
CHELVERTON GROWTH TRUST PLC

Annual Report

for the year ended 31 August 2006

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 FTSE All-Share Index.

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

Contents

Investment objective	inside front cover
Company summary	1
Performance statistics	2
Chairman's statement	3
Manager's overview	4
Portfolio review	6
Portfolio breakdown by sector and by index	10
Directors	11
Manager, Secretary and Advisers	12
Report of the Directors	13
Statement on corporate governance	19
Directors' remuneration report	24
Statement of Directors' responsibilities	
in respect of the accounts	26
Independent Auditors' report	27
Income statement	29
Reconciliation of movements	
in shareholders' funds	30
Balance sheet	31
Statement of cash flows	32
Notes to the accounts	33
Shareholder information	45
Notice of Annual General Meeting	46
Form of proxy	looseleaf

Company summary

Policy and objectives	Presented opposite
Benchmark	FTSE All-Share Index FTSE AIM Index
Management Company	Chelverton Asset Management Limited See page 12 for further details.
Total net assets	£6,569,000 as at 31 August 2006
Market capitalisation	£6,078,000 as at 31 August 2006
Capital structure	18,141,939 Ordinary 1p shares
Wind-up date	November 2009
PEP/ISA status	The Company is fully eligible for inclusion in PEPs and ISAs

Bank Facility

The Company has a £1.5 million overdraft facility with Lloyds TSB Bank PLC, which is renewable on 30 September each year. The facility bears interest at 1% over the Bank's base rate and is secured by a floating charge over the Company's investment portfolio.

Draw-down of the facility as at the year end was restricted to 25% of the value of the Company's investment portfolio, after excluding unquoted stocks and the excess of any holdings over 10% of the total.

An investment company as defined under Section 266 of the Companies Act 1985.

REGISTERED IN ENGLAND No. 2989519

Performance statistics

	Year ended 31 August 2006	Year ended 31 August 2005 (restated)*	% change
Net assets	£6,569,000	£6,973,000	(5.79)%
Net asset value per share	36.21p	38.44p	(5.80)%
FTSE All-Share Index	3,007.51	2,659.21	13.10%
FTSE AIM Index	1,046.40	1,098.60	(4.75)%
Share price	33.50p	34.00p	(1.47)%
Discount to net asset value	(7.48)%	(11.55)%	
Revenue return after taxation	(£206,000)	(£206,000)	
Revenue return per share	(1.14)p	(1.14)p	
Capital return per share	(1.09)p	3.67p	

* For details of the restatement of the Company's comparative figures, please refer to note 1 on page 33.

Chairman's statement

In this past year the London stock market has been notable for the further rise in companies involved in the discovery and extraction of natural resources, supply of energy and property. Many of these companies have raised money from the Alternative Investment Market ("AIM"), and in our view their shares have risen beyond reasonable expectations. This fund does not invest in these speculative businesses, preferring to concentrate on companies with less volatility. In the short term, however, as we witnessed in 1999/2000, these companies divert attention from developing, quality businesses.

Chelverton's net asset value per share has decreased this year from 38.44p to 36.21p – a decrease of 5.8%. In the same period the Company's benchmark index, the FTSE All-Share, rose by 13.1%, the FTSE 100, which makes up over 90.0% of the All-Share Index rose 11.5%, and the AIM Index decreased by 4.8%.

Since the merger in August 2001 the net asset value per share has increased by 10.9% compared to a rise of 16.1% in the FTSE All-Share Index and 1.9% in the AIM Index.

Whilst this decline in the current year is disappointing, it is interesting to note that in the period since the year end the asset value has recovered by 3.0% to 37.28p at 30 September 2006. You will read in more detail in the Manager's overview the reasons for the decline and an analysis of the types of company in which your fund is invested.

With the recent improvement in the net asset value per share the discount has now widened, and since the year end 371,603 shares have been purchased and held in treasury.

David Horner, the Manager, has increased his holding to 1,330,000 (7.3%) with the purchase of an additional 80,000 shares through the year and has stated his intention, when not restricted by close periods, to keep acquiring shares.

As part of the process of achieving greater value the Manager has volunteered to waive half of its entitlement under the investment management agreement for the foreseeable future. In addition, the fees paid to the Directors have also been reduced since the year end and further cost savings have been achieved in other areas.

Sir Terence Harrison has decided to retire at the Annual General Meeting. On behalf of shareholders I would like to thank him for his outstanding efforts and wise counsel since the fund was formed.

The Board fully expects that the steady investment approach applied over the last few years will produce good results once the underlying quality and value in the portfolio is better recognised.

Pratt Thompson

Chairman

15 November 2006

Manager's overview

Market review

The rise in the larger quoted companies has again overshadowed the smaller company market where, apart from the sectors involved in oil and natural resource exploration and green energy providers, it has overall been a lacklustre year. Investors' appetite for smaller stocks was adversely affected in the latter part of the year as domestic interest rates were increased.

Whilst the international political stage remains uncertain, this state of affairs has now become the norm and people and businesses are having to manage around these issues. The supply and price of energy has moved to centre stage as a major concern for all businesses and households. However, although this situation is not going to change in the short to medium term, historically the high price of energy has given a major boost to investment into alternative sources.

Given that the bulk of our investee companies make most of their sales in the UK, the rise in Government spending has, in the main, been a boost to their businesses. Recently, however, there has been a marked slowdown in spending in particular areas and as ever with government departments, projects are delayed and delayed again. The impact of these delays on small companies can be profound and unfortunately a number of our companies were affected in the late spring, being the end of the fiscal accounting year.

Whilst the portfolio had one takeover in the year and another after the year end the size of companies that the fund invests in are not large enough to attract the interest of the private equity businesses who are seeking companies in the FTSE 250 or companies with a value of £300m upwards.

Portfolio review

Over the last twelve months, holdings in two companies have been sold – Brandon Hire and Foseco. New investments were made in eleven companies: Plus Markets Group, Datong Electronics, Minorplanet Systems, Asfare Group, AT Communications Group, PSG Solutions, MTI Wireless Edge, Northbridge Industrial Services, Satcom Group, SPI Lasers and Small Companies PLC.

The holding in Brandon Hire was built up from October 2003 to April 2006 at an average price of 99.76p per share and was sold on the takeover of the company for 212p. This represents an increase of 112.5% on the original cost. Foseco was bought in May 2005 at a cost of 100p per share and sold in September 2005 for 157.45p, an increase of 57.5%.

The holding of 1,500,000 shares in Plus Markets Group was bought in a placing last September, at a cost of 5p. To date we have sold 1,000,000 shares for £233,818, a profit of 367.6%. Likewise, we have sold part of the holding in Tristel, bought last year, at a profit of 106.5%.

We have continued to sell into market demand part of the shareholding in Bioquell and Stanley Gibbons Group. A further payment has been received from Locker Group, in voluntary liquidation, from the sale of its assets, with a final payment yet to come.

During the year, Chelverton has participated in thirteen placings in: Plus Markets Group, Datong Electronics, Minorplanet Systems, Asfare Group, AT Communications Group, Conder Environmental, London & Boston (renamed PSG Solutions), MTI Wireless Edge, Northbridge Industrial Services, BBI Holdings, Satcom Group, SPI Lasers and Belgravium Technologies.

Further investments have been made in Chromogenex, Belgravium Technologies, Smallbone, Oasis Healthcare and Alliance Pharma.

