
CHELVERTON GROWTH TRUST PLC

Half Yearly Report
for the six months ended 28 February 2014

Investment objective

The Company's objective is to provide capital growth through investment in companies listed on the Official List and traded on the Alternative Investment Market ("AIM") with a market capitalisation at the time of investment of up to £50 million, which are believed to be at a "point of change". The Company will also invest in unquoted investments where it is believed that there is a likelihood of the shares becoming listed or traded on AIM or the investee company being sold. Its investment objective is to increase net asset value per share at a higher rate than other quoted smaller company trusts and the MSCI Small Cap UK index.

Investment policy

The Company invests principally in securities of publicly quoted UK companies, though it will invest in unquoted securities. The concentrated UK portfolio comprises between 20 to 35 securities. The performance of the Company's investments is compared to the MSCI Small Cap UK index.

The Company will also invest in unquoted investments where it is believed that there is a likelihood of the shares becoming listed or traded on AIM or the investee company being sold.

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

It is intended from time to time, when deemed appropriate, that the Company will borrow for investment purposes. The Company, currently has borrowing facilities in place with Jarvis Investment Management Limited.

Investment strategy

Investments are selected for the portfolio only after extensive research which the Investment Manager believes to be key. The whole process through which equity must pass in order to be included in the portfolio is very rigorous. Only a security where the Investment Manager believes that the price will be significantly higher in the future will pass the selection process. The Company's Investment Manager believes the key to successful stock selection is to identify the long-term value of a company's shares and to have the patience to hold the shares until that value is appreciated by other investors. Identifying long-term value involves detailed analysis of a company's earning prospects over a five year time horizon.

The Company's Investment Manager is Chelverton Asset Management Limited, an independent investment manager focusing exclusively on achieving returns for investors based on UK investment analysis of the highest quality. The founders and employee owners of Chelverton include experienced investment professionals with strong investment performance records who believe rigorous fundamental research allied to patience is the basis of long-term investment success.

Chairman's Report

I am delighted to be making my first statement to shareholders having replaced George Stevens in this position after the Annual General Meeting in December of last year. I would like to thank George for his considerable contribution to the development of the Company during a period of unprecedented economic turmoil.

I am also very pleased to welcome Ian Martin to the Board. There is a real symmetry to Ian's appointment as he and I were closely involved in the creation of Chelverton Growth Trust plc in 1998. Ian has a wealth of experience across several business sectors and recently stood down as CEO of Avesco Plc. I feel that we are fortunate that he has agreed to join the Board and look forward to his help and support in shaping the future of the Company.

The Company's net asset value per share has increased in the last six months from 44.87p to 49.98p, an increase of 11.4%. In the same period the Company's benchmark index, the MSCI Small Cap UK index increased by some 17.2%. The underperformance was due to the volatility of our Nasdaq OTC holding One Horizon, which has had a disproportionate effect on the performance.

In the last few months there has been a stream of good news about the rate of growth of the UK economy and the forecasts for its continued growth over the next few years. This growth has been achieved against a background of inflation falling to 1.7%. Consequently, employment has continued to rise and now stands at an all time record. With a "Goldilocks scenario" emerging of inflation continuing to fall and growth continuing to rise, the UK economy is looking to be set fair for the next few years.

Gradually, we expect that the UK will begin to see real wages rise as inflation remains at or lower than the current levels and wages begin to rise, albeit modestly in historical terms, to more than 2%. Anecdotal evidence from a large number of the companies, both Public and Private, invested in by Chelverton Asset Management (our investment manager), would indicate that UK companies have started to reinvest in their capacity – new equipment, and their capability – recruiting more people.

On the macro economic/political scene there are major concerns over the posturing of Russia and Mr Putin. Whilst the Euro sovereign debt problems have been pushed from the newspapers, the issues still remain and the cutbacks in government spending in several European countries are beginning to lead to social and political instability. The European debt position is not resolved and only at some distant point in the future, when it is demonstrably cleared up, can we be confident about the European market.

The "rebalancing" of the British Economy continues with evidence that growth is beginning to be created across the UK in most sectors. The Banks appear to still be putting their houses in order at the expense of providing finance to the SME sector and we anticipate that this process will continue for several more years. The emergence of alternative lenders to this sector may well have the result that in a few years time, when the Banks are looking to increase their lending, they will discover that a number of entrenched new suppliers of capital have established strong market positions.

