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This document comprises a prospectus relating to Athelney Trust plc prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under sections 73A and 84 of the Financial Services and Markets Act 2000. A copy of this document has been delivered to the FSA in accordance with Rule 3.2 of the Prospectus Rules.

The Directors of the Company, whose names appear on page 9 of this document, and the Company each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and contains no omission likely to affect its import.

ATHELNEY TRUST PLC

*(incorporated in England and Wales under the Companies Act 1985 with registered no. 2933559
and registered as an investment company under section 833 of the Companies Act 2006)*

Introduction to the Official List

Sponsored by



This prospectus does not constitute and may not be used for the purposes of an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this prospectus and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered directly or indirectly in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Applications will be made to the UK Listing Authority for the Shares to be admitted to the Official List and to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such Admissions will become effective, and that dealings in the Shares will commence, on 24 September 2008.

Dowgate Capital Advisers Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the sponsor to the Company and is acting for the Company in relation to the Admission. Dowgate Capital Advisers Limited is not acting for any person other than the Company in connection with the Admission, will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dowgate Capital Advisers Limited and is not advising any other person in connection with the Admission or the contents of this document or otherwise in relation to any transaction contemplated in or by this document. Dowgate Capital Advisers Limited does not take, and hereby excludes, any responsibility for the contents of this prospectus pursuant to sections 84(1) or 90 of the Financial Services and Markets Act 2000 and has not authorised the contents of the prospectus under Rule 5.5 of the Prospectus Rules. Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

Potential investors should also consider the risk factors relating to the Company set out on pages 7 and 8 of this document.

CONTENTS

	<i>Page</i>
Summary	3
Expected timetable of key dates	6
Introduction statistics	6
Risk factors	7
Directors and advisers	9
Definitions	10
Part I Athelney Trust plc	12
Part II Portfolio and historical performance	16
Part III Financial information for the three years ended 31 December 2007	
(A) Accountant's Report	19
(B) Financial information	21
Part IV Additional information	34

SUMMARY

This summary should be read as an introduction to the full text of this document and any investment decision relating to the Company should be based on the consideration of this document as a whole. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

The Company

Athelney Trust was admitted to AIM in 1995, and is an investment company. The investment objective of the Company 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.

Typical investor

The Directors believe that the profile of a typical investor in the Company is a private investor who wishes to invest in the small cap sector and wishes to reduce the risk of doing so by gaining exposure to a wide spread of holdings over various industries and sectors.

Admission to the Official List

The Company's Shares have been traded on AIM since 1995. Application has been made for the Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. The Board believes that moving from AIM to the Official List of the UK Listing Authority and London Stock Exchange's main market for listed securities will have several advantages for the Company including:

- widening the potential pool of investors;
- potentially attracting analyst coverage;
- increasing liquidity in the Company's shares; and
- potentially allowing the Company to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988.

It is expected that Admission will become effective and that dealing in the Shares will commence on the London Stock Exchange on or about 24 September 2008.

Investment management

The Board has overall responsibility for the Company's activities, and day to day, the investment management decisions are made by Robin Boyle, who is a Director of the Company and has managed the Company's investments since 1994.

Summary of the investment policy

The investment objective of the Company 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 Company will invest in the equity securities of companies with a market capitalisation of less than £100 million (at the time of investment) whose shares are admitted to trading on the main market of the London Stock Exchange, AIM or Plus. The Company may invest up to 10 per cent of its net assets in other securities, such as debt securities, or in companies with a market capitalisation of £100 million or more (at the time of investment).

The assets of the Company will be allocated: firstly, to the shares of companies which have generated increasing profits and growing dividends which, in the Directors' opinion are undervalued or attractively priced; and secondly, to those companies whose shares the Directors believe are undervalued or attractively price by reference to the value of land, buildings or cash held by them.

The Company will not invest in any investment trust or collective investment. It does not take short positions in securities.

The Company will attempt to reduce the risk of its investment portfolio by diversification. The portfolio will normally comprise between 50 and 100 investments at any one time (but never less than 50), and the Company will limit its exposure to any one investment to 10% of the portfolio, and its exposure to any one sector to 25% of the portfolio at the time of investment. The Company does not use hedging or derivatives to mitigate risk.

The Company will manage and invest its assets in accordance with the investment policy set out in full on pages 12 and 13 of this document.

Duration

As the Company is intended as a long-term investment vehicle, following a resolution of Shareholders in May 2003, it does not have a fixed life.

Share capital

The authorised and issued share capital (all of which is fully paid up) of the Company as at 21 August 2008 (being the latest practicable date prior to publication of this document) is, and immediately following Admission will be:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Nominal value</i>	<i>Number of Shares</i>	<i>Nominal value</i>	<i>Number of Shares</i>
Ordinary Shares of 25 pence	£2,500,000	10,000,000	£450,700.50	1,802,802

Dividend policy

The Company's policy after Admission is to pay out at least 85% of net profits each year as dividends. The Company will only pay dividends on the Shares to the extent that it has profits available for that purpose. This will largely depend on the amount of income the Company receives on its investments and the timing of such receipts. Following Admission, the Company expects to pay a dividend once a year in or around April.

Directors

The Board comprises three Directors as follows:

Hugo Deschampsneufs, Non- executive Chairman;
David Horner, Non-executive Director; and
Robin Boyle, Managing Director.

Mr. Boyle has, since the inception of the Company, managed the investments of the Company.

Risk factors

The key risk factors associated with an investment in the Company's Shares are considered by the Directors to be as follows:

- The value of an investment in the Company and the income and/or capital returns derived from such investment may go down as well as up and may not always reflect the NAV per Share.
- Past performance of the Company's Shares and investments is not necessarily indicative of future performance.
- There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment.
- There can be no guarantee that a liquid market will exist in the Company's Shares, and investors may have difficulty in selling them.
- The liquidity of the market in the Shares in which the Company may invest cannot be guaranteed and this may affect the ability of the Company to rebalance its portfolio or to maximise gains.
- The Directors may provide their services to other companies and conflicts of interest may arise.
- Any changes in the Company's tax status may affect the value of the investments held by the Company, the Company's ability to provide returns to Shareholders or the Company's ability to achieve its investment objectives, or may alter the net returns to Shareholders.

If investors are in any doubt as to what action they should take or as to their investment of tax position, they should immediately seek advice from an appropriate professional adviser.

EXPECTED TIMETABLE OF KEY EVENTS

2008

Date of this document	22 August
Last day of trading in the Shares on AIM	23 September
Cancellation of trading in the Shares on AIM, admission of Shares to the Official List becomes effective and dealings commence in Shares on the London Stock Exchange	8:00a.m. on 24 September

INTRODUCTION STATISTICS

Number of Shares in issue on Admission to the Official List	1,802,802
ISIN of the Shares	GB0000609296
Unaudited NAV per share as at 31 July 2008	135.8p

RISK FACTORS

The risk factors set out below are those which are considered by the Directors to be material as at the date of this document but are not the only risks relating to the Company or the Shares. There may be additional material risks of which the Directors are not aware. Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Shares.

Investors should consider the following risk factors in relation to the Company and the Shares.

Investment

No assurance can be given that Shareholders will realise a profit on their investment. Investment in the Company is suitable only for investors who are capable of evaluating the merits and risks of such investment and who have sufficient resource to be able to bear the economic risk of the loss of their investment. Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets and should not normally form a major part of an investment portfolio.

Past performance of the Company is not necessarily indicative of future performance.

Investor returns

Investors contemplating an investment in Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the underlying companies in which the Company's assets are invested. No guarantee is given, express or implied, that Shareholders will receive back the amount of their investment in the Shares. Changes in economic conditions may substantially and adversely affect the value of investments.

As the price of the Shares is determined by the interaction of supply and demand for those Shares in the market, the price of such Shares can fluctuate and may represent a discount to the Net Asset Value per Share.

Valuation

The Company publishes its Net Asset Value as at each month end. The value at which investments held by the Company may be liquidated can differ, sometimes significantly, from interim valuations of such investments. In addition, the timing of liquidations may also affect the values obtained upon liquidation. Securities held by the Company may routinely trade with bid-offer spreads that may be significant. On occasion, the Company may hold instruments or positions for which no public market exists to assist valuation.

Illiquidity

Although application will be made for the Shares to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities, investors should be aware that the liquidity of the market in the Shares cannot be guaranteed and Shareholders may have difficulty in selling them.

In addition, the liquidity of the market in the shares in which the Company may invest cannot be guaranteed, which may affect the ability of the Company to rebalance its portfolio of investments, or to maximise gains.

Potential conflicts of interest

The Directors may be involved in other financial, investment or professional activities, that may on occasion give rise to conflicts of interest with the Company. In particular, they may provide investment management, investment advice or other services in relation to a number of other funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive ad valorem and/or performance related fees for doing so.

As a result, the Directors may have conflicts of interest in allocating their time and activity between the Company and the other clients, in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients, including ones in which the Directors may have a greater financial interest. The Directors may give advice or take action with respect to such other clients that differs from the advice given with respect to the Company.

Changes in taxation and accounting practice

Any change in the Company's tax status, or in taxation legislation or accounting practice in the United Kingdom, or elsewhere, could affect the value of the investments held by the Company, the Company's ability to provide returns to Shareholders or the Company's ability to achieve its investment objective or alter the post tax returns to Shareholders. Statements in this document concerning the taxation of UK Shareholders are based upon current UK tax laws and practices that if changed could adversely affect the ability of the Company to meet its investment objective and could adversely affect the taxation of Shareholders.

Key personnel

The success of the Company is significantly dependent upon the expertise of the Directors, and in particular Robin Boyle. In the event that Mr Boyle ceases to be involved with the Company, there may be an adverse effect on the Company's share price.

Concentration of investments

Although the Company seeks to diversify its portfolio of investment, it may at times hold relatively few investments.

Underlying portfolio management fees and other charges

Whether or not the Company is profitable, it is required to meet certain fixed costs including organisational expenses, listing expenses, ongoing administrative, custody fees and operating expenses. The Company will be required to pay transaction costs in respect of the acquisition or disposal of its investments, even if the Company itself as a whole has not realised any gains during the same period.

Gearing

Although it is the Company's current investment policy not to incur borrowing in order to make investments, the Company's Articles do permit borrowing. Any borrowing by the Company may reduce the net income of the Company and therefore the net income attributable to Shareholders.