Manager's overview (continued)

After the year end a recommended offer was made for Howle Holdings in a combination of cash and shares valuing each share at 9.90p compared to a year end value of 7p, an uplift of some 41.4%. In the year an approach was made for Oasis Healthcare when the shares were 15p and it was later reported that the indicative offer was 36p per share. This offer was turned down by the board, as we, and other shareholders, consider the shares to be worth well in excess of this. Two of the executive directors have recently increased their shareholdings at 30p per share.

It is very disappointing to have to report that Elevation Events Group appointed an Administrator at the end of July as it was unable to raise additional funding. This was an interesting business which, in hindsight, was undercapitalised and suffered a serious setback from the terrorist bombs in London in July of last year. Just as a large number of our companies are, we believe, undervalued, a relatively small number of companies will struggle and from time to time one will go into receivership.

Outlook

Since the fund was launched the Alternative Investment Market ("AIM") has evolved from a market for small, emerging and mainly high risk companies to a vibrant market with a large number of very profitable businesses. The fund has also evolved to the point where 43 of the 48 investments and, by value, some 94.7% of the portfolio are traded on AIM.

As shareholders, what we are concerned about is increasing the value of our shareholdings so it is therefore worth pointing out that even in this disappointing year the fund's relative performance compared with other AIM invested funds is very favourable.

As ever the majority of our companies are making good progress and we are expecting that, given improved trading performances, this will eventually be recognised in their share prices.

David Horner

Chelverton Asset Management Ltd

15 November 2006

Portfolio review

The Company's portfolio as at 31 August 2006 is set out below in chronological order by date of investment.

Investment	Sector	Valuation £'000	% of total
<i>Quoted</i>			
Bioquell Manufacture of specialist filtration equipment and containment technology, sterilisation/sanitisation equipment for pharmaceutical, healthcare and other industries	Health Care Equipment & Services	200	2.5
CEPS Production and supply of components for the footwear industry, personal protection equipment and production of printed lycra fabric	Personal Goods	66	0.8
Howle Holdings Manufacture of engineer's cutting tools and hard-wearing tungsten carbide products	Industrial Engineering	103	1.3
Metrodome Group Purchase and supply of film, music and video rights to cinema, TV and video distribution industries	Media	20	0.3
Newmark Security Distribution of electronic access control products and asset tagging products	Support Services	88	1.1
LPA Group Design, manufacture and marketing of industrial electrical accessories	Electronic & Electrical Equipment	44	0.6
Clipper Ventures The running of round-the-world yacht races	Travel & Leisure	315	4.0
AI Claims Solutions The provision of non-fault accident management services	Travel & Leisure	330	4.2
Food & Drink Group (previously Hartford Group) Owner and operator of premium bars and restaurants in London	Travel & Leisure	228	2.9
Hartest Holdings Manufacture and sale of specialist healthcare equipment and supplies to users of electron microscopes	Industrial Engineering	208	2.6
Pennant International Group Supplier of technology solutions to the defence and industrial sectors	Software & Computer Services	78	1.0
Oasis Healthcare Dental practices group	Health Care Equipment & Services	560	7.0
Gourmet Holdings Owner and operator of Richoux and Bel and the Dragon restaurant brands	Travel & Leisure	120	1.5
Universe Group Provision of credit card fraud prevention system, loyalty systems, retail systems and Bureau de Change operations	Support Services	82	1.0
Conder Environmental Supply of oil spill recovery equipment, industrial pollution control equipment, and provision of glass reinforced plastic oil/water separators	Industrial Engineering	159	2.0

Portfolio review (continued)

as at 31 August 2006

Investment	Sector	Valuation £'000	% of total
<i>Quoted (continued)</i>			
Forest Support Services <i>(previously Transport Systems)</i> Supply of traffic management services	Industrial Transportation	193	2.4
Belgravium Technologies Software systems for warehousing and distribution	Technology Hardware & Equipment	401	5.0
Stanley Gibbons Group Operates the stamp collecting business of Stanley Gibbons, through retail, mail-order and the internet	General Retailers	250	3.1
Capcon Holdings The provision of audit and stocktaking and commercial investigation services	General Financial	8	0.1
IDOX Software company specialising in the development of products for document and information management	Software & Computer Services	269	3.4
ukbetting On-line gaming and associated activities	Travel & Leisure	258	3.2
Alliance Pharma Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products	Pharmaceuticals & Biotechnology	95	1.2
Cobra Bio-Manufacturing Bio-pharmaceuticals	Pharmaceuticals & Biotechnology	39	0.5
Titan Europe Manufacture of big wheels for construction, mining and agricultural vehicles	Industrial Engineering	227	2.9
BBi Holdings Development and manufacture of rapid test diagnostic products	Pharmaceuticals & Biotechnology	279	3.5
Interactive Digital Solutions Developer of an advanced system for providing interactive digital business and entertainment services to multiple users within a network	Software & Computer Services	49	0.6
Smallbone The design and manufacture of bespoke kitchens, bathrooms, bathroom furniture and suppliers of high quality flooring	Household Goods	343	4.3
Sanderson Group Provides software and IT services	Software & Computer Services	73	0.9
Petards Group Development, provision and maintenance of advanced security systems and related services	Support Services	175	2.2
Concateno Objective to acquire and manage water businesses in the UK and international markets	General Financial	140	1.8

Portfolio review (continued)

as at 31 August 2006

Investment	Sector	Valuation £'000	% of total
<i>Quoted (continued)</i>			
Intermodal Resources Equipment rental business that services the transport and logistics industries in Germany, the UK and other European countries	Industrial Engineering	98	1.2
Elevation Events Group Event management and corporate hospitality	Media	56	0.7
Tristel Healthcare business specialising in infection control in hospitals	Health Care Equipment & Services	216	2.7
Chromogenex Design, manufacture and distribution of aesthetic and therapeutic laser and aesthetic light based technology devices	Health Care Equipment & Services	212	2.7
Mavinwood Document storage and repair and insurance work for emergency water leaks	Support Services	387	4.9
PLUS Markets Group Provides secondary equities markets for Listed, AIM and OFEX	General Financial	100	1.3
Datong Electronics Develops, manages and supplies covert tracking and surveillance systems	Electronic & Electrical Equipment	186	2.4
Minorplanet Systems Vehicle information system	Electronic & Electrical Equipment	176	2.2
Asfare Group Manufacture and distribution of fire and safety equipment to emergency and rescue services and security x-ray equipment	Industrial Engineering	108	1.4
AT Communications Group Business to business systems integrator	Software & Computer Services	224	2.8
PSG Solutions Leading provider of Local Authority residential property searches; provision of packaging solutions	Support Services	100	1.3
MTI Wireless Edge Developer and manufacturer of sophisticated antennae and antenna systems	Technology Hardware & Equipment	165	2.1
Northbridge Industrial Services Consolidation vehicle for specialist industrial services in the UK	Industrial Engineering	170	2.1
Satcom Group Provider of mobile satellite communications equipment and airtime	Mobile Telecommunications	103	1.3
SPI Lasers Design, development and manufacture of optical fibre-based lasers for a range of markets and applications	Electronic & Electrical Equipment	122	1.5

Portfolio review (continued)

as at 31 August 2006

Investment	Sector	Valuation £'000	% of total
<i>Unquoted</i>			
Locker Group (in liquidation) Cash Shell	Industrial Engineering	51	0.6
Wineworld Management of Vinopolis, a London-based venue encompassing wine tasting, retail stores, restaurants and corporate hospitality	Travel & Leisure	17	0.2
Small Companies PLC Investment Company <i>Preference shares dated 30 April 2007</i>	Investment Companies	55	0.7
Portfolio valuation		7,946	100.0

All the above investments are in ordinary shares, unless otherwise stated, which are on the main list, or traded on the Alternative Investment Market, except Locker Group, Wineworld and Small Companies PLC Preference Shares, which are unquoted.

