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# CHELVERTON GROWTH TRUST PLC

## **Annual Report**

for the year ended 31 August 2008

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## 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).

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## Company summary

Benchmark	FTSE All-Share Index
Investment Manager	Chelverton Asset Management Limited See page 11 for further details.
Total net assets	£4,933,000 as at 31 August 2008
Market capitalisation	£3,196,000 as at 31 August 2008
Capital structure	14,864,827 Ordinary 1p shares carrying one vote each
PEP/ISA status	The Company's Ordinary shares are 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 is restricted to 25% of the value of the Company's investment portfolio, after excluding unquoted stocks and the excess of any holdings over 5% of the total and the excess of any holdings over 20% in any industry sector.

An investment company as defined under Section 833 of the Companies Act 2006.

REGISTERED IN ENGLAND No. 2989519

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## Performance statistics

	<b>Year ended 31 August 2008</b>	Year ended 31 August 2007	% change
Net assets	<b>£4,933,000</b>	£8,851,000	(44.27)*
Net asset value per share	<b>33.18p</b>	50.58p	(34.40)
FTSE All-Share Index	<b>2,868.69</b>	3,260.48	(12.02)
Share price	<b>21.50p</b>	39.50p	(45.57)
Discount to net asset value	<b>(35.20)%</b>	(21.91)%	
Revenue loss after taxation	<b>(£38,000)</b>	(£102,000)	
Revenue loss per share	<b>(0.25)p</b>	(0.58)p	
Capital (loss)/return per share	<b>(17.18)p</b>	14.65p	

\* of which 13% was as a result of the Company's Tender Offer dated 23 November 2007.

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## Chairman's statement

Most commentators are in agreement that the 'credit crunch' began at the start of our last financial year and it is this that has been the main influence on our performance over the past twelve months. The market was caught between the inflationary pressures of rising food, oil and raw material prices and the deflationary effects of falling house prices and consumer spending. At the same time, the well documented problems in the banking sector have meant that liquidity has dried up and large risk premiums have been applied to stocks with high levels of debt.

The Company's net asset value per share has decreased this year from 50.58p to 33.18p – a decrease of 34.4%. In the same period the Company's benchmark index, the FTSE All-Share, decreased by 12.0%; the FTSE 100 Index, which makes up over 90% of the FTSE All-Share Index decreased 10.6%; and the AIM Index decreased by 27.6%.

Since the year end the net asset value per share has declined to 27.15p as at 30 September 2008.

At the start of our year, smaller companies began to sell off first as it became evident that the economy was slowing, and our portfolio suffered as a result. This is historically a normal reaction as we move through the economic cycle, but was compounded this time as imported inflation left no room for interest rate cuts. As we moved through the year it became apparent that the economic slowdown was to be worse than expected and that the problems in the global financial system would delay recovery. For example, at the micro level we would expect to see substantial levels of corporate activity at current valuations which would help to support share prices but the reluctance of banks to lend has undermined this. The worsening macro environment has manifested itself since the year end with the collapse of Lehman Bros and the proposed takeover of HBOS by Lloyds.

Whilst the current macro environment persists, the small companies that we invest in will remain depressed and share prices will continue to be volatile. It is obviously difficult to predict the timing of a recovery but it is worth noting that we have entered this downturn with Sterling having already devalued and with smaller companies generally having relatively strong balance sheets. After the shocks in the last few months we believe that investors will look to get 'back to basics' as economies recover and that the stocks that lead the way will be solid businesses that are well financed and cash generative. We should be well placed to benefit from this.

Since the last interim statement investors will be all too aware of the combined affects of the banking crisis and global economic slowdown on equity markets. These effects have been felt most acutely by smaller companies where valuations have fallen dramatically and where we expect the relative lack of liquidity and price volatility to remain for the foreseeable future. Against this background the Board felt that it was in the best interest of all shareholders not to proceed with the annual tender offer this year.

In order to facilitate a tender offer we would have to realise funds from existing investments at prices the Investment Manager deems to be unattractive and not representative of underlying value. Alternatively, the tender offer could be funded by the overdraft facility, but this would currently be constrained by our bank facilities. Fixed tender costs have also played a significant part of the decision, not to offer a tender this year.

In the absence of a tender offer and depending on underlying market conditions the Company may be able to use resources to buy back shares on a selective basis at a more appropriate time. Shareholders interested in realising a part of their holdings should contact the Company Secretary in the first instance.

**George Stevens**

Chairman

*7 November 2008*

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## Investment Manager's overview

Although we are just over a year into the 'credit crunch', the reality is that UK smaller companies have been trending down for over 18 months. In the early part of the period investors could mitigate against a declining domestic economy by investing in oil and gas and mining shares, but the inevitable consequences of a rapidly slowing global economy have finally taken their toll on these sectors. Although smaller companies have historically been perceived as 'risky' assets to hold in a downturn, the events of the past few months have shown that there are no safe havens in the current environment.

Whilst we have undoubtedly suffered from the small company effect for the majority of the past year we believe that moving forward quality and sustainability of both cash flows and earnings will be the prime determinant of investment performance.

### Portfolio Review

Over the last twelve months we have made a number of additional investments in existing holdings. These included Belgravium, after directors had purchased stock and SPI Lasers. The latter was a funding at 30p to enable the company to step up marketing activity, and since our year end the company has been the subject of an agreed offer at 40p per share. We also made a new investment in limited liability partnership; Parmenion Capital which is a business founded in 2006 offering investment management services to the IFA community. On the sell side, we realised some funds from a partial sale of our holding in Smallbone after a period of good performance.

Conder has decided to delist as part of a cost saving effort, a reaction to a problem encountered by an increasing number of AIM stocks where central overheads become too high relative to the market cap. Our portfolio has suffered from a particularly disappointing performance from General Capital, but the new management team has recently agreed new banking arrangements. Unfortunately Food and Drink Group went into administration.

During the year, our holdings in Minorplanet and Titan Europe both received indicative offers at a very significant premium that ultimately did not materialise into hard offers.

### Outlook

The lack of liquidity in the banking sector has effectively removed one of the short term supports to small cap share prices at the bottom of the cycle in that it will have the affect of preventing other companies and management teams taking over undervalued companies. As the liquidity environment improves however we expect that a surge in corporate activity will serve to highlight the value currently available at the smaller end of the market. In the meantime however we expect that prices will remain extremely volatile.

