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# **CHELVERTON GROWTH TRUST PLC**

**Half Yearly Report**  
for the six months ended 29 February 2012



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## 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 ("AIM") 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 AIM 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 FTSE All-Share 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 FTSE All-Share 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 AIM or the investee company being sold.

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

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.

## 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 Company's 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.

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## Interim management report

The Company's net asset value per share has increased in the last six months from 30.60p to 33.53p, an increase of 9.6%. In the same period the Company's benchmark index, the FTSE All-Share, increased by some 8.7 %.

In the last few months of 2011 UK investors took an increasingly risk averse attitude which was reflected in the strong relative performance of the "Mega-Capitalised" defensive companies and the consequent underperformance of smaller companies. At the macro level this was driven by the continued problems within the Eurozone and was not helped at home by the Chancellor's downbeat Autumn Statement. At the same time, the earnings forecasts for companies were being reduced as the combined effects of an economic slowdown and overly optimistic market expectations took their toll.

The start of 2012 however, saw a reversal of this trend as small and middle sized companies outperformed when investors switched into a 'risk on' mode against a background of improving data from the US and hopes of a soft landing in China, although the Eurozone remained a cause of concern.

The busy corporate reporting season has helped to underpin current valuations across the market and many companies have continued to generate cash and pay dividends in excess of forecasts. In our Company we have recently seen positive contract announcements from IDOX and Belgravium, and a good set of results from Titan Europe. PSG Solutions has also performed particularly well as the re-rating continued in the wake of its interim results.

Elsewhere in the fund, the shares in Sanderson responded strongly to the announcement that it was to sell its subsidiary that provides EPOS solutions to high street retailers, representing 40% of the business, for £11.5m cash, the equivalent of the market capitalisation at the time. Quindell Portfolio acquired a 29.9% stake in AI Claims after a share swap with a number of major shareholders and has now made a cash offer for the balance.

We have made a new investment in a start up company, Transflex, a van leasing business with a highly experienced management team, while Parmenion, another unquoted investment, continued to trade well. We raised funds in the period from the sale of part of our holdings in Alliance Pharma and IDOX and by the sale of all of the shareholding in Pennant International. In part, these monies were used to finance the successful tender offer.

Looking through to the second half of the year the global macro outlook is improving, led by the US, and there is a growing feeling that we may be past the worst in respect of the domestic public finances. This has however already been reflected in an upturn in investor sentiment, but we need to see increasing corporate profitability to move the market forward. Realistically we are still looking to 2013 for an improvement in the domestic sectors such as contracting and retailing.

Encouragingly, the ratio of company upgrades to downgrades has turned positive and we look to this to provide underlying momentum to share prices. Our short term fear is that this recent improvement translates into unrealistic expectations and it is hoped that realism will hold back some of the more bullish estimates.

As a footnote, we are delighted to announce that your Company received the best performing fund award for 2011 at the recent PLC awards.

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## Principal risks and uncertainties

The Board considers that the principal risks and uncertainties facing the Company for the remaining six months of the financial year remain the same as those disclosed in the Interim management report on page 2 and also on pages 11 and 12 of the Report of the Directors in the Annual Report for the year ended 31 August 2011. These risks include market risk, discount volatility, regulatory risks, financial risk and liquidity risks.

## Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements for the six months to 29 February 2012, prepared in accordance with the Statement on Half Yearly Financial Reports issued by the UK Accounting Standards Board, gives a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the interim management report together with the notes to the Half Yearly Report include a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Yearly Report was approved by the Board of Directors on 20 April 2012 and the above responsibility statement was signed on its behalf by George Stevens, Chairman.

## Going concern

The Directors believe, bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

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## Portfolio review

as at 29 February 2012

The Company's portfolio as at 29 February 2012 is set out below.