During the year, shareholdings in Brandon Hire and Foseco were sold.

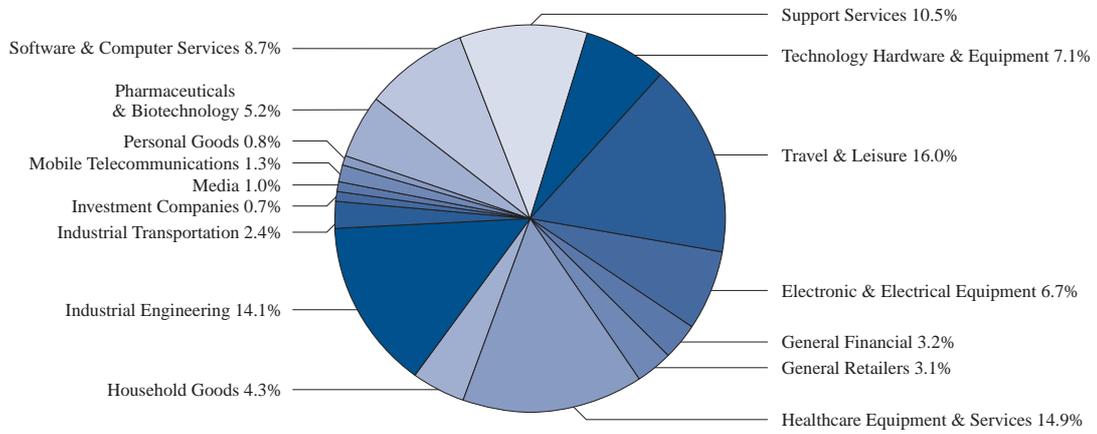
Portfolio breakdown by sector and by index

Top Ten Investments

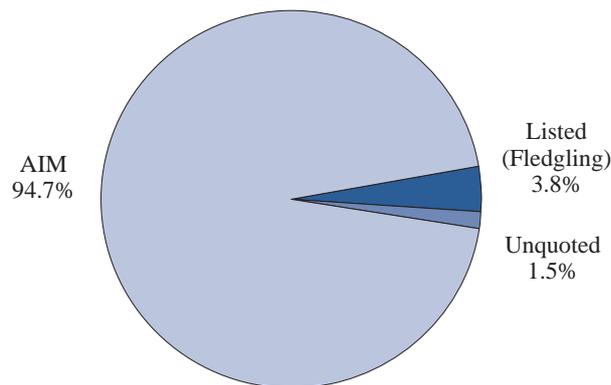
Investment	31 August 2006		31 August 2006	
	Valuation £'000	% of total	Valuation £'000	% of total
Oasis Healthcare	560	7.0	209	3.0
Belgravium Technologies	401	5.0	236	3.4
Mavinwood	387	4.9	253	3.7
Smallbone	343	4.3	248	3.6
AI Claims Solutions	330	4.2	490	7.1
Clipper Ventures	315	4.0	180	2.6
BBI Holdings	279	3.5	189	2.8
IDOX	269	3.4	409	6.0
ukbetting	258	3.2	278	4.0
Stanley Gibbons Group	250	3.1	245	3.6
Total	3,392	42.6	2,737	39.8

Portfolio breakdown by sector and by index

Percentage of Portfolio by Sector



Percentage of Portfolio by Index



Directors

The Directors are:

Pratt Thompson (Chairman) aged 73, was educated at Princeton and Columbia Universities and obtained an MBA at Geneva. He was Vice-President of AMF Incorporated from 1959 to 1973 and then spent five years at Bowthorpe Holdings PLC where he was Deputy Managing Director. From 1978 to 1981 he was Chairman of BL International Limited and Managing Director of Jaguar Rover Triumph. Subsequent to those appointments he was Chairman of AIDCOM International PLC from 1982 to 1986 and from 1986 to 1993 was Managing Director of Unitech PLC. He was appointed non-executive Chairman of the Brockbank Group PLC in 1995, and has continued to be a director following its acquisition by Mid Ocean Limited in 1997.

Kevin Allen aged 51, 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. He is currently a director of Forest Support Services PLC (formerly Transport Systems PLC).

Sir Terence Harrison aged 73, is an engineer by profession. After serving an engineering apprenticeship, he graduated from Durham University and, subsequent to commissioned Army service, has spent most of his working career based on Tyneside. He was Chairman of Northern Engineering Industries at the time of its merger with Rolls-Royce in 1989. He was appointed Chief Executive of Rolls-Royce PLC in 1992 and retired from that position in 1996. Sir Terence is a Fellow of the Royal Academy of Engineering and was knighted in 1995. He was formerly non-executive Chairman of Alfred McAlpine PLC.

Bryan Lenygon aged 74, is a chartered accountant and a barrister. After a number of years with T&N PLC and British Petroleum PLC, he joined Gartmore Investment Limited as a director in 1971, retiring as a director from Gartmore in 1988. He has considerable experience of the investment trust market and is currently a director of several other investment trusts.

David Horner aged 47, Managing Director of Chelverton Asset Management Limited. He is a chartered accountant and has considerable experience of analysing and working with smaller companies, having spent six years with 3i Corporate Finance. Mr Horner was appointed to the Board on 1 May 2006.

Manager, Secretary and Advisers

Investment Manager

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

Chelverton Asset Management Limited was formed in 1997. The Managing Director of Chelverton Asset Management Limited, David Horner, has considerable experience of companies in the smaller quoted market sector.

Secretary and Registered Office

Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 412 122

Capita Sinclair Henderson Limited provides company secretarial and administrative services for the Company. It provides similar services for a number of other investment trusts.

On 16 June 2006, Capita Financial Group Limited, a subsidiary of The Capita Group Plc, announced that it had acquired Sinclair Henderson Limited from iimia Investment Group Plc. On 4 August 2006 Sinclair Henderson Limited changed its name to Capita Sinclair Henderson Limited.

Registrar and Transfer Office

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Tel: 0870 600 3970
www.shareview.co.uk

Custodian

HSBC Bank PLC
Mariner House
Pepys Street
London EC3N 4DA

Bankers

Lloyds TSB Bank PLC
25 Gresham Street
London EC2V 7HN

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors

Maclay Murray & Spens
One London Wall
London EC2Y 5AB

Report of the Directors

The Directors present their report and audited accounts for the year ended 31 August 2006.

This year sees the introduction of a new mandatory reporting requirement under the Companies Act 1985, the Business Review, that applies for the first time to all UK companies in respect of accounting periods commencing on or after 1 April 2005.

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 as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 August 2005. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 August 2006 so as to be able to continue to obtain approval as an authorised investment trust. The Company is an investment company as defined in Section 266 of the Companies Act 1985.

The objective of the Company is to provide shareholders with 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 FTSE All-Share Index.

The Chairman’s statement on page 3 and the Manager’s overview on pages 4 and 5 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 total expenses ratio.

