
CHELVERTON GROWTH TRUST PLC

Half Yearly Report

for the six months ended 28 February 2015

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 MSCI Small Cap UK index.

Investment policy

The Company invests principally in securities of publicly quoted UK companies, though it will 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 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, currently has borrowing facilities in place with Jarvis Investment Management Limited.

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, a specialist 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

The Company's net asset value per share has softened slightly in the last six months falling from 51.38p to 51.03p, a decrease of 0.7%. This represents an underperformance against the MSCI Small Cap UK index.

During the period, the world's financial markets have endured a period of unpredictability. The global economy continued to grow steadily, however financial markets entered a period of re-adjustment as they came to the realisation that historically low inflation and interest rates are likely to persist for longer than they had previously assumed. We have also witnessed a substantial strengthening of the US Dollar and a sudden collapse in commodity prices. This has resulted in a marked change in sentiment towards certain companies and caused considerable variations in the performance of individual stocks. Such divergence is highlighted by the performance of the two indices by which we internally judge ourselves. During the period, the commodity heavy AIM All-share fell by 8.2% whilst the MSCI Small Cap UK index increased by 8.1%.

Looking forward, we are in a period where the approaching UK General Election will dominate domestic news. Although this election is being contested against an economic background that is fundamentally positive, with falling unemployment, modestly rising living standards, solid economic growth and increasing house prices; predicting the outcome or exact make up of the next government is almost impossible. Whatever the outcome of the election, we expect in the short term, that the market will generally be driven by positive results from companies and a steady stream of good news about the state of the real economy.

On the European front, the election of a "left wing" government in Greece has brought a return to the spotlight of the unresolved problems faced by the Eurozone; this continues to be a drag on sentiment and will remain so in the foreseeable future.

The Fund Manager's impression gained by meeting the management from many of the companies in our portfolio is that in general, they are continuing to make steady progress and there are emerging signs that the much hoped for rebalancing of the UK economy is actually starting to happen. Access to finance continues to be an issue for many small companies. Although on a day-to-day basis this is not hampering growth too much, they remain conscious that if the economy was to change direction suddenly, or if a step change in the business was required, they lack the availability adequate funding. In the longer term, this could become a real issue and prevent them from maximising their full potential.

In the past six months further selected reductions in the quoted holdings were made, mainly to fund the tender offer made to shareholders in March 2015. Sales were made in IDOX, Tristel and A B Dynamics and post the period end, in Alliance Pharma and Lombard Risk Management.

The unquoted proportion of the fund continued to make good progress. The valuation of our holding in Chelverton Asset Management (CAM) has been increased to reflect the strong performance of the business. This enabled CAM to redeem a large proportion of the loan notes which were issued to help fund the Management Buyout of the company. Chelverton Growth Trust redeemed its entire holding of Loan Notes whilst retaining the equity part of its investment.

A further increase in value was recognised in Parmenion Capital Partners as it continued on its strong growth path, adding further funds under administration. An additional investment of £75,000 was made into Transflex which helped assist the financing of its new southern depot. The addition of the new depot should provide a base for further growth over the next few years. La Salle Education raised further funds to finance its development.

These factors resulted in the unquoted proportion of the fund to rise to 48.4% of the portfolio.

Plutus Powergen, a recent addition to our quoted portfolio, performed well following some very positive news.

Chairman's Report (continued)

The Company completed its sixth tender offer in March 2015 with the purchase of 944,624 shares at 47.2p each. The tender price was calculated as being equal to 92.5 per cent of the net asset value per share on 27 February 2015.

Valid applications were received from eligible shareholders in respect of a total of 3,419,061 ordinary shares (representing approximately 36.2 per cent of the Company's issued ordinary share capital at the record date). These shares were subsequently cancelled leaving a reduced share capital of 8,501,650 shares in issue. In the absence of any unexpected events it is the Board's intention to repeat the process following the Company's year-end. In the Board's opinion, this strategy makes complete sense, especially if shares in the Company continue to trade, as currently, at a 17.6% discount to the Net Asset Value.

Looking ahead to the second half of the year, once the outcome of the election is resolved, we can look forward to continuing growth in the UK economy and can consequently expect further positive prospects for our investee companies.



Kevin Allen
Chairman

16 April 2015

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 2014. These risks include market risk, discount volatility, regulatory risks, financial risk and liquidity risks.

Responsibility statement

The Directors are responsible for preparing the unaudited half yearly financial 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 2015, has been prepared in accordance with the Statement on Half Yearly Financial Reports issued by the UK Accounting Standards Board.
- the interim management report together with the notes to the Half Yearly Report include 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 (see note 5).