### David Horner

Chelverton Asset Management Ltd

7 November 2008

## Portfolio review

as at 31 August 2008

The Company's portfolio as at 31 August 2008 is set out below in chronological order by date of investment.

Investment	Sector	Valuation £'000	% of total
<i>AIM traded</i>			
<b>CEPS</b>	Support Services		
<i>Ordinary Shares</i>		188	3.2
<i>Warrants</i>		1	0.0
Production and supply of components for the footwear industry; personal protection equipment; production of printed lycra fabric and services to the direct mail industry			
<b>Newmark Security</b>	Support Services	196	3.3
Distribution of electronic access controls products			
<b>LPA Group</b>	Electronic & Electrical Equipment	70	1.2
Design, manufacture and marketing of industrial electrical accessories			
<b>Clipper Ventures</b>	Travel & Leisure	84	1.4
The running of round-the-world yacht races			
<b>AI Claims Solutions</b>	Travel & Leisure	517	8.8
The provision of non-fault accident management services			
<b>Hartest Holdings</b>	Industrial Engineering	153	2.6
Manufacture and sale of specialist healthcare equipment and supplies to users of electron microscopes			
<b>Pennant International Group</b>	Software & Computer Services	65	1.1
Supplier of technology solutions to the defence and industrial sectors			
<b>Richoux Group (previously Gourmet Holdings)</b>	Travel & Leisure	83	1.4
Owner and operator of Richoux Restaurants			
<b>Universe Group</b>	Support Services	26	0.4
Provision of credit card fraud prevention system, loyalty systems and retail systems			
<b>Forest Support Services</b>	Industrial Transportation	118	2.0
Supply of traffic management services			
<b>Belgravium Technologies</b>	Technology Hardware & Equipment	250	4.2
Software systems for warehousing and distribution			
<b>Capcon Holdings</b>	General Financial	25	0.4
The provision of audit and stocktaking, and commercial investigation services			
<b>IDOX</b>	Software & Computer Services	972	16.5
Software company specialising in the development of products for document and information management			
<b>Alliance Pharma</b>	Pharmaceuticals & Biotechnology	55	0.9
Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products			
<b>Titan Europe</b>	Industrial Engineering	144	2.4
Manufacture of big wheels for construction, mining and agricultural vehicles			

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## Portfolio review (continued)

as at 31 August 2008

<b>Investment</b>	<b>Sector</b>	<b>Valuation £'000</b>	<b>% of total</b>
<i>AIM traded (continued)</i>			
<b>Smallbone</b> The design and manufacture of bespoke kitchens, bathrooms, bathroom furniture and suppliers of high quality flooring	Household Goods	300	5.1
<b>Sanderson Group</b> Provides software and IT services	Software & Computer Services	84	1.4
<b>AXIS Intermodal</b> Equipment rental business that services the transport and logistics industries in Germany, the UK and other European Countries	Industrial Transportation	98	1.7
<b>Tristel</b> Healthcare business specialising in infection control in hospitals	Healthcare Equipment & Services	231	3.9
<b>Chromogenex</b> Design, manufacture and distribution of aesthetic and therapeutic laser and aesthetic light based technology devices	Healthcare Equipment & Services	25	0.4
<b>Datong Electronics</b> Develops, manages and supplies covert tracking and surveillance systems	Electronic & Electrical Equipment	200	3.4
<b>Minorplanet Systems</b> Vehicle informations system	Electronic & Electrical Equipment	230	3.9
<b>AssetCo (previously Asfare Group)</b> Manufacture and distribution of fire and safety equipment to emergency and rescue services and security x-ray equipment	Industrial Engineering	64	1.1
<b>AT Communications Group</b> Business to business systems integrator	Software & Computer Services	163	2.8
<b>PSG Solutions</b> Leading provider of Local Authority residential property searches; provision of packaging solutions	Support Services	130	2.2
<b>MTI Wireless Edge</b> Developer and manufacturer of sophisticated antennas and antenna systems	Technology Hardware & Equipment	119	2.0
<b>Northbridge Industrial Services</b> Consolidation company for specialist industrial hire services in the UK	Industrial Engineering	312	5.3
<b>Satcom Group</b> Provider of mobile satellite communications equipment and airtime	Mobile Telecommunications	120	2.0
<b>SPI Lasers</b> Design, development and manufacture of optical fibre-based lasers for a range of markets and applications	Electronic & Electrical Equipment	71	1.2
<b>General Capital Group</b> Provision of finance	General Financial	5	0.1

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## Portfolio review (continued)

as at 31 August 2008

<b>Investment</b>	<b>Sector</b>	<b>Valuation £'000</b>	<b>% of total</b>
<i>AIM traded (continued)</i>			
<b>EBTM</b> Internet retail of music inspired fashion	General Retailers	102	1.7
<b>Mount Engineering</b> Industrial Engineering company	Industrial Engineering	93	1.6
<i>Delisted from AIM</i>			
<b>Food &amp; Drink Group</b> (in administration) Owner and operator of premium bars and restaurants in London	Travel & Leisure	–	–
<b>Conder Environmental</b> Supply of industrial pollution control equipment, and provision of glass reinforced plastic oil/water separators	Industrial Engineering	28	0.5
<b>Petards Group</b> Development, provision and maintenance of advanced security systems and related services	Support Services	77	1.3
<i>Unquoted</i>			
<b>Locker Group</b> (in liquidation) Cash Shell	Industrial Engineering	51	0.9
<b>Wineworld</b> Management of Vinopolis, a London-based venue encompassing wine tasting, retail stores, restaurants and corporate hospitality	Travel & Leisure	14	0.3
<b>Closed Loop Recycling</b> (formerly Closed Loop London)	Support Services		
<b>Loanstock</b>		252	4.3
<b>Ordinary B Shares</b> Operation of a plastic recycling plant		84	1.4
<b>Parmenion Capital Partners LLP</b> Provides fund-based discretionary fund management services to Independent Financial Advisors	Support Services	100	1.7
<b>Portfolio valuation</b>		<b>5,900</b>	<b>100.0</b>

During the year, shareholdings in BBI Holdings have been sold.