The Company’s Income statement is set out on page 29.

The movement of the NAV is compared to the FTSE All-Share Index, the Company’s benchmark. The NAV per share at 31 August 2006 was 36.21p (2005 (restated): 38.44p).

The Company’s share price at the year end was 33.50p (2005: 34.00p).

Principal risks

The Board considers the following as 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 the portfolio transactions and performance are reviewed. The Management Engagement Committee meets at least once a year to review the performance of the Investment Manager. Further details regarding the Company’s various Committees and their duties are given on page 20 of the Statement on corporate governance.

Report of the Directors (continued)

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.

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. Since the year end, 371,603 shares have been bought back and are all held in treasury. The Board does not intend to adopt a precise discount target at which shares will be bought back.

Regulatory risks

A breach of Companies Act regulations and FSA/London Stock Exchange rules may result in the Company being liable to fines or the suspension of the Company from the London Stock Exchange. The Board with its advisers monitor the Company's regulatory obligations both on an adhoc basis and at quarterly Board meetings.

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 accounts is monitored and approved both by the Board and the Audit Committee.

New developments in accounting standards and industry related issues are actively reported to and monitored by the Board and its advisers, ensuring that appropriate accounting policies are adhered to. In the year under review, the Company has had to comply with a number of new Financial Reporting Standards which were introduced as part of the UK convergence programme for International Financial Reporting Standards. The changes arising from the new accounting standards are explained in detail in the notes to the accounts on pages 33 to 44.

Banking

A breach of the loan covenants may lead to funding being reduced or withdrawn. The Board monitors compliance with the loan covenants at each Board meeting and regularly reviews the overdraft facilities with the Investment Manager. The industry loan provider ratings are actively monitored.

A more detailed explanation of the investment management risks facing the Company are given in note 19 to the accounts on pages 42 to 44.

Current and future developments

A review of the main features of the year is contained in the Chairman's statement and the Manager's overview on pages 3 to 5.

The marketing and promotion of the Company will continue to involve the Board and the Investment Manager, with communications with shareholders and other external parties.

The Articles of Association provide for the shareholders to consider the winding up of the Company at an Extraordinary General Meeting to be held in November 2009, unless the Directors shall have previously been released from their obligation to do so.

Report of the Directors (continued)

Results and dividend

The results for the year and the proposed transfer from revenue reserves are set out in the Income statement on page 29.

The Directors do not recommend a dividend for the year.

Directors

The Directors in office during the year, all of whom are non-executive, are shown below:

	Date of appointment
W P Thompson (Chairman)	2 August 2001
K J Allen	8 November 1994
Sir Terence Harrison	2 August 2001
B N Lenygon	2 August 2001
D A Horner	1 May 2006

In accordance with the Company's Articles of Association and the Combined Code, Mr Thompson will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

In accordance with Combined Code, provision A.7.2, 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.

Having been appointed to the Board since the last Annual General Meeting and in accordance with the Company's Articles of Association and the Combined Code, Mr Horner will retire at the forthcoming Annual General Meeting and, being eligible, will offer himself for election.

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

Mr Thompson has served as a Director and Chairman since the Company merged with The Micro Quoted Growth Trust PLC in August 2001. He has a wealth of managerial experience within varied market sectors and his proficiency as Chairman enables the Board to work effectively together to achieve their objective. Mr Thompson is deemed to be wholly independent under the Combined Code criteria and there are no circumstances or relationships existing that compromise his independence.

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.

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, having spent six years with 3i Corporate Finance.

Report of the Directors (continued)

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 Allen is a director and employee of Forest Support Services PLC (formerly Transport Systems PLC), in which the Company has an investment. Mr Lenygon is a director of Small Companies PLC in which the Company also has an investment.

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 2006	At 1 September 2005 (or date of appointment if later)*
W P Thompson	100,000	100,000
K J Allen	221,762	221,762
Sir Terence Harrison	136,167	136,167
B N Lenygon	62,411	62,411
D A Horner	1,330,000	1,330,000*

There have been no changes to any of the above holdings between 31 August 2006 and the date of this Report.

None of the Directors have any non-beneficial interests to disclose.

Substantial shareholdings

The Directors had been notified of the following substantial interests at the date of this Report:

	Number of shares	% of issued share capital
M E Brockbank	2,189,427	12.07
G E Stevens	1,778,110	9.80
D A Horner*	1,330,000	7.33
M M Brooks	1,312,500	7.23
J D Abell and Family	1,285,000	7.08
iimia Accelerated Fund	1,235,000	6.81
Wallbrook Trustees (Jersey) Ltd	1,205,570	6.65

* Mr Horner is the Managing Director of Chelverton Asset Management Limited, the Company's Investment Manager, as well as being a Director of the Company.

Report of the Directors (continued)

Management and administration agreements

The Company's investments are managed by Chelverton Asset Management Limited ("CAM") under an agreement dated 28 June 2001.

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 $\frac{1}{6}\%$ 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 $\frac{1}{8}\%$ 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 $\frac{1}{12}\%$ per month.

From 1 September 2006 the Investment Manager agreed to waive half its fee for the foreseeable future.

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 for an annual fee of £37,013. This fee is subject to annual review based on the UK Retail Price Index. In the event that there is an increase in the issued share capital of the Company, the fee will be adjusted upwards by agreement between the Company and Capita Sinclair Henderson Limited. The agreement may be terminated by either party giving to the other not less than twelve months' notice at any time.

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

The Board continually reviews the performance of the Investment Manager. In the opinion of the Directors the continuing appointment of CAM, as Investment Manager, on the terms outlined in the Management Agreement dated 28 June 2001, 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 relative to the markets in which the Company invests. 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 managers of comparable 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 2006 all suppliers' invoices received had been settled.

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 19 to the accounts.

Report of the Directors (continued)

Annual General Meeting

The Notice of Annual General Meeting is set out on pages 46 and 47. In addition to the ordinary business of the meeting, the Directors are putting forward resolutions to allot shares and disapply pre-emption rights, which will allow the Company to issue new shares or sell repurchased shares out of treasury equivalent to 10% of its existing issued share capital.

The Directors are also seeking a new authority to allot shares previously held in treasury at a discount to net asset value.

It is also proposed 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.

Disclosure of information to Auditors

As far as the Directors 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.

Re-appointment of Auditor

A resolution will be put to the shareholders at the Annual General Meeting proposing the re-appointment of Ernst & Young LLP as Auditors to the Company.

By order of the Board

Capita Sinclair Henderson Limited

Secretary

15 November 2006

Statement on corporate governance

Corporate Governance – Statement of Compliance

The Board considers that throughout the year the Company has, insofar as they are relevant to the Company's business, been in compliance with the principles of the Combined Code ("Combined Code") except where stated. Additional procedures have been adopted to ensure the Company's current practices are consistent with the recommendations of the Combined Code in all material respects.

Board of Directors

Mr Thompson, Sir Terence Harrison and Mr Allen are deemed by the Board to be fully independent of the Investment Manager. The continuing independence of Mr Allen has been fully considered in light of 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. The other Board members are therefore of the view that he remains independent in character and judgement notwithstanding his length of service. Mr Lenygon is not deemed independent as he is also a director of another investment trust where CAM are the investment manager. Mr Horner as managing director of CAM, the Investment Manager is also not deemed 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 11.

