
CHELVERTON GROWTH TRUST PLC

Annual Report

for the year ended 31 August 2012

Investment objective

The Company's objective is to provide capital growth through investment in companies listed on the Official List and traded on the Alternative Investment Market with a market capitalisation at the time of investment of up to £50 million, which are believed to be at a "point of change". The Company will also invest in unquoted investments where it is believed that there is a likelihood of the shares becoming listed or traded on the Alternative Investment Market or the investee company being sold. Its investment objective is to increase net asset value per share at a higher rate than other quoted smaller company trusts and the MSCI Small Cap UK Index.

It is the Company's policy not to invest in any listed investment companies (including listed investment trusts).

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Company summary

Benchmark	MSCI Small Cap UK Index
Investment Manager	Chelverton Asset Management Limited See page 9 for further details.
Total net assets	£4,212,000 as at 31 August 2012
Market capitalisation	£3,209,000 as at 31 August 2012
Capital structure	11,784,283 Ordinary 1p shares carrying one vote each. In addition, there are 100,000 Ordinary 1p shares held in Treasury.

Performance statistics

	Year ended 31 August 2012	Year ended 31 August 2011	% change
Net assets	£4,212,000	£4,049,000	4.03
Net asset value per share (“NAV”)	35.74p	30.60p	16.80
MSCI Small Cap UK Index	230.262	201.584	14.23
Share price	27.00p	22.00p	22.73
Discount to net asset value	24.45%	28.10%	
Revenue loss after taxation	£(21,000)	£(69,000)	
Revenue loss per share	(0.17)p	(0.50)p	
Capital gain per share	4.97p	6.42p	

An investment company as defined under Section 833 of the Companies Act 2006.

REGISTERED IN ENGLAND No. 2989519

Chairman's statement

I am pleased to announce another year of good progress in which Chelverton's net asset value per share has increased from 30.60p to 35.74p – an increase of 16.80%. The Board has recently switched to a new benchmark index, the MSCI Small Cap UK index, and in the same period this index rose by 14.23%.

Since the year end the net asset value per share has marginally declined from 35.74p to 34.94p, a reduction of 2.24%.

The year has been dominated by reports and newspaper reports on the state of the UK Economy. The phrase “double-dip” has moved firmly into mainstream language alongside “quantitative easing” and every minor change in employment levels and Gross Domestic Product (“GDP”) is analysed and commented on with exaggerated fervour. When the impact of the Diamond Jubilee national holiday, by itself, was sufficient to determine whether the second quarter of 2012 was in recession or not, we may conclude that the economy is stable, neither growing nor declining by much.

However, analysts believe that the economy will show growth in the second half of the year and given the portfolio is almost totally based on UK focussed businesses this should be helpful to the underlying performances of our companies.

As inflation falls, and remains subdued, then individuals' real incomes will finally start to rise, providing a welcome boost to the beleaguered High Street and a consequent positive effect on employment and GDP. In addition once the gradual cutting in government spending appears and some limited growth is finally evidenced then there may be scope for specific direct investment with the focus being on infrastructure development.

Within our investment portfolio the companies have generally made progress over the past year either by growing profits, or continuing to reduce debt or by putting in place trading arrangements that will produce benefit in the future.

Given the continued increase in the net asset value and with no bank debt the Board again feels that it is in the best interest of all shareholders to proceed with the tender offer again this year. It remains our intention to repeat this process each year so long as circumstances warrant it.

George Stevens

Chairman

6 November 2012

Investment Manager's overview

As time passes, the “tin can” that is the Euro and the Euro sovereign debt crisis gets kicked further down the road. Whilst none of the fundamentals have changed significantly from last year people have learnt to live with the status quo. There is, we believe, a tacit acceptance that Greece will have to default at some point in the future and the European banking system continues to deleverage and to make provision against sovereign debt. The situation, whilst not getting better, is very gradually becoming more manageable.

It is to be hoped that the extensive rhetoric from this government about being “enterprise friendly” will actually manifest itself in actions to support and help UK companies. Whether by removing red-tape, cutting taxes on employment or ensuring that any one of the numerous government backed and led initiatives finally delivers its objectives. It is essential that confidence for UK companies, and small companies in particular, starts to increase such that they feel able to start investing.

For much of this year, we have been puzzled by the reports from almost all of the companies we are invested in, and the numerous companies that we meet incidental to this, that trading is gently improving as compared to the official statistics which seem to indicate that UK PLC is going backwards. This dichotomy, compounded by the steadily reducing level of unemployment, seems to indicate that the “green shoots” of economic growth whilst maybe not currently evident are about to appear.

To this end we have been investing in the portfolio and have introduced four new companies in the past six months and are looking at a number of other opportunities.

Portfolio review

The year has essentially been one of reducing our shareholding in the largest investment, IDOX, in order to make four new investments, and to fund the tender offer approved by shareholders in 2011.

The new investments made were: Transflex Vehicle Rental – a start-up van leasing business which was profitable as planned after four months of operation; Metalrax Group – an undervalued recovery story in specialist engineering; Lombard Risk Management – a company involved in industry-leading global risk management and regulatory compliance solutions; and finally Anaxsys Technology – a medical device company that develops and markets innovative respiratory devices that meet clinical needs. In addition, a further investment was made in CEPS to support the purchase of a profitable, cash generative business operating in a niche market.

Currently Titan Europe has “succumbed” to an all share offer from Titan Inc, its largest shareholder, at a price which we find very disappointing. In addition, in a similar style, Petards Group is in discussions with Water Hall plc a 29.9% shareholder as to whether they will make a bid for the balance that they do not own.

Security Research Group (previously called PSG Solutions) announced another small tender offer at 225p, against a current share price of 112p. This company has some very interesting products which it is now looking to market beyond the UK.

We have maintained the valuations of our unquoted investments at the same level as last year but feel that there may be scope to revalue these in the near future as all of them are working hard to create bigger, stronger, more valuable businesses.

Outlook

As further value is created in IDOX we would expect to continue to trim the holding to a more balanced level and reinvest the proceeds in undervalued companies in the portfolio and new opportunities.

As ever we will continue to look to realise funds from holdings when their valuations are more reflective of medium term prospects and to reinvest into other stocks that remain substantially undervalued.

David Horner

Chelverton Asset Management Limited

6 November 2012

Portfolio review

as at 31 August 2012

Investment	Sector	Valuation £'000	% of total
<i>AIM traded</i>			
Alliance Pharma Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products	Pharmaceuticals & Biotechnology	223	5.7
Belgravium Technologies Software systems for warehousing and distribution	Technology Hardware & Equipment	350	9.0
CEPS Production and supply of components for the footwear industry; personal protection equipment; production of printed lycra fabric; and services to the direct mail industry	Support Services	227	5.8
Datong Electronics Develops, manages and supplies covert tracking and surveillance systems	Electronic & Electrical Equipment	64	1.6
IDOX Software company specialising in the development of products for document and information management	Software & Computer Services	1,057	27.3
Lombard Risk Management Lombard Risk is one of the world's leading providers of collateral management, liquidity analysis and regulatory compliance software to financial organisations	Software & Computer Services	116	3.0
LPA Group Design, manufacture and marketing of industrial electrical accessories	Electronic & Electrical Equipment	214	5.5
Metalrax Group Specialist engineered products and consumer durables	Industrial Engineering	130	3.4
MTI Wireless Edge Developer and manufacturer of sophisticated antennas and antenna systems	Technology Hardware & Equipment	37	1.0
Northbridge Industrial Services Consolidation vehicle for specialist industrial services	Industrial Engineering	131	3.4
Petards Group Development, provision and maintenance of advanced security systems and related services	Support Services	14	0.4
Richoux Group Owner and operator of Richoux Restaurants	Travel & Leisure	47	1.2
Sanderson Group Provides software and IT services	Software & Computer Services	105	2.7
Security Research Group Leading provider of Local Authority residential property searches; provision of packaging solutions and technical surveillance countermeasures components	Support Services	149	3.8