DIRECTORS AND ADVISERS

Directors	Hugo Bernard Deschampsneufs, <i>Non-executive chairman</i> David Alistair Horner, <i>Non-executive Director</i> Robin George Boyle, <i>Managing Director</i>
	all of:
	Waterside Court Falmouth Road Penryn Cornwall TR10 8AW
Company secretary	John Girdlestone FCA
Registered office	Waterside Court Falmouth Road Penryn Cornwall TR10 8AW
Company website	www.athelneytrust.co.uk
Sponsor	Dowgate Capital Advisers Limited 46 Worship Street London EC2A 2EA
Solicitors	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF
Auditors	Clement Keys 39/40 Calthorpe Road Edgbaston Birmingham B15 1TS
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Stockbroker and custodian	Speirs & Jeffrey Limited 36 Renfield Street Glasgow G2 1NA

DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

“1985 Act”	the Companies Act 1985 to the extent in force from time to time
“2006 Act”	the Companies Act 2006 to the extent in force from time to time
“Admission”	admission of the Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies
“Articles” or “Articles of Association”	the articles of association of the Company, as amended from time to time
“Athelney” or the “Company”	Athelney Trust plc, a company incorporated in England and Wales with registered number 2933559
“City Code” or “Code”	the City Code on Takeovers and Mergers issued by the Panel (as amended from time to time)
“Combined Code”	the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006
“Companies Acts”	the 1985 Act and the 2006 Act
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001
“Directors” or “Board”	the directors of the Company
“DTR” or “Disclosure and Transparency Rules”	the disclosure and transparency rules made by the UKLA in accordance with section 73(A)(3) of FSMA relating to the disclosure of information in respect of financial instruments which have been admitted to a regulated market
“Dowgate”	Dowgate Capital Advisers Limited
“EEA”	European Economic Area
“Euroclear”	Euroclear UK & Ireland Limited
“FSA” or “Financial Services Authority”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“ISA”	an individual savings account
“Listing Rules”	the Listing Rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“NAV” or “Net Asset Value”	net asset value

“Official List”	the Official List of the UKLA
“Panel”	the UK Panel on Takeovers and Mergers
“PEP”	a personal equity plan
“Prospectus Rules”	the Prospectus Rules issued by the UKLA
“Regulatory Information Service”	a Regulatory Information Service that is approved by the FSA and on the list of Regulatory Information Services maintained by the FSA
“SDRT”	stamp duty reserve tax
“Shareholder”	a holder of Shares
“Shares”	ordinary shares of 25p each in the capital of the Company
“UKLA” or “UK Listing Authority”	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“USA”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction

PART I

ATHELNEY TRUST PLC

Introduction

Athelney Trust plc (“Athelney” or the “Company”) was incorporated in 1994. On 3 June 1994, the Company gave notice to the Registrar of Companies of its intention to carry on business as an investment company. It was admitted to trading on AIM in 1995 and its Shares have been traded on AIM since then. Application has been made for the Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities. The Board believes that moving from AIM to the London Stock Exchange’s main market for listed securities will have several advantages for the Company including:

- widening the potential pool of investors;
- potentially attracting analyst coverage;
- increasing liquidity in the Company’s Shares; and
- potentially allowing the Company to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988.

Listing and settlement

Applications have been made for all of the issued Shares to be admitted to the Official List and for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealing in such Shares will commence on the London Stock Exchange on or about 24 September 2008.

Investment policy

Investment objective

The investment objective of the Company 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 Directors believe that the profile of a typical investor in the Company is a private investor who wishes to invest in the small cap sector and wishes to reduce the risk of doing so by gaining exposure to a wide spread of holdings as described above.

Any material change to the investment policy of the Company will require the approval of Shareholders.

Asset allocation

The Company’s investment policy is to invest in the equity securities of companies with a market capitalisation of less than £100 million (at the time of investment) whose shares are admitted to trading on the main market of the London Stock Exchange, AIM or Plus. The Company may invest up to 10 per cent of its net assets in other securities, such as debt securities, or in companies with a market capitalisation of £100 million or more (at the time of investment).

The assets of the Company will be allocated: firstly, to the shares of companies which have generated increasing profits and growing dividends which, in the Directors’ opinion are undervalued or attractively priced; and secondly, to those companies whose shares the Directors believe are undervalued or attractively price by reference to the value of land, buildings or cash held by them.

The Company will consider investing in any sector, however it will not invest in any investment trust or collective investment. It does not take short positions in securities.

The Company does not have a geographic focus, however, the companies in which it currently invests are all listed or quoted on UK stock exchanges, and are therefore predominantly UK businesses. The Company has a policy of retaining minimal uninvested cash. Any uninvested cash is normally held by the Company’s bankers and the Company’s stockbrokers in an interest bearing bank account.

Risk diversification

The Company will attempt to reduce the risk profile of its portfolio by holding a diversified portfolio of companies. The portfolio will normally comprise between 50 and 100 investments at any one time (but never less than 50), and the Company; holdings in any portfolio company will represent no more than 10% by value of the Company's investments and its exposure to any one sector to 25% of the portfolio at the time of investment. The Company does not use hedging or derivatives to mitigate risk.

Gearing

The Company does not have, and has no current intention to have, any debt gearing. However, should the Directors believe that debt gearing be in the best interests of Shareholders, the Company will not adopt debt funding of greater than 100 per cent of the Net Asset Value of the Company at the time without seeking prior Shareholder consent.

Investment management

The Directors have overall responsibility for the Company's activities and are responsible for the determination of the Company's investment policy. Day to day, the investment management decisions are made by Robin Boyle, who is a Director of the Company and has managed the Company's investments since inception in 1994. Mr Boyle manages the Company's investments in accordance with the policies laid down by the Board and in accordance with the investment policy described in this Part I.

Custodian arrangements

Speirs & Jeffrey Limited ("Speirs & Jeffrey") has been appointed as the custodian of the assets of the Company. Speirs & Jeffrey holds all of the cash, securities and other assets of the Company and arranges and settles all transactions relating to those assets as agent for the Company.

Speirs & Jeffrey is a limited company, incorporated under the Companies Act 1985. It was incorporated in Scotland on 9 April 1986 under company number SC098335. Its registered office and principal place of business is at 36 Renfield Street, Glasgow G2 1NA. Contact by telephone is via Speirs & Jeffrey's registered office on 0141 248 4311. Speirs & Jeffrey Limited is a member of the London Stock Exchange and is authorised and regulated by the FSA.

Investment outlook

The Directors believe that it is difficult to predict the short-term outlook for the small cap sector due to the international current credit crunch and the resulting market volatility. The Directors believe that the long-term outlook for the equity markets is promising. The Directors believe that a measure of patience will be required since there are a number of difficulties which must be overcome before small cap equities in general, and Athelney Trust shares in particular, can move ahead again. The Directors believe that shares in a significant number of small cap companies are currently attractively priced and offer good long-term investment opportunities.

Taxation and approved investment trust status

The Company has received advice that, based on current circumstances, it would qualify to receive approved investment trust status once its shares are admitted to trading on the Official List. The principal implication of this for the Company is that gains accruing to the Company would not be chargeable gains for the purposes of the Taxation and Capital Gains Act 1992. The Directors believe that this would be advantageous to the Shareholders.

Approved investment trust status is conditional, among other factors, upon the Company paying out at least 85% of net profits as dividends to its Shareholders each year, save for proceeds arising upon disposal of a shareholding by the Company, which are required to be retained within the Company. In reality, when a shareholding is disposed of, the proceeds are intended to be held for re-investment when a suitable investment opportunity is found. In order to retain ongoing approved investment trust status the Board is required to assess whether, for each accounting period, the Company has met all of the conditions set out in the Income and Corporation Taxes Act 1988 for the whole of that accounting period.

Dividends and distributions

The Directors consider that it is highly important to maintain a progressive dividend record and, accordingly, where permitted by the 2006 Act, the Company's policy after Admission is to pay out at least 85% of net profits each year as dividends. The Company will only pay dividends on the Shares to the extent that it has profits available for that purpose. This will largely depend on the amount of income the Company receives on its investments and the timing of such receipts.

Capital structure

The Company has a capital structure comprising a single class of shares, being ordinary shares with a nominal value of 25 pence each. Application has been made for the entire issued ordinary share capital to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. The ISIN of the Shares is GB0000609296.

Further issues of Shares

The Directors will have authority in accordance with the 1985 Act to allot relevant securities (as defined in the 1985 Act) up to an aggregate nominal amount of £150,233, representing 600,932 ordinary shares of 25 pence each (representing approximately 33.3 per cent. of the issued ordinary share capital of the Company), such authority to expire at the conclusion of the 2009 annual general meeting of the Company or 21 November 2009, whichever is earlier. The provisions of the 1985 Act which would confer pre-emption rights in respect of such allotments have been disapplied for the period up to the conclusion of the 2009 annual general meeting of the Company or 21 November 2009, whichever is earlier. Other than for rights issues or other pre-emptive offers, this authority is limited to the allotment of new equity securities and the sale of treasury shares up to a maximum aggregate nominal amount of £45,070 (representing approximately 10 per cent. of the total ordinary share capital of the Company).

Voting rights

At any general meeting of the Company, on a show of hands, each Shareholder present (in person or by proxy) shall have one vote, and upon a poll each Shareholder shall have one vote for every Share of which he is the holder.

Duration

As the Company is intended as a long-term investment vehicle, following a resolution of Shareholders in May 2003, it does not have a fixed life.

Directors

The Board comprises three Directors as follows:

Hugo Deschampsneufs, non-executive chairman

Hugo Deschampsneufs, aged 62, has spent his entire working career in finance and is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA). He qualified with Binder Hamlyn. He has worked for the Rank Organisation and National CSS Inc., a subsidiary of Dunn & Bradstreet. In 1979 he joined Manchester Exchange & Investment Bank, leaving in 1989 as Director of Leasing Operations. Since then he has held the position of Finance Director of Longriver Holdings Limited, a group with assets of £70 million, specialising in the leasing of fixture type assets to local authorities, in which his diverse roles encompass the disciplines of marketing and legal. His work in both the accounting profession and investment banking has given him extensive knowledge in a wide ranging variety of business sectors. He has considerable experience of asset management both as a non-executive director of Dunbar Boyle & Kingsley Holdings Limited, the holding company of a firm of stock brokers, and as a Director of Athelney Trust plc since its flotation on AIM.

David Horner, non-executive Director

David Horner, aged 48, qualified as a chartered accountant in 1985 with Touche Ross & Co before joining 3i Corporate Finance Limited in 1986 where he was a Manager giving corporate finance advice. In May 1993 he joined Strand Partners Limited, and was appointed a director in January 1994, where he carried out a range of corporate finance assignments identifying, structuring and managing investments in quoted and unquoted companies. In October 1997 he left to set up Chelverton Asset Management Limited, which specialises in managing portfolios of private companies and small to medium-sized public companies. He was responsible for setting up Chelverton Growth Trust Plc and, since May 1999, has managed the Small Companies Dividend Trust plc.

Robin Boyle, Managing Director

The funds of the Company have since 1994 been, and continue to be, managed by Robin Boyle, the managing Director of the Company. Aged 64, he has spent the last forty years in a number of different roles with institutional fund management and stock broking firms but always retaining an intense interest in small caps. His first job in the City of London was with the company that eventually became Gartmore; he then went on to Panmure Gordon, Hoare Govett and Capel-Cure Myers before becoming founder, major shareholder and managing director of a private stock broking business, Dunbar Boyle & Kingsley, which he sold in 1994, and the Company. From 2000 to 2006 he was co-manager of what became the highly successful Small Companies Dividend Trust run by Chelverton Asset Management. Between 2006 and 2008 he was a non-executive director of Capcon Holdings plc, an AIM-listed commercial investigations and stocktaking business.

