
CHELVERTON GROWTH TRUST PLC

Half Yearly Report

for the six months ended 28 February 2017

Investment objective and policy

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 the Manager believes to be at a "point of change". The Company will 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 the net asset value per share at a higher rate than other quoted smaller company trusts and the MCSI Small Cap UK Index.

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

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 earnings 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 founder 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.

Chairman's Report

Your Company has made good progress in the first six months of the current year with the Net Asset Value per share rising from 62.53p to 74.89p, an increase of 19.8%, outperforming the benchmark indices.

Over the same period, the AIM All-share index rose by 14.6% whilst the Company's comparative index, the MSCI Small Cap UK index rose by 6.1%. The share price decreased from 82p to 75p in line with its historic relationship to Net Asset Value.

The half-year results were achieved against a background of economic and political uncertainty. The biggest issue in the world of politicians and commentators is the imminent negotiation of the United Kingdom's exit from the European Union on the best mutual terms for the United Kingdom and our fellow Europeans. The companies in which we are invested sell approximately 85% of their goods and services within the UK, with only 5% going to the European Union. Apart from the fluctuations in currency rates, they do not consider the eventual leaving of the EU a material day to day business concern.

In the past six months, in line with our new direction, we have liquidated holdings in Alliance Pharma, LPA Group and Northbridge Industrial Services in their entirety. The holding in Petards was reduced following a sharp increase in its share price resulting from a good stream of contract wins. Petards, is a UK manufacturer supplying the rail industry, and has strong potential going forward. The portfolio is thus becoming concentrated in a smaller number of holdings. The investment in Anaxsys was reduced to nil as it has restructured its business and now licences the intellectual property it has created and owns. Until it receives a royalty payment it is considered prudent to reduce the value to nil. On the positive side, other unquoted holdings made good progress leading to increased valuations for Transflex Vehicle Rental and Chelverton Asset Management, the investment managers of this fund.

Your fund held a shareholding in Parmenion which was sold last year to Aberdeen Asset Management plc. An initial payment was received at completion, in addition we could be entitled to a further sum, subject to the performance of the business. The maximum amount of this further payment is capped at £673,652. Based upon its current expectation, the Board has put a value in these accounts of £350,000 additional consideration.

The fund took up its rights in a placing made by CEPS plc, an AIM trading holding company for a number of specialist niche businesses. The fund now owns 21.2% of this company.

Whilst Shareholders are aware that it is the Board's ongoing intention to return funds to Shareholders by way of annual tenders these can only be carried out in a meaningful and cost effective manner when the fund has significant cash resources. At the moment the Company is largely fully invested and so the eighth tender offer will be delayed until significant sums have been realised from one or more investments.

Looking through to the second half of the year, and onwards, the economic and political agenda is going to be dominated by the daily reporting of the negotiations to leave the European Union. For investors in this fund, the state of the UK economy is far more relevant. The sentiment of the so called "experts" is that the UK economy will continue to grow steadily into the future and, as the European Union itself starts to exhibit signs of increasing growth this will only serve to help. The Board therefore feels that the portfolio will continue to make good progress.

Kevin Allen
Chairman
7 April 2017

Interim management report

The important events that have occurred during the period under review and the key factors influencing the financial statements are set out in the Chairman's Report. The Board considers that the principal risks and uncertainties facing the Company remain the same as those disclosed in the Annual Report for the year ended 31 August 2016 on pages 11 and 12 and pages 48 to 50. These risks include, but are not limited to, market risk, discount volatility risk, regulatory risk, financial risk and liquidity risk.

Responsibility statement

The Directors are responsible for preparing the unaudited Half Yearly Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements for the six months to 28 February 2017, has been prepared in accordance with FRS 104 "Interim Financial Reporting", gives a fair view of the assets, liabilities, financial position and profit of the Company; and
- this Half Yearly Report includes a fair review of the information required by;
 - a) rule 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) rule 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 7 April 2017 and the above responsibility statement was signed on its behalf by Kevin Allen, Chairman.

Portfolio review

as at 28 February 2017

The Company's portfolio is set out below.