In the appointment of Mr Horner as a Director of the Company, the Board did not feel it was necessary to use outside consultants or advertising, as they had already identified that Mr Horner possessed the appropriate skills and knowledge that were considered to benefit the composition of the Board.

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.

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, one-third of the Board is required to retire by rotation each year. Additionally, Directors are required to retire by rotation at least every three years. Directors appointed during the year are required under the Listing Rules to offer themselves for election at the first Annual General Meeting after their appointment, accordingly Mr Horner will retire and seek election, and continue to seek annual re-election thereafter as a consequence of his association with the Investment Manager.

Directors' attendance

During the year the Directors' attendance at meetings has been recorded as follows.

	Board meetings	Audit Committee	Nomination Committee	Management Engagement Committee
W P Thompson	6 of 6	1 of 1	1 of 1	1 of 1
K J Allen	5 of 6	1 of 1	1 of 1	1 of 1
Sir Terence Harrison	5 of 6	1 of 1	1 of 1	1 of 1
B N Lenygon	6 of 6	1 of 1	1 of 1	1 of 1
D A Horner*	2 of 2	–	–	–

* Mr Horner was appointed to the Board on 1 May 2006.

Statement on corporate governance (continued)

Board operation

The Board consists entirely of non-executive Directors who are responsible for the implementation of the Company's investment policy. 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 was adopted in November 2001. 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 objectives and policies subject to the following:

- All proposed unquoted investments are put to the Board for approval;
- Quoted Investments of over £100,000 in any single situation are referred to the Board;
- Opportunistic top-up investments of up to £50,000 are permitted in any investment 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 its operations. All these committees comprise the full Board, except Mr Horner, and are chaired by Mr Thompson. 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 once a year.

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, Ernst & Young 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 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.

Statement on corporate governance (continued)

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 at least once a year.

The Nomination Committee considers the appointment and re-appointment of Directors and meets as and when required. The Committee meets at least once a year to consider the re-election of Directors at the Annual General Meeting.

The Board as a whole fulfils the function of a Remuneration Committee. Remuneration details are given in the Directors' remuneration report on pages 24 and 25. At 31 August 2006 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. No formal induction for Mr Horner was deemed necessary due to his in depth knowledge and experience of the Company.

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.

Relations with Shareholders

Communication with shareholders is given a high priority by both the Board and the Manager and all Directors are available to enter into dialogue with shareholders. Major shareholders of the Company are offered the opportunity to meet with the independent non-executive Directors of the Board in an attempt to 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 12. The Company always responds to letters from individual shareholders.

The Annual and Interim 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 are dispatched to shareholders by mail and are also available for downloading from the Investment Manager's website.

Going Concern

After due consideration, the Directors consider 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.

Statement on corporate governance (continued)

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 of the Turnbull Committee on internal control 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.

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;

Statement on corporate governance (continued)

- 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.

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.

Directors' remuneration report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution will be put to the members 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 27 and 28.

Remuneration Committee

The Company has five 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.

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.

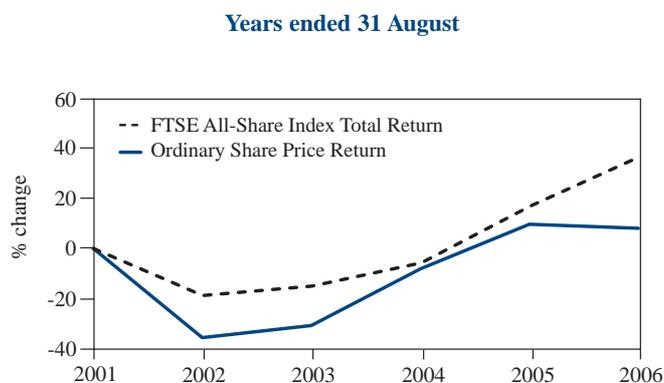
With effect from 1 September 2006 the Directors' fees have reduced from £20,000 per annum to £15,000 per annum. The Chairman's fees have also reduced from £25,000 per annum to £18,750.

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 FTSE All-Share Index is calculated. The index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



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:

	2006	2005
W P Thompson	25,000	25,000
K J Allen	20,000	20,000
Sir Terence Harrison	20,000	20,000
B N Lenygon	20,000	20,000
	<u>85,000</u>	<u>85,000</u>

Mr Horner was appointed to the Board on 1 May 2006 and has waived his fees.

Approval

This Directors' remuneration report was approved by the Board of Directors on 15 November 2006.

Pratt Thompson

Chairman

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the annual report and accounts in accordance with applicable company law and United Kingdom Generally Accepted Accounting Practice ('UK GAAP').

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the net return of the Company for that year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates;
- state whether the accounts have been prepared in accordance with applicable accounting standards and disclose particulars of any material departure from those standards and the reasons for it; and
- prepare the accounts on an ongoing basis unless it is inappropriate to assume that the Company will continue in business.

The Directors have confirmed that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which are sufficient to disclose with reasonable accuracy, at any time, the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Independent Auditors' report

To the members of Chelverton Growth Trust PLC

We have audited the accounts of Chelverton Growth Trust plc for the year ended 31 August 2006 which comprise the Income statement, the Reconciliation of movements in shareholders' funds, the Balance sheet, the Statement of cash flows and the related notes 1 to 20. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view, the accounts and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Report of the Directors is consistent with the accounts.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Statement on corporate governance reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Investment objective, Company summary, Performance statistics, Chairman's statement, Manager's overview, Portfolio review, Portfolio breakdown by sector and by index, Directors, Manager, Secretary and Advisers, Report of the Directors, Statement on corporate governance, the unaudited part of the Directors' remuneration report, and the Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Independent Auditors' report (continued)

To the members of Chelverton Growth Trust PLC

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2006 and of its return for the year then ended;
- the accounts and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the accounts.

Ernst & Young LLP

Registered Auditor, London

15 November 2006

Income statement

for the year ended 31 August 2006

		2006			2005 (restated)*		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value	8	–	(11)	(11)	–	825	825
Income	2	66	–	66	57	–	57
Investment management fee	3	(49)	(146)	(195)	(44)	(134)	(178)
Other expenses	4	(209)	–	(209)	(211)	–	(211)
Net return before finance costs and taxation		(192)	(157)	(349)	(198)	691	493
Interest payable	5	(14)	(41)	(55)	(8)	(26)	(34)
Net return on ordinary activities before taxation		(206)	(198)	(404)	(206)	665	459
Taxation on ordinary activities	6	–	–	–	–	–	–
Net return on ordinary activities after taxation		(206)	(198)	(404)	(206)	665	459
		Revenue	Capital	Total	Revenue	Capital	Total
		pence	pence	pence	pence	pence	pence
Return per Ordinary share	7	(1.14)	(1.09)	(2.23)	(1.14)	3.67	2.53

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.

* For details of the restatement of the Company's comparative figures please refer to note 1.

The notes on pages 33 to 44 form part of these accounts.

Reconciliation of movements in shareholders' funds

for the year ended 31 August 2006

	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 2006						
1 September 2005 (as originally stated)	182	2,674	400	7	4,011	7,274
Restatements*	–	–	(301)	–	–	(301)
1 September 2005 (restated)	182	2,674	99	7	4,011	6,973
Net return after taxation for the year	–	–	(198)	–	(206)	(404)
31 August 2006	182	2,674	(99)	7	3,805	6,569
Year ended 31 August 2005						
1 September 2004 (as originally stated)	182	2,674	(259)	7	4,217	6,821
Restatements*	–	–	(300)	–	–	(300)
1 September 2004 (restated)	182	2,674	(559)	7	4,217	6,521
Cost of shares repurchased	–	–	(7)	–	–	(7)
Net return after taxation for the year (restated)	–	–	665	–	(206)	459
31 August 2005 (restated)	182	2,674	99	7	4,011	6,973

* For details of the restatement of the Company's comparative figures please refer to note 1.