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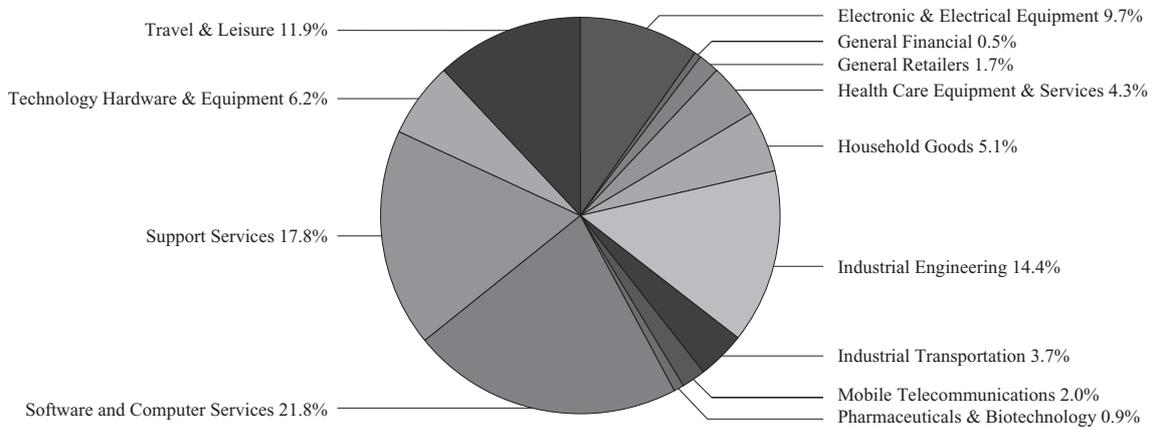
## Top Twenty Investments

Investment	31 August 2008		31 August 2007	
	Valuation £'000	% of total	Valuation £'000	% of total
IDOX	972	16.5	720	8.4
AI Claims Solutions	517	8.8	616	7.2
Closed Loop Recycling	336	5.7	249	2.9
Northbridge Industrial Services	312	5.3	328	3.8
Smallbone	300	5.1	376	4.4
Belgravium Technologies	250	4.2	580	6.8
Tristel	231	3.9	225	2.6
Minorplanet Systems	230	3.9	270	3.2
Datong Electronics	200	3.4	220	2.6
Newmark Security	196	3.3	184	2.2
CEPS	188	3.2	350	4.1
AT Communications Group	163	2.8	299	3.5
Hartest Holdings	153	2.6	194	2.3
Titan Europe	144	2.4	233	2.7
PSG Solutions	130	2.2	144	1.7
Satcom Group Holdings	120	2.0	183	2.1
MTI Wireless Edge	119	2.0	273	3.2
Forest Support Services PLC	118	2.0	171	2.0
EBTM	102	1.7	185	2.2
Parmenion Capital Partners LLP	100	1.7	–	–
<b>Total</b>	<b>4,881</b>	<b>82.7</b>	<b>5,800</b>	<b>67.9</b>

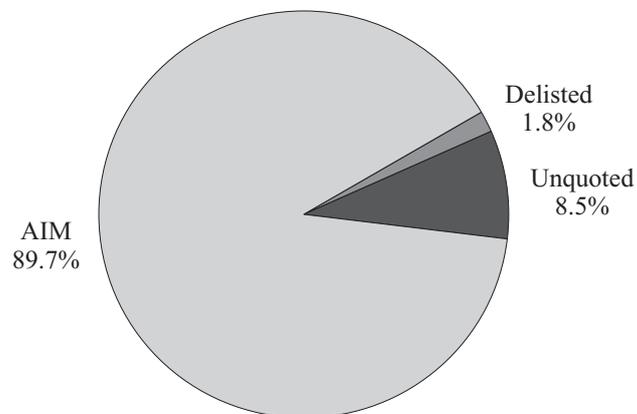
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## Portfolio breakdown by sector and by index

### Percentage of Portfolio by Sector



### Percentage of Portfolio by Index



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## Directors

The Directors are:

**George Stevens** (Chairman) qualified as a member of the Institute of Taxation in 1969, and as a chartered accountant in 1970, but has spent most of his working career in the Insurance Industry. In 1978 he moved to Lloyd's and in a management buyout co-founded The Brockbank Group in 1985, for which he served as group managing director. Mr Stevens was also instrumental in establishing the motor underwriter Admiral Insurance Services and served as its first chairman. He retired from both these positions in 1995.

**Kevin Allen** 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.

**Bryan Lenygon** 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 companies.

**David Horner** is 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.

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## Investment Manager, Secretary and Advisers

### Investment Manager

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

Chelverton Asset Management Limited was formed in 1997. The investment team consists of David Horner and David Taylor who have considerable experience of companies in the smaller quoted market sector.

The Company website is maintained by the Investment Manager and can be found at [www.chelvertonam.com](http://www.chelvertonam.com).

### 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.

**PLEASE NOTE NEW  
REGISTRARS HAVE BEEN  
APPOINTED WITH EFFECT  
FROM 10 NOVEMBER 2008.**

### 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](http://www.shareregistrars.uk.com)

### Bankers

Lloyds TSB Bank PLC  
25 Gresham Street  
London EC2V 7HN

### Custodian

HSBC Investment Bank plc  
Level 29  
8 Canada Square  
London EC14 5HQ

### Auditors

Hazlewoods LLP  
Windsor House  
Barnett Way  
Barnwood  
Gloucester GL4 3RT

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## Report of the Directors

The Directors present their report, which incorporates the Business Review, and audited accounts for the year ended 31 August 2008.

### **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 2007. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 August 2008 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 833 of the Companies Act 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".

Its investment objective is also to increase net asset value per share at a higher rate than other quoted smaller company trusts and the FTSE All-Share Index.

### **Investment policy**

The Company invests principally in securities of publicly quoted UK companies, though it may invest in unquoted securities. The concentrated UK portfolio comprises between 30 to 45 securities. The performance of the Company's investments is compared to the FTSE All-Share 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 the Alternative Investment Market or the investee company being sold.