Portfolio review (continued)

as at 31 August 2012

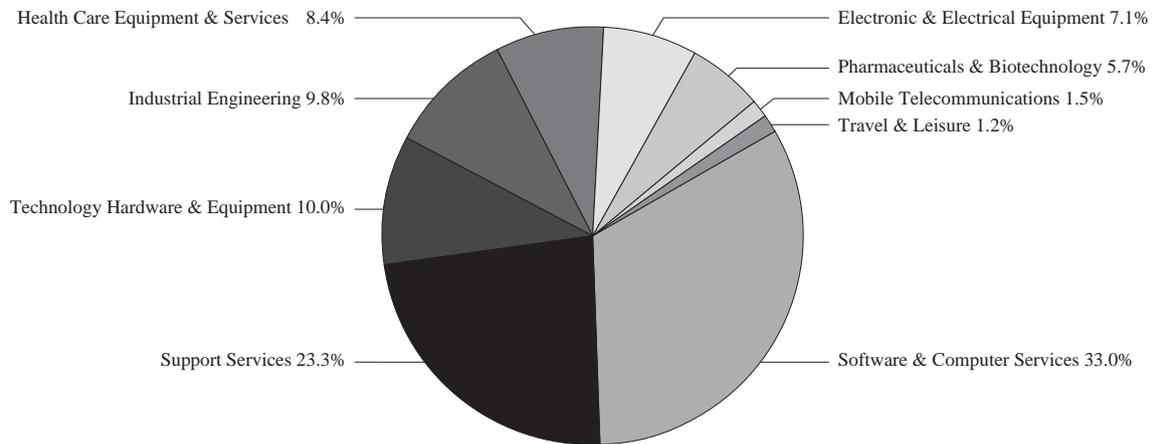
Investment	Sector	Valuation £'000	% of total
<i>AIM traded (continued)</i>			
Titan Europe Manufacture of big wheels for construction, mining and agricultural vehicles	Industrial Engineering	118	3.0
Tristel Healthcare business specialising in infection control in hospitals	Health Care Equipment & Services	124	3.2
Universe Group Provision of credit card fraud prevention system, loyalty systems and retail systems	Support Services	14	0.4
<i>Delisted</i>			
One Horizon Group Provider of mobile satellite communications equipment and airtime	Mobile Telecommunications	59	1.5
<i>Unquoted</i>			
Closed Loop Recycling <i>Loanstock</i> <i>Ordinary B shares</i> Operation of a plastic recycling plant	Support Services	0	0.0
Parmenion Capital Partners LLP Provides fund-based discretionary fund management services to Independent Financial Advisors	Support Services	398	10.3
Anaxsys Technology A medical device company for patient monitoring and screening	Health Care Equipment & Services	200	5.2
Transflex Vehicle Rental Light commercial vehicle rental business	Support Services	100	2.6
Portfolio valuation		3,877	100.0

Portfolio holdings

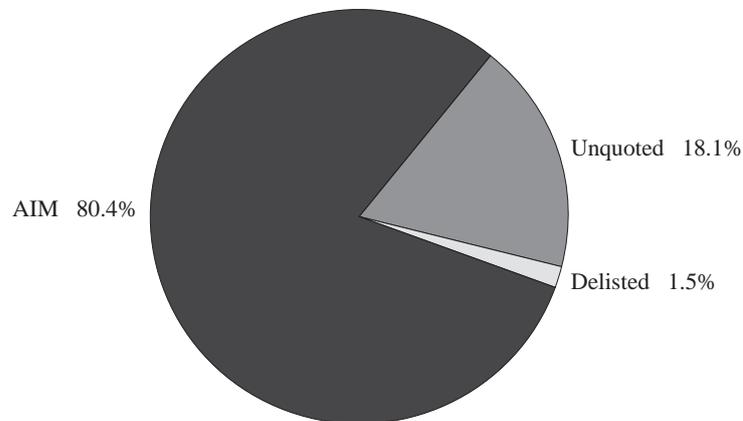
Investment	31 August 2012		31 August 2011	
	Valuation £'000	% of total	Valuation £'000	% of total
IDOX	1,057	27.3	1,153	28.4
Parmenion Capital Partners LLP	398	10.3	436	10.8
Belgravium Technologies	350	9.0	312	7.7
CEPS	227	5.8	260	6.4
Alliance Pharma	223	5.7	264	6.5
LPA Group	214	5.5	78	1.9
Anaxsys Technology	200	5.2	0	0.0
Security Research Group	149	3.8	114	2.8
Northbridge Industrial Services	131	3.4	132	3.3
Metalrax Group	130	3.4	0	0.0
Tristel	124	3.2	160	3.9
Titan Europe	118	3.0	124	3.1
Lombard Risk Management	116	3.0	0	0.0
Sanderson Group	105	2.7	99	2.4
Transflex Vehicle Rental	100	2.6	0	0.0
Datong Electronics	64	1.6	62	1.5
One Horizon Group	59	1.5	32	0.8
Richoux Group	47	1.2	49	1.2
MTI Wireless Edge	37	1.0	60	1.5
Petards Group	14	0.4	11	0.3
Universe Group	14	0.4	10	0.2
Total	3,877	100	3,356	82.7

Portfolio breakdown by sector and by index

Percentage of Portfolio by Sector



Percentage of Portfolio by Index



Directors

The Directors are:

George Stevens (Chairman) qualified as a member of the Institute of Taxation in 1969, and as a chartered accountant in 1970, but has spent most of his working career in the Insurance Industry. In 1978 he moved to Lloyd's and in a management buyout co-founded The Brockbank Group in 1985, for which he served as group managing director. Mr Stevens was also instrumental in establishing the motor underwriter Admiral Insurance Services and served as its first chairman. He retired from both these positions in 1995.

Kevin Allen is a chartered accountant. After qualifying with Coopers & Lybrand, he joined Overseas Containers (part of P&O Group) where he spent five years, latterly as chief accountant. In 1986 he joined Volvo Car UK as financial controller before joining Kellock Limited, the factoring and invoice discounting arm of Bank of Scotland Group, as finance and operations director. He became finance director of Brockbank Group PLC in 1993, serving on the boards of Brockbank Syndicate Management, Admiral Insurance Services and Brockbank Insurance Services Inc.

David Horner is managing director of Chelverton Asset Management Limited and a director of CEPS PLC. He is a chartered accountant and has considerable experience of analysing and working with smaller companies.

Investment Manager, Secretary and Advisers

Investment Manager

Chelverton Asset Management Limited
11 George Street
Bath BA1 2EH
Tel: 01225 483 030

Chelverton Asset Management Limited was formed in 1997. The investment team consists of David Horner and David Taylor who have considerable experience of companies in the smaller quoted market sector.

The Company website is maintained by the Investment Manager and can be found at www.chelvertonam.com.

Secretary and Registered Office

Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Auditors

Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham GL50 3AT

Registrar and Transfer Office

Share Registrars Limited
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL
Tel: 01252 821 390
www.shareregistrars.uk.com

Custodian and Banker

HSBC Investment Bank plc
Level 29
8 Canada Square
London E14 5HQ

Report of the Directors

The Chairman's Statement forms part of the Report of Directors

The Directors present their report, which incorporates the Business Review and the audited accounts for the year ended 31 August 2012. The registered company number for Chelverton Growth Trust PLC is 2989519.

Status, objective and review

The principal activity of the Company is to carry on business as an investment trust. The Company has been granted approval from HM Revenue & Customs ('HMRC') as an authorised investment trust under Section 1158 of the Corporation Tax Act 2010 for the year ended 31 August 2011. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 August 2012 so as to be able to continue to obtain approval as an authorised investment trust under Section 1158 of the Corporation Tax Act 2010. The Company is an investment company as defined in Section 833 of the Companies Act 2006.

New regulations for obtaining and retaining investment trust status have been published by HMRC and came into force on 1 January 2012. An application for approval as an investment trust must be made within 90 days after the end of the first accounting period of the Company following implementation of the new regime. The first accounting period affected by the new regulations is the year ending 31 August 2013 and therefore application must be made by 29 November 2013. If the application is accepted, the Company will be treated as an investment trust company for that period and for each subsequent accounting period, subject to there being no subsequent serious breaches of the regulations.

Investment objective

The Company's objective is to provide capital growth through investment in companies listed on the Official List and traded on the Alternative Investment Market with a market capitalisation at the time of investment of up to £50 million, which are believed to be at a "point of change". The Company will also invest in unquoted investments where it is believed that there is a likelihood of the shares becoming listed or traded on the Alternative Investment Market or the investee company being sold. Its investment objective is also to increase net asset value per share at a higher rate than other quoted smaller company trusts and the MSCI Small Cap UK Index.

Investment policy

The Company invests principally in securities of publicly quoted UK companies, though it may invest in unquoted securities. The concentrated UK portfolio comprises between 20 to 35 securities. The performance of the Company's investments is compared to the MSCI Small Cap UK Index.

The Company will also invest in unquoted investments where it is believed that there is a likelihood of the shares becoming listed or traded on the Alternative Investment Market or the investee company being sold.

It is the Company's policy not to invest in any listed investment companies or listed investment trusts.

To comply with Listing Rules the Company's investment policy is detailed above and should be read in conjunction with the subsequent sections entitled investment strategy and the performance analysis.

It is intended from time to time, when deemed appropriate, that the Company will borrow for investment purposes. The Company, however, does not currently have any borrowing facilities.

The investment objective and policy stated are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are constrained in their decision making and asset allocation. The investment objective and policy allow the Company to be constrained in its investment selection only by valuation and to be pragmatic in portfolio construction by only investing in securities which the Investment Manager considers to be undervalued on an absolute basis. Portfolio risk is managed by investing in a diversified spread of investments.