Investment	Sector	Valuation £'000	% of total
<i>AIM traded</i>			
<b>AI Claims Solutions</b> The provision of non-fault accident management services	Non Life Insurance	475	11.9
<b>Alliance Pharma</b> Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products	Pharmaceuticals & Biotechnology	259	6.5
<b>Belgravium Technologies</b> Software systems for warehousing and distribution	Technology Hardware & Equipment	375	9.4
<b>CEPS</b> 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	200	5.0
<b>Datong Electronics</b> Develops, manages and supplies covert tracking and surveillance systems	Electronic & Electrical Equipment	52	1.3
<b>IDOX</b> Software company specialising in the development of products for document and information management	Software & Computer Services	1,174	29.4
<b>LPA Group</b> Design, manufacture and marketing of industrial electrical accessories	Electronic & Electrical Equipment	112	2.8
<b>MTI Wireless Edge</b> Developer and manufacturer of sophisticated antennas and antenna systems	Technology Hardware & Equipment	63	1.6
<b>Northbridge Industrial Services</b> Consolidation vehicle for specialist industrial hire services in the UK	Industrial Engineering	128	3.2
<b>Petards International Group</b> Development, provision and maintenance of advanced security systems and related services	Support Services	13	0.3
<b>PSG Solutions</b> Leading provider of Local Authority residential property searches; provision of packaging solutions and technical surveillance countermeasures components	Support Services	144	3.6
<b>Richoux Group</b> Owner and operator of Richoux Restaurants	Travel & Leisure	39	1.0
<b>Sanderson Group</b> Provides software and IT services	Software & Computer Services	111	2.8

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**Portfolio review** (continued)

as at 29 February 2012

<b>Investment</b>	<b>Sector</b>	<b>Valuation £'000</b>	<b>% of total</b>
<b>Titan Europe</b> Manufacture of big wheels for construction, mining and agricultural vehicles	Industrial Engineering	138	3.4
<b>Tristel</b> Healthcare business specialising in infection control in hospitals	Health Care Equipment & Services	144	3.6
<b>Universe Group</b> Provision of credit card fraud prevention system, loyalty systems and retail systems	Support Services	10	0.2
<i>Delisted</i>			
<b>One Horizon Group</b> (formerly Satcom Group) Provider of mobile satellite communications equipment and airtime	Mobile Telecommunications	59	1.5
<i>Unquoted</i>			
<b>Closed Loop Recycling</b> <i>Loanstock</i> <i>Ordinary B shares</i> Operation of a plastic recycling plant	Support Services	0	0.0
<b>Parmenion Capital Partners LLP</b> Provides fund-based discretionary fund management services to Independent Financial Advisors	Support Services	398	10.0
<b>Transflex Vehicle Rental Limited</b> Light commercial vehicle rental business	Support Services	100	2.5
<b>Portfolio valuation</b>		<b>3,994</b>	<b>100.0</b>

## Portfolio of investments

Investment	29 February 2012		31 August 2011	
	Valuation £'000	% of total	Valuation £'000	% of total
IDOX	1,174	29.4	1,153	28.4
AI Claims Solutions	475	11.9	570	14.1
Parmenion Capital Partners LLP	398	10.0	436	10.8
Belgravium Technologies	375	9.4	312	7.7
Alliance Pharma	259	6.5	264	6.5
CEPS	200	5.0	260	6.4
PSG Solutions	144	3.6	114	2.8
Tristel	144	3.6	160	3.9
Titan Europe	138	3.4	124	3.1
Northbridge Industrial Services	128	3.2	132	3.3
LPA Group	112	2.8	78	1.9
Sanderson Group	111	2.8	99	2.4
Transflex Vehicle Rental Limited	100	2.5	–	–
MTI Wireless Edge	63	1.6	60	1.5
One Horizon Group	59	1.5	32	0.8
Datong Electronics	52	1.3	62	1.5
Richoux Group	39	1.0	49	1.2
Petards International Group	13	0.3	11	0.3
Universe Group	10	0.2	10	0.2
<b>Total</b>	<b>3,994</b>	<b>100.0</b>	<b>3,926</b>	<b>96.8</b>