Corporate governance

Details of the Company's corporate governance and compliance with the Combined Code are set out in paragraph 6.3 of Part IV of this document.

Shareholder information

The Company's annual report and accounts will be prepared up to 31 December each year and it is expected that copies will be sent to Shareholders the following April, and also posted simultaneously on the Company's website.

It is intended that the annual general meeting of the Company will be held in May of each year.

The NAV per share will be calculated by the Directors and will be published monthly through a Regulatory Information Service on or before the tenth day of the following month.

Accounting policies

The accounting policies adopted by the Company are set out in Part III of this document.

Capital resources and cash flows of the Company

The Company receives cash inflows from its investments in the form of dividend payments and interest from cash deposits, which are typically used to pay its running costs and for administration, with a proportion of the surplus, as determined by the Directors, being distributed in the form of dividends to Shareholders. It also receives cash inflows after corporate events such as takeovers or tender offers of its investments, which are typically reinvested in other investments. No new capital has been raised since 1994 and the Company has no debt.

PART II

PORTFOLIO AND HISTORICAL PERFORMANCE

Portfolio

Asset allocation

	<i>31 December 2005 Audited %</i>	<i>31 December 2006 Audited %</i>	<i>31 December 2007 Audited %</i>	<i>31 July 2008 Unaudited %</i>
Aerospace and defence	-	-	2.88	2.89
Chemicals	0.91	0.91	0.89	1.02
Construction and materials	4.35	3.66	2.95	3.34
Electronic and electrical equipment	-	0.87	0.71	0.95
Food and beverages	5.78	5.39	6.30	6.57
General financial	11.65	16.63	15.17	17.12
Healthcare equipment and services	-	0.87	0.97	1.17
House, leisure and personal goods	1.17	1.02	1.94	1.53
Industrial engineering	9.37	8.21	9.81	8.64
Industrial metals and mining	-	0.99	0.35	-
Industrial transportation	8.31	5.67	6.89	8.94
Insurance	2.69	2.49	1.63	2.31
Media	4.29	5.23	7.16	6.24
Pharmaceuticals and biotechnology	2.93	2.15	3.10	3.19
Real estate	6.63	6.92	4.85	4.24
Retailers	11.26	9.59	7.45	6.65
Support services	22.06	21.04	17.98	14.69
Technology hardware	0.82	0.73	1.08	0.74
Technology, software and services	2.83	2.84	4.47	5.68
Travel and leisure	4.95	4.79	3.42	4.09
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Source: Annual accounts (reclassified according to current sector classifications); Portfolio details as at 31 July 2008

Portfolio by listing

	<i>31 December 2005 Audited %</i>	<i>31 December 2006 Audited %</i>	<i>31 December 2007 Audited %</i>	<i>31 July 2008 Unaudited %</i>
Official List	63.12	57.24	52.74	48.40
AIM	34.41	40.29	45.01	49.87
PLUS/Ofex	2.47	2.47	2.25	1.73
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Source: Annual Accounts, Portfolio details at 31 July 2008 (adjusted to exclude cash)

Ten largest holdings

At 31 December 2005 (Audited)	Value £	%	At 31 December 2006 (Audited)	Value £	%
Goodwin plc	104,125	3.49	Enterprise Inns plc	121,770	3.29
Enterprise Inns plc	93,800	3.14	The Stanley Gibbons Group Limited*	119,000	3.21
Mountview Estates plc	87,106	2.92	Mountview Estates plc	116,375	3.14
WSP Group plc	85,100	2.85	WSP Group plc	114,200	3.09
Camellia plc	84,994	2.85	Camellia plc	108,000	2.91
NWF Group plc	84,825	2.84	NWF Group plc	105,000	2.83
The Stanley Gibbons Group Limited*	81,450	2.73	Goodwin plc	92,400	2.49
Vantis plc*	79,017	2.65	Shepherd Neame Limited "A" Ordinary Shares +	91,476	2.47
International Greetings plc*	76,770	2.57	Vantis plc*	89,101	2.40
Braemar Seascope Group plc	76,600	2.57	Enterprise plc	86,720	2.34
Total value of top ten	853,787	28.61	Total value of top ten	1,044,042	28.17
Other 58 holdings	2,132,135	71.39	Other 55 holdings	2,662,350	71.83
	<u>2,985,922</u>	<u>100.00</u>		<u>3,706,392</u>	<u>100.00</u>

Source: 2005 Accounts

Source: 2006 Accounts

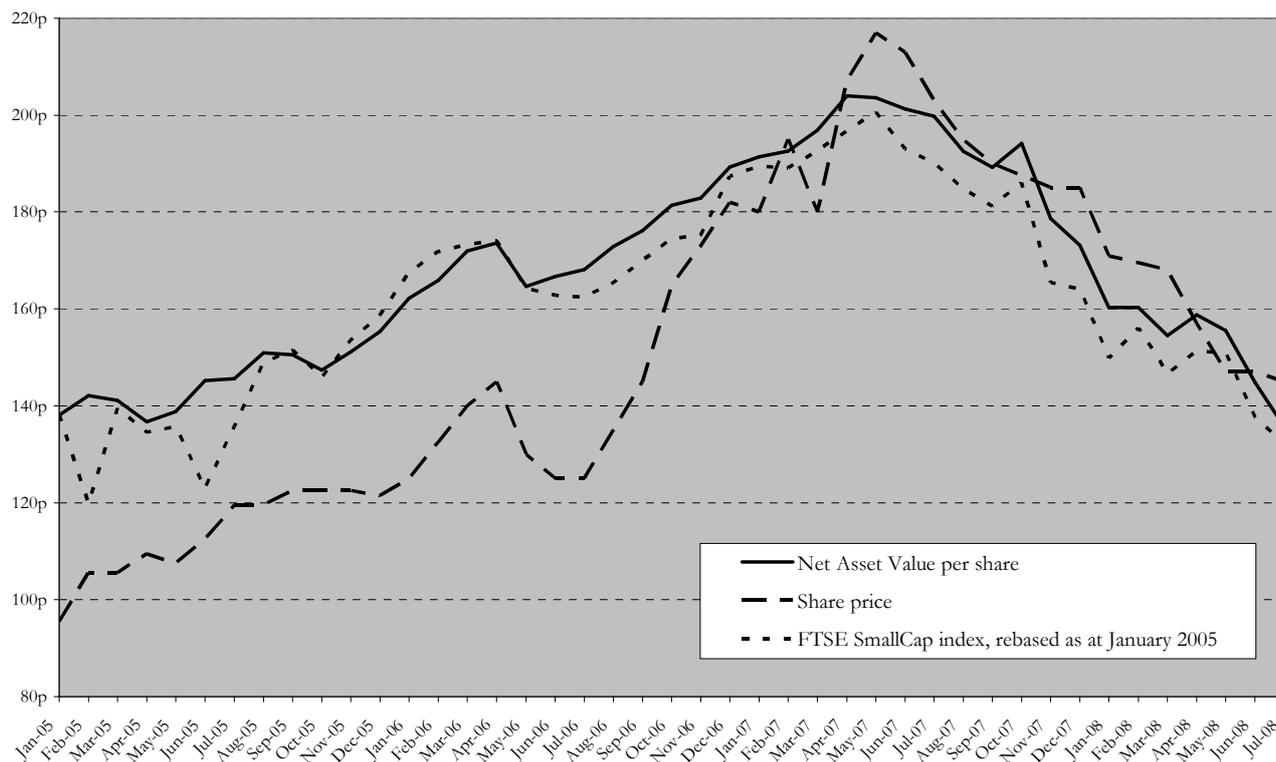
At 31 December 2007 (Audited)	Value £	%	At 31 July 2008 (Unaudited)	Value £	%
The Stanley Gibbons Group Limited*	114,950	3.63	Braemar Shipping Services plc	91,620	4.06
Goodwin plc	110,000	3.47	Camellia plc	90,600	4.02
Camellia plc	105,600	3.33	The Stanley Gibbons Group Limited *	84,150	3.73
Genus plc	98,280	3.10	Goodwin plc	84,000	3.73
Mountview Estates plc	94,500	2.98	Genus plc	71,820	3.19
NWF Group plc	90,000	2.84	WSP Group plc	67,600	3.00
Braemar Shipping Services plc	83,160	2.63	Wynnstay Group plc*	65,500	2.91
Shepherd Neame Limited "A" Ordinary Shares +	77,001	2.43	Clarkson plc	56,975	2.53
WSP Group plc	76,050	2.40	Fisher (James) & Sons plc	53,000	2.35
Wynnstay Group plc*	72,000	2.27	Mountview Estates plc	52,500	2.33
Total value of top ten	921,541	29.08	Total value of top ten	717,765	31.84
Other 70 holdings	2,246,277	70.92	Other 54 holdings	1,536,778	68.16
	<u>3,167,818</u>	<u>100.00</u>		<u>2,254,543</u>	<u>100.00</u>

Source: 2007 Accounts

Source: Portfolio details as at 31 July 2008

All of the above companies are UK registered and, save as denoted with * (denotes AIM-quoted) or + (denotes PLUS-quoted), are listed on the Official List and traded on the London Stock Exchange's main market for listed securities.

Net asset value per share and share price (unaudited)



Source: ProQuote (FTSE Small Cap index, share price), Company records (NAV per share)

PART III
FINANCIAL INFORMATION
FOR THE THREE YEARS ENDED 31 DECEMBER 2007

(A) ACCOUNTANT'S REPORT



CHARTERED ACCOUNTANTS

The Directors
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Dowgate Capital Advisers Limited
46 Worship Street
London
EC2A 2EA

22 August 2008

Dear Sirs

ATHELNEY TRUST PLC

We report on the financial information set out in Part III (B). This financial information has been prepared for inclusion in the prospectus (the "Prospectus") of Athelney Trust plc (the "Company") dated 22 August 2008 on the basis of the accounting policies set out in note 1 to the Financial Information. This report is required by paragraph 20.1 of Annex I of Appendix 3 of Commission Regulation (EC) No. 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information under the basis of preparation set out in note 1 to the Financial Information and in accordance with United Kingdom Generally Accepted Accounting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under the Prospectus Rule 5.5.3R (2) (f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes complying with paragraph 20.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entities circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the information contained in our report is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of the affairs of the Company as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the Financial Information and in accordance with United Kingdom Generally Accepted Accounting Standards.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2) (f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with Paragraph 1.2 of Annex 1 to the Prospectus Directive Regulation.