Investment	Sector	Valuation £'000	% of total portfolio
<i>AIM traded</i>			
CEPS Trading holding company for a number of companies supplying services and products	Support Services	981	21.3
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	234	5.1
MTI Wireless Edge Developer and manufacturer of sophisticated antennas and antenna systems	Technology Hardware & Equipment	152	3.3
Petards Group Development, provision and maintenance of advance security systems and related services	Support Services	405	8.8
Plutus Powergen Providers of management infrastructure and expertise to operate power plants and provide flexible electricity generation	Flexible Energy Supply	767	16.7
Touchstar* Software systems for warehousing and distribution	Technology Hardware & Equipment	563	12.2
Universe Group Provision of credit fraud prevention, loyalty and retail systems	Support Services	53	1.2
<i>Nasdaq Traded</i>			
One Horizon Group Provider of mobile satellite communications equipment and airtime	Support Services	40	0.9

*Formerly Belgravium Technologies

Portfolio review (continued)

as at 28 February 2017

Investment	Sector	Valuation £'000	% of total portfolio
<i>Unquoted</i>			
Airways Engineering	Support Services		
<i>Ordinary B Shares</i>		-	-
<i>Loan Stock</i>		-	-
Commercial aviation maintenance			
Anaxsys Technology	Healthcare Equipment & Services	-	-
A medical device company for patient monitoring and screening			
Chelverton Asset Management Holdings	Support Services	159	3.5
Investment management, including providing services to Chelverton Growth Trust Plc			
La Salle Education	Support Services	-	-
A UK based company dedicated to improving mathematics education			
Main Dental	Support Services		
<i>Ordinary B Shares</i>		138	3.0
<i>Loan Stock</i>		-	-
Operator of dental surgeries			
Pedalling Forth	General Retailers	150	3.3
Internet retailer of cycling clothing for women			
Security Research Group	Support Services	52	1.1
Leading provider of Local Authority residential property searches; provision of packaging solutions			
Transflex Vehicle Rental	Support Services	902	19.6
Light commercial vehicle rental			
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Portfolio Valuation		4,596	100.0
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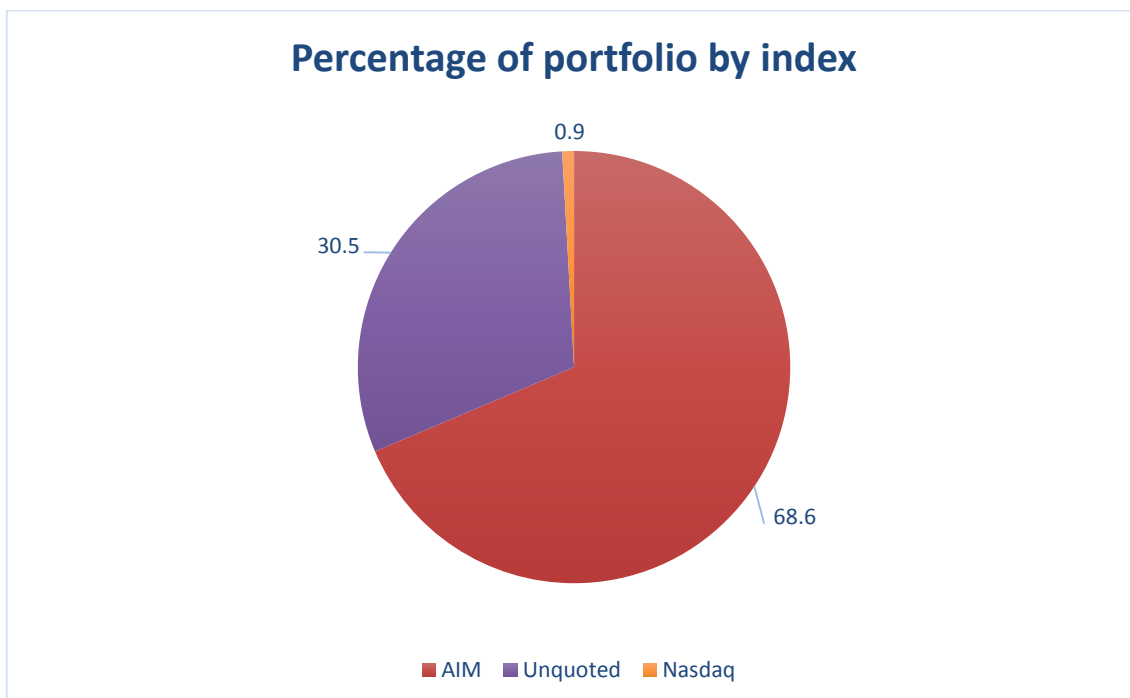
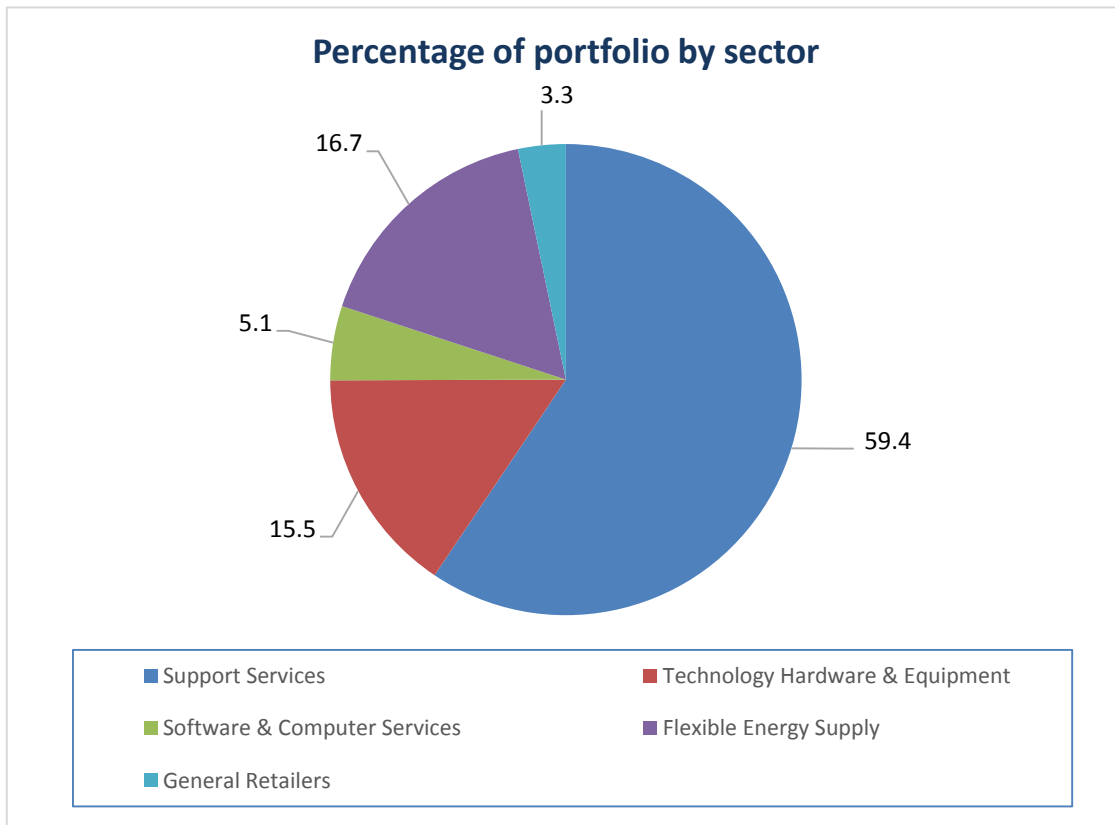
Portfolio holdings

