

# **Chelverton Small Companies ZDP PLC**

**Half-Yearly Report  
For the six months ended 31 October 2017**

**Registered Number: 08142169**

# CHELVERTON SMALL COMPANIES ZDP PLC

## Half-Yearly Report

for the six months ended 31 October 2017

The Half-Yearly Report can be accessed via the Investment Manager's website at [www.chelvertonam.com](http://www.chelvertonam.com) or by contacting the Company Secretary on 01245 398950.

This interim report should be read in conjunction with the Half-Yearly report of Chelverton Small Companies Dividend Trust PLC ('SCDT').

## COMPANY SUMMARY

### Company Activities, Strategy & Business Model

Chelverton Small Companies ZDP PLC ('SCZ' or the 'Company') was incorporated on 13 July 2012 as a wholly owned subsidiary of SCDT, together referred to as the 'Group'. SCZ was formed especially for the issuing of Zero Dividend Preference ('ZDP') shares. It raised £8,500,000 before expenses on 28 August 2012 by a placing of 8,500,000 ZDP shares, which are listed on the UK Official List and admitted to trading on the London Stock Exchange.

On the 24 March 2017 £1,146,150 was raised before expenses by placing an additional 849,000 ZDP shares, which are listed on the UK Official List and admitted to trading on the London Stock Exchange.

Pursuant to a loan agreement between SCZ and SCDT, SCZ has lent the proceeds of the placing to SCDT. The loan is non-interest bearing and is repayable three business days before the ZDP share redemption date of 8 January 2018 or, if required by SCZ, at any time prior to that date in order to repay the ZDP share entitlement. The funds are to be managed in accordance with the investment policy of SCDT.

### SCZ investment objective & policy

The objective of SCZ is to provide the final capital entitlement of the ZDP shares to the holders of the ZDP shares at the redemption date of 8 January 2018. The proceeds of the placing of the ZDP shares have been lent to SCDT under a loan agreement and the funds are managed in accordance with the investment policy of SCDT.

SCZ has a capital structure comprising unlisted Ordinary shares and ZDP shares listed on the Official List and traded on the London Stock Exchange by way of a standard listing. SCZ is a wholly owned subsidiary of SCDT which is a closed-ended investment company. On 28 August 2012, SCZ placed 8,500,000 ZDP shares at 100p per share and this raised a net total of £8.3 million. The expenses of the placing were borne by SCDT. On 24 March 2017, SCZ placed an additional 849,000 ZDP shares at 135p per share and this raised a net total of £1.1 million. The expenses of the placing were borne by SCDT.

A contribution agreement between SCDT and SCZ has also been made whereby SCDT will undertake to contribute such funds as would ensure that SCZ will have in aggregate sufficient assets on 8 January 2018 to satisfy the final capital entitlement of the ZDP shares of 136.70p per share, being £12,780,083 in total. This assumes that the parent company and the Company have sufficient assets as at 8 January 2018 to repay the ZDP shares. To this extent the Company is reliant upon the investment performance of the parent company and subject to the principal risks as set out in the Annual Report of SCDT.

To protect the interests of ZDP shareholders, the loan agreement contains a restriction on the Group incurring any other borrowings (other than short-term indebtedness in the normal course of business, such as when settling share transactions) except where such borrowings are for the purpose of paying the final capital entitlement due to holders of ZDP shares.

Based on the value of the Group's assets as at 31 October 2017 they would have to fall at a rate of 26.7% per annum for the Company to be unable to meet the full capital repayment entitlements of the ZDP shares on the scheduled repayment date of 8 January 2018.

The proceeds of the ZDP issue are being invested by SCDT in accordance with the investment objective and policy of SCDT, which is as follows (as extracted from the Annual Report of SCDT):

- The Company's assets comprise investments in equities in order to achieve its investment objectives. It is the aim of the Company to provide both income and capital growth predominantly through investment in mid and smaller capitalised UK companies admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange Main Market or traded on AIM.
- The Company will not invest in preference shares, loan stock or notes, convertible securities or fixed interest securities or any similar securities convertible into shares; nor will it invest in the securities or other investment trusts or in unquoted companies.
- There is no set limit on the Company's gearing.