In the past six months the holdings in Sanderson, and Richoux were sold completely and reductions were made in the holdings of IDOX, Alliance Pharma, Northbridge and A B Dynamics. A B Dynamics is a company that floated on AIM in May 2013 at 86p and the partial disposal of half the holding was made at an average price of 171p. Additional shares were acquired in Belgravium after the announcement of their final results. These appear to indicate that the market and their business are in a recovery phase.

Good increases were seen in Tristel, LPA, MTI Wireless Edge, Belgravium and Sanderson and Richoux up to their disposal.

Chairman's Report (continued)

In the unquoted portfolio there were increases in the valuations of Parmenion Capital Partners (as it continued on its strong growth path), Transflex (which is performing well), and the loan stock of Closed Loop Recycling (written back to 100p following some important positive events) were made by the Board, prior to the tender offer.

A new investment was made in the MBO of Chelverton Asset Management, the investment managers of this fund and other successful funds investing in Small and Mid-Cap quoted shares and in Unquoted Companies.

Unfortunately we have made a provision against the investment in Airways Engineering, as the expected orders have not materialised. In addition have we reduced the holding price of Main Dental, as it has taken longer to acquire and integrate the dental practices than expected, although real progress is now being made.

The fifth tender offer was completed in early January with the purchase by the Company of 1,049,586 shares at 44.31p each. These shares were subsequently cancelled leaving a reduced share capital of 9,446,274, a short term loan of £400,000 was taken out to provide flexibility to fund the tender offer. In the absence of any unexpected events it is the Board's intention to repeat the process again this year.

Looking forward to the second half of the year, with the recovery in the UK beginning to get stronger and broader, we can expect further growth in the value of the portfolio.

Kevin Allen
Chairman

3 April 2014

Principal risks and uncertainties

The Board considers that the principal risks and uncertainties facing the Company for the remaining six months of the financial year remain the same as those disclosed in the interim management report on page 2 and also on pages 11 and 12 of the Report of the Directors in the Annual Report for the year ended 31 August 2013. These risks include market risk, discount volatility, regulatory risks, financial risk and liquidity risks.

Responsibility statement

The Directors are responsible for preparing the unaudited half yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements for the six months to 28 February 2014, has been prepared in accordance with the Statement on Half Yearly Financial Reports issued by the UK Accounting Standards Board.
- the interim management report together with the notes to the Half Yearly Report include a fair review of the information required by;
 - (a) rule 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) rule 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so (see note 5).

Going concern

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

This Half Yearly Financial Report was approved by the Board of Directors on 3 April 2014.

Kevin Allen
Chairman

Portfolio review

as at 28 February 2014

The Company's portfolio is set out below.

Investment	Sector	Valuation £'000	% of Total
<i>AIM traded</i>			
AB Dynamics	Industrial Engineering		
Design and manufacture of advanced testing and measurement products to the automotive industry		158	3.26
Alliance Pharma	Pharmaceuticals & Biotechnology		
Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products		218	4.48
Belgravium Technologies	Technology Hardware & Equipment		
Software systems for warehousing and distribution		213	4.38
CEPS	Support Services		
Production and supply of components for the footwear industry; personal protection equipment; production of printed lycra fabric; and services to the direct mail industry		245	5.06
IDOX	Software & Computer Services		
Software company specialising in the development of products for document information management		448	9.23
Lombard Risk Management	Software & Computer Services		
Lombard Risk is one of the world's leading providers of collateral management, liquidity analysis and regulatory compliance software to financial organisations		235	4.84
LPA Group	Electronic & Electrical Equipment		
Design, manufacture and marketing of industrial electrical accessories		190	3.90
MTI Wireless Edge	Technology Hardware & Equipment		
Developer and manufacturer of sophisticated antennas and antenna systems		77	1.59
Northbridge Industrial Services	Industrial Engineering		
Consolidation vehicle for specialist industrial hire services		133	2.75
Petards International Group	Support Services		
Development, provision and maintenance of advance security systems and related services		104	2.13
Security Research Group	Support Services		
Leading provider of Local Authority residential property searches; provision of packaging solutions and technical surveillance countermeasure components		39	0.81
Tristel	Health Care Equipment & Services		
Healthcare business specialising in infection control in hospitals		168	3.46
Universe Group	Support Services		
Provision of credit fraud prevention system, loyalty system and retail systems		46	0.95