Investment	28 February 2017		31 August 2016	
	Valuation £'000	% of total portfolio	Valuation £'000	% of total portfolio
CEPS	981	21.3	614	15.6
Transflex Vehicle Rental	902	19.6	902	23.0
Plutus Powergen	767	16.7	400	10.2
Touchstar*	563	12.2	406	10.4
Petards Group	405	8.8	335	8.5
Lombard Risk Management	234	5.1	201	5.1
Chelverton Asset Management Holdings	159	3.5	141	3.6
MTI Wireless Edge	152	3.3	165	4.2
Pedalling Forth	150	3.3	150	3.8
Main Dental	138	3.0	175	4.5
Universe Group	53	1.2	73	1.9
Security Research Group	52	1.1	52	1.3
One Horizon Group	40	0.9	84	2.1
Alliance Pharma **	-	-	49	1.3
LPA Group **	-	-	123	3.1
Northbridge Industrial Services **	-	-	32	0.8
Anaxsys Technology	-	-	23	0.6
Airways Engineering	-	-	-	-
La Salle Education	-	-	-	-
Total	4,596	100.0	3,925	100.0

* Formerly Belgravium Technologies

** Sold during the period

Portfolio breakdown by sector and by index



Income statement (unaudited)

for the six months to 28 February 2017

	Six months to 28 February 2017			Year to 31 August 2016			Six months to 29 February 2016		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments at fair value (note 4)	-	630	630	-	565	565	-	292	292
Income (note 2)	1	250	251	27	100	127	18	-	18
Investment management fee	(6)	(18)	(24)	(12)	(35)	(47)	(7)	(19)	(26)
Other expenses	(64)	(4)	(68)	(155)	(7)	(162)	(67)	(6)	(73)
Net return on ordinary activities before taxation	(69)	858	789	(140)	623	483	(56)	267	211
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Net return on ordinary activities after taxation	(69)	858	789	(140)	623	483	(56)	267	211
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary share*	(1.08)p	13.45p	12.37p	(1.86)p	8.26p	6.40p	(0.65)p	3.14p	2.49p

The total column of this statement is the profit and loss account of the Company prepared in accordance with Financial Reporting Standards ("FRS"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

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

A separate Statement of Other Comprehensive Income has not been prepared as all such gains and losses are included in the Income Statement.

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the realised and unrealised profit or loss on investments and 75% of the management fee and finance costs charged to capital.

* The return per Ordinary share is based on 6,377,088 (31 August 2016: 7,538,051; 29 February 2016: 8,501,650) shares, being the weighted average number of shares in issue during the period.

Statement of changes in equity (unaudited)

for the six months to 28 February 2017

	Called up share capital £'000	Share premium account £'000	Special reserve* £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Six months to 28 February 2017							
1 September 2016	64	-	1,506	1,536	125	756	3,987
Net return after taxation for the period	-	-	-	858	-	(69)	789
28 February 2017	64	-	1,506	2,394	125	687	4,776
Year to 31 August 2016							
1 September 2015	86	2,674	-	913	103	896	4,672
Costs of shares purchased for cancellation under tender offer	(22)	-	(1,149)	-	22	-	(1,149)
Cancellation of share premium account	-	(2,674)	2,674	-	-	-	-
Costs of cancelling share premium account	-	-	(19)	-	-	-	(19)
Net return after taxation for the year	-	-	-	623	-	(140)	483
31 August 2016	64	-	1,506	1,536	125	756	3,987
Six months to 29 February 2016							
1 September 2015	86	2,674	-	913	103	896	4,672
Cancellation of share premium account	-	(2,674)	2,674	-	-	-	-
Costs of cancelling share premium account	-	-	(19)	-	-	-	(19)
Net return after taxation for the period	-	-	-	267	-	(56)	211
29 February 2016	86	-	2,655	1,180	103	840	4,864

*The special reserve was created by the cancellation of the share premium account by order of the High Court on 20 January 2016. The special reserve can be used for the purchase of the Company's Ordinary shares.