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

To comply with Listing Rules 15.2.7 and 15.6.2 the Company's investment policy is detailed above and should be read in conjunction with the subsequent sections entitled investment strategy and the portfolio analysis.

It is intended from time to time, when deemed appropriate, that the Company will borrow for investment purposes. It currently has a £1.5m overdraft facility with Lloyds TSB Bank plc.

The investment objective and policy stated are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are constrained in their decision making and asset allocation. The investment objective and policy allow the Company to be constrained in its investment selection only by valuation and to be pragmatic in portfolio construction by only investing in securities which the Investment Manager considers to be undervalued on an absolute basis.

### **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.

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## Report of the Directors (continued)

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.

The Chairman's statement on page 3 and the Investment Manager's overview on page 4 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 Ordinary share at 31 August 2008 was 33.18p (2007: 50.58p).

The Company's share price at the year end was 21.50p (2007: 39.50p).

During the year ended 31 August 2008 the Company purchased 2,635,173 shares for cancellation, of which 2,624,973 (15.0% of the Company's issued share capital) were by way of tender offer.

### 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 portfolio transactions and performance are reviewed. The Management Engagement Committee meets as required to review the performance of the Investment Manager. Further details regarding the Company's various Committees and their duties are given on pages 20 and 21 of the Statement on corporate governance.

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.

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## Report of the Directors (continued)

### 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. The Board does not intend to adopt a precise discount target at which shares will be bought back. However Ordinary shares will not be bought back for cancellation or into treasury at a discount to NAV of less than 7.5%.

### 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 ongoing 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.

Inappropriate accounting policies or failure to comply with current or new accounting standards may lead to a breach of regulations.

### Banking risk

The Board monitors overdraft limits at each Board meeting and regularly reviews the headroom of overdraft facilities with the Investment Manager. The industry loan providers ratings are regularly 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 45.

### Current and future developments

A review of the main features of the year is contained in the Chairman's statement and the Investment Manager's overview on pages 3 and 4.

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.

### 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 the payment of 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
K J Allen	8 November 1994
B N Lenygon	2 August 2001
D A Horner	1 May 2006
G E Stevens (Chairman)	20 December 2006

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## Report of the Directors (continued)

Mr Horner will offer himself for re-election in accordance with Listing Rules 15.2.11 – 13, which stipulates that a director who is also a director of the investment manager should be subject to annual 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.

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

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.

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.

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

### 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 2008	At 31 August 2007
K J Allen	221,762	221,762
B N Lenygon	62,411	62,411
D A Horner	698,163	1,060,000
G E Stevens	1,221,315	1,571,500

There have been no changes to any of the above holdings between 31 August 2008 and the date of this Report.

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

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## Report of the Directors (continued)

### Substantial shareholdings

The Directors had been notified of the following substantial interests in the voting shares of the Company at the date of this Report:

	Number of shares	% of total voting rights
M E Brockbank	2,189,427	14.73
Philip J Milton private clients	1,540,222	10.36
Midas Capital	1,313,896	8.84
G E Stevens	1,221,315	8.22
Charles Stanley private clients	1,021,460	6.87
D A Horner	698,163	4.70
M M Brooks	595,265	4.00
Rensburg Sheppard	551,620	3.71

### 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 during the currency of this agreement.

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 £39,696 plus VAT. 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.

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## Report of the Directors (continued)

### **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 independent Directors the continuing appointment of CAM, as Investment Manager, on the terms outlined in the Investment 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 those 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 2008 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.

### **Section 992 Companies Act 2006**

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

- The Company’s capital structure and voting rights are summarised on page 1.
- Details of the substantial shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company’s Articles of Association and are discussed on page 21.
- Amendment of the Company’s Articles of Association and the giving of powers to issue or buy back the Company’s shares require a special resolution to be passed by shareholders. The Board’s current powers to issue or buy back shares and proposals for their renewal are detailed below.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

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## Report of the Directors (continued)

### Annual General Meeting

The Notice of Annual General Meeting is set out on pages 47 to 50. 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 shares out of treasury equivalent to 10% of its existing issued share capital.

The Directors are also seeking to renew the authority to allot Ordinary shares held in treasury at a discount to NAV.

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.

As at 7 November 2008, being the latest practicable date before the publication of this Annual Report, there are no outstanding warrants or options to subscribe for any Ordinary shares of the Company.

Resolution 9 as set out in the Notice of Meeting, if passed, will adopt new Articles of Association. Company law and best practice have undergone a number of changes since the current Articles of Association of the Company were adopted, particularly since January 2007 when the staged implementation of the Companies Act 2006 commenced. The Board considers that it is prudent to replace the Company's existing Articles with new Articles that take account of those developments (the "New Articles"). A summary of the material changes brought about by the proposed adoption of the New Articles is set out in the Appendix on pages 51 to 53. Other changes, which are of a minor, technical or clarifying nature, have not been noted in the Appendix.

### 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 appointment of Hazlewoods LLP as Auditors to the Company. Hazlewoods LLP have indicated their willingness to continue in office.

By order of the Board

**Capita Sinclair Henderson Limited**

Secretary

7 November 2008

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## Statement on corporate governance

### **Corporate Governance – Statement of Compliance**

The Board considers that throughout the year the Company has been in compliance with the principles of the Combined Code (“Combined Code”), insofar as they are relevant to the Company’s business, 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 Stevens, Mr Allen and Mr Lenygon are deemed by the Board to be 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 Board considers Mr Stevens is independent notwithstanding that he is a significant shareholder in the Company. Mr Lenygon is considered by the Board to be independent notwithstanding that he is also a director of another investment trust managed by CAM. Mr Horner as managing director of CAM the Investment Manager, is not 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 10.

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.

Directors are required to retire by rotation at least every three years, all Directors retired last year. Mr Allen stands for re-election having served on the Board for more than nine years, as does Mr Horner, as a director of the Investment Manager.

### ***Directors’ attendance***

During the year the Directors’ attendance at meetings has been recorded as follows:

	Board meetings	Audit Committee
K J Allen	4 of 4	1 of 1
B N Lenygon	3 of 4	1 of 1
D A Horner	4 of 4	1 of 1
G E Stevens	4 of 4	1 of 1

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## Statement on corporate governance (continued)

### *Board operation*

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 investment 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. These committees comprise the full Board, except the Management Engagement Committee where Mr Horner is not a member by virtue of his association with the Investment Manager. 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. Mr Lenygon chairs the Audit Committee.