Report of the Directors (continued)

Investment strategy

Investments are selected for the portfolio only after extensive research which the Investment Manager believes to be key. The whole process through which equity must pass in order to be included in the portfolio is very rigorous. Only a security where the Investment Manager believes that the price will be significantly higher in the future will pass the selection process. The Investment Manager believes the key to successful stock selection is to identify the long-term value of a company's shares and to have the patience to hold the shares until that value is appreciated by other investors. Identifying long-term value involves detailed analysis of a company's earning prospects over a five year time horizon.

The Company's Investment Manager is Chelverton Asset Management Limited, an independent investment manager focusing exclusively on achieving returns for investors based on UK investment analysis of the highest quality. The founders and employee owners of Chelverton include experienced investment professionals with strong investment performance records who believe rigorous fundamental research allied to patience is the basis of long-term investment success.

The Chairman's statement on page 2 and the Investment Manager's overview on page 3 give details of the Company's activities during the year under review.

Performance analysis using key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives, for example: the NAV, the movement in the Company share price, the discount of the share price in relation to the NAV and the ongoing charges.

The Company's income statement is set out on page 28.

The movement of the NAV is compared to the MSCI Small Cap UK Index, the Company's benchmark. The NAV per Ordinary share at 31 August 2012 was 35.74p (2011: 30.60p).

The Company's share price at the year end was 27.00p (2011: 22.00p).

Principal risks

The Board considers the following to be the principal risks facing the Company. Mitigation of these risks is sought and achieved in a number of ways:

Market risk

The Company is exposed to market risk due to fluctuations in the market prices of its investments.

The Investment Manager actively monitors economic and company performance and reports regularly to the Board on a formal and informal basis. The Board formally meets with the Investment Manager quarterly when portfolio transactions and performance are reviewed. The Management Engagement Committee meets as required to review the performance of the Investment Manager. Further details regarding the Company's various Committees and their duties are given on pages 18 and 19 of the statement on corporate governance.

The Company is substantially dependent on the services of the Investment Manager's investment team for the implementation of its investment policy.

The Company may hold a proportion of the portfolio in cash or cash equivalent investments from time to time. Whilst during positive stock market movements the portfolio may forego notional gains, during negative market movements this may provide protection.

Report of the Directors (continued)

Discount volatility

As with many investment trust companies, discounts can significantly fluctuate.

The Board recognises that it is in the long-term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. The Board does not intend to adopt a precise discount target at which shares will be bought back. However Ordinary shares will not be bought back for cancellation or into Treasury at a discount to NAV of less than 7.5%.

Regulatory risks

Relevant legislation and regulations which apply to the Company include the Companies Act 2006, the Corporation Tax Act 2010 (“CTA”) and the Listing Rules of the Financial Services Authority (“FSA”). The Company has noted the recommendations of the UK Corporate Governance Code and its statement of compliance appears on page 17. A breach of the CTA could result in the Company losing its status as an investment company and becoming subject to capital gains tax, whilst a breach of the Listing Rules might result in censure by the FSA. At each Board meeting the status of the Company is considered and discussed, so as to ensure that all regulations are being adhered to by the Company and its service providers.

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

Financial risk

The financial situation of the Company is reviewed in detail at each Board meeting. The content of the Company’s annual report and financial statements is monitored and approved both by the Board and the Audit Committee.

Inappropriate accounting policies or failure to comply with current or new accounting standards may lead to a breach of regulations.

Liquidity risk

The Board monitors the liquidity of the portfolio at each Board meeting and regularly reviews the investments with the Investment Manager.

A more detailed explanation of the investment management risks facing the Company is given in note 18 to the accounts on pages 41 to 46.

Financial instruments

As part of its normal operations, the Company holds financial assets and financial liabilities. Full details of the role of financial instruments in the Company’s operations are set out in note 18 to the accounts.

Current and future developments

A review of the main features of the year is contained in the Chairman’s statement and the Investment Manager’s overview on pages 2 and 3.

The marketing and promotion of the Company will continue to involve the Board, led by the Investment Manager, with a proactive communications programme either directly or through its website, with existing and potential new shareholders and other external parties.

The Directors are seeking to renew the appropriate powers at the next Annual General Meeting to enable the issue and purchase of its own shares, when it is in the interests of shareholders as a whole.

Report of the Directors (continued)

Social, environmental and employee issues

The Company does not have any employees and the Board consists entirely of non-executive directors. As the Company is an investment trust, which invests in other companies, it has no direct impact on the community or the environment, and as such has no policies in this area.

Results and dividend

The results for the year and the proposed transfer from revenue reserves are set out in the income statement on page 28.

The Directors do not recommend the payment of a dividend for the year.

Directors

The Directors in office during the year and at the date of this report, all of whom are non-executive, are shown below:

	Date of appointment
K J Allen	8 November 1994
D A Horner	1 May 2006
G E Stevens (Chairman)	20 December 2006

Mr Horner will offer himself for re-election in accordance with the Listing Rules, which stipulate that a director who is also a director of the investment manager should be subject to annual re-election.

In accordance with the UK Corporate Governance Code, that non-executive directors who have served on a board for more than nine years should be subject to annual re-election, Mr Allen will retire at the Annual General Meeting and, being eligible, will offer himself for re-election.

The Board as a whole believes that Messrs Horner and Allen, collectively and individually, make active and effective contributions in their roles as Directors of the Company and that shareholders should vote in favour of their re-election, respectively, for the following reasons:

Mr Horner is managing director of Chelverton Asset Management Limited, the Company's Investment Manager. He is a chartered accountant and has considerable experience of analysing and working with smaller companies.

Mr Allen is a founding Director of the Company. He is a chartered accountant and has held a number of financial management positions within varied sectors where he has gained a thorough knowledge of smaller companies' managerial issues. His financial experience enables him to contribute significantly on accounting and reporting matters. Mr Allen is deemed wholly independent by the other Board members notwithstanding his length of service.

None of the Directors has a contract of service with the Company nor, save as disclosed below, has there been any other contract or arrangement between the Company and any Director at any time during the year. None of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements during the year. Mr Horner is the managing director of Chelverton Asset Management Limited, the Company's Investment Manager and is also a director of CEPS PLC in which the Company has an investment.

Report of the Directors (continued)

Directors' beneficial and family interests

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

	At 31 August 2012	At 31 August 2011
K J Allen	221,762	221,762
D A Horner	448,163	448,163
G E Stevens	549,556	669,694

There have been no changes to any of the above holdings between 31 August 2012 and the date of this report. None of the Directors has any non-beneficial interests to disclose.

Share Capital

On 28 December 2011 the Company announced the result of the tender offer and buyback offer issued to shareholders on 28 November 2011. Under the tender offer, 1,323,334 Ordinary shares were repurchased for cancellation on 23 January 2012. On the same date, under the buyback offer, 25,727 Ordinary shares were purchased for cancellation. On 31 May 2012 the Company purchased 100,000 Ordinary shares, representing 0.84% of the shares in issue, at 26p each for placing in Treasury.

At the year end and as at the date of this report there were 11,784,283 Ordinary 1p shares in issue each carrying one vote in the event of a poll and 100,000 Ordinary 1p shares in Treasury representing 0.84% of the shares in issue.

Management and administration agreements

The Company's investments are managed by Chelverton Asset Management Limited ("CAM") under an agreement dated 28 June 2001. As previously stated above, Mr Horner is a director of CAM.

The Company pays CAM, in respect of its services as Investment Manager, a monthly fee (exclusive of VAT) payable in arrears as follows:

- (i) for the first £15 million of funds under management at the rate of $\frac{1}{12}\%$ per month of the gross value of funds under management ("the Value");
- (ii) for the next £15 million of funds under management, at the rate of $\frac{1}{16}\%$ per month of the amount by which the Value exceeds £15 million; and
- (iii) for funds under management above £30 million, at the rate of $\frac{1}{24}\%$ per month.

The appointment of CAM as Investment Manager may be terminated by either party giving to the other not less than twelve months' notice of such termination. There are no specific provisions contained within the Investment Management Agreement relating to the compensation payable in the event of termination of the agreement other than entitlement to fees, which would be payable within any notice period.

Under an agreement dated 26 June 2001, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited ("CSH") for an annual fee in 2012 of £49,565. Notice has been served on CSH and John Girdlestone is to be appointed with effect from 1 January 2013.

Report of the Directors (continued)

Appointment of Chelverton Asset Management (“CAM”) as the Investment Manager

The Board, excluding Mr Horner, continually reviews the performance of the Investment Manager. In the opinion of the independent Directors the continuing appointment of CAM, as Investment Manager, on the terms outlined in the Investment Management Agreement dated 28 June 2001 and amended on 1 December 2006, is in the best interests of the shareholders as a whole. The reason for this view is that the investment performance of the Company is satisfactory having regard to the exceptional circumstances of the past couple of years. Further, the Board is satisfied that CAM has the required skill and expertise to continue to manage the Company’s portfolio and charges fees that are reasonable when compared with those of similar investment trusts.