Statement of financial position (unaudited)

as at 28 February 2017

	As at 28 February 2017 £'000	As at 31 August 2016 £'000	As at 29 February 2016 £'000
Fixed assets			
Investments at fair value (note 4)	4,596	3,925	3,546
Current assets			
Debtors	353	6	13
Cash at bank	103	261	1,328
	<u>456</u>	<u>267</u>	<u>1,341</u>
Creditors – amounts falling due within one year			
Creditors	(26)	(55)	(23)
Short-term loans (note 5)	(250)	(250)	-
	<u>(276)</u>	<u>(305)</u>	<u>(23)</u>
Net current assets/(liabilities)	<u>180</u>	<u>(38)</u>	<u>1,318</u>
Debtors – amounts falling due after one year	<u>-</u>	<u>100</u>	<u>-</u>
Net assets	<u>4,776</u>	<u>3,987</u>	<u>4,864</u>
Share capital and reserves			
Called up share capital	64	64	86
Special reserve	1,506	1,506	2,655
Capital reserve	2,394	1,536	1,180
Capital redemption reserve	125	125	103
Revenue reserve	687	756	840
Equity shareholders' funds	<u>4,776</u>	<u>3,987</u>	<u>4,864</u>
Net asset value per Ordinary share (note 6)	<u>74.89p</u>	<u>62.53p</u>	<u>57.21p</u>

Statement of cash flows (unaudited)

for the six months to 28 February 2017

	Six months to 28 February 2017 £'000	Year to 31 August 2016 £'000	Six months to 29 February 2016 £'000
Cash flows from operating activities			
Net return on ordinary activities	789	483	211
Adjustment for:			
Net capital return	(858)	(623)	(267)
Income credited to capital	250	100	-
Expenses charged to capital	(22)	(42)	(25)
Interest paid	5	11	9
(Decrease)/increase in creditors	(29)	27	(5)
Increase in debtors	(247)	(97)	(4)
Cash used in operations	(112)	(141)	(81)
Cash flows from investing activities			
Purchase of investments	(444)	(420)	(50)
Sales of investments	403	2,082	1,818
Net cash (used in)/from investing activities	(41)	1,662	1,768
Cash flows from financing activities			
Cost of shares purchased for cancellation under tender offer	-	(1,149)	-
Costs of cancelling share premium account	-	(19)	(19)
New loans advanced	-	300	50
Capital repayment of loans	-	(450)	(450)
Interest paid	(5)	(11)	(9)
Net cash used in financing activities	(5)	(1,329)	(428)
Net (decrease)/increase in cash	(158)	192	1,259
Cash at the beginning of the period	261	69	69
Cash at the end of the period	103	261	1,328

Notes to the half yearly report

1 ACCOUNTING POLICIES

a) Statement of compliance

The Company's Financial Statements for the period ended 28 February 2017 have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the 2014 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('the SORP') issued by the Association of Investment Trust Companies.

The financial statements have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 August 2016.

b) Financial information

The financial information contained in this report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the period ended 28 February 2017 and 29 February 2016 have not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews. The information for the year to 31 August 2016 has been extracted from the latest published Annual Report and Financial Statements, which have been lodged with the Registrar of Companies, contained an unqualified auditors' report and did not contain a statement required under Section 498 (2) or (3) of the Companies Act 2006.

c) Going concern

The Company's assets consist mainly of equity shares in companies which, in most circumstances are realisable within a short timescale. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

2 Income

	Six months to 28 February 2017 £'000	Year to 31 August 2016 £'000	Six months to 29 February 2016 £'000
Income from investments			
Income from LLP investments	250	115	15
UK net dividend income	1	12	3
Total income	251	127	18

3 Taxation

The tax charge for the six months to 28 February 2017 is nil (year to 31 August 2016: nil; six months to 29 February 2016: nil).

The Company has an effective tax rate of 0% for the year ending 31 August 2017. 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.

Notes to the half yearly report (continued)

4 Investments

	AIM	Unquoted	NASDAQ	28 February 2017 Total	31 August 2016 Total	29 February 2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening book cost	3,155	1,612	166	4,933	4,695	4,695
Opening investment holding (losses)/gains	(757)	(169)	(82)	(1,008)	327	327
	2,398	1,443	84	3,925	5,022	5,022
Movements in the period:						
Purchases at cost	444	-	-	444	420	50
Sales proceeds	(403)	-	-	(403)	(2,082)	(129)
Gains on sales	213	-	-	213	1,900	1,689
Movement in investment holding gains/(losses)	503	(42)	(44)	417	(1,335)	(3,086)
Closing valuation	3,155	1,401	40	4,596	3,925	3,546
Closing book cost	3,409	1,612	166	5,187	4,933	4,616
Closing investment holding (losses)/gains	(254)	(211)	(126)	(591)	(1,008)	(1,070)
Closing valuation	3,155	1,401	40	4,596	3,925	3,546

Analysis of capital gains and losses

Realised gains on sales	213	-	-	213	1,900	1,689
Movement in fair value of investments	503	(42)	(44)	417	(1,335)	(1,397)
	716	(42)	(44)	630	565	292

Fair value hierarchy

In accordance with FRS 102 and FRS 104 the Company must disclose the fair value hierarchy of financial instruments.