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, Hazlewoods 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.

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## 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 as required and Mr Stevens chairs this committee.

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. Mr Stevens chairs this committee.

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 2008 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.

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 Investment 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 11. The Company always responds to letters from individual shareholders.

The Annual and Half Yearly 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 Company's website maintained by the Investment Manager at [www.chelvertonam.com](http://www.chelvertonam.com).

### ***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.

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## 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.

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## Statement on corporate governance (continued)

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;
- 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.

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## 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 to approve the report 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 four 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.

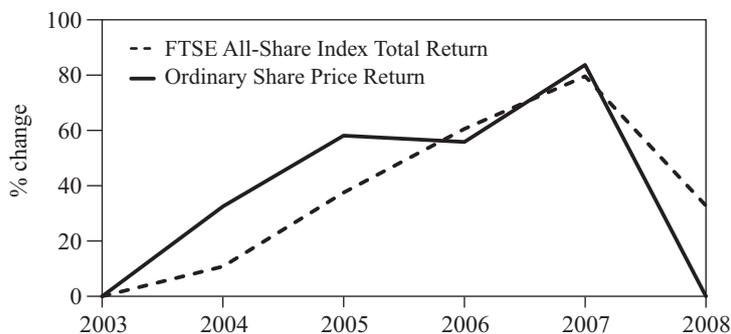
### Directors' service contracts

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 Company's benchmark used for investment performance measurement purposes.

Years ended 31 August



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## 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:

	2008	2007
G E Stevens (appointed 20 December 2006)	<b>18,750</b>	13,105
K J Allen	<b>15,000</b>	15,000
B N Lenygon	<b>15,000</b>	15,000
	<u><b>48,750</b></u>	<u>43,105</u>

Mr Horner has waived his fees.

### Approval

This Directors' remuneration report was approved by the Board of Directors on 7 November 2008.

**George Stevens**

Chairman

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## Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Directors to prepare financial statements for each financial year which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Directors, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Chairman's Statement, Investment Manager's Review and Report of the Directors include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**George Stevens**

Chairman

*7 November 2008*

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## **Independent Auditors' report**

To the members of Chelverton Growth Trust PLC

We have audited the financial statements (the "financial statements") of Chelverton Growth Trust plc for the year ended 31 August 2008 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 21. These financial statements 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 financial statements 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 financial statements 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 financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we 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 2006 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 financial statements. 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 financial statements. Our responsibilities do not extend to any other information.

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## **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 financial statements 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 financial statements, 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 financial statements 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 financial statements and the part of the Directors' remuneration report to be audited.

### **Opinion**

In our opinion:

- the financial statements 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 2008 and of its return for the year then ended;
- the financial statements 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 financial statements.

### **Hazlewoods LLP**

Chartered Accountants & Registered Auditors, Gloucester

*7 November 2008*

## Income statement

for the year ended 31 August 2008

	Note	2008			2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value	8	–	(2,641)	(2,641)	–	2,718	2,718
Income	2	129	–	129	106	–	106
Investment management fee	3	(19)	(56)	(75)	(27)	(79)	(106)
Other expenses	4	(139)	–	(139)	(166)	–	(166)
<b>Net return before finance costs and taxation</b>		<b>(29)</b>	<b>(2,697)</b>	<b>(2,726)</b>	<b>(87)</b>	<b>2,639</b>	<b>2,552</b>
Interest payable	5	(8)	(25)	(33)	(15)	(45)	(60)
<b>Net return on ordinary activities before taxation</b>		<b>(37)</b>	<b>(2,722)</b>	<b>(2,759)</b>	<b>(102)</b>	<b>2,594</b>	<b>2,492</b>
Taxation on ordinary activities	6	(1)	–	(1)	–	–	–
<b>Net return on ordinary activities after taxation</b>		<b>(38)</b>	<b>(2,722)</b>	<b>(2,760)</b>	<b>(102)</b>	<b>2,594</b>	<b>2,492</b>
		<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
		<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Return per Ordinary share</b>	7	<b>(0.25)</b>	<b>(17.18)</b>	<b>(17.43)</b>	<b>(0.58)</b>	<b>14.65</b>	<b>14.07</b>

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.

The notes on pages 33 to 45 form part of these accounts.

## Reconciliation of movements in shareholders' funds

for the year ended 31 August 2008

	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
<b>Year ended 31 August 2008</b>						
1 September 2007	175	2,674	2,285	14	3,703	8,851
Cost of shares cancelled	(26)	–	(1,158)	26	–	(1,158)
Net return after taxation for the year	–	–	(2,722)	–	(38)	(2,760)
31 August 2008	149	2,674	(1,595)	40	3,665	4,933
<b>Year ended 31 August 2007</b>						
1 September 2006	182	2,674	(99)	7	3,805	6,569
Cost of shares cancelled	(7)	–	(210)	7	–	(210)
Net return after taxation for the year	–	–	2,594	–	(102)	2,492
31 August 2007	175	2,674	2,285	14	3,703	8,851

The notes on pages 33 to 45 form part of these accounts.

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## Balance sheet

as at 31 August 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments at fair value	8	5,900	8,542
<b>Current assets</b>			
Debtors	10	29	18
Cash at bank		–	382
		<u>29</u>	<u>400</u>
<b>Creditors – amounts falling due within one year</b>	11	<u>996</u>	<u>91</u>
<b>Net current (liabilities)/assets</b>		<u>(967)</u>	<u>309</u>
<b>Net assets</b>		<u>4,933</u>	<u>8,851</u>
<b>Share capital and reserves</b>			
Called up share capital	12	149	175
Share premium account	13	2,674	2,674
Capital reserve – realised	13	2,030	3,058
– unrealised	13	(3,625)	(773)
– capital redemption reserve	13	40	14
Revenue reserve	13	3,665	3,703
<b>Equity shareholders' funds</b>		<u>4,933</u>	<u>8,851</u>
<b>Net asset value per Ordinary share</b>	17	<u>33.18p</u>	<u>50.58p</u>

The notes on pages 33 to 45 form part of these accounts.