Portfolio review (continued)

as at 28 February 2014

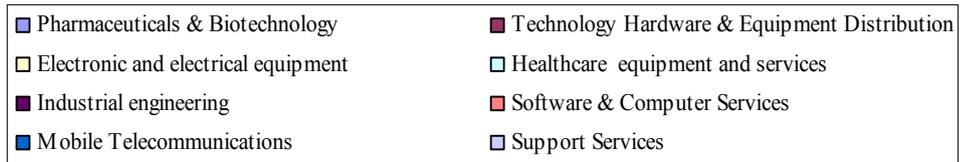
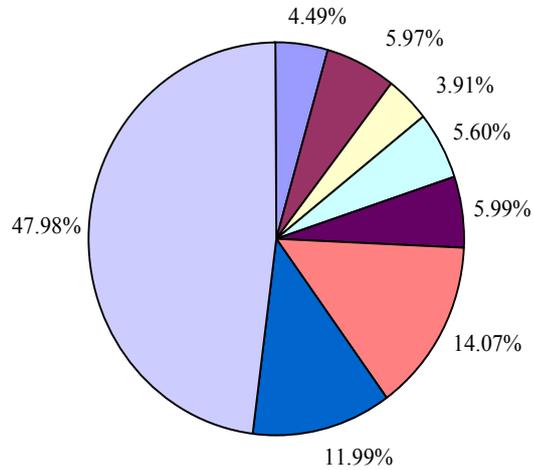
Investment	Sector	Valuation £'000	% of Total
<i>Nasdaq OTC</i>			
One Horizon Group	Support Services		
Provider of mobile satellite communications equipment and airtime		582	11.98
<i>Unquoted</i>			
Airways Engineering	Support Services		
<i>Ordinary B Shares</i>		-	-
<i>Loan Stock</i>		-	-
Commercial aviation maintenance			
Closed Loop recycling	Support Services		
<i>Ordinary B Shares</i>		-	-
<i>Loan Stock</i>		252	5.19
Operation of a plastic (PET and HDPE) recycling plant			
Parmenion Capital Partners	Support Services		
Provides fund-based discretionary fund management services to independent Financial Advisors		967	19.91
Anaxsys Technology	Healthcare Equipment & Services		
A medical device company for patient monitoring and screening		104	2.14
Main Dental Partners	Support Services		
<i>Ordinary B Shares</i>		100	2.06
<i>Loan Stock</i>		75	1.54
Operator of dental surgeries			
Transflex Vehicle Rental	Support Services		
Light commercial vehicle rental		400	8.24
Chelverton Asset Management Holdings	Support Services		
<i>Ordinary Shares</i>		2	0.04
<i>"A" Loan Stock</i>		100	2.06
Investment management, including providing services to Chelverton Growth Trust plc			
Portfolio Valuation		4,856	100