The notes on pages 33 to 44 form part of these accounts.

Balance sheet

as at 31 August 2006

		2006	2005
	Note	£'000	(restated)* £'000
Fixed assets			
Investments at fair value	8	7,946	6,878
Current assets			
Debtors	10	13	364
Cash at bank		24	41
		<u>37</u>	<u>405</u>
Creditors – amounts falling due within one year			
Creditors	11	1,414	310
		<u>(1,377)</u>	<u>95</u>
Net current (liabilities)/assets			
		<u>6,569</u>	<u>6,973</u>
Net assets			
Share capital and reserves			
Called up share capital	12	182	182
Share premium account	13	2,674	2,674
Capital reserve – realised	13	1,989	1,537
– unrealised	13	(2,088)	(1,438)
– capital redemption reserve	13	7	7
Revenue reserve	13	3,805	4,011
		<u>6,569</u>	<u>6,973</u>
Equity shareholders' funds			
		<u>36.21p</u>	<u>38.44p</u>
Net asset value per Ordinary share			
	17		

* For details of the restatement of the Company's comparative figures please refer to note 1.

The notes on pages 33 to 44 form part of these accounts.

These accounts were approved by the Board of Directors and authorised for issue on 15 November 2006. They were signed on its behalf by

Pratt Thompson

Chairman

Statement of cash flows

for the year ended 31 August 2006

	Note	2006 £'000	2005 £'000
Operating activities			
Investment income received		67	69
Deposit interest received		1	5
Investment management fees paid		(194)	(178)
Secretarial fees paid		(44)	(47)
Other cash payments		<u>(165)</u>	<u>(160)</u>
Net cash outflow from operating activities	14	<u>(335)</u>	<u>(311)</u>
Returns on investments and servicing of finance			
Interest paid		<u>(38)</u>	<u>(42)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(38)</u>	<u>(42)</u>
Investing activities			
Purchases of investments		(2,167)	(2,271)
Sales of investments		<u>1,415</u>	<u>3,302</u>
Net cash (outflow)/inflow from investing activities		<u>(752)</u>	<u>1,031</u>
Financing			
Share repurchase		<u>-</u>	<u>(7)</u>
Net cash (outflow)/inflow		<u>(1,125)</u>	<u>671</u>
(Decrease)/increase in cash	15	<u>(1,125)</u>	<u>671</u>

The notes on pages 33 to 44 form part of these accounts.

Notes to the accounts

as at 31 August 2006

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (“SORP”) issued in January 2003, revised in December 2005, regarding the Financial Statements of Investment Trust Companies. All the Company’s activities are continuing.

Changes in accounting policies and restatement of prior year figures

This Annual Report has been prepared using new accounting standards (“revised UK GAAP”) which have been issued to converge UK accounting standards with International Financial Reporting Standards.

With effect from 1 September 2005, the Company has adopted the following Financial Reporting Standards (“FRS”):

FRS 25 Financial Instruments: Disclosure and Presentation and

FRS 26 Financial Instruments: Measurement

All investments held by the Company are classified as ‘fair value through profit or loss’. 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. Previously all listed investments were valued using closing mid market prices at the balance sheet date.

Comparatives for previous periods have been restated where necessary to reflect the changes in accounting policies. The resulting effect of these changes on the net asset value as at 31 August 2005 is disclosed in note 17.

Income recognition

Dividends receivable on quoted equity shares are included in the accounts 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 8);
- Management fees and bank interest have been allocated 75% to capital reserve (realised) 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.

Notes to the accounts (continued)

as at 31 August 2006

1 ACCOUNTING POLICIES (continued)

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 unrealised gains and losses on 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.

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.

Where investments are unlisted or trading in the securities of an investee company is suspended, the investment is valued at the Directors' estimate of its net realisable value being their estimate of fair value.

Capital reserves

Capital reserve (realised)

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature; and
- expenses, together with related taxation effect, charged to this account in accordance with the above policies.

Capital reserve (unrealised)

The following are accounted for in this reserve:

- increases and decreases in the valuation of the investments 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 2006

2 INCOME	2006	2005
	£'000	£'000
Income from investments		
Dividends from UK companies	<u>65</u>	<u>52</u>
Other income		
Bank interest receivable	<u>1</u>	<u>5</u>
Total income	<u>66</u>	<u>57</u>
Total income comprises:		
Dividends	65	52
Interest	<u>1</u>	<u>5</u>
	<u>66</u>	<u>57</u>

3 INVESTMENT MANAGEMENT FEE	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	42	124	166	38	114	152
Irrecoverable VAT thereon	7	22	29	6	20	26
	<u>49</u>	<u>146</u>	<u>195</u>	<u>44</u>	<u>134</u>	<u>178</u>

The investment management fee is calculated at the rate of 1/6% per month of the gross value of funds under management and is payable monthly in arrears. At 31 August 2006 there was £16,000 outstanding (2005: £15,000).

4 OTHER EXPENSES	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administrative and secretarial services	44	–	44	47	–	47
Directors' remuneration	85	–	85	85	–	85
Auditors' remuneration:						
audit services	14	–	14	14	–	14
Other expenses	<u>66</u>	–	<u>66</u>	<u>65</u>	–	<u>65</u>
	<u>209</u>	–	<u>209</u>	<u>211</u>	–	<u>211</u>

Notes to the accounts (continued)

as at 31 August 2006

5 INTEREST PAYABLE

	2006			2005		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
On bank overdraft	14	41	55	8	26	34

6 TAXATION

2006	2005
£'000	£'000

Analysis of charge in period

Current tax:

Corporation tax

—	—
—	—

Factors affecting current tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for a medium or large company (30%). The differences are explained below:

	2006	2005
	£'000	£'000
Loss on ordinary activities before taxation	(206)	(206)
Corporation tax at 30%	(62)	(62)
UK dividend income not taxable	(20)	(15)
Deductible expenses charged to capital	(56)	(48)
Excess expenses for the period	138	125
Current tax charge for the period	—	—

At 31 August 2006 the Company had surplus management expenses of £2,359,000 (2005: £1,900,000) 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.