Yours faithfully

Clement Keys

INCOME STATEMENTS (INCORPORATING THE REVENUE ACCOUNT)

Year ended 31 December		2005			2006			2007		
Note	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	
	£	£	£	£	£	£	£	£	£	
(Losses)/profits on investments	8	-	460,306	460,306	-	708,480	708,480	-	(362,778)	(362,778)
Income	2	86,265	-	86,265	95,615	-	95,615	120,488	-	120,488
Investment management expenses	3	(7,266)	(21,362)	(28,628)	(8,216)	(24,164)	(32,380)	(9,893)	(28,979)	(38,872)
Other expenses	3	(37,753)	-	(37,753)	(35,355)	-	(35,355)	(52,362)	-	(52,362)
Return on ordinary activities before taxation		41,246	438,944	480,190	52,044	684,316	736,360	58,233	(391,757)	(333,524)
Taxation	5	7,579	(77,234)	(69,655)	8,278	(122,442)	(114,164)	12,295	81,248	93,543
Return on ordinary activities after taxation	13	48,825	361,710	410,535	60,322	561,874	622,196	70,528	(310,509)	(239,981)
Return per ordinary share	6	2.7p	20.1p	22.8p	3.3p	31.2p	34.5p	3.9p	(17.2)p	(13.3)p
Dividend per ordinary share paid during year		2p			2.5p			3.25p		

The revenue 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 movement in reserves is given in note 13.

There have been no recognised gains of losses, other than the results for the financial years shown above.

(B) FINANCIAL INFORMATION

BALANCE SHEETS

As at 31 December	Note	2005 £	2006 £	2007 £
Fixed assets				
Investments	8	2,985,922	3,706,392	3,167,818
Current assets				
Debtors	9	145,109	105,603	205,773
Cash at bank and in hand		40,048	32,486	45,335
		185,157	138,089	251,108
Creditors: amounts falling due within one year	10	(33,769)	(50,797)	(41,921)
Net current assets		151,388	87,292	209,187
Total assets less current liabilities		3,137,310	3,793,684	3,377,005
Provisions for liabilities and charges	11	(295,142)	(374,390)	(256,283)
Net assets		2,842,168	3,419,294	3,120,722
Capital and reserves				
Called up share capital	12	450,700	450,700	450,700
Share premium account	13	405,605	405,605	405,605
Other reserves (non distributable)				
Capital reserve – realised	13	520,007	719,086	892,893
Capital reserve – unrealised	13	1,360,604	1,723,399	1,239,083
Revenue reserve	13	105,252	120,504	132,441
Shareholders' funds – all equity		2,842,168	3,419,294	3,120,722
Net Asset Value per share		157.7p	189.7p	173.1p

CASH FLOW STATEMENTS

Year ended 31 December	2005		2006		2007	
	£	£	£	£	£	£
Net cash inflow/(outflow) from operating activities		3,487		68,111		(69,440)
Servicing of finance						
Dividends paid	(36,056)		(45,070)		(58,591)	
Net cash outflow from servicing of finance	(36,056)		(45,070)		(58,591)	
Taxation						
Corporation tax paid	(2,017)		(18,613)		(34,916)	
Investing activities						
Purchases of investments	(529,075)		(1,103,978)		(1,247,174)	
Sales of investments	542,398		1,091,988		1,422,970	
Net cash inflow/(outflow) from investing activities	13,323		(11,990)		175,796	
Increase/(decrease) in cash in the year	(21,263)		(7,562)		12,849	

Reconciliation of operating net revenue to net cash inflow/(outflow) from operating activities

	£	£	£
Revenue on ordinary activities before taxation	41,246	52,044	58,233
(Increase)/decrease in debtors	(28,595)	39,506	(100,170)
Increase/(decrease) in creditors	12,198	725	1,476
Management expenses charged to capital	(21,362)	(24,164)	(28,979)
	3,487	68,111	(69,440)

Analysis of net debt

	2005 £	Cash flow £	2006 £	Cash flow £	2007 £
Cash at bank and in hand	40,048	(7,562)	32,486	12,849	45,335

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

1.1 Basis of preparation

The financial information has been prepared under the historical cost convention modified to include fixed asset investments at valuation.

The financial information is prepared in accordance with generally accepted accounting standards in the United Kingdom (UK GAAP) and, unless otherwise stated, the provisions of the Statement of Recommended Practice in “Financial Statements of Investment Trust Companies” (SORP) in effect for the period.

Changes in accounting policy

The company adopted the provisions of FRS 25 ‘Financial Instruments: Disclosure and Presentation’ and FRS 26 ‘Financial Instruments: Recognition and Measurement’ during the year ended 31 December 2006. The effect of this is to reduce the investment valuations from a mid market price to a fair value price being a market bid price. The impact of valuing the portfolio at the market bid price as at the 31 December 2005 would have resulted in a downward adjustment of £74,648, reducing the NAV at that date to 140.2p (previously stated 143.6p). Under the transitional provisions of FRS 26, the comparative figures for 2005 have not been restated.

The company adopted the provisions of FRS 21 ‘Events after the balance sheet date’ during the year ended 31 December 2005 by which final dividends proposed by the Board and unpaid at the end of the year are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid. This represents a change in policy from that of recognising dividends in the year for which they are proposed. The previously published have been restated, which resulted in shareholders funds increasing £2,431,633 to £2,467,689 in 2004.

1.2 Income

Income from investments including taxes deducted at source is recognised as income on the date the dividend is due for payment. UK dividend income is reported net of tax credits in accordance with Financial Reporting Standard 16 “Current Tax”. Interest is dealt with on an accruals basis.

1.3 Expenses

Expenses (including VAT) and interest payable are dealt with on an accruals basis and charged through the Revenue Account.

1.4 Investment management expenses

Investment management expenses have been allocated 25% to revenue and 75% to capital, in line with the Board’s expected long term split of returns, in the form of income and capital gains respectively, from the investments portfolio.

1.5 Investments

Listed investments comprise those listed on the Official List of the United Kingdom Listing Authority. Profits and losses on sales of investments are taken to realised capital reserve. Any unrealised appreciation or depreciation is taken to unrealised capital reserve.

Investments have been classified as “fair value through profit and loss” upon initial recognition. Subsequent to initial recognition, investments are measured at fair value with changes in fair value recognised in the Income Statement.

Securities of companies quoted on a recognised stock exchange are valued by reference to their quoted bid prices at the close of the year.

1.6 Taxation

The tax effect of different items of income and expenses is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the year.

1.7 Deferred taxation

Deferred taxation is provided in respect of all future obligations to pay additional tax arising as a result of past events. Tax is provided at rates expected to apply in the period in which timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1.8 Capital reserves

Capital Reserve – Realised

Gains and losses on realisation of fixed asset investments are dealt with in this reserve.

Capital Reserve – Unrealised

Increases and decreases in the valuations of fixed asset investments are dealt with in this reserve.

2. Income

Income from investments

Year ended 31 December	2005 £	2006 £	2007 £
UK dividend income	80,987	91,470	114,513
Bank interest	5,219	4,145	5,574
Other income	59	-	401
	<u>86,265</u>	<u>95,615</u>	<u>120,488</u>

UK dividend income

Year ended 31 December	2005 £	2006 £	2007 £
UK listed investments	54,506	57,800	43,164
AIM investments	25,365	32,566	70,188
Other investments	1,116	1,104	1,161
	<u>80,987</u>	<u>91,470</u>	<u>114,513</u>

3. Return on ordinary activities before taxation

The following amounts (inclusive of VAT) are included within investment management and other expenses:

Year ended 31 December	2005 £	2006 £	2007 £
Directors' remuneration:			
Services as a Director	8,000	9,000	10,000
Otherwise in connection with management	22,000	25,000	30,000
Auditors' remuneration			
Audit services			
Statutory audit	5,874	6,921	7,200
Audit related regulatory reporting	752	881	910
Further assurance services			
Advice on accounting matters	-	1,350	862
	<u> </u>	<u> </u>	<u> </u>

4. Employees

Year ended 31 December	2005 £	2006 £	2007 £
Costs in respect of Directors:			
Wages and salaries	30,000	34,000	40,000
Social security costs	2,194	2,399	3,171
	<u> </u>	<u> </u>	<u> </u>
	32,194	36,399	43,171
	<u> </u>	<u> </u>	<u> </u>
Costs in respect of administrator:			
Wages and salaries	3,500	7,000	10,000
Social security costs	134	253	620
	<u> </u>	<u> </u>	<u> </u>
	3,634	7,253	10,620
	<u> </u>	<u> </u>	<u> </u>
Total:			
Wages and salaries	33,500	41,000	50,000
Social security costs	2,328	2,652	3,791
	<u> </u>	<u> </u>	<u> </u>
	35,828	43,652	53,791
	<u> </u>	<u> </u>	<u> </u>
Average number of employees:			
Chairman	1	1	1
Investment	2	2	2
Administration	1	1	1
	<u> </u>	<u> </u>	<u> </u>
	4	4	4
	<u> </u>	<u> </u>	<u> </u>

5. Taxation

(i) The tax charge for the year is based on the return for the year

	Revenue £	Capital £	Total £
Year ended 31 December 2005			
Corporation tax for current year	-	18,613	18,613
Tax relief on management expenses charged to income	(7,579)	7,579	-
Deferred taxation	-	51,042	51,042
	<u>(7,579)</u>	<u>77,234</u>	<u>69,655</u>
Year ended 31 December 2006			
Corporation tax for current year	-	34,916	34,916
Tax relief on management expenses charged to income	(8,278)	8,278	-
Deferred taxation	-	79,248	79,248
	<u>(8,278)</u>	<u>122,442</u>	<u>114,164</u>
Year ended 31 December 2007			
Corporation tax for current year	-	24,564	24,564
Tax relief on management expenses charged to income	(12,295)	12,295	-
Deferred taxation	-	(118,107)	(118,107)
	<u>(12,295)</u>	<u>(81,248)</u>	<u>(93,543)</u>

5. Taxation (continued)

(ii) Factors affecting the tax charge for the year

The tax charge for the period is lower than the average small company rate of corporation tax in the UK (2007 - 20 per cent., 2006 and 2005 – 19 per cent.) The differences are explained below:

Year ended 31 December	2005 £	2006 £	2007 £
Total return on ordinary activities before tax	480,190	736,360	(333,524)
Average small company rate of corporation tax	19%	19%	20%
Total return on ordinary activities multiplied by the average small company rate of corporation tax	91,236	108,472	(66,705)
<i>Effects of:</i>			
UK dividend income not taxable	(15,388)	(17,379)	(22,902)
Revaluation of shares not taxable	(53,619)	(52,556)	120,485
Indexation relief for capital gains	(3,361)	(3,621)	(5,775)
Other	(255)	-	(80)
Change in tax rate	-	-	(459)
Current tax charge for the year	18,613	34,916	24,564

6. Return per ordinary share

The calculation of earnings per share has been performed in accordance with Financial Reporting Standard 22 "Earnings Per Share".