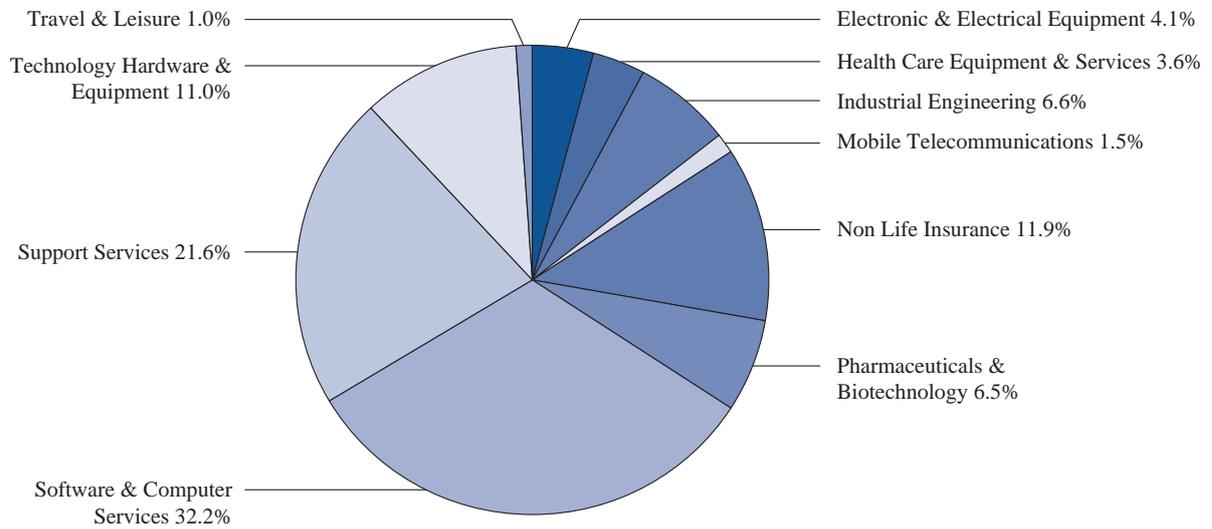
The investment in Closed Loop Recycling shown within the portfolio review has not been shown above as it has no value.

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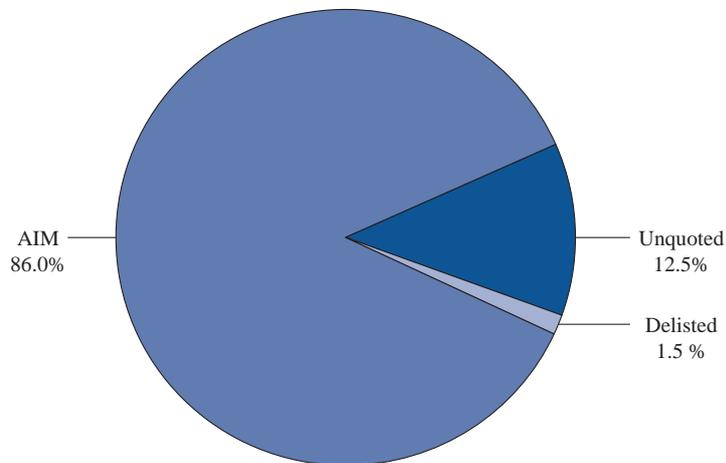
## Portfolio breakdown by sector and by index

as at 29 February 2012

### Percentage of portfolio by sector



### Percentage of portfolio by index



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## Income statement (unaudited)

for the six months to 29 February 2012

	Six months to 29 February 2012			Year to 31 August 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	–	352	352	–	913	913
Income	38	–	38	77	–	77
Investment management fee*	(5)	(15)	(20)	(10)	(31)	(41)
Other expenses	(28)	–	(28)	(136)	–	(136)
<b>Net return on ordinary activities before taxation</b>	<b>5</b>	<b>337</b>	<b>342</b>	<b>(69)</b>	<b>882</b>	<b>813</b>
Taxation on ordinary activities	–	–	–	–	–	–
<b>Net return on ordinary activities after taxation</b>	<b>5</b>	<b>337</b>	<b>342</b>	<b>(69)</b>	<b>882</b>	<b>813</b>
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Return per Ordinary share<sup>#</sup></b>	<b>0.04</b>	<b>2.60</b>	<b>2.64</b>	<b>(0.50)</b>	<b>6.42</b>	<b>5.92</b>

### Notes

\* 75% of the management fee and finance costs have been charged to capital reserve.