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.

This Half Yearly Financial Report was approved by the Board of Directors on 16 April 2015.



Kevin Allen
Chairman

Portfolio review

as at 28 February 2015

The Company's portfolio is set out below.

Investment	Sector	Valuation £'000	% of Total
<i>AIM traded</i>			
AB Dynamics	Industrial Engineering		
Design and manufacture of advanced testing and measurement products to the automotive industry		80	1.67
Alliance Pharma	Pharmaceuticals & Biotechnology		
Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products		219	4.56
Belgravium Technologies	Technology Hardware & Equipment		
Software systems for warehousing and distribution		285	5.93
CEPS	Support Services		
Production and supply of components for the footwear industry; personal protection equipment; production of printed lycra fabric; and services to the direct mail industry		340	7.08
IDOX	Software & Computer Services		
Software company specialising in the development of products for document information management		202	4.22
Lombard Risk Management	Software & Computer Services		
Lombard Risk is one of the world's leading providers of collateral management, liquidity analysis and regulatory compliance software to financial organisations		285	5.93
LPA Group	Electronic & Electrical Equipment		
Design, manufacture and marketing of industrial electrical accessories		129	2.69
MTI Wireless Edge	Technology Hardware & Equipment		
Developer and manufacturer of sophisticated antennas and antenna systems		66	1.38
Northbridge Industrial Services	Industrial Engineering		
Consolidation vehicle for specialist industrial hire services		143	2.97
Petards International Group	Support Services		
Development, provision and maintenance of advance security systems and related services		108	2.25
Plutus Powergen	Financial Services		
Providers of management infrastructure and expertise to operate power plants and provide flexible electricity generation		243	5.05
Tristel	Health Care Equipment & Services		
Healthcare business specialising in infection control in hospitals		154	3.20
Universe Group	Support Services		
Provision of credit fraud prevention system, loyalty system and retail systems		48	0.99

Portfolio review (continued)

as at 28 February 2015

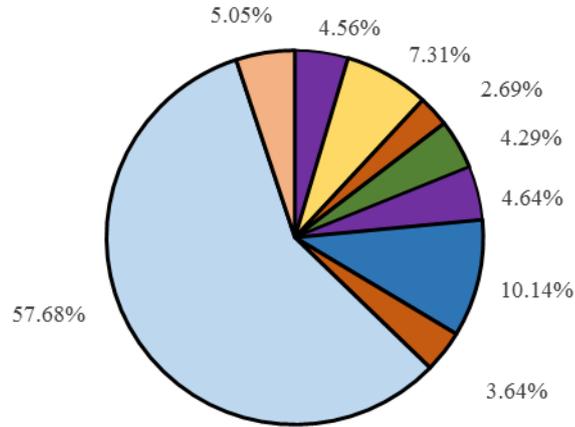
Investment	Sector	Valuation £'000	% of Total
<i>Nasdaq</i>			
One Horizon Group	Support Services		
Provider of mobile satellite communications equipment and airtime		175	3.65
<i>Unquoted</i>			
Airways Engineering	Support Services		
<i>Ordinary B Shares</i>		-	-
<i>Loan Stock</i>		-	-
Commercial aviation maintenance			
Anaxsys Technology	Healthcare Equipment & Services		
A medical device company for patient monitoring and screening		52	1.08
Chelverton Asset Management Holdings	Support Services		
Investment management, including providing services to Chelverton Growth Trust Plc		82	1.70
Closed Loop recycling	Support Services		
<i>Ordinary B Shares</i>		0	0.00
<i>Loan Stock</i>		168	3.50
Operation of a plastic (PET and HDPE) recycling plant			
La Salle Education Limited	Support Services		
A UK based company dedicated to improving mathematics education.		100	2.08
Main Dental Partners	Support Services		
<i>Ordinary B Shares</i>		175	3.64
<i>Loan Stock</i>		0	0.00
Operator of dental surgeries			
Parmenion Capital Partners	Support Services		
Provides fund-based discretionary fund management services to Independent Financial Advisors		1,153	24.01
Security Research Group	Support Services		
Leading provider of Local Authority residential property searches; provision of packaging solutions and technical surveillance countermeasure components		42	0.87
Transflex Vehicle Rental	Support Services		
Light commercial vehicle rental		555	11.55
Portfolio Valuation		4,804	100

