	£ 2,216,684	100.00%
Net Current Assets	£ 108,874	
Deferred tax	£ (165,000)	
TOTAL VALUE	£ 2,160,558	
Shares in issue	1,802,802	
Unaudited NAV	119.8p	



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INTERIM STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT)

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Unaudited 6 months ended 30 June 2004			Unaudited 6 months ended 30 June 2003			<i>Year ended 31 December 2003</i>
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	<i>Total £</i>
Gains on investments	-	184,327	184,327	-	184,039	184,039	584,517
Income	31,391	-	31,391	32,092	-	32,092	101,345
Investment management expenses	(3,363)	(9,853)	(13,216)	(5,808)	(5,808)	(11,616)	(23,152)
Other expenses	(18,920)	-	(18,920)	(17,849)	-	(17,849)	(38,003)
Return on ordinary activities before taxation	9,108	174,474	183,582	8,435	178,231	186,666	624,707
Taxation	4,104	(26,637)	(22,533)	4,310	(29,036)	(24,726)	(92,761)
Return on ordinary activities after taxation	13,212	147,837	161,049	12,745	149,195	161,940	531,946
Dividend	-	-	-	-	-	-	(32,450)
Transfer to reserves	13,212	147,837	161,049	12,745	149,195	161,940	499,496
Return per ordinary share	0.7p	8.2p	8.9p	0.7p	8.3p	9.0p	29.5p

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INTERIM BALANCE SHEET AS AT 30 JUNE 2004

	Unaudited 30 June 2004	Unaudited 30 June 2003	31 December 2003
	£	£	£
Fixed assets			
Investments	<u>2,216,684</u>	<u>1,659,727</u>	<u>2,048,785</u>
Current assets			
Debtors	107,871	78,427	87,392
Cash at bank and in hand	<u>37,539</u>	<u>29,303</u>	<u>74,593</u>
	145,410	107,730	161,985
Creditors: amounts falling due within one year	<u>(36,536)</u>	<u>(9,778)</u>	<u>(47,461)</u>
Net current assets	<u>108,874</u>	<u>97,952</u>	<u>114,524</u>
Total assets less current liabilities	2,325,558	1,757,679	2,163,309
Provisions for liabilities and charges	(165,000)	(95,726)	(163,800)
Net assets	<u><u>2,160,558</u></u>	<u><u>1,661,953</u></u>	<u><u>1,999,509</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	449,882	257,003	311,754
Capital reserve - unrealised	791,496	514,408	781,787
Revenue reserve	<u>62,875</u>	<u>34,237</u>	<u>49,663</u>
Shareholders' funds	<u><u>2,160,558</u></u>	<u><u>1,661,953</u></u>	<u><u>1,999,509</u></u>
Net assets per share	119.8p	92.2p	110.9p

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CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Unaudited 6 months ended 30 June 2004		Unaudited 6 months ended 30 June 2003		Year ended 31 December 2003
	£	£	£	£	£
Net cash (outflow) / inflow from operating activities		(4,604)		(192)	45,471
Servicing of finance					
Dividends paid	(32,450)		(30,647)		(30,648)
Net cash (outflow) from servicing of finance		(32,450)		(30,647)	(30,648)
Taxation					
Corporation tax paid		-		-	(373)
Investing activities					
Purchases of investments	(382,084)		(125,525)		(385,319)
Sales of investments	382,084		125,523		385,318
Net cash (outflow) from investing activities		-		(2)	(1)
(Decrease) / increase in cash in the year		(37,054)		(30,841)	14,449
Reconciliation of operating net revenue to net cash (outflow) / inflow from operating activities		£		£	£
Revenue return on ordinary activities before taxation		9,108		8,435	51,766
(Increase) / decrease in debtors		(4,051)		(2,411)	43
Increase / (decrease) in creditors		192		(408)	5,238
Management expenses charged to capital		(9,853)		(5,808)	(11,576)
		(4,604)		(192)	45,471

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NOTES TO THE INTERIM ACCOUNTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

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 2003 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. The unaudited results have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2003.
3. The calculation of earnings per share for the six months ended 30 June 2004 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 2004			6 months ended 30 June 2003		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Attributable return on ordinary activities after taxation	13,212	147,837	161,049	12,745	149,195	161,940
Number of shares		1,802,802			1,802,802	
Return per ordinary share	0.7p	8.2p	8.9p	0.7p	8.3p	9.0p

	12 months ended 31 December 2003		
	Revenue £	Capital £	Total £
Attributable return on ordinary activities after taxation	60,621	471,325	531,946
Number of shares		1,802,802	
Return per ordinary share	3.4p	26.1p	29.5p

4. Copies of the interim results for the six months ended 30 June 2004 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 Advisor:

Noble & Company Limited
76 George Street
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