Registered in England No: 08142169

## INTERIM MANAGEMENT REPORT

For details of the Group's activities, development and performance during the six months ended 31 October 2017 shareholders should refer to the Half-Yearly Report of SCDT, which can be found on the Investment Manager's website. [www.chelvertonam.com](http://www.chelvertonam.com) or is available for inspection at the NSM, which is situated at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm)

**David Horner**

Chelverton Asset Management Limited

15 November 2017

## **PRINCIPAL RISKS**

The principal risks facing the Company are substantially unchanged since the date of the Annual Report for the year ended 30 April 2017 and continue to be as set out on page 10 and 11 of that report.

In addition, and due to the Company's dependence on SCDT to repay the loan and provide a contribution to meet the capital entitlement of the ZDP shareholders, the other risks faced by the Company are considered to be the same as for SCDT. These are defined in note 24 of SCDT's Annual Report for the year ended 30 April 2017 and include the following; market risk, market price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk.

## **RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in compliance with the IAS34 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities and financial position of the Company; and
- the interim management report and notes to the Half-Yearly Report include a fair view of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the 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 15 November 2017 and the above responsibility statement was signed on its behalf by Lord Lamont, Chairman.

## STATEMENT OF COMPREHENSIVE INCOME (unaudited)

for the six months ended 31 October 2017

	Six months ended 31 October 2017			Year to 30 April 2017 (audited)			Six months ended 31 October 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	-	-	-	-	-	-	-	-	-
Provision for contribution from SCDT regarding the capital entitlement of the ZDP shares	-	341	341	-	633	633	-	313	313
<b>Return before finance costs and taxation</b>	<b>-</b>	<b>341</b>	<b>341</b>	<b>-</b>	<b>633</b>	<b>633</b>	<b>-</b>	<b>313</b>	<b>313</b>
Appropriations in respect of ZDP shares	-	(341)	(341)	-	(633)	(633)	-	(313)	(313)
<b>Net return after finance costs and before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net return after taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Return per ZDP share (see note 3)</b>	<b>-</b>	<b>3.65p</b>	<b>3.65p</b>	<b>-</b>	<b>7.37p</b>	<b>7.37p</b>	<b>-</b>	<b>3.68p</b>	<b>3.68p</b>

The total column of this statement is the Statement of Comprehensive Income of the Company, prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU. The supplementary revenue and capital return columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies ('AIC').

All items in the above statement derive from continuing operations.

**BALANCE SHEET (unaudited)**

as at 31 October 2017

	<b>31 October 2017 £'000</b>	30 April 2017 £'000 (audited)	31 October 2016 £'000
<b>Non-current assets</b>			
Loans and receivables	<b>12,649</b>	12,308	10,842
<b>Current assets</b>			
Trade and other receivables	<b>13</b>	13	13
<b>Total assets</b>	<b>12,662</b>	12,321	10,855
<b>Non-current liabilities</b>			
ZDP shares	<b>(12,649)</b>	(12,308)	(10,842)
<b>Net assets</b>	<b>13</b>	13	13
<b>Represented by:</b>			
Share capital	<b>13</b>	13	13
<b>Equity shareholders' funds</b>	<b>13</b>	13	13
<b>Net asset value per ZDP share (see note 4)</b>	<b>135.30p</b>	131.65p	127.56p

## **NOTES TO THE HALF-YEARLY REPORT**

For the six months ended 31 October 2017

### **1. General information**

The financial information contained in this Half-Yearly Report does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 30 April 2017, which contained an unqualified auditors' report, have been lodged with the Registrar of Companies and did not contain a statement required under the Companies Act 2006. These statutory financial statements were prepared under IFRS and in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('SORP') issued by the AIC in November 2014, except to any extent where it conflicts with IFRS.

The financial information of the Company for the period ended 31 October 2017 has also been consolidated into the results of SCDT for the six months ended 31 October 2017.

This Half-Yearly Report has not been reviewed by the Company's Auditors.