These accounts were approved by the Board of Directors and authorised for issue on 7 November 2008. They were signed on its behalf by

**George Stevens**  
*Chairman*

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## Statement of cash flows

for the year ended 31 August 2008

	Note	2008 £'000	2007 £'000
<b>Operating activities</b>			
Investment income received		118	98
Deposit interest received		6	3
Investment management fees paid		(78)	(114)
Secretarial fees paid		(46)	(45)
Other cash payments		<u>(100)</u>	<u>(113)</u>
<b>Net cash outflow from operating activities</b>	14	<u>(100)</u>	<u>(171)</u>
<b>Returns on investments and servicing of finance</b>			
Interest paid		<u>(28)</u>	<u>(68)</u>
<b>Investing activities</b>			
Purchases of investments		(528)	(2,070)
Sales of investments		<u>493</u>	<u>4,220</u>
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(35)</u>	<u>2,150</u>
<b>Financing</b>			
Share repurchase		(1,118)	(210)
Cost of Tender Offer		<u>(38)</u>	<u>—</u>
		<u>(1,156)</u>	<u>(210)</u>
<b>(Decrease)/increase in cash</b>	16	<u>(1,319)</u>	<u>1,701</u>

The notes on pages 33 to 45 form part of these accounts.

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## Notes to the accounts

as at 31 August 2008

### 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.

#### **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.

#### **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.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

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.

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## Notes to the accounts (continued)

as at 31 August 2008

### 1 ACCOUNTING POLICIES (continued)

#### 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 2008

<b>2 INCOME</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Income from investments</b>		
Dividends from UK companies	<b>120</b>	97
Dividends from overseas companies	<b>6</b>	3
	<b>126</b>	100
<b>Other income</b>		
Bank interest receivable	<b>3</b>	6
<b>Total income</b>	<b>129</b>	106
Total income comprises:		
Dividends	<b>126</b>	100
Interest	<b>3</b>	6
	<b>129</b>	106

<b>3 INVESTMENT MANAGEMENT FEE</b>	<b>2008</b>			2007		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
Investment management fee	<b>18</b>	<b>54</b>	<b>72</b>	23	67	90
Irrecoverable VAT thereon	<b>1</b>	<b>2</b>	<b>3</b>	4	12	16
	<b>19</b>	<b>56</b>	<b>75</b>	27	79	106

The investment management fee is calculated at the rate of  $\frac{1}{6}\%$  per month of the gross value of funds under management and is payable monthly in arrears. At 31 August 2008 there was £5,000 outstanding (2007: £8,000). From 1 September 2006 the Investment Manager agreed to waive half its fee.

In 2004 the Association of Investment Companies ('AIC') and JPMorgan Claverhouse ('Claverhouse') brought a case against HM Revenue & Customs to challenge the VAT charge on management fees paid by investment trusts. The case was referred to the European Court of Justice and in a ruling in June 2007 it upheld the AIC/Claverhouse claim. The effect of this ruling was that invoices from the Investment Manager should no longer include VAT.

The irrecoverable VAT charged during the year has been affected as a consequence of the above ruling. The Company was charged VAT on fees from 1 September 2007 to 31 October 2007, but no VAT was charged for the fees from 1 November 2007 to 31 August 2008.

The Board is awaiting further clarification from HM Revenue & Customs on the timetable and procedure for reclaiming VAT paid on investment management fees since 1 January 2001. There may also be scope for recovering certain VAT paid in relation to earlier periods. At the current time the Board is not recognising the potential back claim in its results nor its published NAV.

## Notes to the accounts (continued)

as at 31 August 2008

4 OTHER EXPENSES	2008		2007	
	Revenue		Revenue	
	£'000		£'000	
Administrative and secretarial services	47		45	
Directors' remuneration	49		55	
Auditors' remuneration:				
audit services	12		12	
Other expenses	31		54	
	<u>139</u>		<u>166</u>	

5 INTEREST PAYABLE	2008			2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
On bank overdraft	8	25	33	15	45	60

6 TAXATION	2008		2007	
	£'000		£'000	
<b>Analysis of charge in period</b>				
Current tax:				
Irrecoverable withholding tax		1		–
		<u>1</u>		<u>–</u>

### Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a medium or large company (29.17%). The differences are explained below:

	2008	2007
	£'000	£'000
Loss on ordinary activities before taxation	(37)	(102)
Corporation tax at 29.17% (2007: 30%)	(11)	(31)
UK dividend income not taxable	(35)	(29)
Deductible expenses charged to capital	(23)	(37)
Excess expenses for the period	69	97
Withholding tax suffered on foreign income dividend	1	–
Current tax charge for the period	<u>1</u>	<u>–</u>

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## Notes to the accounts (continued)

as at 31 August 2008

### 6 TAXATION (continued)

At 31 August 2008 the Company had surplus management expenses of £2,919,000 (2007: £2,682,000) 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.

### 7 RETURN PER ORDINARY SHARE

	2008			2007		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	<u>(0.25)</u>	<u>(17.18)</u>	<u>(17.43)</u>	<u>(0.58)</u>	<u>14.65</u>	<u>14.07</u>

Revenue return per Ordinary share is based on the net revenue loss on ordinary activities after taxation attributable of £38,000 (2007: £102,000) and on 15,836,872 (2007: 17,709,375) 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 loss of £2,722,000 (2007: net capital gains of £2,594,000) and on 15,836,872 (2007: 17,709,375) 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 £2,760,000 (2007: total gain £2,492,000) and on 15,836,872 (2007: 17,709,375) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