	Attributable return on ordinary activities after taxation £	Number of shares	Return per ordinary share p
Year ended 31 December 2005			
Revenue	48,825		2.7
Capital	361,710		20.1
	<hr/>		<hr/>
Total	410,535	1,802,802	22.8
	<hr/> <hr/>		<hr/> <hr/>
Year ended 31 December 2006			
Revenue	60,322		3.3
Capital	561,874		31.2
	<hr/>		<hr/>
Total	622,196	1,802,802	34.5
	<hr/> <hr/>		<hr/> <hr/>
Year ended 31 December 2007			
Revenue	70,528		3.9
Capital	(310,509)		(17.2)
	<hr/>		<hr/>
Total	(239,981)	1,802,802	(13.3)
	<hr/> <hr/>		<hr/> <hr/>

7. Dividend

Year ended 31 December	2005 £	2006 £	2007 £
Dividend in respect of the year ended:			
31 December 2004 (2.0p per share)	36,056		
31 December 2005 (2.5p per share)		45,070	
31 December 2006 (3.25p per share)			58,591
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

An annual dividend in respect of the year ended 31 December 2007 of 3.5p per share was proposed by the Board and approved by Shareholders at the Annual General Meeting on 14 May 2008, and will be accounted for in the accounts for the year ending 31 December 2008.

8. Investments

Year ended 31 December	2005 £	2006 £	2007 £
Movements in year			
Valuation at beginning of year	2,555,581	2,985,922	3,706,392
Purchases at cost	529,075	1,103,978	1,247,174
Sales - proceeds	(559,040)	(1,091,988)	(1,422,970)
- realised gains on sales	178,103	266,437	239,645
Increase/(decrease) in unrealised appreciation	282,203	442,043	(602,423)
Valuation at end of year	<u>2,985,922</u>	<u>3,706,392</u>	<u>3,167,818</u>
Book cost at end of year	1,306,753	1,587,384	1,650,667
Unrealised appreciation at end of year	1,679,169	2,119,008	1,517,151
	<u>2,985,922</u>	<u>3,706,392</u>	<u>3,167,818</u>
UK listed	1,884,678	2,121,748	1,553,403
AIM	1,027,444	1,493,168	1,537,414
PLUS	73,800	91,476	77,001
	<u>2,985,922</u>	<u>3,706,392</u>	<u>3,167,818</u>
Gains in investment			
Realised gains on sales	178,103	266,437	239,645
Increase/(decrease) in unrealised appreciation	282,203	442,043	(602,423)
	<u>460,306</u>	<u>708,480</u>	<u>(362,778)</u>

The purchase and sales proceeds above include transaction costs of £4,678 (2006 - £4,147, 2005 - £2,454) and £5,817 (2006 - £4,544, 2005 - £1,011) respectively.

9. Debtors

As at 31 December	2005 £	2006 £	2007 £
Amounts falling due within one year:			
Investment transaction debtors	142,046	103,452	202,940
Other debtors	3,063	2,151	2,833
	<u>145,109</u>	<u>105,603</u>	<u>205,773</u>

10. Creditors

As at 31 December	2005	2006	2007
	£	£	£
Corporation tax	18,613	34,916	24,564
Social security and other taxes	3,731	5,649	6,938
Other creditors	146	148	159
Accruals and deferred income	11,279	10,084	10,260
	<u>33,769</u>	<u>50,797</u>	<u>41,921</u>

11. Deferred tax

Year ended 31 December	2005	2006	2007
	£	£	£
Tax on unrealised gains net of losses			
Provided	295,142	374,390	256,283
Not provided	-	-	-
	<u> </u>	<u> </u>	<u> </u>
	£	£	£
Balance at start of year	244,100	295,142	374,390
Charge to the capital element of the Statement of Total Return	51,042	79,248	(118,107)
	<u> </u>	<u> </u>	<u> </u>
Balance at end of year	<u>295,142</u>	<u>374,390</u>	<u>256,283</u>

Tax is provided at the latest known rates on all taxable gains net of losses which would arise if investments were sold at the market value included in the balance sheet at the end of the financial year.

12. Called up share capital

As at 31 December	2005	2006	2007
	£	£	£
Authorised			
10,000,000 Ordinary Shares of 25p	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
Allotted, called up and fully paid			
1,802,802 Ordinary Shares of 25p	<u>450,700</u>	<u>450,700</u>	<u>450,700</u>

13. Reserves

	Share premium account £	Capital reserve realised £	Capital reserve unrealised £	Revenue reserve £
Balance at 1 January 2005 (restated – see note 1)	405,065	389,458	1,129,445	92,481
Net gain on realisation of investments	-	178,103	-	-
Increase in unrealised appreciation	-	-	282,201	-
Management expenses allocated to capital	-	(21,362)	-	-
Taxation	-	(26,192)	(51,042)	-
Profit for the year	-	-	-	12,771
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	405,605	520,007	1,360,604	105,252
Net gain on realisation of investments	-	266,437	-	-
Increase in unrealised appreciation	-	-	442,043	-
Management expenses allocated to capital	-	(24,164)	-	-
Taxation	-	(43,194)	(79,248)	-
Profit for the year	-	-	-	60,322
Dividend paid in the year	-	-	-	(45,070)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	405,605	719,086	1,723,399	120,504
Net gain on realisation of investments	-	239,645	-	-
Decrease in unrealised appreciation	-	-	(602,423)	-
Management expenses allocated to capital	-	(28,979)	-	-
Taxation	-	(36,859)	118,107	-
Profit for the year	-	-	-	70,528
Dividend paid in the year	-	-	-	(58,591)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	405,605	892,893	1,239,083	132,441
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. Reconciliation of movement in shareholders' funds

Year ended 31 December	2005 £	2006 £	2007 £
Retained net revenue for the year after taxation	48,825	60,322	70,528
Dividend	36,056	(45,070)	(58,591)
	<hr/>	<hr/>	<hr/>
Total recognised gains for the year	12,769	15,252	11,937
	<hr/>	<hr/>	<hr/>
Shareholders' funds at start of the year	374,479	577,126	(298,572)
	<hr/>	<hr/>	<hr/>
Shareholders' funds at end of the year	2,467,689	2,842,168	3,419,294
	<hr/>	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15. Risk management, financial assets and liabilities

The following information is given in accordance with Financial Reporting Standard 13.

Risk management

The major risks associated with the Company are market and liquidity risk. The Company has established a framework for managing these risks. The Directors have guidelines for the management of investments and financial instruments.

Market risk arises from changes in interest rates, valuations awarded to equities, movements in prices and the liquidity of financial instruments.

The Company's portfolio is invested in UK securities.

Financial assets and liabilities

The Company's financial instruments comprise equity investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement. Short term debtors and creditors are excluded from disclosure as allowed by FRS 13.

Fixed assets investments (see note 8) are valued at market bid price where available which equates to their fair value. The fair values of all other assets and liabilities are represented by their carrying values in the balance sheet.

16. Net asset value per share

As at 31 December	2005	2006	2007
	£	£	£
The net asset value per share is based on:			
Net assets	2,842,168	3,419,294	3,120,722
Number of shares	1,802,802	1,802,802	1,802,802
Net asset value per share	<u>157.7p</u>	<u>189.7p</u>	<u>173.1p</u>

PART IV

ADDITIONAL INFORMATION

1. Responsibility statement

- 1.1. The Directors, whose names appear on page 9 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2. Clement Keys, whose registered office appears on page 9 of this document, accept responsibility for the information contained in Part III(A) of this document. To the best of the knowledge and belief of Clement Keys (which has taken all reasonable care to ensure that such is the case), the information contained in Part III(A) of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and general

- 2.1. The Company was incorporated and registered in England and Wales on 23 May 1994 under the 1985 Act as a public company limited by shares with the name Athelney Trust plc and with registered number 2933559.
- 2.2. The Company's legal and commercial name is Athelney Trust plc.
- 2.3. On 19 June 1995, the Shares were admitted to trading on AIM.
- 2.4. The registered office and principal place of business of the Company is at Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW. Contact by telephone is via the Company's head office on 01326 378 288.
- 2.5. The memorandum of association of the Company was adopted on incorporation and provides that the objects of the Company include carrying on the business of an investment company. The objects of the Company are set out in clause 3 of the memorandum of association, a copy of which is available for inspection at the address set out in paragraph 17 below.
- 2.6. The principal activity of the Company is that of an investment company.
- 2.7. The Company operates under the Companies Acts and the regulations made under the Companies Acts. Save for its compliance with the Companies Acts and the AIM Rules, the Company is not a regulated entity. With effect from Admission, the Company will no longer be required to comply with the AIM Rules and will be required to comply with the Listing Rules and the Disclosure and Transparency Rules.
- 2.8. On 3 June 1994, the Company gave notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to section 266 of the 1985 Act (now section 833 of the 2006 Act).
- 2.9. The Company has no subsidiaries.
- 2.10. The Shares are in registered form and capable of being held in uncertificated form. Title to such shares may be transferred by means of CREST.
- 2.11. The Shares are denominated in Sterling.
- 2.12. No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in place whereby future dividends are waived or agreed to be waived.
- 2.13. The Company does not hold any treasury shares and no Shares are held by, or on behalf of, the Company.

3. Share capital and indebtedness

- 3.1. The authorised and issued share capital (all of which is fully paid up) of the Company as at 21 August 2008 (being the latest practicable date prior to publication of this document) is, and immediately following Admission will be:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Nominal value</i>	<i>Number of shares</i>	<i>Nominal value</i>	<i>Number of shares</i>
Ordinary Shares of 25 pence	£2,500,000	10,000,000	£450,700.50	1,802,802

- 3.2. As at 21 August 2008, being the latest practicable date prior to publication of this document, neither the Company (nor other person on its behalf) held any shares in the capital of the Company.
- 3.3. As at 21 August 2008, being the latest practicable date prior to publication of this document, there is no issued share capital of the Company that is not fully paid up.
- 3.4. The Company does not have in issue any securities not representing share capital.
- 3.5. The Company has no convertible or exchangeable securities or securities with warrants.
- 3.6. The Company was incorporated with an authorised share capital of £2,500,000 divided into 10,000,000 ordinary shares of 25 pence each (“Shares”). Between incorporation and 21 August 2008, being the latest practicable date prior to publication of this document there have been no changes to the authorised share capital of the Company.
- 3.7. During the period between incorporation and 21 August 2008, being the latest practicable date prior to publication of this document, the following shares in the capital of the Company were issued and allotted:

<i>Date of allotment</i>	<i>Number of Shares allotted</i>	<i>Aggregate total Shares in issue</i>	<i>Aggregate nominal value</i>
18/05/1994	2	2	£0.50
27/06/1994	667,400	667,402	£166,850.50
21/07/1994	917,400	1,584,802	£396,200.50
19/08/1994	114,000	1,698,802	£424,700.50
22/09/1994	100,000	1,798,802	£449,700.50
17/10/1994	4,000	1,802,802	£450,700.50

- 3.8. Pursuant to an ordinary resolution passed by the Company at an Extraordinary General Meeting on 21 August 2008, in substitution for any existing power under section 80 of the 1985 Act, but without prejudice to the exercise of any such authority prior to the passing of the resolution, the Directors were generally and unconditionally authorised in accordance with section 80 of the 1985 Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the 1985 Act) up to an aggregate nominal amount of £150,233, representing 600,932 Shares, such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2009 or by 21 November 2009 whichever is earlier, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