Portfolio of investments

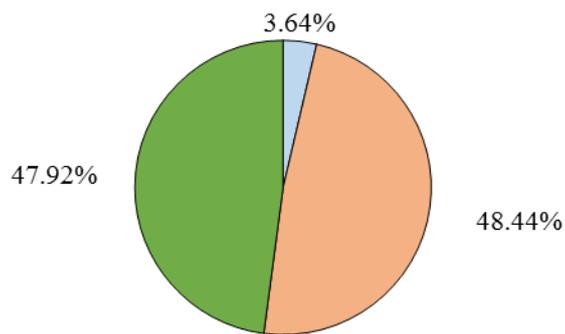
Investment	28 February 2015		31 August 2014	
	Valuation £ '000	% holding	Valuation £ '000	% holding
Parmenion Capital Partners	1,153	24.0	1,105	22.0
Transflex Vehicle Rental	555	11.6	480	9.5
CEPS	340	7.1	300	6.0
Belgravium Technologies	285	5.9	315	6.3
Lombard Risk Management	285	5.9	255	5.1
Plutus Powergen	243	5.0	125	2.5
Alliance Pharma	219	4.6	195	3.9
IDOX	202	4.2	325	6.5
One Horizon Group	175	3.6	191	3.8
Main Dental	175	3.6	175	3.5
Closed Loop Recycling Limited (Loan Stock)	168	3.5	252	5.0
Tristel	154	3.2	187	3.7
Northbridge Industrial Services	143	3.0	177	3.5
LPA Group	129	2.7	193	3.8
Petards Group	108	2.2	113	2.2
La Salle Education Limited	100	2.1	100	2.0
Chelverton Asset Management Holdings	82	1.7	167	3.3
AB Dynamics	80	1.7	156	3.1
MTI Wireless	66	1.4	75	1.5
Anaxsys Technology	52	1.1	52	1.0
Universe Group	48	1.0	34	0.7
Security Research Group	42	0.9	55	1.1
Total	4,804	100	5,027	100

Portfolio breakdown by sector and by index

Percentage of portfolio by sector



Percentage of portfolio by index



Income statement (unaudited)

for the six months to 28 February 2015

	Six months to 28 February 2015			Year to 31 August 2014			Six months to 28 February 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value		19	19	-	752	752	-	562	562
Income	35	-	35	57	-	57	22	-	22
Investment management fee*	(6)	(19)	(25)	(13)	(38)	(51)	(6)	(19)	(25)
Other expenses*	(59)	(4)	(63)	(119)	(8)	(127)	(60)	(2)	(62)
Net return on ordinary activities before taxation	(30)	(4)	(34)	(75)	706	631	(44)	541	497
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Net return on ordinary activities	(30)	(4)	(34)	(75)	706	631	(44)	541	497
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Return per Ordinary share#	(0.32)	(0.04)	(0.36)	(0.76)	7.15	6.39	(0.42)	5.2	4.78

Notes

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

The return per Ordinary share is based on 9,446,274 (31 August 2014: 9,871,859; 28 February 2014: 10,403,842) 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.

Reconciliation of movements in shareholders' funds (unaudited)

for the six months to 28 February 2015

	Share Capital £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Six months to 28 February 2015						
1 September 2014	96	2,674	556	993	1,435	4,854
Cost of shares purchased for cancellation under tender offer	-	-	-	-	-	-
Net return after taxation for the period	-	-	(4)	-	(30)	(34)
28 February 2015	96	2,674	552	93	1,405	4,820
Year to 31 August 2014						
1 September 2013	106	2,674	(150)	83	1,996	4,709
Cost of shares purchased for cancellation under tender offer	(10)	-	-	10	(486)	(486)
Net return after taxation for the period	-	-	706	-	(75)	631
31 August 2014	96	2,674	556	93	1,435	4,854
Six months to 28 February 2014						
1 September 2013	106	2,674	(150)	83	1,996	4,709
Cost of shares purchased for cancellation under tender offer	(10)	-	-	10	(486)	(486)
Net return after taxation for the period	-	-	541	-	(44)	497
28 February 2014	96	2,674	391	93	1,466	4,720

Balance sheet (unaudited)

as at 28 February 2015

	As at 28 February 2015 £'000	As at 31 August 2014 £'000	As at 28 February 2014 £'000
Fixed assets			
Investments at fair value	4,804	5,027	4,856
Current assets			
Debtors	2	8	4
Cash at bank	454	40	277
	<u>456</u>	<u>48</u>	<u>281</u>
Creditors – amounts falling due within one year			
Creditors	40	21	17
Short-term loan	400	200	400
	<u>440</u>	<u>221</u>	<u>417</u>
Net current (liabilities)/assets	16	173	136
Net assets	4,820	4,854	4,720
Share capital and reserves			
Share capital	96	96	96
Share premium account	2,674	2,674	2,674
Capital reserve	552	556	391
Capital redemption reserve	93	93	93
Revenue reserve	1,405	1,435	1,466
Equity shareholders' funds	4,820	4,854	4,720
Net asset value per Ordinary share (note 1)	51.03p	51.38p	49.98p