## Notes to the accounts (continued)

as at 31 August 2008

<b>8 INVESTMENTS</b>	<b>2008</b>	2007		
	<b>£'000</b>	£'000		
Delisted	<b>105</b>	–		
AIM	<b>5,294</b>	8,225		
Unquoted	<b>501</b>	317		
	<b>5,900</b>	8,542		
	<b>AIM</b>	<b>Delisted</b>	<b>Unquoted*</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening book cost	8,669	–	646	9,315
Opening unrealised depreciation	(444)	–	(329)	(773)
	8,225	–	317	8,542
Movements in the year:				
Purchases at cost	313	–	187	500
Sales:				
Proceeds	(494)	–	(7)	(501)
Realised gains/(losses) on sales	347	–	(136)	211
Transfer between categories	(942)	942	–	–
(Increase)/decrease in unrealised depreciation	(2,155)	(837)	140	(2,852)
Closing valuation	<b>5,294</b>	<b>105</b>	<b>501</b>	<b>5,900</b>
Closing book cost	7,893	942	690	9,525
Closing unrealised depreciation	(2,599)	(837)	(189)	(3,625)
	<b>5,294</b>	<b>105</b>	<b>501</b>	<b>5,900</b>
	<b>2008</b>	2007		
	<b>£'000</b>	£'000		
Realised gains on sales	<b>211</b>	1,403		
(Increase)/decrease in unrealised depreciation	<b>(2,852)</b>	1,315		
Net (losses)/gains on investments at fair value	<b>(2,641)</b>	2,718		

\* Unquoted investments are valued at the Directors' estimate of their net realisable value, being their estimate of fair value.

### Transaction costs

During the year, the Company incurred transaction costs of £2,374 (2007: £7,007) and £2,484 (2007: £7,271) on purchases and sales of investments, respectively. These amounts are included in '(Gains)/losses on investments at fair value' as disclosed in the income statement.

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## Notes to the accounts (continued)

as at 31 August 2008

### 9 SIGNIFICANT INTERESTS

At 31 August 2008 the Company had 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	11.440	18,706,961
CEPS, Ord 5p	625,856	7.527	8,314,285
Belgravium Technologies, Ord 5p	5,000,000	4.954	100,936,547
CEPS, Wts To Sub For Ord 20/04/10	65,706	4.570	1,437,769
Hartest Holdings, Ord 10p	340,000	3.951	8,605,288
AI Claims Solutions, Ord 10p	2,200,000	3.582	61,416,189
Minorplanet Systems, Ord 1p	1,000,000	3.084	32,429,861

### 10 DEBTORS – amounts falling due within one year

	2008	2007
	£'000	£'000
Amounts due from brokers	8	–
Prepayments and other debtors	6	10
Dividends receivable	15	8
	<hr/>	<hr/>
	29	18
	<hr/>	<hr/>

### 11 CREDITORS – amounts falling due within one year

	2008	2007
	£'000	£'000
Amounts due to brokers	–	28
Other creditors	59	63
Bank overdraft	937	–
	<hr/>	<hr/>
	996	91
	<hr/>	<hr/>

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

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## Notes to the accounts (continued)

as at 31 August 2008

<b>12 CALLED UP SHARE CAPITAL</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
Authorised:		
27,000,000 Ordinary shares of 1p each	<u>270</u>	<u>270</u>
Allotted, called up and fully paid:		
14,864,827 (2007: 17,500,000) Ordinary shares of 1p each	<u>149</u>	<u>175</u>

During the year the following Ordinary shares were cancelled:

Date	Number of shares	Total cost of purchase including expenses	% of issued shares at that date
14 January 2008	2,624,973*	£1,154,000	15.00
16 January 2008	10,200	£4,000	0.07
	<u>2,635,173</u>	<u>£1,158,000</u>	

\* These shares were repurchased pursuant to the Company's Tender Offer dated 23 November 2007.

### Duration

The Articles of Association provide that the Directors shall convene an Extraordinary General Meeting of the Company on 30 November 2011, 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 2008

### 13 RESERVES

	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000
At 1 September 2007	2,674	3,058	(773)	14	3,703
Net gains on realisation of investments	–	365	–	–	–
Transfer on disposal of investments	–	(154)	154	–	–
Decrease in unrealised depreciation	–	–	(3,006)	–	–
Cost of shares cancelled*	–	(1,158)	–	26	–
Costs charged to capital	–	(81)	–	–	–
Retained net loss for the year	–	–	–	–	(38)
At 31 August 2008	<b>2,674</b>	<b>2,030</b>	<b>(3,625)</b>	<b>40</b>	<b>3,665</b>

\* Cost of shares cancelled include costs of £42,000 relating to the tender offer.

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

	2008 £'000	2007 £'000
Net return before finance costs and taxation	(2,726)	2,552
Net capital return before finance costs	2,697	(2,639)
Expenses charged to capital	(56)	(79)
Decrease in creditors and accruals	(11)	–
Increase in prepayments and accrued income	(4)	(5)
	<b>(100)</b>	<b>(171)</b>

### 15 RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2008 £'000	2007 £'000
Net cash/(debt) at 1 September 2007	382	(1,319)
Net cash (outflow)/inflow	(1,319)	1,701
Net (debt)/cash at 31 August 2008	<b>(937)</b>	<b>382</b>

### 16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 September 2007	Cash flows	At 31 August 2008
Cash at bank	382	(382)	–
Bank overdraft	–	(937)	(937)
	<b>382</b>	<b>(1,319)</b>	<b>(937)</b>

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## Notes to the accounts (continued)

as at 31 August 2008

### 17 NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per Ordinary share is based on net assets of £4,933,000 (2007: £8,851,000) and on 14,864,827 (2007: 17,500,000) Ordinary shares, being the number of shares in issue at the year end.

### 18 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 August 2008 there were no capital commitments and contingent liabilities (2007: £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 primarily invests in companies traded on AIM with a market capitalisation at the time of investment of up to £50 million. The Company finances its operations through its issued capital, existing reserves and a bank overdraft.

In following its investment objectives, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks are market risk (comprising exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

#### (i) Market risk – market price risk

Market price risk arises mainly from uncertainty about future prices on financial investments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements other than movements in exchange rates and interest rates.

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Manager who gives timely report of relevant information to the Directors. Investment performance is also reviewed at each Board meeting.

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.

The Company's exposure to other changes in market prices at 31 August on its investments is as follows:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Fair value through profit or loss investments	<u>5,900</u>	<u>8,542</u>

A 20% decrease in the market value of investments at 31 August 2008 would have decreased net assets attributable to shareholders by £1,180,000 (2007: £1,708,000). An increase of the same percentage would have an equal but opposite effect on net assets available to shareholders.

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## Notes to the accounts (continued)

as at 31 August 2008

### 19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

#### (ii) Market risk – exchange rate risk

All of the Company's assets are in Sterling and accordingly the only currency exposure the Company has is through the trading activities of its investee companies.