Notes to the accounts (continued)

as at 31 August 2006

7 RETURN PER ORDINARY SHARE	2006			2005 (restated)		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	<u>(1.14)</u>	<u>(1.09)</u>	<u>(2.23)</u>	<u>(1.14)</u>	<u>3.67</u>	<u>2.53</u>

Revenue return per Ordinary share is based on the net revenue loss on ordinary activities after taxation attributable of £206,000 (2005: £206,000) and on 18,141,939 (2005: 18,158,461) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on the net capital losses of £198,000 (2005: net capital gains of £665,000) and on 18,141,939 (2005: 18,158,461) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Total return per Ordinary share is based on the total loss of £404,000 (2005: total gain £459,000) and on 18,141,939 (2005: 18,158,461) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Notes to the accounts (continued)

as at 31 August 2006

8 INVESTMENTS	2006	2005 (restated)
	£'000	£'000
Listed	303	669
AIM	7,520	6,150
Unlisted	123	59
	7,946	6,878

	Listed	AIM	Unlisted	Total
	£'000	£'000	£'000	£'000
Opening book cost	927	6,992	397	8,316
Opening unrealised depreciation (restated)	(258)	(842)	(338)	(1,438)
	669	6,150	59	6,878
Movements in the year:				
Purchases at cost	–	2,089	55	2,144
Sales:				
Proceeds	(538)	(386)	(141)	(1,065)
Realised gains on sales	215	283	141	639
Increase in unrealised (depreciation)/appreciation	(43)	(616)	9	(650)
Closing valuation	303	7,520	123	7,946
Closing book cost	604	8,978	452	10,034
Closing unrealised depreciation	(301)	(1,458)	(329)	(2,088)
	303	7,520	123	7,946

	2006	2005 (restated)
	£'000	£'000
Realised gains on sales	639	2,315
Increase in unrealised depreciation	(650)	(1,490)
	(11)	825

Transaction costs

During the year, the Company incurred transaction costs of £3,630 (2005: £4,318) and £3,219 (2005: £5,113) on purchases and sales of investments, respectively. These amounts are included in '(Losses)/gains on investments at fair value' as disclosed in the Income statement.

Notes to the accounts (continued)

as at 31 August 2006

9 SIGNIFICANT INTERESTS

The Company has an interest exceeding 20% of the nominal value of the allotted shares of that class in Small Companies PLC. The cost of the acquisition was £53,923.

Security	Net assets before liabilities due to non-equity shareholders*	Liabilities due to non-equity shareholders*	Net return before and after taxation*	Class of share	% held
	£'000	£'000	£'000		
Small Companies PLC	10,739	(10,739)	(12)	Preference £1	100

* per the financial statements for the year ended 30 April 2006.

The Company has 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:

Security	Number of shares held	Percentage of issued share capital	Issued share capital
Forest Support Services, Ord 5p	2,140,000	11.551	18,526,961
Elevation Events Group, Ord 2p	2,500,000	5.078	49,233,358
Howle Holdings, Ord 5p	1,470,000	5.064	29,025,759
CEPS, Ord 0.1p	8,792,823	4.935	178,167,714
Conder Environmental, Ord 10p	2,450,000	4.279	57,254,309
Chromogenex, Ord 1p	2,500,000	4.224	59,181,818
Petards Group, Ord 1p	25,000,000	4.017	622,420,709
Concateno, Ord 10p	200,000	4.000	5,000,000
Hartest Holdings, Ord 0.1p	33,477,444	3.920	854,122,974
Belgravium Technologies, Ord 5p	3,726,541	3.711	100,425,759
Clipper Ventures, Ord 1p	1,123,295	3.617	31,051,917
AI Claims Solutions, Ord 10p	2,129,979	3.471	61,357,022
Capcon Holdings, Ord 1p	337,500	3.323	10,156,776
Interactive Digital Solutions, Ord 1p	7,500,000	3.130	239,633,000

10 DEBTORS – amounts falling due within one year

	2006	2005
	£'000	£'000
Amounts due from brokers	–	350
Prepayments and other debtors	7	6
Dividends receivable	6	8
	<u>13</u>	<u>364</u>

Notes to the accounts (continued)

as at 31 August 2006

11 CREDITORS – amounts falling due within one year	2006	2005
	£'000	£'000
Amounts due to brokers	–	23
Other creditors	71	52
Bank overdraft	1,343	235
	1,414	310

The bank overdraft is secured by a floating charge over the Company's investment portfolio. Further details are disclosed in note 19(iii).

12 CALLED UP SHARE CAPITAL	2006	2005
	£'000	£'000
Authorised:		
27,000,000 Ordinary shares of 1p each	270	270
Allotted, called up and fully paid:		
18,141,939 (2005: 18,141,939) Ordinary shares of 1p each	182	182

Since the year end the following Ordinary shares were purchased for treasury:

Date	Number of Ordinary shares purchased	Total cost of purchase, including expenses
27 October 2006	150,000	£46,966
6 November 2006	121,603	£37,461
15 November 2006	100,000	£29,291
	371,603	£113,718

As at the date of this report there were 18,141,939 Ordinary shares in issue.

Of the shareholder authority granted at the Annual General Meeting on 13 December 2005, there remained an authority to purchase 2,719,476 Ordinary shares at the year end.

Duration

The Articles of Association provide that the Directors shall convene an Extraordinary General Meeting of the Company on 30 November 2009, or if that day is not a business day, on the immediately preceding business day, at which proposals for the voluntary liquidation, unitisation or other reorganisation of the Company shall be put to the members ("Winding-up Resolution") unless the Directors shall have been previously released from their obligation to do so by a special resolution of the Company duly passed at the Annual General Meeting of the Company to be held in 2008 resolving to continue to operate as an investment trust company. If the Directors are released from their obligation, they shall be obliged to convene an Extraordinary General Meeting to be held on 30 November 2014, or if that is not a business day, on the immediately preceding business day and every fifth year thereafter, proposing a similar Winding-up Resolution which shall be proposed as a special resolution and the vote shall be taken on a poll.

Notes to the accounts (continued)

as at 31 August 2006

13 RESERVES

	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000
At 1 September 2005	2,674	1,537	(1,137)	7	4,011
Restatements (note 17)	–	–	(301)	–	–
At 1 September 2005 (restated)	2,674	1,537	(1,438)	7	4,011
Net gains on realisation of investments	–	492	–	–	–
Transfer on disposal of investments	–	147	(147)	–	–
Increase in unrealised depreciation	–	–	(503)	–	–
Costs charged to capital	–	(187)	–	–	–
Retained net loss for the year	–	–	–	–	(206)
At 31 August 2006	2,674	1,989	(2,088)	7	3,805

14 RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Net return before finance costs and taxation	(349)	493
Net capital return before finance costs	157	(691)
Expenses charged to capital	(146)	(134)
Increase in creditors and accruals	2	2
Decrease in prepayments and accrued income	1	19
	(335)	(311)

15 RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2006 £'000	2005 £'000
Net debt at 1 September 2005	(194)	(865)
Net cash inflow/(outflow)	(1,125)	671
Net debt at 31 August 2006	(1,319)	(194)

16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 September 2005	Cash flows	At 31 August 2006
Cash at bank	41	(17)	24
Bank overdraft	(235)	(1,108)	(1,343)
	(194)	(1,125)	(1,319)

Notes to the accounts (continued)

as at 31 August 2006

17 NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per Ordinary share is based on net assets of £6,569,000 (2005: £6,973,000) and on 18,141,939 (2005: 18,141,939) Ordinary shares, being the number of shares in issue at the year end.

Reconciliation of change to net asset value as at 31 August 2005 resulting from changes in accounting policies

	£'000	Pence
Net assets (as originally stated)	7,274	40.10
Decrease due to using fair value of investments	(301)	(1.66)
Net assets per revised UK GAAP	<u>6,973</u>	<u>38.44</u>

18 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 August 2006 there were no contingent liabilities (2005: £nil).

19 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 has little exposure to credit and cash flow risk and no direct exposure to foreign currency risk.

The Company finances its operations through its issued capital, existing reserves and a bank overdraft.

The principal risks the Company faces in its investment portfolio management activities are:

- market price risk, i.e. movements in the value of investment holdings caused by factors other than interest rate movement;
- liquidity risk; and
- interest rate risk.