Payment of suppliers

The Company does not follow any code or standard on payment practice. However it is the Company’s payment policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will be transacted, and it is the Company’s policy to abide by those terms. At 31 August 2012 all suppliers’ invoices received had been settled.

Annual General Meeting

The Notice of Annual General Meeting is set out on pages 48 to 51. In addition to the ordinary business of the meeting, the Directors are putting forward resolutions to allot shares, which will allow the Company to issue new shares or sell shares out of treasury equivalent to 10% of its existing issued share capital.

In Resolution 7 the Directors are also seeking to renew the authority to allot Ordinary shares held in Treasury at a discount to NAV.

It is also proposed in Resolution 8 that at the Annual General Meeting the Company be given renewed authority to buy back its own shares, which may either be cancelled or held in Treasury. Any decision regarding placing into Treasury, or issuing shares from Treasury will only be taken if, in the opinion of the Directors, the decision would be in the interest of shareholders as a whole. Of the authority granted at the 2011 Annual General Meeting there remained unused authority to purchase 1,857,951 shares.

As at 5 November 2012, being the latest practicable date before the publication of this Annual Report, there are no outstanding warrants or options to subscribe for any Ordinary shares of the Company.

Resolution 9 if passed authorises the Company to purchase its Ordinary shares in accordance with the terms and conditions contained in a Tender Offer Circular dated on or around 6 November 2012.

1,323,334 Ordinary shares, being 10 per cent of the issued Ordinary shares with an aggregate nominal value of £13,233, were repurchased for cancellation on 23 January 2012 further to a circular to shareholders, issued by the Company on 28 November 2011, concerning the tender offer by Merchant Securities Limited to purchase up to 10 per cent of the issued Ordinary shares in the Company.

Disclosure of information to Auditors

The Directors who held office at the date of approval of the Report of Directors’ confirm that so far as they are aware:

- there is no relevant audit information of which the Company’s Auditors are unaware; and
- they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company’s Auditors are aware of that information.

Report of the Directors (continued)

Re-appointment of Auditor

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

On behalf of the Board

George Stevens

Chairman

6 November 2012

Statement on corporate governance

Corporate Governance – Statement of Compliance

The Board considers that throughout the year the Company has been in compliance with the principles of the UK Corporate Governance Code (“the Code”), insofar as they are relevant to the Company’s business, except where stated. Additional procedures have been adopted to ensure the Company’s current practices are consistent with the recommendations of the Code in all material respects. The Code can be viewed at www.frc.org.uk.

Board of Directors

Mr Stevens and Mr Allen are deemed by the Board to be independent of the Investment Manager. The continuing independence of Mr Allen has been fully considered in light of his having served for more than nine years on the Board since his first election. The Company experienced a significant change in structure and Board composition in August 2001 to the effect that Mr Allen is the only founding Board member, his knowledge of the Company and experience is considered extremely valuable by the other Directors. The Board also considers Mr Stevens is independent, notwithstanding that he is a significant shareholder in the Company. Mr Stevens is experienced in business and accountancy and provides a robust balanced view between the Investment Manager and the shareholders. Mr Horner as managing director of CAM the Investment Manager, is not independent. Given the size and nature of the Board, it is not considered appropriate to appoint a Senior Independent Director. This is a breach of code provision A.3.3. The Company does not have a chief executive officer, but by appointing a management company the roles of chairman and chief executive officer are effectively separated. Brief biographical details of the Directors can be found on page 8.

The Board has formal arrangements under which Directors, in the furtherance of their duties, may take independent professional advice. The Company has Directors’ and Officers’ liability insurance in place to cover legal defence costs. There are no qualifying third party indemnity provisions in place.

The Board also has direct access to the advice of the Company Secretary, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with.

Under the Articles of Association, Directors are required to retire by rotation at least every three years. Mr Allen stands for re-election annually having served on the Board for more than nine years, as does Mr Horner, as a director of the Investment Manager and as a director of another company with the same Investment Manager.

The Chairman, Mr Stevens, is deemed by his fellow independent Board members to be independent and have no conflicting relationships. He considers himself to have sufficient time to commit to the Company’s affairs.

Directors’ attendance

During the year the Directors’ attendance at meetings has been recorded as follows:

	Board meetings	Audit Committee
K J Allen	4 of 4	2 of 2
D A Horner	4 of 4	n/a
G E Stevens	4 of 4	2 of 2

Statement on corporate governance (continued)

Board operation

The Directors review at each Board meeting the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. The Board is responsible for the investment policy and strategic and operational decisions of the Company. A formal schedule of matters specifically reserved for the Board's approval has been adopted. The management of the Company's assets is delegated to CAM, which has discretion to manage the assets of the Company in accordance with the Company's investment objectives and policies subject to the following:

- all proposed investments in unquoted companies are put to the Board for approval;
- investments in quoted companies of over £100,000 in any single situation are referred to the Board; and
- opportunistic top-up investments of up to £50,000 are permitted in any company on the basis that the Board is informed.

To enable the Directors to fulfil their role, they have timely access to all relevant management and financial information. The full Board meets regularly and maintains contact with the Investment Manager between formal meetings.

Committees

The Company also uses a number of committees to control and monitor its operations. These committees comprise the full Board, except the Management Engagement and Audit Committees where Mr Horner is not a member by virtue of his association with the Investment Manager. Each committee's delegated responsibilities are clearly defined in written terms of reference, copies of which are available from the Company's Registered Office.

The Audit Committee provides a forum through which the Company's external Auditors report to the Board of Directors. The Committee meets at least twice a year. Mr Allen chairs the Audit Committee.

The primary responsibilities of the Audit Committee are: to review the effectiveness of the internal control environment of the Company and monitor adherence to best practice in corporate governance; to make recommendations to the Board in relation to the re-appointment of the Auditors and to approve their remuneration and terms of engagement; to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process and provide a forum through which the Company's Auditors report to the Board. The Audit Committee also has responsibility for monitoring the integrity of the financial statements and accounting policies of the Company and for reviewing the Company's financial reporting and internal control policies and procedures. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required.

The Audit Committee has direct access to the Company's Auditors, Hazlewoods LLP, whose representatives attend the year end Audit Committee meeting. On the basis of these meetings the Audit Committee has been able to assess the effectiveness of the external audit. A formal statement of independence is received from the external Auditors each year. The Committee has advised the Board that based on its assessment of their performance and independence Hazlewoods LLP has fulfilled its obligations to the Company and Shareholders and recommends their reappointment as Auditors.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties and, as a result, this function is not felt to be appropriate. However the need for one is reviewed annually.

The Management Engagement Committee is responsible for reviewing the terms of the Investment Manager's contract, and those of other service providers. The Committee meets as required and Mr Stevens chairs this committee. No meetings were held in the year.

Statement on corporate governance (continued)

The Nomination Committee considers the appointment and re-appointment of Directors and meets as and when required. Mr Stevens chairs this committee. No meetings were held during the year. The Committee meets for the purpose of considering appointments to, and removals from, the Board and determining the appointment process.

The Board as a whole fulfils the function of a Remuneration Committee. Remuneration details are given in the Directors' remuneration report on pages 23 and 24. At 31 August 2012 there were no Directors' service agreements and no Director had been granted any options to acquire shares in the Company.

On appointment to the Board, Directors are fully briefed as to their responsibilities by the Chairman and Investment Manager.

As an ongoing policy, Directors' skills and knowledge are updated regularly with information provided by the Company Secretary and various industry bodies.

Performance evaluation

In accordance with corporate governance best practice, formal performance evaluation of the Board, its committees and individual Directors was undertaken following the year end by verbal consultation. It was concluded that the Board represented an effective combination of skill and expertise and continued to operate successfully as a small, proficient unit. The performance of each Director continues to be effective and demonstrates commitment to the role.

Substantial shareholdings

The Directors had been notified of the following notifiable interests in the voting shares of the Company at 31 August 2012, at the date of this report there had been no changes notified to the Company.

	Number of shares	% of total voting rights
M E Brockbank	1,970,760	16.72
Granite Trust	1,585,026	13.45
MAM Funds Plc	1,295,356	10.99
Philip J Milton private clients	1,112,806	9.44
G E Stevens	549,556	4.66
M M Brooks	475,354	4.03
D A Horner	448,163	3.80
Brewin Dolphin private clients	435,285	3.69

Company share and share information

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

- The Company's capital structure and voting rights are summarised on page 1.
- Details of the substantial shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 17.
- The Board is seeking to renew its current powers to buy back and issue shares as detailed on page 15.