# The return per Ordinary share is based on 12,951,672 (31 August 2011: 13,742,414; 28 February 2011: 14,325,621) shares, being the weighted average number of shares in issue during the period.

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.

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.

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## Income statement (unaudited) (continued)

for the six months to 29 February 2012

	Six months to 28 February 2011		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	–	798	798
Income	20	–	20
Investment management fee*	(5)	(15)	(20)
Other expenses	(71)	–	(71)
<b>Net return on ordinary activities before taxation</b>	<b>(56)</b>	<b>783</b>	<b>727</b>
Taxation on ordinary activities	–	–	–
<b>Net return on ordinary activities after taxation</b>	<b>(56)</b>	<b>783</b>	<b>727</b>
	Revenue pence	Capital pence	Total pence
<b>Return per Ordinary share<sup>#</sup></b>	<b>(0.39)</b>	<b>5.46</b>	<b>5.07</b>

### Notes

\* 75% of the management fee and finance costs have been charged to capital reserve.

# The return per Ordinary share is based on 12,951,672 (31 August 2011: 13,742,414; 28 February 2011: 14,325,621) shares, being the weighted average number of shares in issue during the period.

## Reconciliation of movements in shareholders' funds (unaudited)

for the six months to 29 February 2012

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
<b>Six months to 29 February 2012</b>						
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)
Net return after taxation for the period	–	–	337	–	5	342
29 February 2012	119	2,674	(1,520)	70	2,642	3,985
<b>Year to 31 August 2011</b>						
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
<b>Six months to 28 February 2011</b>						
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)
Net return after taxation for the period	–	–	783	–	(56)	727
28 February 2011	134	2,674	(1,956)	55	3,056	3,963

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**Balance sheet** (unaudited)

as at 29 February 2012

	As at 29 February 2012 £'000	As at 31 August 2011 £'000	As at 28 February 2011 £'000
<b>Fixed assets</b>			
Investments at fair value	<u>3,994</u>	<u>4,055</u>	<u>3,898</u>
<b>Current assets</b>			
Debtors	7	9	5
Cash at bank	<u>32</u>	<u>30</u>	<u>94</u>
	<u>39</u>	<u>39</u>	<u>99</u>
<b>Creditors – amounts falling due within one year</b>			
Creditors	<u>48</u>	<u>45</u>	<u>34</u>
	<u>48</u>	<u>45</u>	<u>34</u>
<b>Net current (liabilities)/assets</b>	<u>(9)</u>	<u>(6)</u>	<u>65</u>
<b>Net assets</b>	<u>3,985</u>	<u>4,049</u>	<u>3,963</u>
<b>Share capital and reserves</b>			
Share capital	119	132	134
Share premium account	2,674	2,674	2,674
Capital reserve	(1,520)	(1,857)	(1,956)
Capital redemption reserve	70	57	55
Revenue reserve	<u>2,642</u>	<u>3,043</u>	<u>3,056</u>
<b>Equity shareholders' funds</b>	<u>3,985</u>	<u>4,049</u>	<u>3,963</u>
<b>Net asset value per Ordinary share (note 1)</b>	<u>33.53p</u>	<u>30.60p</u>	<u>29.95p</u>