3.9. Pursuant to special resolutions passed by the Company at an Extraordinary General Meeting on 21 August 2008, inter alia:

(i) in substitution for any existing power under section 95 of the 1985 Act, the Directors were generally empowered pursuant to section 95 of the 1985 Act to allot equity securities (within the meaning of section 94 of the 1985 Act) for cash, pursuant to the authority conferred by the ordinary resolution referred to in paragraph 3.8 above as if section 89(1) of the 1985 Act did not apply to the allotment and to sell relevant shares (within the meaning of section 94 of the 1985 Act) if immediately before the sale, such shares were held by the Company as treasury shares (as defined in section 162A of the 1985 Act (“**treasury shares**”)) for cash as if section 89(1) of the 1985 Act did not apply to such sale, provided that this power is limited to the allotment of equity securities and sale of treasury shares pursuant to:

- (a) an offer of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of holders of Shares (excluding any Shareholder holding shares as treasury shares) in proportion (as nearly as may be practicable) to their existing holdings of Shares, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of a regulatory body or stock exchange or any other matter whatsoever; and
- (b) the allotment of Shares for cash otherwise than pursuant to paragraph (i)(a) up to an aggregate nominal amount equal to £45,070 representing approximately 10 per cent. of the issued share capital of the Company on 21 August 2008,

and expires at the conclusion of the annual general meeting of the Company to be held in 2009 or by 21 November 2009, whichever is the earliest, unless previously revoked, varied or extended by the Company in general meeting, save that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred had not expired; and

(ii) in substitution for any existing authority, the Company was generally and unconditionally authorised, in accordance with section 166 of the 1985 Act, to make market purchases (within the meaning of section 163(3) of the 1985 Act) of Shares, provided that:

- (a) the maximum number of Shares authorised to be purchased is 270,240 Shares representing approximately 14.99 per cent. of the Company’s issued ordinary share capital on 21 August 2008;
- (b) the minimum price which may be paid for a Share shall be £0.25 (the nominal value of each Share);
- (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount being not more than the greater of (i) 105 per cent. of the average of the middle market quotations for a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange as stipulated in Article 5(1) of Regulation No. 2273/2003 of the European Commission (Commission Regulation of 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments);

- (d) the authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2009 or by 21 November 2009, whichever is earlier, unless previously revoked, varied or extended by the Company in general meeting save that the Company may, prior to such expiry, enter into an agreement to purchase Shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such agreement as if the authority had not expired;
- (e) shares purchased by the Company may either be cancelled or held by the Company in treasury for resale.

3.10. Save as disclosed in this Part IV, during the period from 1 January 2004 to 21 August 2008, being the latest practicable date prior to publication of this document:

- (i) there has been no alteration in the share capital of the Company;
- (ii) the Company has not granted or agreed to grant any acquisition rights or obligations over authorised but unissued capital of the Company or given an undertaking to increase the capital of the Company;
- (iii) no share capital of the Company has been issued or agreed to be issued;
- (iv) no commissions, discounts, brokerage or other special terms have been granted by the Company in connection with the issue of any share capital; and
- (v) no share capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

4. Articles of Association

4.1. *General*

The Articles of Association of the Company were adopted on 21 August 2008.

In this paragraph 4 “Statutes” means the 1985 Act, the 2006 Act and every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company.

The Articles of Association contain, inter alia, provisions to the following effect:

4.2. *Share rights*

Subject to the provisions of the Statutes and to any rights previously conferred on the holders of any shares:

- (i) any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide; and
- (ii) any share may be issued which is to be redeemed, or is liable to be redeemed at the option of the Company or the holder.

4.3. *Uncertificated Shares*

The Company may in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time) permit title to shares to be evidenced otherwise than by certificate and for title to be transferred by means of a relevant system.

4.4. ***Variation of rights***

All or any of the rights attached to any class of shares issued may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

The necessary quorum for such meeting shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) (but so that at any adjourned meeting one holder present in person or by proxy shall be quorum). Every holder of shares of the class present in person or by proxy:

- (i) shall be entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares); and
- (ii) may demand a poll.

This provision applies to the variation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class and their special rights were to be varied.

4.5. ***Votes of members***

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall, unless the Board otherwise decides, be entitled to vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company in respect of any share unless all calls or other sums presently payable by him in respect of that share have been paid.

If a member, or any person appearing to be interested in shares of the Company shall have been served with a notice under section 212 of the 1985 Act or section 793 of the 2006 Act (as the case may be) and is in default of supplying the information required in accordance with that notice within a period of fourteen days of the notice, the Company may send him a restriction notice, imposing restrictions on those shares while the default continues, which restrictions may include disenfranchisement to attend or vote at any general meeting of the Company or at any separate general meeting of the holders of the shares of that class, in person or by proxy, or to exercise any privilege as a member in relation to meetings of the Company.

4.6. ***General meetings***

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Statutes. The Board may convene a general meeting whenever it thinks fit.

An annual general meeting shall be convened by not less than twenty-one clear days' notice in writing. All other general meetings shall be convened by not less than fourteen clear days' notice in writing.

An annual general meeting may be convened at shorter notice if it is agreed, by all the members entitled to attend and vote at the meeting; and any other general meeting may be convened at shorter notice if agreed to by a majority in number of the members having a right to attend and vote at the meeting, being a majority who together hold not less than 95 per cent. in nominal value of the shares giving that right.

4.7. ***Dividends***

Subject to the provisions of the Statutes (i) the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board; (ii) the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid (excluding amounts paid up on a share in advance of a call); and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion or portions of the period in respect of which the dividend is paid. Dividends may be declared or paid in any currency.

The Board may deduct from any dividend or other moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company in respect of shares of the Company. Sums so deducted can be used to pay amounts owing to the Company in respect of the shares.

Subject to the rights attaching to, or to the terms of issue of, any shares, no dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

Any dividend unclaimed after a period of twelve years from the date when it was declared or became due for payment shall be forfeited and shall revert to the Company.

4.8. ***Untraced Shareholders***

The Company may sell any certificated shares in the Company on behalf of the holder of, or person entitled by transmission to, the shares by instructing their sale on the London Stock Exchange, or on any other stock exchange outside the United Kingdom on which the Company's shares are normally traded, at the best price reasonably obtainable at the time of the sale if:

- (i) at least three cash dividends have become payable on the shares during the period of twelve years ending on the date of the advertisement referred to in (iii) below or of the first of the two advertisements referred to if published on different dates and all dividends or other moneys payable on or in respect of such shares during that period remain unclaimed;
- (ii) so far as the Directors are aware, the Company has not received any communication from the holder of, or person entitled by transmission to, the Shares;
- (iii) the Company has caused two advertisements to be published, one in a newspaper with a national circulation and the other in a newspaper circulating in the area in which the last known address of the holder of, or person entitled by transmission to, the shares or the address at which the service of notices may be effected under the Articles is located, giving notice of its intention to sell the shares and the Company has not in the period of twelve years ending on the date of such advertisement or the last of the two advertisements to be published on different days, nor in the three months following the advertisement received any communication from the member or any person entitled to the shares by transmission ; and
- (iv) the Company has given notice to a Regulatory Information Service of its intention to make the sale.

4.9. ***Distributions of assets on a winding-up***

If the Company commences liquidation, the liquidator may, with the sanction of a special resolution and any other sanction required by the Statutes, divide among the members in kind the whole or any part of the assets of the Company and, for that purpose set such values as he deems fair upon any property to be divided and determine how the division shall be carried out as between the members or different classes of members and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the required sanctions, shall think fit but no member shall be compelled to accept any shares or other assets upon which there is any liability.

4.10. ***Changes in capital***

The Company may from time to time by ordinary resolution:

- (i) increase its share capital by a sum to be divided into shares of an amount as the resolution shall prescribe;
- (ii) consolidate, or consolidate and then divide all or any of its share capital into shares of a larger amount than its existing shares;
- (iii) sub-divide all or any of its shares into shares of a smaller amount and the resolution may determine any of the shares resulting from the sub-division may be given any preferred, deferred or other rights or be subject to any restriction as compared with other shares; or

- (iv) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

4.11. ***Reduction of capital***

The Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any manner permitted by and in accordance with the Statutes.

4.12. ***Transfer of Shares***

Any member may:

- (i) transfer all or any of his uncertificated shares by means of a relevant system as provided for under the Uncertificated Securities Regulations 2001; and
- (ii) transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor will remain the holder of the share concerned until the name of the transferee is entered in the register of members as the holder of that share.

The Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any share which is not a fully paid share provided that where such share is admitted to the Official List such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.

The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register any transfer of a certificated share unless:

- (i) the instrument of transfer is left with the Company accompanied by the certificate for the share and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
- (ii) the instrument of transfer is duly stamped or adjudged or certified as not chargeable to stamp duty (if stamp duty is generally chargeable on transfers of certificated shares);
- (iii) the instrument of transfer is in respect of only one class of share; and
- (iv) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

4.13. ***Transmission of Shares***

If a member dies, the survivor or survivors, where he was a joint holder, and his personal representatives, where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his shares; but nothing contained in the Articles shall release the estate of a deceased holder from any liability in respect of any share held by him solely or jointly with other persons.

4.14. ***Directors***

- (i) Unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate Directors) shall be not less than two or more than ten.

- (ii) Unless otherwise determined from time to time by ordinary resolution of the Company, the fees for the services of the Directors shall not exceed, in aggregate £100,000 per annum and such remuneration shall be divided between the Directors as the Board shall agree or, failing agreement, equally.
- (iii) The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office with the Company for such period (subject to the provisions of the Statutes) and upon such other terms as the Board or any committee authorised by the Board may in its discretion decide. Any Director who is appointed to any executive office may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide in addition.
- (iv) Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from Board meetings, Board committee meetings or general meetings of the Company or any other meeting which as a Director he is entitled to attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.
- (v) The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, either by the payment of gratuities, pensions, by insurance or in any other manner, for any Director or former Director (or the relations, connections or dependants thereof) provided that approval by ordinary resolution of the Company is required in respect of benefits to be granted to non-executive Directors.
- (vi) Each Director shall retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected.
- (vii) At any time until the coming into force of sections 175 to 177 and sections 182 to 185 of the 2006 Act, except as mentioned below, a Director shall not vote on, nor be counted in the quorum in relation to, any resolution of the Board in respect of any contract in which he is to his knowledge materially interested and, if he shall do so, his vote shall not be counted. These prohibitions shall not apply to any resolution concerning any of the following matters:
 - (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (b) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (c) the subscription or purchase by him of securities of the Company or any of its subsidiaries pursuant to an offer to members;
 - (d) the underwriting by him of any securities of the Company or any of its subsidiaries;
 - (e) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
 - (f) any contract concerning any other company (not being a company in which the Director to his knowledge holds an interest of one per cent or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
 - (g) any contract for the benefit of employees of the Company or of any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and

- (h) any proposal concerning insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors of the Company or for persons who include Directors of the Company provided that, (for the purposes of this subparagraph), insurance shall mean only insurance against liability incurred by a Director in respect of any act or omission by him, or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of, any groups of persons consisting of or including Directors of the Company.
- (viii) With effect from the coming into force of sections 175 to 177 and sections 182 to 185 of the 2006 Act, in respect of any situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company, the Board may authorise the matter provided that:
 - (a) the Director has declared the full nature and extent of the situation to the Board; and
 - (b) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed if their votes had not been counted.