Portfolio of investments

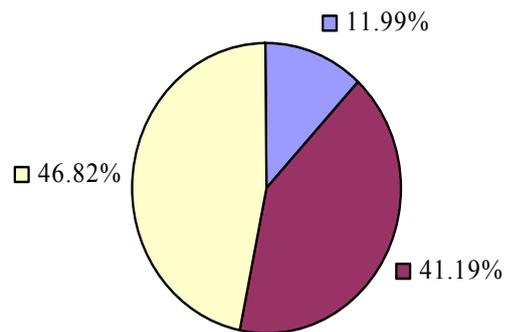
Investment	28 February 2014			31 August 2013	
	£ '000	Valuation £ '000	% holding £ '000	Valuation £ '000	% holding £ '000
Parmenion Capital Partners		967	19.9	774	16.4
One Horizon Group		582	11.9	639	13.6
IDOX		448	9.2	384	8.2
Transflex Vehicle Rental		400	8.2	300	6.4
Closed Loop Recycling (Loan stock)	252			84	1.8
Closed Loop Recycling	Nil	252	5.2	-	-
CEPS		245	5.0	280	6.0
Lombard Risk Management		235	4.8	230	4.9
Alliance Pharma		218	4.5	297	6.3
Belgravium Technologies		213	4.4	175	3.7
LPA Group		190	3.8	168	3.6
Main Dental Partners	100			175	3.7
Main Dental Partners (Loan stock)	75	175	3.6	75	1.6
Tristel		168	3.5	112	2.4
AB Dynamics		158	3.3	241	5.1
Northbridge Industrial Services		133	2.8	164	3.5
Anaxsys Technology		104	2.1	52	1.1
Petards International Group		104	2.1	50	1.0
Chelverton Asset Management Holdings ("A" Loan stock)	100			-	-
Chelverton Asset Management Holdings	2	102	2.1	-	-
MTI Wireless Edge		77	1.7	47	1.0
Universe Group		46	1.0	31	0.7
Security Research		39	0.9	67	1.4
Airways Engineering (Loan stock)		Nil	-	45	0.9
Airways Engineering		Nil	-	5	0.1
Total		4,856	100	4,395	93.4

Portfolio breakdown by sector and by index

Percentage of portfolio by sector



Percentage of portfolio by index



Income statement (unaudited)

for the six months to 28 February 2014

	Six months to 28 February 2014			Year to 31 August 2013			Six months to 28 February 2013		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments at fair value	-	562	562	-	1,123	1,123	-	773	773
Income	22	-	22	46	-	46	14	-	14
Investment management fee*	(6)	(19)	(25)	(11)	(32)	(43)	(6)	(17)	(23)
Other expenses*	(60)	(2)	(62)	(125)	-	(125)	(61)	-	(61)
Net return on ordinary activities before taxation	(44)	541	497	(90)	1,091	1,001	(53)	756	703
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Net return on ordinary activities	(44)	541	497	(90)	1,091	1,001	(53)	756	703
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence	pence	pence	pence
Return per Ordinary share#	(0.42)	5.2	4.78	(0.87)	9.87	9.00	(0.5)	7.15	6.65

Notes

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

The return per Ordinary share is based on 10,403,842 (31 August 2013: 11,062,872; 28 February 2013: 10,570,998) shares, being the weighted average number of shares in issue during the period.

The total column of this statement is the profit and loss account of the Company.

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

A separate statement of total recognised gains and losses has not been prepared as all such gains and losses are included in the income statement.

Reconciliation of movements in shareholders' funds (unaudited)

for the six months to 28 February 2014

	Share Capital £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Six months to 28 February 2014						
1 September 2013	106	2,674	(150)	83	1,996	4,709
Cost of shares purchased for cancellation under tender offer	(10)	-	-	10	(486)	(486)
Net return after taxation for the period	-	-	541	-	(44)	497
28 February 2014	96	2,674	391	93	1,466	4,720
Year to 31 August 2013						
1 September 2012	119	2,674	(1,241)	70	2,590	4,212
Cost of shares purchased for cancellation under tender offer	(13)	-	-	13	(473)	(473)
Net return after taxation for the period	-	-	1,091	-	(90)	1,001
31 August 2013	106	2,674	(150)	83	1,996	4,709
Six months to 28 February 2013						
1 September 2012	119	2,674	(1,241)	70	2,590	4,212
Cost of shares purchased for cancellation under tender offer	(13)	-	-	13	(503)	(503)
Net return after taxation for the period	-	-	756	-	(53)	703
28 February 2013	106	2,674	(485)	83	2,034	4,412