Statement of cash flows (unaudited)

for the six months to 28 February 2015

	Six months to 28 February 2015	Year to 31 August 2014	Six months to 28 February 2014
Operating activities			
Investment income received	35	57	22
Investment management fees paid	(25)	(51)	(25)
Secretarial fees paid	(18)	(36)	(18)
Other cash payments	(20)	(94)	(47)
Net cash outflow from operating activities (note 3)	(28)	(124)	(68)
Investing activities			
Purchase of investments	(75)	(560)	(219)
Sales of investments	317	993	633
Net cash inflow from investing activities	242	433	414
Financing			
Cost of shares purchased for cancellation under tender offer	-	(486)	(486)
New Loan	200	400	-
Capital repayment of loan	-	(200)	-
Net cash inflow/(outflow) from financing activities	200	(286)	(486)
Increase/(decrease) in cash	414	23	(140)

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 2014, 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 28 February 2015 and 28 February 2014 have 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 2014.

1 Net asset value

The basic net asset value per Ordinary share is based on net assets of £4,820,000 (31 August 2014: £4,854,000; 28 February 2014: £4,720,000) and on 9,446,274 Ordinary shares (31 August 2014: 9,446,274; 28 February 2013: 10,495,860) being the number of Ordinary shares in issue at the period end.

2 Taxation

The tax charge for the six months to 28 February 2015 is nil (year to 31 August 2014: nil; six months to 28 February 2014: nil).

The Company has an effective tax rate of 0% for the year ending 31 August 2014. 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 28 February 2015 £'000	Year to 31 August 2014 £'000	Six months to 28 February 2014 £'000
Net return before finance costs and taxation	(34)	631	497
Net capital return before finance costs	4	(706)	(541)
Expenses charged to capital	(23)	(46)	(21)
(Decrease)/increase in creditors and accruals	19	(3)	(7)
Decrease/(increase) in prepayments and accrued income	6	-	4
Net cash outflow from operating activities	<u>(28)</u>	<u>(124)</u>	<u>(68)</u>

4 Called up share capital

The Board of directors made the decision to delay the Tender Offer until after the completion of the NAV for February 2015. On 20 March 2015 944,624 shares were repurchased for cancellation leaving 8,501,650 ordinary shares of 1p in issue.

Notes to the half yearly report (continued)

5 Related party transactions

Chelverton Asset Management Limited is the Investment Manager. Mr Horner, a Director of the Company, is also a Director of Chelverton Asset Management Limited and Chelverton Asset Management Holdings Limited. He is also a director of CEPS PLC, in which the Company has an investment.

At 28 February 2015 there was £4,200 (31 August 2014: £4,200; 28 February 2014: £4,000) payable to the Investment Manager.

The Company and its directors have the following commercial interest in the Investment Manager's holding company; Chelverton Asset Management Holdings Limited.

	Loan Stock £	Ordinary Shares
David Horner	1,301,119	56,250
Chelverton Growth Trust plc	-	2,000
Ian Martin	-	2,000
Kevin Allen	40,000	1,000

The total Ordinary share interest held by the Company and the Independent Directors represents five percent of the voting rights.

David Horner, including his family interest, is the majority share holder with 56.25 percent of the voting rights in Chelverton Asset Management Holdings Limited.

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.

7 Alternative Investment Fund Management Directive (AIFMD)

The Board of Directors are registered as Alternative Investment Fund Manager (AIFM) with the FCA and confirm that all necessary regulatory returns have been completed.

Notes

Directors and advisers

Directors

Kevin Allen (Chairman)
David Horner
Ian Martin

Investment Manager

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

Secretary and Registered Office

John Girdlestone
Chartered Accountant
Waterside Court
Falmouth Road
Penryn
Cornwall
TR10 8AW
Tel: 01326 378 288
john@girdlestone.org.uk

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

Auditors

Hazlewoods LLP
Windsor House
Bayhill Road
Cheltenham GL50 3AT

Custodian and Banker

Jarvis Investment
Management Limited
78 Mount Ephraim
Royal Tunbridge Wells
TN4 8BS
Tel: 01892 510 515

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