The Manager's policies for managing these risks are summarised below and have been applied throughout the year:

Policy

(i) Market price risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Manager.

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.

Notes to the accounts (continued)

as at 31 August 2006

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

(ii) Liquidity risk

The Company's investments are in small companies which are less liquid than larger companies. As at 31 August 2006, the Company had an overdraft of £1,343,000 drawn down against an available overdraft facility of £1,500,000. The overdraft facility available is considered to be sufficient to meet any funding commitments that might arise.

(iii) Interest rate risk

As at 31 August 2006 the Company had an overdraft facility with Lloyds TSB Bank PLC of £1,500,000 bearing interest at 1% over the Bank's base rate (at 31 August 2006 4.75% per annum). At the year end the Company had drawn down £1,343,000.

As required by FRS 25 Financial Instruments: Disclosure and Presentation, an analysis of financial assets and liabilities, which identifies the risk of holding such items, is given below:

Financial assets

The Company holds fixed asset investments which are traded on AIM, listed on the London Stock Exchange or are unlisted. These assets are discussed in the Manager's overview on pages 4 and 5 and are listed on pages 6 to 9. All of the Company's assets are in sterling and accordingly the Company has no direct currency exposure.

The interest rate profile of the Company's financial assets is:

	Financial assets on which no		Floating rate
	Total	interest is paid	financial
At 31 August 2006	£'000	£'000	assets £'000
Equity shares	7,891	7,891	–
Preference shares	55	55	–
Cash and debtors	37	13	24
	<u>7,983</u>	<u>7,959</u>	<u>24</u>

	Financial assets on which no		Floating rate
	Total	interest is paid	financial
At 31 August 2005	£'000	£'000	assets £'000
Equity shares (restated)	6,878	6,878	–
Cash and debtors	405	364	41
	<u>7,283</u>	<u>7,242</u>	<u>41</u>

Cash consists of cash at bank. These balances earn interest at variable interest rates.

Notes to the accounts (continued)

as at 31 August 2006

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

Financial liabilities

Primarily the Company finances its operations through its issued capital and existing reserves. The only financial liabilities of the Company are creditors which are due within one year, as disclosed in note 11. The only interest paid on these liabilities, which are all in sterling, is on the Lloyds TSB overdraft facility which incurs interest at 1% over the Bank's base rate (at 31 August 2006 4.75% per annum).

Fair values of financial assets and financial liabilities

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

20 RELATED PARTY TRANSACTIONS

Under the terms of an agreement 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 17 and in note 3 to the accounts. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited. Mr Allen, a Director of the Company is a director and employee of Forest Support Services PLC, in which the Company has an investment (see note 9). Mr Lenygon, a Director of the Company, is a director of Small Companies PLC, in which the Company has an investment (see note 9).

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:	Lloyds TSB Registrars	Tel: 01903 502 541 Fax: 0870 600 3970 www.shareview.com
Investment Manager:	Chelverton Asset Management Limited	Tel: 01225 483 030 Fax: 01225 338 046 www.chelvertonam.com

Postal address details are shown on page 12.

Sources of further information

The Company's share price is listed in the Financial Times under "Investment Companies".

Key dates

August	Company year end
October	Annual results
January	AGM
April	Interim results

Frequency of NAV Publication

The Company's net asset value is released to the Stock Exchange monthly.

Saving Scheme

The Investment Manager offers a saving scheme, 'Chelverton Savings Plan' as a means for existing and new shareholders to purchase shares on a monthly, lump sum or dividend reinvestment basis. More details are available on the website www.chelvertonam.com or by telephone 01225 483030.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Chelverton Growth Trust PLC will be held at the offices of Maclay Murray & Spens, One London Wall, London EC2Y 5AB at 12 noon on Wednesday, 20 December 2006 for the following purposes:

Ordinary business

1. To receive and adopt the accounts for the year ended 31 August 2006, 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 2006.
3. To elect Mr D A Horner as a Director of the Company.
4. To re-elect Mr W P Thompson as a Director of the Company.
5. To re-elect Mr K J Allen as a Director of the Company.
6. To re-appoint Ernst & Young 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.

Special business

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions.

7. THAT the Directors be empowered pursuant to Section 95(1) of the Companies Act 1985 to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) pursuant to the authority granted at the Annual General Meeting held on 14 December 2004 as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power be limited to the allotment of equity securities (including any issue (other than to an employee share scheme) of shares for cash out of treasury) up to an aggregate nominal amount of £18,141 and shall expire on the date which is fifteen months after the date of passing of this resolution or the conclusion of the next Annual General Meeting of the Company, 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.
8. THAT, subject to the passing of Resolution 7 above, the Company be authorised, for the purposes of paragraph 15.4.23 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 £18,141.
 - ii) the sale of shares which, immediately before such sale, were held by the Company as treasury shares.

Notice of Annual General Meeting (continued)

9. THAT the Company is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (“the Act”) to renew its authority to make market purchases (within the meaning of Section 163(3) of the Act) 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 2,719,476 (or, if less, 14.99% of the issued Ordinary share capital 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 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.

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

By Order of the Board
Capita Sinclair Henderson Limited
Secretary
15 November 2006

NOTES:

1. *A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.*
2. *A form of proxy is attached for use in connection with the business set out above. This form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, to reach the Registrars at the address printed on the form of proxy not later than 12 noon on 18 December 2006.*
3. *The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6 pm on 18 December 2006 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 18 December 2006 (‘the specified time’) shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company’s register of members at the time which is 48 hours before the time fixed for the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.*
4. *Shareholders (and any parties or representatives they appoint) agree, by attending this Meeting, that they are expressly requesting that they are willing to receive any communications (including communications relating to the Company’s securities) made at the meeting.*
5. *The Articles of Association and register of Directors’ interests in the Ordinary Shares of the Company will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays and Public Holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.*

Notes

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/

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 Maclay Murray & Spens, One London Wall, London EC2Y 5AB at 12 noon on Wednesday, 20 December 2006, and at any adjournment thereof.

Signature

Date 2006

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

		FOR	AGAINST	ABSTAIN
RESOLUTION 1	To adopt the accounts for the year ended 31 August 2006, together with the Reports of the Directors and Independent Auditors thereon.			
RESOLUTION 2	To receive and accept the Directors’ remuneration report.			
RESOLUTION 3	To elect Mr D A Horner as a Director of the Company.			
RESOLUTION 4	To re-elect Mr W P Thompson as a Director of the Company.			
RESOLUTION 5	To re-elect Mr K J Allen as a Director of the Company.			
RESOLUTION 6	To re-appoint Ernst & Young LLP as Auditors to the Company, and to authorise the Directors to determine their remuneration.			
RESOLUTION 7	To authorise the Directors to allot shares other than in accordance with statutory pre-emption rights.			
RESOLUTION 8	To authorise the Directors to issue shares previously held in treasury at a discount to net asset value.			
RESOLUTION 9	To authorise the Company to renew its authority to make market purchases of its Ordinary shares.			

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 in 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 Chairman 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 on the proxy form not less than 48 hours before the time fixed for holding the Meeting or adjourned 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 or against the resolution.

Do not affix Postage Stamps if posting in
Gt. Britain, Channel Islands, or N. Ireland

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. SEA10846

2



First
fold

Lloyds TSB Registrars
Proxy Department
The Causeway
Worthing
West Sussex
Kent BN99 6ZL

Second fold