Statement on corporate governance (continued)

- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to the control attached to securities; no restrictions on voting rights; no agreements which the Company is party to that might affect its control following a successful takeover.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Relations with shareholders

Communication with shareholders is given a high priority by both the Board and the Investment Manager and all Directors are available to enter into dialogue with shareholders. Shareholders of the Company are encouraged to take the opportunity to meet with the Directors of the Board at the Annual General Meeting and ensure that their views are understood. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairman of the Board's standing committees.

Any shareholder who would like to lodge questions in advance of the Annual General Meeting is invited to do so either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 9. The Company always responds to letters from individual shareholders.

The Annual and Half Yearly Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies of the Annual Report are dispatched to shareholders by mail. The Annual and Half Yearly Reports are also available for downloading from the Company's website maintained by the Investment Manager at www.chelvertonam.com.

Going concern

The Directors have reviewed the principal risks and uncertainties facing the Company (as stated in the Report of the Directors and Business Review on pages 11 and 12). The Company's business activities, together with factors likely to affect its future development, performance and position are described in the Chairman's statement on page 2 and in the Investment Manager's overview on page 3. In addition, note 18 to the financial statements includes the Company's objectives, policies, and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Company has adequate financial resources and no significant investment commitments and as a consequence, the Directors are of the opinion that the Company has adequate resources to meet all outstanding commitments and to continue in operational existence for the foreseeable future. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the Annual Report.

Internal controls

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness.

An ongoing process in accordance with the guidance supplied by the Financial Reporting Council's Internal Control: Guidance for Directors on The UK Corporate Governance Code, has been established for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and up to the date the Annual Report and Accounts were approved and is regularly reviewed by the Board. Key procedures established with a view to providing effective financial control have been in place for the full financial year and up to the date of approval of this report.

Statement on corporate governance (continued)

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Internal control assessment process

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

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

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

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

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Directors have obtained information from key third party suppliers regarding the controls operated. To enable the Board to make an appropriate risk and control assessment the information and assurances sought from third party suppliers include the following:

- Details of the control environment operated by the third party suppliers;
- Identification and evaluation of risks and control objectives by third party suppliers;
- Assessment of the communication procedures with third party suppliers; and
- Assessment of the control procedures operated by third party suppliers.

Statement on corporate governance (continued)

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

- Investment management is provided by Chelverton Asset Management Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Investment Manager at regular Board meetings;
- Administration and company secretarial duties for the Company are performed by Capita Sinclair Henderson Limited;
- Custody of assets is undertaken by HSBC Investment Bank plc;
- The duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- Mandates for authorisation of investment transactions and expense payments are set by the Board; and
- The Board reviews financial information produced by the Investment Manager and the Company Secretary in detail on a regular basis.

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

On behalf of the Board

George Stevens

Chairman

6 November 2012

Directors' remuneration report

The Board has prepared this report, in accordance with Schedule 8 to The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution will be put to the members to approve the report at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 26 and 27.

Remuneration Committee

The Company has three non-executive directors. The Board as a whole fulfils the function of a Remuneration Committee.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to similar organisations and appointments. It is intended that this policy will continue for the year ending 31 August 2013.

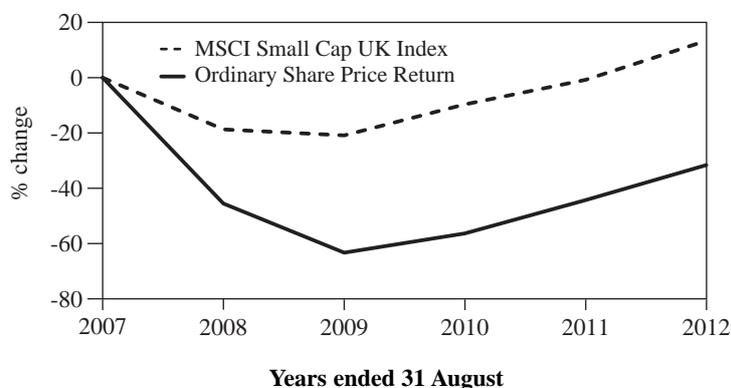
The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits as the Board do not consider it to be appropriate at this time.

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Your Company's share price performance

The graph below compares the return to Ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the MSCI Small Cap UK Index is calculated. The MSCI Small Cap UK Index was chosen for comparison purposes as the Board has recently switched to this new benchmark index.



Directors' remuneration report (continued)

Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2012	2011
G E Stevens	18,750	18,750
K J Allen	15,000	15,000
B N Lenygon (deceased 25 November 2010)	–	3,750
	<u>33,750</u>	<u>37,500</u>

Mr Horner has waived his fees.

Approval

This Directors' remuneration report was approved by the Board of Directors on 6 November 2012.

On behalf of the Board

George Stevens

Chairman

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Report of Directors, Directors remuneration report and statement on corporate governance.

The Directors, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Chairman's statement, Investment Manager's overview and Report of the Directors include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for the maintenance and integrity of the corporate and financial information related to the Company including on the website of the Investment Manager www.chelvertonam.com.

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

On behalf of the Board

George Stevens

Chairman

6 November 2012

Independent Auditors' report

To the members of Chelverton Growth Trust PLC

We have audited the financial statements of Chelverton Growth Trust PLC for the year ended 31 August 2012 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities (set out on page 25), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2012 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' report (continued)

To the members of Chelverton Growth Trust PLC

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the listing rules we are required to review:

- the directors' statement set out on page 20 in relation to going concern;
- the parts of the statement on corporate governance relating to the Company's compliance with the nine provisions of The UK Corporate Governance Code specified for our review; and
- certain elements of the report to the Company's members by the Board on Directors' remuneration.

Scott Lawrence (Senior Statutory Auditor)

For and on behalf of Hazlewoods LLP, Statutory Auditor

Cheltenham

6 November 2012

Income statement

for the year ended 31 August 2012

		2012			2011		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	7	–	647	647	–	913	913
Income	2	77	–	77	77	–	77
Investment management fee	3	(10)	(31)	(41)	(10)	(31)	(41)
Refund of VAT on administration and secretarial fees	4	40	–	40	–	–	–
Other expenses	4	(128)	–	(128)	(136)	–	(136)
Net return on ordinary activities before taxation		(21)	616	595	(69)	882	813
Taxation on ordinary activities	5	–	–	–	–	–	–
Net return on ordinary activities after taxation		(21)	616	595	(69)	882	813
		Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Return per Ordinary share	6	(0.17)	4.97	4.80	(0.50)	6.42	5.92

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

A separate statement of total recognised gains and losses has not been prepared as all such gains and losses are included in the income statement.

The notes on pages 32 to 46 form part of these accounts.

Reconciliation of movements in shareholders' funds

for the year ended 31 August 2012

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Year ended 31 August 2012						
1 September 2011	132	2,674	(1,857)	57	3,043	4,049
Cost of shares purchased for cancellation under tender offer and buyback offer	(13)	–	–	13	(406)	(406)
Cost of shares purchased for Treasury	–	–	–	–	(26)	(26)
Net return after taxation for the year	–	–	616	–	(21)	595
31 August 2012	119	2,674	(1,241)	70	2,590	4,212
Year ended 31 August 2011						
1 September 2010	149	2,674	(2,739)	40	3,506	3,630
Cost of shares purchased for cancellation under tender offer	(15)	–	–	15	(394)	(394)
Shares cancelled from Treasury	(2)	–	–	2	–	–
Net return after taxation for the year	–	–	882	–	(69)	813
31 August 2011	132	2,674	(1,857)	57	3,043	4,049

The notes on pages 32 to 46 form part of these accounts.

Balance sheet

as at 31 August 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments at fair value	7	3,877	4,055
Current assets			
Debtors	9	9	9
Cash at bank		364	30
		<u>373</u>	<u>39</u>
Creditors – amounts falling due within one year	10	<u>(38)</u>	<u>(45)</u>
Net current assets/(liabilities)		<u>335</u>	<u>(6)</u>
Net assets		<u>4,212</u>	<u>4,049</u>
Share capital and reserves			
Called up share capital	11	119	132
Share premium account	12	2,674	2,674
Capital reserve	12	(1,241)	(1,857)
Capital redemption reserve	12	70	57
Revenue reserve	12	2,590	3,043
Equity shareholders' funds		<u>4,212</u>	<u>4,049</u>
Net asset value per Ordinary share	16	<u>35.74p</u>	<u>30.60p</u>

The notes on pages 32 to 46 form part of these accounts.

These accounts were approved by the Board of Directors of Chelverton Growth Trust PLC and authorised for issue on 6 November 2012. They were signed on its behalf by

George Stevens
Chairman

Statement of cash flows

for the year ended 31 August 2012

	Note	2012 £'000	2011 £'000
Operating activities			
Investment income received		71	76
Interest income received		6	–
Investment management fees paid		(41)	(41)
Administration and secretarial fees paid		(49)	(46)
Refund of VAT paid on administration and secretarial fees		40	–
Other cash payments		(86)	(92)
Net cash outflow from operating activities	13	(59)	(103)
Investing activities			
Purchases of investments		(714)	(156)
Sales of investments		1,539	597
Net cash inflow from investing activities		825	441
Financing			
Cost of shares purchased for Treasury		(26)	–
Cost of shares purchased for cancellation under tender offer and buyback offer		(406)	(394)
Net cash outflow from financing activities		(432)	(394)
Increase/(decrease) in cash	15	334	(56)

The notes on pages 32 to 46 form part of these accounts.