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## Statement of cash flows (unaudited)

for the six months to 29 February 2012

	Six months to 29 February 2012 £'000	Year to 31 August 2011 £'000	Six months to 28 February 2011 £'000
<b>Operating activities</b>			
Investment income received	32	76	20
Interest income received	6	–	–
Investment management fees paid	(20)	(41)	(20)
Secretarial fees paid	(20)	(46)	(23)
Other cash payments	(14)	(92)	(58)
<b>Net cash outflow from operating activities (note 3)</b>	<b>(16)</b>	<b>(103)</b>	<b>(81)</b>
<b>Investing activities</b>			
Purchases of investments	(100)	(156)	(21)
Sales of investments	513	597	504
<b>Net cash inflow from investing activities</b>	<b>413</b>	<b>441</b>	<b>483</b>
<b>Financing</b>			
Cost of shares purchased for cancellation under tender offer and buyback offer	(395)	(394)	(394)
<b>Net cash outflow from financing activities</b>	<b>(395)</b>	<b>(394)</b>	<b>(394)</b>
<b>Increase/(decrease) in cash</b>	<b>2</b>	<b>(56)</b>	<b>8</b>

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## Notes to the half yearly report

The unaudited interim financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 August 2011, which contained an unqualified auditors' report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 (2) or (3) of the Companies Act 2006. The financial information for the period ended 29 February 2012 and 28 February 2011 has not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews.

This information has been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year to 31 August 2011.

### 1 Net asset value

The basic net asset value per Ordinary share is based on net assets of £3,985,000 (31 August 2011: £4,049,000; 28 February 2011: £3,963,000) and on 11,884,283 Ordinary shares (31 August 2011: 13,233,344; 28 February 2011: 13,233,344) being the number of Ordinary shares in issue at the period end.

### 2 Taxation

The tax charge for the six months to 29 February 2012 is nil (year to 31 August 2011: nil; six months to 28 February 2011: nil).

The Company has an effective tax rate of 0% for the year ending 31 August 2012. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an Investment Trust and there is expected to be an excess of management expenses over taxable income.

### 3 Reconciliation of net return before finance costs and taxation to net cash outflow from operating activities

	Six months to 29 February 2012 £'000	Year to 31 August 2011 £'000	Six months to 28 February 2011 £'000
Net return before finance costs and taxation	342	813	727
Net capital return before finance costs	(337)	(882)	(783)
Expenses charged to capital	(15)	(31)	(15)
Decrease in creditors and accruals	(8)	–	(11)
Decrease/(increase) in prepayments and accrued income	2	(3)	1
Net cash outflow from operating activities	(16)	(103)	(81)

### 4 Called up share capital

Pursuant to the Tender Offer, 1,323,334 Ordinary shares and to the buyback offer, 25,727 Ordinary shares were repurchased for cancellation on 23 January 2012. Following the Tender Offer and buyback offer there are 11,884,283 Ordinary shares in issue (31 August 2011: 13,233,344; 28 February 2011: 13,233,344).

### 5 Related party transactions

Chelverton Asset Management Limited acts as the Investment Manager. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited. He is also a director of CEPS PLC, in which the Company has an investment. At 29 February 2012 there was £3,000 (31 August 2011: £3,000; 28 February 2011: £3,000) payable to the Investment Manager.

### 6 Status of Company

It is the intention of the Directors to conduct the affairs of the Company so that they satisfy the conditions for approval as an investment trust company as set out in Sections 1158/1159 of the Corporation Tax Act 2010.

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## Notes

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## Directors and advisers

### Directors

George Stevens (Chairman)  
Kevin Allen  
David Horner

### Investment Manager

Chelverton Asset Management Limited  
12b George Street  
Bath BA1 2EH  
Tel: 01225 483 030

### Secretary and Registered Office

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(trading as Capita Financial Group –  
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Exeter EX4 4EP  
Tel: 01392 412 122

### Registrar and Transfer Office

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Farnham  
Surrey GU9 7LL  
Tel: 01252 821 390  
[www.shareregistrars.uk.com](http://www.shareregistrars.uk.com)

### Auditors

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Windsor House  
Bayshill Road  
Cheltenham GL50 3AT

### Custodian and Banker

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

The Company's shares are quoted daily in the Financial Times under 'Investment Companies'. Information about the Company can be obtained at the Investment Manager's website at [www.chelvertonam.com](http://www.chelvertonam.com).

An investment company as defined under Section 833 of the Companies Act 2006.  
REGISTERED IN ENGLAND No. 2989519