This Half-Yearly Report has been prepared using accounting policies set out in note 2 of the Company's audited financial statements for the year ended 30 April 2017.

### **2. Taxation**

There is no charge to United Kingdom income taxation as the Company does not have any income. There are no deferred tax assets in respect of unrelieved excess expenses as all expenses are borne by SCDT.

### **3. Return per ZDP share**

The capital return per ZDP share is based on appropriations, (the accrued entitlement to date) of £341,000 (30 April 2017: £633,000; 31 October 2016: £313,000) and on 9,349,000 (30 April 2017: 8,586,063; 31 October 2016: 8,500,000) being the weighted average number of ZDP shares in issue during the period.

### **4. Net asset value per ZDP share**

The net asset value per ZDP share is based on the net assets attributable of £12,649,000 (30 April 2017: £12,308,000; 31 October 2016: £10,842,000) and on 9,349,000 (30 April 2017: 9,349,000; 31 October 2016: 8,500,000) being the number of ZDP shares in issue during the period.

## **NOTES TO THE HALF-YEARLY REPORT (continued)**

For the six months ended 31 October 2017

### **5. Going concern**

The Company will fulfil its investment objective through the contribution agreement it has with SCDT. The contribution from SCDT will provide the capital entitlement of the ZDP shareholders. The principal risk the Company faces, is therefore, that SCDT would not have sufficient assets to repay the loan and to make a contribution to fulfil the amount of the capital entitlement due to the ZDP shareholders. Covenants are in place between SCDT and the Company that ensure that SCDT will not undertake certain actions in relation to both itself and the Company.

Due to the Company's dependence on SCDT to repay the loan and provide a contribution to meet the capital entitlement of the ZDP shareholders, other risks faced by the Company are considered to be the same as for SCDT and these are defined in note 24 of SCDT's Annual Report.

SCDT has considerable financial resources and therefore the Directors believe that the Company is well placed to manage its business risks and also believe that SCDT will have sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they have prepared this Half-Yearly Report on the going concern basis.

### **6. Related party transactions**

The funds lent to SCDT are managed by Chelverton Asset Management Limited, a company in which Mr van Heesewijk, a Director of the Company, has an interest. The Investment Manager is remunerated by SCDT and the amounts in respect of its services as Investment Manager of the Company are not separately identifiable.

## DIRECTORS AND ADVISERS

### Directors

Lord Lamont of Lerwick (Chairman)  
David Harris  
William van Heesewijk  
Howard Myles

### Principal Group Advisers

#### Investment Manager

Chelverton Asset Management Limited  
11 Lara Place  
Bath BA2 4BL  
Tel: 01225 483030

#### Secretary and Registered Office

Maitland Administration Services Limited  
Springfield Lodge  
Colchester Road, Chelmsford  
Essex CM2 5PW  
Tel: 01245 398950

#### Registrar and Transfer Office for the ZDP shares

Share Registrars Limited  
The Courtyard  
17 West Street  
Farnham  
Surrey GU9 7DR  
Tel: 01252 821390  
[www.shareregistrars.uk.com](http://www.shareregistrars.uk.com)

#### Auditor

Hazlewoods LLP  
Windsor House  
Bayshill Road  
Cheltenham GL50 3AT

## SHAREHOLDER INFORMATION

### Financial calendar

Company year end	April
Annual results announced	June
Annual General Meeting	September
Half-year results announced	December

### Sources of further information

The Company's ZDP shares are listed on the London Stock Exchange.

The Company's ZDP NAV is released to the London Stock Exchange on a weekly basis and published monthly via the AIC.

Information about the Company and SCDT can be obtained on the Manager's website: [www.chelvertonam.com](http://www.chelvertonam.com). Any enquiries can also be emailed to [cam@chelvertonam.com](mailto:cam@chelvertonam.com)

### Share registrar enquiries

The register for the ZDP shares is maintained by Share Registrars Limited. In the event of queries regarding your holding, please contact the Registrar on 01252 821390. Changes of name and/or address must be notified in writing to the Registrar.