Notes to the accounts

as at 31 August 2012

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”) and with the AIC Statement of Recommended Practice (“SORP”) issued in January 2009, regarding the Financial Statements of Investment Trust Companies and Venture Capital Trusts. All the Company’s activities are continuing.

Income recognition

Dividends receivable on quoted equity shares are included as revenue when the investments concerned are quoted ‘ex-dividend’. UK dividends are disclosed excluding the associated tax credit. Dividends receivable on equity and non-equity shares where no ex-dividend date is quoted are brought into account when the Company’s right to receive payment is established. All other income is included on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis and charged through the revenue account in the income statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed (see note 7);
- management fees and bank interest have been allocated 75% to capital reserve and 25% to revenue reserve in the income statement, being in line with the Board’s expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

Investments

All investments held by the Company are classified as ‘fair value through profit or loss’. Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition investments are measured at fair value, with changes in the fair value of investments and impairment of investments recognised in the income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

For investments that are not actively traded in organised financial markets, the investments are valued at the Directors’ estimate of its net realisable value being their estimate of fair value. Generally, fair value will be at cost or, where applicable, at the most recent transaction price. In the case of direct investments in unquoted companies the following valuation technique is applied. Initial valuation is based on the transaction price. Where better indications of fair value become available, such as through subsequent issues of capital or dealings between third parties, the valuation is adjusted to reflect the new evidence. This represents the Directors’ view of the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction.

Notes to the accounts (continued)

as at 31 August 2012

1 ACCOUNTING POLICIES (continued)

Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- net movement arising from changes in the fair value of investments that can be readily converted to cash without accepting adverse terms;
- realised exchange differences of a capital nature;
- expenses, together with related taxation effect, charged to this account in accordance with the above policies; and
- net movement arising from the changes in the fair value of investments that cannot be readily converted to cash without accepting adverse terms, held at the year end.

Taxation

The charge for taxation, where relevant, is based on the revenue before taxation for the year. Tax deferred or accelerated can arise due to timing differences between the treatment of certain items for accounting and taxation purposes.

Full provision is made for deferred taxation under the liability method, on all timing differences not reversed by the balance sheet date, in accordance with FRS 19: Deferred tax.

The tax effect of different items of income/gain and expenditure/loss 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 accounting period.

Notes to the accounts (continued)

as at 31 August 2012

2 INCOME	2012	2011
	£'000	£'000
Income from investments		
Income from LLP investments	10	–
UK net dividend income	61	77
	<u>71</u>	<u>77</u>
Other income		
Interest on VAT refund (see note 4)	6	–
	<u>77</u>	<u>77</u>
Total income	77	77
Total income comprises:		
Other income	10	–
Dividends	61	77
Interest	6	–
	<u>77</u>	<u>77</u>

3 INVESTMENT MANAGEMENT FEE	2012			2011		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	10	31	41	10	31	41
	<u>10</u>	<u>31</u>	<u>41</u>	<u>10</u>	<u>31</u>	<u>41</u>

The investment management fee is calculated at the rate of $\frac{1}{12}\%$ per month of the gross value of funds under management and is payable monthly in arrears. At 31 August 2012 there was £3,000 outstanding (2011: £3,000).

4 OTHER EXPENSES	2012	2011
	Revenue	Revenue
	£'000	£'000
Administrative and secretarial services	49	47
Directors' remuneration	34	38
Auditors' remuneration:		
audit services	13	13
Other expenses	32	38
Refund of VAT on secretarial fees	(40)	–
	<u>88</u>	<u>136</u>

J.P. Morgan Claverhouse ('Claverhouse') brought a case against HMRC to challenge the VAT charged on fund management services paid by investment companies.

Notes to the accounts (continued)

as at 31 August 2012

4 OTHER EXPENSES (continued)

In June 2007, the case was upheld by the European Court of Justice concluding that fund management services paid by investment companies be exempt from VAT.

In 2010, protective claims were submitted to HMRC by the Company to request a repayment of VAT charged to investment companies on administration and secretarial services and as a result, in March 2012, the Company received a repayment of VAT totalling £40,000 together with subsequent interest of £6,000 which have been included within the revenue column of the income statement and within 'Interest' in note 2 and 'Other expenses' within note 4.

5 TAXATION

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of charge in period						
Current tax	–	–	–	–	–	–

Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 26% to 31 March 2012 and 24% from 1 April 2012. The differences are explained below:

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/profit on ordinary activities before taxation	(21)	616	595	(69)	882	813
Theoretical tax at UK corporation tax rate of 25.17% (2011: 27.17%)	(5)	155	150	(19)	240	221
UK dividend income not taxable	(14)	–	(14)	(21)	–	(21)
Non-taxable investment gains	–	(163)	(163)	–	(248)	(248)
Excess expenses for the period	19	8	27	40	8	48
Current tax charge for the period	–	–	–	–	–	–

At 31 August 2012 the Company had surplus management expenses of £3,419,000 (2011: £3,312,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval as an investment trust in the foreseeable future, the Company has not provided for deferred tax on any gains and losses arising on the revaluation or disposal of investments.

Notes to the accounts (continued)

as at 31 August 2012

6 RETURN PER ORDINARY SHARE

	2012			2011		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	(0.17)	4.97	4.80	(0.50)	6.42	5.92

Revenue return per Ordinary share is based on the net revenue loss on ordinary activities after taxation attributable of £21,000 (2011: £69,000) and on 12,389,652 (2011: 13,742,414) Ordinary shares, being the weighted average number of Ordinary shares in issue less treasury shares during the year.

Capital return per Ordinary share is based on the net capital gain of £616,000 (2011: £882,000) and on 12,389,652 (2011: 13,742,414) Ordinary shares, being the weighted average number of Ordinary shares in issue less treasury shares during the year.

Total return per Ordinary share is based on the total gain of £595,000 (2011: £813,000) and on 12,389,652 (2011: 13,742,414) Ordinary shares, being the weighted average number of Ordinary shares in issue less treasury shares during the year.

7 INVESTMENTS

	2012			2011
	£'000			£'000
Delisted		59		43
AIM		3,120		3,576
Unquoted		698		436
		3,877		4,055
	AIM	Delisted	Unquoted*	Total
	£'000	£'000	£'000	£'000
Opening book cost	4,063	556	451	5,070
Opening investment holding losses	(487)	(513)	(15)	(1,015)
	3,576	43	436	4,055
Movements in the year:				
Purchases at cost	414	–	300	714
Sales:				–
Proceeds	(1,525)	(14)	–	(1,539)
Gains/(losses) on sales	564	(376)	–	188
Movement in investment holding losses	91	406	(38)	459
Closing valuation	3,120	59	698	3,877
Closing book cost	3,516	166	751	4,433
Closing investment holding losses	(396)	(107)	(53)	(556)
Closing valuation	3,120	59	698	3,877

Notes to the accounts (continued)

as at 31 August 2012

7 INVESTMENTS (continued)

	2012	2011
	£'000	£'000
Realised gains/(losses) on sales	188	(1,740)
Movement in fair value of investments	459	2,653
	<hr/>	<hr/>
Net gains on investments	647	913
	<hr/>	<hr/>

All quoted investments are made up of equity shares.

* Unquoted investments are valued at the Directors' estimate of their net realisable value, being their estimate of fair value.

Analysis of movements in unquoted investments

	Cost at	Valuation at	Movement		Cost at	Valuation at
	31 August	31 August	Realised	in fair	31 August	31 August
	2012	2012	in year	value	2011	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Investment						
Anaxsys Technology	200	200	–	–	–	–
Closed Loop Recycling						
Loan Stock	252	–	–	–	252	–
Ordinary B Shares	84	–	–	–	84	–
Parmenion Capital Partners LLP	115	398	–	(38)	115	436
Transflex Vehicle Rental	100	100	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	751	698	–	(38)	451	436
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Transaction costs

During the year, the Company incurred transaction costs of £2,034 (2011: £1,534) and £4,187 (2011: £301) on purchases and sales of investments, respectively. These amounts are included in 'Gains on investments at fair value' as disclosed in the income statement.