Balance sheet (unaudited)

as at 28 February 2014

	As at 28 February 2014 £'000	As at 31 August 2013 £'000	As at 28 February 2013 £'000
Fixed assets			
Investments at fair value	4,856	4,708	4,366
Current assets			
Debtors	4	8	4
Cash at bank	277	17	102
	<u>281</u>	<u>25</u>	<u>106</u>
Creditors – amounts falling due within one year			
Creditors	17	24	60
Short-term loan	400	-	-
	<u>417</u>	<u>24</u>	<u>60</u>
Net current (liabilities)/assets	<u>136</u>	<u>1</u>	<u>46</u>
Net assets	<u>4,720</u>	<u>4,709</u>	<u>4,412</u>
Share capital and reserves			
Share capital	96	106	106
Share premium account	2,674	2,674	2,674
Capital reserve	391	(150)	(485)
Capital redemption reserve	93	83	83
Revenue reserve	1,466	1,996	2,034
	<u>4,720</u>	<u>4,709</u>	<u>4,412</u>
Equity shareholders' funds	<u>4,720</u>	<u>4,709</u>	<u>4,412</u>
Net asset value per Ordinary share (note 1)	<u>49.98p</u>	<u>44.87p</u>	<u>42.04p</u>

Statement of cash flows (unaudited)

for the six months to 28 February 2014

	Six months to 28 February 2014	Year to 31 August 2013	Six months to 28 February 2013
Operating activities			
Investment income received	22	46	14
Investment management fees paid	(25)	(43)	(22)
Secretarial fees paid	(18)	(41)	(22)
Other cash payments	(47)	(97)	(23)
Net cash outflow from operating activities (note 3)	(68)	(135)	(53)
Investing activities			
Purchase of investments	(219)	(850)	(447)
Sales of investments	633	1,142	740
Net cash inflow from investing activities	414	292	293
Financing			
Cost of shares purchased for cancellation under tender offer	(486)	(504)	(502)
Net cash outflow from financing activities	(486)	(504)	(502)
Decrease in cash	(140)	(347)	(262)

Notes to the half yearly report

The unaudited interim financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 August 2013, which contained an unqualified auditors' report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 (2) or (3) of the Companies Act 2006. The financial information for the period ended 28 February 2014 and 28 February 2013 have not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews.

This information has been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year to 31 August 2013.

1 Net asset value

The basic net asset value per Ordinary share is based on net assets of £4,720,000 (31 August 2013 : £4,709,000; 28 February 2013: £4,412,000) and on 9,446,274 Ordinary shares (31 August 2013:10,495,860; 28 February 2013: 10,495,860) being the number of Ordinary shares in issue at the period end.

2 Taxation

The tax charge for the six months to 28 February 2014 is nil (year to 31 August 2013: nil; six months to 28 February 2013: nil).

The Company has an effective tax rate of 0% for the year ending 31 August 2013. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an Investment Trust and there is expected to be an excess of management expenses over taxable income.

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

	Six months to 28 February 2014 £'000	Year to 31 August 2013 £'000	Six months to 28 February 2013 £'000
Net return before finance costs and taxation	497	1,001	703
Net capital return before finance costs	(541)	(1,091)	(756)
Expenses charged to capital	(21)	(32)	(17)
(Decrease)/increase in creditors and accruals	(7)	(14)	22
Decrease/(increase) in prepayments and accrued income	4	1	(5)
Net cash outflow from operating activities	<u>(68)</u>	<u>(135)</u>	<u>(53)</u>

4 Called up share capital

Pursuant to the Tender Offer, 1,049,586 Ordinary shares were repurchased for cancellation on 27 January 2014. Following the Tender Offer there are 9,446,274 Ordinary shares in issue (31 August 2013: 10,495,860; 28 February 2013: 10,495,860).

Notes to the half yearly report (continued)

5 Related party transactions

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

At 28 February 2014 there was £4,000 (31 August 2013: £4,000; 28 February 2013:£3,000) payable to the Investment Manager.

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

	Loan Stock £	Ordinary Shares
David Horner	1,301,119	56,250
Chelverton Growth Trust plc	100,000	2,000
Ian Martin	100,000	2,000
Kevin Allen	50,000	1,000

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

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

6 Status of Company

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

Notes

Directors and advisers

Directors

George Stevens (resigned 19 December 2013)
Kevin Allen (Chairman)
David Horner
Ian Martin (appointed 20 December 2013)

Investment Manager

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

Secretary and Registered Office

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

Registrar and Transfer Office

Share Registrars Limited
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL
Tel: 01252 821 390
www.shareregistrars.uk.com

Auditors

Hazlewoods LLP
Windsor House
Bayhill Road
Cheltenham GL50 3AT

Custodian and Banker

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

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

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