The fair value hierarchy consists of the following three classifications:

Classification A - Quoted prices in active markets for identical assets or liabilities.

Classification B - The price of a recent transaction for an identical asset, where quoted prices are unavailable.

Classification C - Inputs for the asset or liability that are based on observable market data and unobservable market data, to estimate what the transaction price would have been on the measurement data in an arm's length exchange motivated by normal business considerations.

Details of the Company's financial instruments are shown in the Portfolio Review including financial instruments which fall into level C shown under the section heading "Unquoted". A summary reconciliation of the fair value movements of level C investments is shown in the table above.

Notes to the half yearly report (continued)

4 Investments (continued)

Financial assets at fair value through profit or loss;

	Classification A £'000	Classification B £'000	Classification C £'000	Total £'000
At 28 February 2017				
Equity investments	3,195	-	1,401	4,596
Total	3,195	-	1,401	4,596
At 31 August 2016				
Equity investments	2,482	-	1,443	3,925
Total	2,482	-	1,443	3,925
At 29 February 2016				
Equity investments	2,541	-	1,005	3,546
Total	2,541	-	1,005	3,546

5 Short term loans

On 17 June 2016 the Company entered in to a £250,000 loan agreement with Jarvis Investment Management Limited. Interest is payable monthly in arrears at the rate of 4.5% above the Bank of England base rate.

At the period end £250,000 is outstanding of which £125,000 was drawn down on 17 June 2016 and £125,000 on 8 August 2016. The loan is secured on the assets of the Company and is repayable on demand.

6 Net asset value

The basic net asset value per Ordinary share is based on net assets of £4,776,000 (31 August 2016: £3,987,000; 29 February 2016: £4,864,000) and on 6,377,088 Ordinary shares (31 August 2016: 6,377,088; 29 February 2016: 8,501,650) being the number of Ordinary shares in issue at the period end. No shares are held in Treasury.

7 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. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited and chairman of CEPS PLC, in which the Company holds an investment as set out on pages 4 and 5. Mr Martin is the Chairman of Touchstar plc in which the Company holds an investment as set out on page 4.

At 28 February 2017 there was £4,200 (31 August 2016: £3,500; 29 February 2016: £4,000) payable to the Investment Manager.

The three Directors also have individual holdings in Chelverton Asset Management Holdings, a company which has Mr Horner as a director and which the Company also has a direct holding. The Directors' holdings are detailed below.

	Loan stock held £'000	Percentage of Loan stock held %	Ordinary shares held £'000	Percentage of ordinary shares held %
K J Allen	-	-	1	1
D A Horner	615	96	56	56
I P Martin	-	-	2	2

The Company holds 2,000 shares in Chelverton Asset Management Holding Limited representing 2 per cent of the voting rights.

Directors and advisers

Directors

Kevin Allen (Chairman)
David Horner
Ian Martin

Auditors

Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham
GL50 3AT

Investment Manager

Chelverton Asset Management Limited
11 Laura Place
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Tel: 01225 483 030

Custodian and Banker

Jarvis Investment Management Limited
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Tel: 01892 510 515

Secretary and Registered Office

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Courtenay Street
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Devon
TQ12 2QS
Tel: 01392 487 056
Email: cgw@iscaadmin.co.uk

Registrar and Transfer Office

Share Registrars Limited
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17 West Street
Farnham
Surrey GU9 7DR
Tel: 01252 821 390
www.shareregistrars.uk.com

Information about the Company can be obtained at the Investment Manager's website at www.chelvertonam.com.

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