Notes to the accounts (continued)

as at 31 August 2012

7 INVESTMENTS (continued)

Details of material holdings in unquoted investments

	Valuation		Cost	Valuation	Last	Net	Turnover	Pre tax
	Cost at	at	at	at	accounts			
	31 August	31 August	31 August	31 August	period	assets	£'000	(loss)/
	2012	2012	2011	2011	end	£'000	£'000	profit
	£'000	£'000	£'000	£'000				£'000
Investment								
Anaxsys Technology	200	200	–	–	31/01/2012	9	8	(1,362)
Parmenion Capital Partners LLP	115	398	115	436	31/03/2012	777	2,249	251
Transflex Vehicle Rental	100	100	–	–	*	–	–	–

* Transflex Vehicle Rental is a new start up so no historical accounts exist. Its first year end will be 31 December 2012.

A full listing of portfolio holdings is included in the portfolio review on pages 4 to 7.

8 SIGNIFICANT INTERESTS

At 31 August 2012 the Company had a holding of 3% or more of the issued class of share that is material in the context of the accounts in the following investments:

	Number of	Percentage of	Issued share capital
	shares held	issued share capital	
Security			
CEPS, Ord 5p	1,750,000	16.182	10,814,310
Anaxsys Technology	5,000	9.371	53,358
Transflex Vehicle Rental	100,000	8.000	1,250,000
Belgravium Technologies, Ord 5p	5,000,000	4.954	100,936,547

In addition to the above, the Company has a 5.526% interest in the capital and profits of Parmenion Capital Partners LLP.

9 DEBTORS – amounts falling due within one year	2012	2011
	£'000	£'000
Prepayments and other debtors	<u>9</u>	<u>9</u>
	9	9
10 CREDITORS – amounts falling due within one year	2012	2011
	£'000	£'000
Accruals and other creditors	<u>38</u>	<u>45</u>
	38	45

Notes to the accounts (continued)

as at 31 August 2012

11 CALLED UP SHARE CAPITAL	2012	2011
	£'000	£'000
Allotted, called up and fully paid:		
11,884,283 (2011: 13,233,344) Ordinary shares of 1p each	119	132

There were 100,000 (2011: nil) shares held in Treasury at the date of this report. The shares were purchased on 31 May 2012 at a cost of £26,000 and that amount has been deducted from distributable reserves.

A tender offer to purchase up to 10 per cent of the Company's issued share capital and a subsequent invitation to certain minority shareholders to offer their shares for buyback by the Company was announced on 28 November 2011. Pursuant to the tender offer and buyback offer 1,323,334 and 25,727 Ordinary shares were repurchased for cancellation on 23 January 2012.

Duration of Company

At the annual general meeting of the Company falling in the calendar year 2014 and, if the Company has not then been liquidated, unitised or reconstructed, at each fifth annual general meeting of the Company convened by the Board thereafter, the Board shall propose an ordinary resolution that the Company should continue as an investment trust for a further five year period.

If any such ordinary resolution is not passed, the Board shall draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company for submission to the Members of the Company at a general meeting to be convened by the Board for a date not more than three months after the date of the meeting at which such ordinary resolution was not passed.

The Board shall ensure that such proposals for the liquidation, unitisation or reconstruction of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after the passing of such resolution.

12 RESERVES

	Share	Capital	Capital	Revenue
	premium	reserve	redemption	reserve
Year ended 31 August 2012	£'000	£'000	£'000	£'000
At 1 September 2011	2,674	(1,857)	57	3,043
Net gains on realisation of investments	–	188	–	–
Movement in fair value of investments	–	459	–	–
Cost of shares purchased for cancellation under tender offer and buyback offer	–	–	–	(406)
Shares cancelled	–	–	13	–
Cost of shares purchased for Treasury	–	–	–	(26)
Costs charged to capital	–	(31)	–	–
Retained net loss for the year	–	–	–	(21)
At 31 August 2012	2,674	(1,241)	70	2,590

Notes to the accounts (continued)

as at 31 August 2012

12 RESERVES (continued)

	Share premium £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000
Year ended 31 August 2011				
At 1 September 2010	2,674	(2,739)	40	3,506
Net losses on realisation of investments	–	(1,740)	–	–
Movement in fair value of investments	–	2,653	–	–
Cost of shares purchased for cancellation under tender offer	–	–	–	(394)
Shares cancelled	–	–	17	–
Costs charged to capital	–	(31)	–	–
Retained net loss for the year	–	–	–	(69)
At 31 August 2011	2,674	(1,857)	57	3,043

13 RECONCILIATION OF NET RETURN BEFORE FINANCE

COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2012 £'000	2011 £'000
Net return before finance costs and taxation	595	813
Net capital return before finance costs	(616)	(882)
Expenses charged to capital	(31)	(31)
Decrease in creditors and accruals	(7)	–
Increase in prepayments and accrued income	–	(3)
	(59)	(103)

14 RECONCILIATION OF NET CASH FLOW TO NET CASH

	2012 £'000	2011 £'000
Net cash at 1 September	30	86
Net cash inflow/(outflow)	334	(56)
Net cash at 31 August	364	30

15 ANALYSIS OF CHANGES IN NET CASH

	At 31 August 2011 £'000	Cash flows £'000	At 31 August 2012 £'000
Cash at bank	30	334	364
	30	334	364

Notes to the accounts (continued)

as at 31 August 2012

16 NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per Ordinary share is based on net assets of £4,212,000 (2011: £4,049,000) and on 11,784,283 (2011: 13,233,344) Ordinary shares, being the number of shares in issue at the year end, less Treasury shares.

17 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 August 2012 there were no capital commitments or contingent liabilities (2011: £nil).

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Company primarily invests in companies traded on AIM with a market capitalisation at the time of investment of up to £50 million. The Company finances its operations through its issued capital and existing reserves.

In following its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks are market risk (comprising exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Market risk – market price risk

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

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

The Directors are conscious of the fact that the nature of AIM investments is such that prices can be volatile. Investors should be aware that the Company is exposed to a higher rate of risk than exists within a fund which holds traditional blue chip securities.

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

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

	2012	2011
	£'000	£'000
Fair value through profit or loss investments	<u>3,877</u>	<u>4,055</u>

A 20% decrease in the market value of investments at 31 August 2012 would have decreased net assets attributable to shareholders by £775,000 (2011: £811,000). An increase of the same percentage would have an equal but opposite effect on net assets available to shareholders.

Notes to the accounts (continued)

as at 31 August 2012

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

(ii) Market risk – exchange rate risk

All of the Company's assets are in sterling and accordingly the only currency exposure the Company has is through the trading activities of its investee companies.

(iii) Market risk – interest rate risk

Changes in interest rates may cause fluctuations in the income and expenses of the Company.

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The exposure at 31 August of financial assets and financial liabilities to interest rate risk is as follows:

	2012	2011
	£'000	£'000
Cash at bank	<u>364</u>	<u>30</u>
	<u>364</u>	<u>30</u>

The effect of an interest rate increase of 1% would increase net revenue before taxation on an annualised basis by £3,640 (2011: £300). If there was a decrease in interest rates of 0.5% net revenue before taxation would decrease by £1,820 (2011: £150). These calculations are based on balances as at 31 August 2012 and may not be representative of the year as a whole.

(iv) Credit risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

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

(v) Liquidity risk

The majority of the Company's assets are AIM quoted securities, which under normal conditions can be sold to meet funding commitments if necessary. These may however be difficult to realise in adverse market conditions. The Company's unquoted investments, representing 18.1% of the portfolio, could be more difficult to realise as they are not tradable instruments.

(vi) Maturity Analysis of Financial Liabilities

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

Notes to the accounts (continued)

as at 31 August 2012

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

(vii) Managing Capital

The Company's capital management objectives are to increase net asset value per share at a higher rate than other quoted smaller company trusts and the MSCI Small Cap UK Index.

Primarily the Company finances its operations through its issued capital and existing reserves. At 31 August 2012 the Company had no borrowings.

(viii) Fair values of financial assets and financial liabilities

All of the financial assets and liabilities of the Company are held at fair value.

(ix) Financial instruments by category

The financial instruments of the Company fall into the following categories.

31 August 2012

	At amortised cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
Assets as per the Balance sheet				
Investments	–	–	3,877	3,877
Debtors	–	9	–	9
Total	–	9	3,877	3,886
Liabilities as per the Balance sheet				
Creditors	38	–	–	38
	38	–	–	38

Notes to the accounts (continued)

as at 31 August 2012

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

31 August 2011

	At amortised cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
Assets as per the Balance sheet				
Investments	–	–	4,055	4,055
Debtors	–	9	–	9
Total	–	9	4,055	4,064

Liabilities as per the Balance sheet

Creditors	45	–	–	45
Total	45	–	–	45

Fair value hierarchy

In accordance with Financial Reporting Standard No.29: 'Financial Instruments: Disclosures', the Company must disclose the fair value hierarchy of financial instruments.

The fair value hierarchy consists of the following three levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Quoted prices provided by external pricing services, brokers and vendors are included in level 1, if they reflect actual and regularly occurring market transactions on an arms length basis.