4.15. ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (but as regards subsidiaries only in so far as by the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Company's group (exclusive of borrowings owing by one member of the Company's group to another member of the Company's group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed the amount of the Adjusted Capital Reserves. For this purpose, "Adjusted Capital and Reserves" means the aggregate from time to time of the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the reserves (including any share premium account, capital redemption reserve, merger reserve and special reserve arising through the reduction or cancellation of share premium account) and any credit balance on profit and loss account all as shown by the then latest audited consolidated balance sheet of the Company but after deducting therefrom any debit balance on profit and loss account (except to the extent that such deduction has already been made) and making adjustments to reflect any variation in the amount of such paid up share capital, share premium account, capital redemption reserve, merger reserve or special reserve arising through the reduction or cancellation of share premium account or capital redemption reserve or revaluation reserve since the date of such audited balance sheet.

4.16. ***Indemnity***

Subject to the provisions of the Statutes, the Company shall:

- (i) indemnify to any extent any person who is or was a Director or secretary of the Company, or a Director or secretary of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company; and/or
- (ii) indemnify to any extent any person who is or was a Director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him in connection with the company's activities as a trustee of an occupational pension scheme; and/or

- (iii) purchase and maintain insurance for any person who is or was a Director or secretary of the Company, or a Director or secretary of any associated company, against all loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company.

4.17. **Record dates**

The Company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made.

4.18. **Reserves**

The Board shall establish a reserve to be called the “capital reserve”, and shall either, at the discretion of the Board carry to the credit of such reserve all capital profits or appreciations derived from the sale, realisation, transposition, repayment or revaluation of any investment (including, for the avoidance of doubt, any diminution in the value of any investments in any subsidiary undertaking or amounts that may be paid by way of subscription under any subscription agreement) or other capital asset of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies.

Any losses realised on the sale, realisation, transposition, repayment or revaluation of any investment (including, for the avoidance of doubt, any diminution in the value of any investments in any subsidiary undertaking or amounts that may be paid by way of subscription under any subscription agreement) or other capital asset and any other expenses, loss or liability (or provision therefore) considered by the Board to be of a capital nature may be carried to the debit of the capital reserve.

Any increase or diminution in the amount of any index-linked stock or other index-linked obligation of the Company may be carried to the debit or credit of the capital reserve, except so far as the Board decide to make good the same out of or credit the same to other funds or reserves of the Company.

No part of the capital reserve or any other moneys in the nature of accretion to capital shall in any event be available for distribution as dividend or any other distribution (within the meaning ascribed thereto by section 263(2) of the 1985 Act and section 829 of the 2006 Act) otherwise than by way of a redemption or purchase by the Company of its own shares in accordance with sections 160 or 162 of the 1985 Act or sections 690 or 692 of the 2006 Act.

5. **Interests in Shares**

5.1. **Directors’ interests**

Insofar as is known to the Company, as at 21 August 2008, being the latest practicable date prior to the publication of this document, the interests of each Director (including any connected person within the meaning of Chapter 3 of the Disclosure and Transparency Rules) in the share capital of the Company, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director (whether or not held through another party) are set out below.

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
R G Boyle	443,970	24.63%
H B Deschampsneufs	78,038	4.33%
D A Horner	20,000	1.11%

H B Deschampsneufs’ interest includes 19,613 shares held in his Self-Invested Personal Pension. R G Boyle’s interest includes 16,970 shares held in his Self-Invested Personal Pension. D A Horner’s interest includes 20,000 shares owned by a pension fund in which he has an interest.

As at 21 August 2008 being the latest practicable date prior to the publication of this document, none of the Directors (including any connected person) has any options over shares in the capital of the Company.

5.2. **Major Shareholders**

5.2.1. In so far as it is known to the Company as at 18 August 2008, being the latest practicable date prior to the publication of this document, the following persons are interested directly or indirectly in three per cent. or more of the Company's issued Shares or voting rights:

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of issued voting share capital</i>
R G Boyle	443,970	24.63%
G W and D J Whicheloe	114,000	6.32%
N S Salvesen and Salvesen Family Trust	87,500	4.85%
H B Deschampsneufs	78,038	4.33%
E Davison	75,000	4.16%
J Sutton	60,000	3.33%
D C and B I Matthey	60,000	3.33%

5.2.2. There are no differences between the voting rights enjoyed by the Shareholders described in paragraph 5.2.1 above and those enjoyed by any other holder of Shares in the Company.

5.2.3. The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

5.3. **Notifiable interests in Shares**

Chapter 5 of the Disclosure and Transparency Rules provides that a person must notify the Company when the percentage of voting rights he holds as a Shareholder of the Company or through his direct or indirect holdings of financial instruments reaches, exceeds or falls below three per cent. and each one per cent. thereafter, up to 100 per cent. as a result of an acquisition or disposal of shares or financial instruments or as a result of a change in the break down of voting rights.

6. **Directors**

6.1. **Directors' names and functions**

The names and functions of the Directors are as follows:

R G Boyle	Managing Director
H B Deschampsneufs	Non-executive Director
D A Horner	Non-executive Director

The business address of each of the Directors is Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW

6.2. **Remuneration and terms and conditions of Directors**

6.2.1. Robin Boyle has entered into a service agreement with the Company dated 21 August 2008, with continuity of employment commencing 1 January 1997. The term of Mr Boyle's employment will continue until the earlier of (i) the expiry of 12 months' written notice of termination given by the Company to Mr Boyle; or (ii) the expiry of 6 months' written notice of termination given by Mr Boyle to the Company. Other than the requirement for Company to give such period of written notice, there is no provision for compensation to be paid upon termination of the service agreement. The Company may terminate the service agreement immediately, making a payment in lieu equal to the Director's salary and contractual benefits which would have been paid for the duration of the notice period (or any unexpired part of the notice period). Robin Boyle's current basic annual salary payable under the service agreement is £30,000 and is subject to review with effect from 1 January each year. He is entitled to 25 days holiday per year plus statutory public holidays. Robin Boyle may receive a bonus as determined by the Company's Remuneration Committee based on the financial results in respect of each financial year or other accounting period of the Company.

- 6.2.2. Each of Hugo Deschampsneufs and David Horner has entered into a letter of appointment with the Company dated 21 August 2008. The letters of appointment provide for an initial period of service commencing on 21 August 2008 and expiring at the first annual general meeting of the Company, subject to renewal at that time. The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and, subject thereto, the letters of appointment do not contain any contractual provisions regarding the compensation which would be payable upon early termination by the Company. The initial fees payable are £5,000 per annum to Hugo Deschampsneufs, the Chairman, and £5,000 per annum to David Horner. The fees will be reviewed annually and may be increased in line with usual market rates.
- 6.2.3. The amount of remuneration paid (including any contingency or deferred compensation) and benefits in kind granted to the Directors by the Company for services in all capacities to the Company for the financial year ended 31 December 2007 was as follows:

	<i>Salary/Fees</i> (£)
R G Boyle	30,000
H B Deschampsneufs	5,000
D A Horner	5,000

There are no performance bonuses or other benefits payable to Directors save as disclosed above.

Save as mentioned above in this paragraph 6.2, there are no existing or proposed service agreements or letters of appointment between any Director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

No amounts have been set aside or accrued by the Company to provide pension, retirement or similar benefits.

6.3. ***Corporate governance and board practices***

6.3.1. ***Compliance with the Combined Code***

As an AIM company, the Company is not currently required to comply with the Combined Code. However, the Board will put in place arrangements which it considers appropriate for an investment trust on the Official List to ensure proper corporate governance and to enable the Company to comply with the recommendations of the Combined Code on Admission insofar as it can. The Company intends to comply with the Combined Code, except for in the following areas which the Directors believe would be inappropriately onerous for a small investment trust such as the Company to comply with:

- (a) Although the Company has a Chairman and two of the three Directors are non-executive Directors, it will not have a deputy chairman or a senior independent Director. However, it publishes contact details for all Directors in its accounts, and shareholders are therefore able to contact any Director.
- (b) The Company does not carry insurance cover against legal action against its Directors.
- (c) The Company does not have a nominations committee.
- (d) The performance of the Board will be evaluated in the context of the performance of the portfolio, which is monitored in terms of NAV, rather than as a separate exercise.
- (e) As the Board is small in number, reflecting the size of the Company, and as Directors' remuneration has an impact on the portfolio of the Company, Robin Boyle, the sole executive Director who is responsible for managing the portfolio, will be involved in remuneration committee discussions.

- (f) The business of the Company is simple and, although the Board intends to maintain appropriate systems of internal controls, it does not intend to review this system and report formally each year on its review.

6.3.2. ***The remuneration committee***

The remuneration committee meets at least once a year and is responsible for reviewing and recommending to the Board the remuneration and rewards of executive and non-executive Directors and to maintain surveillance over all executive benefits.

The remuneration committee is chaired by David Horner and its other member is Hugo Deschampsneufs, each of whom is an independent non-executive Director.

6.3.3. ***The audit committee***

The audit committee meets at least once a year. It is responsible for making recommendations to the Board for recommending to Shareholders, in relation to the appointment of the external auditor of the Company as to the remuneration and terms of engagement of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. The committee is responsible for considering management's response to any major audit recommendations and for considering annually whether there is a need for an internal audit function specific to the Company.

The audit committee is chaired by David Horner and its other member is Hugo Deschampsneufs, each of whom is an independent non-executive Director.

6.4. ***Directors' confirmations***

None of the Directors has at any time within the five years prior to the date of this document:

- (i) save as disclosed in paragraph 6.6 of this Part IV, been at any time a Director (or otherwise a member of any administrative, management or supervisory body) or partner of any companies or partnerships other than the Company;
- (ii) been convicted of a fraudulent offence;
- (iii) been associated with any bankruptcies, receiverships or liquidations acting in the capacity of any of the positions set out against the name of the Director in paragraph (i) above;
- (iv) been the subject of any official public incrimination or sanctions by any statutory or regulatory authorities (including designated professional bodies); or
- (v) has ever been disqualified by a court from acting as a member of the administrative management or supervisory bodies of an issuer or from acting in the management or conduct or the affairs of any issuer.

6.5. ***Conflicts of interest***

In addition to his role as manager of the Company's portfolio, Robin Boyle has one other professional activity: fund management on behalf of private clients through GHC Capital Markets Limited.

Much of Mr Boyle's activity is common to both the Company and to GHC Capital Markets Limited, such as maintaining a general awareness of economic environment, reading the financial press, meeting companies and researching investment opportunities. When Mr Boyle identifies an investment opportunity, he then allocates it as he considers appropriate between the funds that he manages in accordance with each fund's investment policy and objectives.

Save as set out above, there are no potential conflicts of interest between any duties that the Directors have to the Company and their private interests and/or other duties they may have.

6.6. *Directorships and partnerships*

The Directors hold, or have held within the past five years, the following Directorships and partnerships other than Directorships of the Company:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
R G Boyle	Trehellas House Limited	Capcon Holdings plc
H B Deschampsneufs	Longriver Holdings Limited Milesfield Investments Limited Progress Business Centre Limited Longwide Limited	Milesfield Commercial Funding Limited Milesfield Limited Utility Rentals Limited Longriver Trading Limited Longriver Leasing Limited Intech Marketing Services Limited Intech Group Limited Intech Training Group Limited Resource Leasing Limited Longriver (Scotland) Limited Milesfield Commercial Trading Limited Longriver Limited
D A Horner	Chelverton Asset Management Limited Colinette Holdings Limited The Quoted Companies Alliance CEPS plc Chelverton Growth Trust plc Snug Holdings Limited Leaffield Group Limited Leaffield Holdings Limited Arrow Industrial Holdings Limited Leaffield Limited Leaffield Logistics and Technical Services Limited	Talisman First Venture Capital Trust plc Dowgate Capital plc

Save as set out above and in paragraph 6.5, there are no business activities performed by the Directors outside the Company which are significant with respect to the Company.

6.7. *Retirement by rotation*

- (i) Mr Deschampsneufs is due to retire from the Board by rotation in 2010, and last retired by rotation in 2007.
- (ii) Mr Horner is due to retire from the Board by rotation in 2008, and last retired by rotation in 2004.
- (iii) Mr Boyle is due to retire from the Board by rotation in 2009, and last retired by rotation in 2005.

7. **Working capital**

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements, that is for at least the next 12 months from the date of publication of this document.

8. **Significant change**

There has been no significant change in the financial or trading position of the Company since 31 December 2007, being the date to which the Company's most recently published annual results were prepared.

9. Litigation

The Company is not nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 month period prior to the publication of this document, which may have, or have had in the recent past, a significant effect on the Company and/or the financial position or profitability of the Company.

10. Dividends

The following table sets forth the sterling amount of dividends paid per Share in each of the three financial periods ended 31 December 2007.

	<i>Aggregate dividend per Share for the period (pence)</i>
Year ended 31 December 2005	2.00
Year ended 31 December 2006	2.50
Year ended 31 December 2007	3.25

11. Employees

From incorporation until 1 July 2005, the Company had one employee, Robin Boyle, employed in the position of Managing Director. From 1 July 2005, the Company has had an additional employee, John Girdlestone in the position of Company Secretary.

12. UK taxation

The following statements are intended as a general guide only, based on current UK tax legislation and HM Revenue and Customs practice, to the UK tax position of UK residents who are the absolute beneficial owners of their Shares and who are holding their Shares as investments and not as trading stock. Any person who is in any doubt as to his tax position, or who is or may be subject to a tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

The Company

It is the intention of the Directors to conduct the affairs of the Company following Admission so as to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 and to apply annually to HMRC for such approval (which is granted retrospectively).

In respect of each accounting period for which approval is granted, the Company will be exempt from UK taxation on its capital gains. However, the Company will still remain liable to UK corporation tax on its income (e.g. from dividends of investee companies).

Dividends

Under current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

A UK resident individual Shareholder is entitled to a tax credit in respect of the dividend received.

The value of the tax credit is currently an amount equal to one ninth of the dividend received. For the purpose of higher rate tax, the dividend will be treated as the top slice of the Shareholder's income. A starting rate or basic rate taxpayer will be subject to tax on the gross dividend at the rate of 10 per cent., the tax credit satisfying his liability in full. A higher rate taxpayer will be subject to income tax on the gross dividend at the rate of 32.5 per cent., but will be able to set off the tax credit against this liability.

A UK resident Shareholder who holds Shares in a PEP or ISA will be exempt from income tax on dividends in respect of such shares.

UK resident Shareholders whose income tax liability is less than the tax credit are not entitled to claim a repayment of any part of the tax credit associated with dividends paid by the Company.

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

Subject to certain exceptions for some insurance companies, a UK resident corporate Shareholder should not (unless carrying on a trade of dealing in shares) be liable to UK corporation tax on any dividend received from the Company.

A non-UK resident Shareholder is not generally entitled to a tax credit in respect of the dividend received. However, such a Shareholder may be entitled to a payment from HM Revenue and Customs of a proportion of the tax credit under a double tax convention or agreement between the UK and the country in which he is a resident.

A non-UK resident Shareholder may be subject to foreign tax on the dividend received. Such a Shareholder should consult his own tax adviser on the incidence of taxation in the country in which he is resident, whether he is entitled to the benefit of any tax credit and the procedure for claiming payment.

Chargeable gains

A Shareholder resident (or ordinarily resident) for tax purposes in the UK who sells or otherwise disposes of his Shares may incur a liability to tax on any capital gain which is realised. Special rules apply to individuals at a time when they are temporarily not resident or ordinarily resident in the UK.

A Shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Shares will not normally be liable to capital gains tax on the gain which is realised. A liability to tax may arise in respect of a gain if such Shareholder carries on a trade in the UK through a branch or agency and such Shares are or have been used, held or acquired for the purposes of a trade carried on by the branch or agency.

A UK resident Shareholder who holds Shares in a PEP or an ISA will be exempt from capital gains tax on gains accruing to him on a disposal or deemed disposal of Shares.

Stamp duty and stamp duty reserve tax

Agreements to transfer Shares within CREST (where there is a change in the beneficial ownership of Ordinary Shares) will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement, and in the case of a conditional agreement, on the date the agreement becomes unconditional. The SDRT is payable on the fourteenth day following the transaction.

There is no additional stamp duty or SDRT liability where Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is no additional stamp duty or SDRT liability if Shares are deposited into CREST for conversion into uncertified form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).

Transfers on sale of existing Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or, if the agreement is conditional, the date on which the condition is satisfied), the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for its repayment, generally with interest. SDRT and stamp duty are normally the liability of the purchaser.

Liabilities to stamp duty will be rounded up to the nearest multiple of £5.

13. Consents and related matters

- 13.1. Dowgate Capital Advisers Limited has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.
- 13.2. Clement Keys has given and not withdrawn its written consent to the inclusion of its report on the financial information in Part III of this document, in the form and context in which it appears and has authorised the contents of that part of this document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

14. General

- 14.1. The registrar of the Company is Share Registrars Limited of Craven House, West Street, Farnham, Surrey GU9 7EN and will, in relation to Shares in certificated form, be responsible for keeping the Company's share records.
- 14.2. The auditors of the Company for the period of three years ending 31 December 2007 were Clement Keys, whose address is 39/40 Calthorpe Road, Edgbaston, Birmingham B15 1TS. The auditors have given unqualified audit reports on the statutory accounts for those periods
- 14.3. No person (other than the professional advisers referred to in this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the likely opening price of the Shares, or any other benefit with a value of £10,000 or more at the date of Admission.
- 14.4. The Company has not entered into any material contracts other than contracts entered into in the ordinary course of business in the period of two years immediately preceding the publication of this document.
- 14.5. There are no related party transactions.
- 14.6. As at the date of this document, the Company:
- (i) does not have any secured, unsecured or unguaranteed indebtedness, including indirect and contingent indebtedness;
 - (ii) has not granted any mortgage or charge over any of its assets; and
 - (iii) does not have any contingent liabilities or guarantees.

14.7. *Capitalisation and indebtedness*

The Company's capitalisation as at 31 December 2007 (being the most recent date to which audited financial information has been prepared for the Company) was as follows:

Capital and reserves	£
Called up share capital	450,700
Share premium account	405,605
Other reserves (non distributable)	
Capital reserve – realised	892,893
Capital reserve – unrealised	1,239,083
Revenue reserve	132,441
Shareholders' funds – all equity	<u>3,120,722</u>

As at the date of this document, there has been no material change in the audited capitalisation of the Company.

- 14.8. The total costs and expenses in connection with, or incidental to, the Admission (including fees) are estimated to be approximately £104,000, excluding VAT.
- 14.9. Other than as disclosed in this document, no material fees are payable directly or indirectly by the Company for any services under any arrangements entered into on or prior to the date of this document.

15. Takeovers

15.1. *Mandatory bids*

The City Code applies to the Company. Under the City Code, if an acquisition of Shares were to increase the aggregate holding of the acquiror and its concert parties to Shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending upon the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Shares in the Company at a price not less than the highest price paid for the Shares in the Company by the acquiror or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Shares by a person holding (together with its concert parties) Shares carrying between 30 to 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

No mandatory takeover bids currently exist in relation to the Company.

15.2. *Squeeze-out and sell-out provisions*

Part 28 of the 2006 Act came into force on 6 April 2007 and governs "squeeze-out" and "sell-out" provisions, which are triggered when a person acquires 90 per cent. of both the issued shares and voting rights in the Company as a result of having made a takeover offer for the Company. Under this new regime, such an acquiror may serve a notice on the remaining minority shareholder stating that it desires to buy their shares ("squeeze-out") and, conversely, the remaining minority shareholder may exercise in writing its right to require the acquirer to acquire its shares ("sell out"). The consideration offered to the minority shareholder whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer.

Both squeeze-out and sell-out rights are exercisable within a three month period from the end of the period within which the takeover offer can be accepted. Under the squeeze-out provisions, the acquiror must, at the end of six weeks from the date of the notice, send a copy of its notice and an executed transfer for the shares to the Company and pay the consideration for the shares to the Company, whereupon the shares will be registered in the name of the acquiror. The consideration is then held on trust by the Company for the minority shareholder. Under the sell-out provisions, the acquiror is entitled and bound to acquire the shares on the terms of the takeover offer or on such other terms as may be agreed.

16. Investment restrictions

Under the Listing Rules, the Company:

- (i) must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy set out on page 12 of this document;
- (ii) must not conduct any trading activity which is significant in the context of its group as a whole; and
- (iii) may not invest more than 10 per cent., in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds.

17. Documents on display

Copies of the following documents will be available for inspection at the offices of Dickson Minto W.S. at 22/25 Finsbury Square, London EC2A 1DX and at the registered office of the Company at Waterside Court, Falmouth Road, Penryn, Cornwall TR10 8AW during normal business hours on Monday to Friday each week (except public holidays) from the date of this document until the date of Admission:

- (i) the memorandum of association and the Articles of Association referred to in paragraph 4 of this Part IV;
- (ii) the letters of consent referred to in paragraph 13 of this Part IV;
- (iii) the Company's 2007 Annual Report, 2006 Annual Report and 2005 Annual Report;
- (iv) the service contract of the executive Director;

- (v) the report of Clement Keys on the financial information set out in Part III(A) of this document; and
- (vi) this document.

22 August 2008