Notes to the accounts (continued)

as at 31 August 2012

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 2 inputs include the following:

- quoted prices for similar (i.e. not identical) assets in active markets.
- quoted prices for identical or similar assets or liabilities in markets that are not active. Characteristics of an inactive market include a significant decline in the volume and level of trading activity, the available prices vary significantly over time or among market participants or the prices are not current.
- inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals).
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market-corroborated inputs).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgement by the Company. The Company considers observable data to be investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices (or last traded in respect of SETS) at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Company does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include unquoted holdings. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The Company has no level 2 investments, and level 3 investments consist only of delisted/unquoted holdings.

Notes to the accounts (continued)

as at 31 August 2012

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets at fair value through profit or loss

At 31 August 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	3,120	–	757	3,877
Total	3,120	–	757	3,877

At 31 August 2011

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	3,576	–	479	4,055
Total	3,576	–	479	4,055

The following table presents the movement in the level 3 investments for the period ended 31 August 2012:

	Equity investments £'000
Opening balance	479
Purchases	300
Sales proceeds:	(14)
Total losses included in gains on investments in the income statement	(8)
Closing balance	<u>757</u>

19 RELATED PARTY TRANSACTIONS

Under the terms of the agreement dated 28 June 2001, the Company has appointed Chelverton Asset Management Limited to be the Investment Manager. The fee arrangements for these services and fees payable are set out in the Report of the Directors on page 14 and in note 3 to the accounts. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited and CEPS PLC, in which the Company has an investment. During the year ended 31 August 2012 the Company added to its investment in CEPS PLC, acquiring a further 750,000 shares at a cost of £150,000.

Shareholder information

Shareholders wishing to communicate directly with the Board should contact the Company Secretary who will pass on shareholder details to the relevant Board member.

Contact details

Company Secretary:	Capita Sinclair Henderson Limited	Tel: 01392 412122 Fax: 01392 253282
Registrar:	Share Registrars Limited	Tel: 01252 821390 www.shareregistrars.uk.com
Investment Manager:	Chelverton Asset Management Limited	Tel: 01225 483030
Website:		www.chelvertonam.com

Postal address details are shown on page 9.

Key dates

August	Company year end
November	Annual results
December	AGM
April	Half-year results

Frequency of NAV publication

The Company's net asset value is released to the Stock Exchange monthly and is posted on the Investment Manager's website: www.chelvertonam.com.

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in Chelverton Growth Trust PLC, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Chelverton Growth Trust PLC will be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX at 11.00 am on Thursday, 13 December 2012 for the following purposes:

To consider and if thought fit to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the financial statements for the year ended 31 August 2012, together with the Report of the Directors and Independent Auditors' report thereon.
2. To receive and if thought fit, to accept the Directors' remuneration report for the year ended 31 August 2012.
3. To re-elect Mr D Horner as a Director of the Company.
4. To re-elect Mr K Allen as a Director of the Company.
5. To re-appoint Hazlewoods LLP as Auditors to the Company, to hold office from the conclusion of this Meeting until the next Annual General Meeting, and to authorise the Directors to determine their remuneration.
6. THAT the Directors be empowered pursuant to Section 551 of the Companies Act 2006 to allot equity securities up to an aggregate nominal amount of £11,884, such authority to expire fifteen months after the date of passing of this resolution or at the conclusion of the Annual General Meeting of the Company to be held in 2013, whichever is the earlier, save that the Company may, before the expiry of such power, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

The following resolutions will be proposed as special resolutions.

7. THAT, subject to the passing of Resolution 6 above, the Company be authorised, for the purposes of paragraph 15.4.11 of the Listing Rules of the United Kingdom Listing Authority, to issue Ordinary shares of 1p each in the Capital of the Company at a price below net asset value per share of the existing Ordinary shares in issue provided always that such issue shall be limited to:
 - i) up to an aggregate nominal amount of £11,884.
 - ii) the sale of shares which, immediately before such sale, were held by the Company as Treasury shares.
8. THAT the Company is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 to renew its authority to make market purchases of Ordinary shares of 1p each in the capital of the Company ("Ordinary shares"), provided that:
 - (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 1,766,464 (or, if less, 14.99% of the issued Ordinary share capital in circulation immediately following the passing of this resolution);
 - (ii) the minimum price which may be paid for each Ordinary share is 1p;
 - (iii) the maximum price which may be paid for each Ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent. of the average of the middle market quotations for

Notice of Annual General Meeting (continued)

Ordinary shares taken from London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the contract of purchase is made;

(iv) this authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, fifteen months after that date; and

(v) the Company may make a contract to purchase Ordinary shares under the authority conferred by this resolution before this authority expires, such contract which will or may be executed wholly or partly after the expiry of this authority.

9. THAT, in addition to the authority given to the Company to purchase its Ordinary shares of 1p each ("Shares") pursuant to Resolution 8 above and in accordance with the terms and conditions contained in a Circular incorporating the details of a Tender Offer issued on or around 6 November 2012 by the Company and the accompanying Tender Form (together the "Terms and Conditions"), the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 to make market purchases of its Shares, provided that:

a) the maximum number of Shares hereby authorised to be purchased shall not exceed 10% of the Shares in issue as at the date hereof (excluding any Shares held in Treasury);

b) the price which must be paid for a Share shall be the Tender Price (as defined in the Terms and Conditions); and

c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

Save as expressly provided in this resolution, Terms and Conditions shall bear the same meanings in this resolution.

Registered Office:
Beaufort House
51 New North Road
Exeter EX4 4EP

By Order of the Board
Capita Sinclair Henderson Limited
Secretary
6 November 2012

Notice of Annual General Meeting (continued)

NOTES:

1. *To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast) members must be entered on the Company's register of members at 6 pm on Tuesday 11 December 2012 (or, in the event of any adjournment, 6 pm on the date which is two days (excluding weekends and bank holidays) before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. A member entitled to attend, vote and speak at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL not later than 48 hours before the time of the meeting. The appointment of a proxy will not prevent a member from attending the meeting and voting and speaking in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll shall have one vote for every Ordinary share of which he/she is the holder.*
In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority shall be determined by the order in which the names of the holders stand in the register.
Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office.
2. *A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.*
3. *The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.*
4. *As at Monday 5 November 2012 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 11,884,283 Ordinary 1p shares. The total voting rights of the Company as at 5 November 2012 were 11,784,283 Ordinary shares with 100,000 Ordinary shares held in Treasury.*
5. *A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:*
 - a) *if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;*
 - b) *if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.*
6. *A copy of the Company's current Articles of Association will be available for inspection at the registered office of the Company, Capita Sinclair Henderson Limited, Beaufort House, 51 New North Road, Exeter, EX4 4EP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX from 11:00 am until the conclusion of the meeting.*

Notice of Annual General Meeting (continued)

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

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 7RA36) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. *Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.*
9. *None of the Directors has a contract of service with the Company.*
10. *The Annual Report incorporating this notice of meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at Monday 5 November 2012 (the business day prior to publication of this notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this notice will be available on the Manager's website www.chelvertonam.com.*

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Form of Proxy

For use at the Annual General Meeting of Chelverton Growth Trust PLC

I/We (Block Capitals please)

a member/members of Chelverton Growth Trust PLC ("the Company"), hereby appoint the Chairman of the Meeting/

..... Number of Shares held

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX at 11.00 am on Thursday, 13 December 2012, and at any adjournment thereof.

Signature

Date 2012

Please mark this box to indicate that this proxy appointment is one of multiple appointments being made (see note 7).

Please indicate with an X in the spaces below how you wish your votes to be cast.

		FOR	AGAINST	WITHHELD
RESOLUTION 1	To adopt the financial statements for the year ended 31 August 2012, together with the Reports of the Directors and Independent Auditors thereon.			
RESOLUTION 2	To receive and accept the Directors' remuneration report.			
RESOLUTION 3	To re-elect Mr D Horner as a Director of the Company.			
RESOLUTION 4	To re-elect Mr K Allen as a Director of the Company.			
RESOLUTION 5	To re-appoint Hazlewoods LLP as Auditors to the Company, and to authorise the Directors to determine their remuneration.			
RESOLUTION 6	To authorise the Directors to allot shares other than in accordance with statutory pre-emption rights.			
RESOLUTION 7	To authorise the Directors to issue shares previously held in treasury at a discount to net asset value.			
RESOLUTION 8	To authorise the Company to renew its authority to make market purchases of its Ordinary shares.			
RESOLUTION 9	To authorise the Company to purchase its Ordinary shares pursuant to the terms of the Tender Offer.			

NOTES:

1. A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words 'the Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Registrars, Share Registrars Ltd., Suite E, 1st Floor, 9 Lion and Lamb Yard, Farnham GU9 7LL not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting. Only those shareholders registered in the register of members 48 hours prior to the meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. A "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution. The "vote withheld" option is provided to enable you to instruct the registered holder to abstain from voting.
7. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline or you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