#### (iii) Market risk – interest rate risk

Changes in interest rates may cause fluctuations in the income and expenses of the Company.

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The Company has a bank overdraft. This liability will be subject to fluctuations in current and future interest rates.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the overdraft facility.

The exposure at 31 August of financial assets and financial liabilities to interest rate risk is as follows:

	2008	2007
	£'000	£'000
Cash at bank	–	382
Bank overdraft	(937)	–
	<u>(937)</u>	<u>382</u>

The Company has 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 2008 6.00% per annum).

The effect of an interest rate increase in 1% would have the effect of reducing net revenue before taxation on an annualised basis by £9,000. If there was a decrease in interest rates of 1% there would be an equal and opposite effect in the net revenue before taxation. These calculations are based on balances as at 31 August 2008 and may not be representative of the year as a whole.

#### (iv) Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty meeting obligations associated with its financial liabilities.

The Company has an available overdraft facility with Lloyds TSB Bank plc of £1,500,000. The amount outstanding under the overdraft facility at 31 August 2008 was £937,000 (2007: nil).

Under the terms of the bank facilities, the Company must comply with the following financial covenant condition. The bank overdraft must be less than 25% of the Company's permitted investments.

The covenant is reviewed frequently and reported to the Bank on a monthly basis.

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## Notes to the accounts (continued)

as at 31 August 2008

### 19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

The majority of the Company's assets are AIM listed securities, which can under normal conditions be sold to meet funding commitments if necessary. These may however be difficult to realise in adverse market conditions.

#### (v) Maturity Analysis of Financial Liabilities

The Company's financial liabilities comprise of the bank overdraft and creditors as disclosed in note 11. All items are due within one year.

#### (vi) Managing Capital

The Company's capital management objectives are to increase net asset value per share at a higher rather than other quoted smaller company trusts and the FTSE All-Share Index.

Primarily the Company finances its operations through its issued capital and existing reserves.

#### (vii) Fair values of financial assets and financial liabilities

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

#### (viii) Financial instruments by category

The financial instruments of the Company fall into the following categories.

### 31 August 2008

	At amortised cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
<b>Assets as per the Balance sheet</b>				
Investments	–	–	5,900	5,900
Debtors	–	29	–	29
<b>Total</b>	<b>–</b>	<b>29</b>	<b>5,900</b>	<b>5,929</b>
<b>Liabilities as per the Balance sheet</b>				
Creditors	59	–	–	59
Bank overdraft	–	937	–	937
	<b>59</b>	<b>937</b>	<b>–</b>	<b>996</b>

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## Notes to the accounts (continued)

as at 31 August 2008

### 19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

31 August 2007

	At amortised cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
<b>Assets as per the Balance sheet</b>				
Investments	–	–	8,542	8,542
Debtors	–	18	–	18
Cash at bank	–	382	–	382
<b>Total</b>	<b>–</b>	<b>400</b>	<b>8,542</b>	<b>8,942</b>
<b>Liabilities as per the Balance sheet</b>				
Creditors	91	–	–	91

### 20 RELATED PARTY TRANSACTIONS

Under the terms of the agreement dated 28 June 2001, the Company has appointed Chelverton Asset Management Limited to be the Investment Manager. The fee arrangements for these services and fees payable are set out in the Report of the Directors on page 16 and in note 3 to the accounts. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited and CEPS PLC. 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).

### 21 POST BALANCE SHEET EVENTS

Since 31 August 2008 there has been a further period of stock market volatility resulting in a reduction in the value of the investment portfolio. The value of the investment portfolio has also been reduced by realisation of investments.

As at the close of trading on 31 October 2008 the value of the investment portfolio stood at approximately £3,780,000 following the net disposal of investments since 31 August 2008 which realised approximately £343,000.

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## 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:	Share Registrars Limited	Tel: 01252 821390 <a href="http://www.shareregistrars.uk.com">www.shareregistrars.uk.com</a>
Investment Manager:	Chelverton Asset Management Limited	Tel: 01225 483030
Company website:		<a href="http://www.chelvertonam.com">www.chelvertonam.com</a>

Postal address details are shown on page 11.

### Sources of further information

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

### Key dates

August	Company year end
November	Annual results
December	AGM
April	Half-year results

### Frequency of NAV publication

The Company's net asset value is released to the Stock Exchange monthly and are posted to the Company's website: [www.chelvertonam.com](http://www.chelvertonam.com).

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## 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 Chelverton Asset Management Limited, 9 Dartmouth Street, London SW1H 9BP at 11.30 am on Wednesday, 17 December 2008 for the following purposes:

### Ordinary business

1. To receive and adopt the financial statements for the year ended 31 August 2008, 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 2008.
3. To re-elect Mr D A Horner as a Director of the Company.
4. To re-elect Mr K J Allen as a Director of the Company.
5. To appoint Hazlewoods 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.

6. 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 for five years 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 £14,865 and shall expire on the date which is fifteen months after the date of passing of this resolution or 14 December 2009, 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.
7. THAT, subject to the passing of Resolution 6 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 £14,865.
  - ii) the sale of shares which, immediately before such sale, were held by the Company as treasury shares.
8. 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 2,228,238 (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;

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## Notice of Annual General Meeting (continued)

- (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.
9. THAT, the new Articles of Association, a copy of which was produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification, be hereby approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

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

By Order of the Board  
**Capita Sinclair Henderson Limited**  
Secretary  
7 November 2008

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## Notice of Annual General Meeting (continued)

### NOTES:

- A member entitled to attend, vote and speak at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL not later than 48 hours before the time of the meeting. The appointment of a proxy will not prevent a member from attending the meeting and voting and speaking in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll shall have one vote for every Ordinary share of which he/she is the holder.*

*In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority shall be determined by the order in which the names of the holders stand in the register.*

*Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office.*
- A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.*
- The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.*
- As at 7 November 2008 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 14,864,827 Ordinary shares carrying one vote each. The total voting rights of the Company as at 7 November 2008 was 14,864,827.*
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered on the Register of Members of the Company as at 11.30 am on 15 December 2008 (or in the event that the meeting is adjourned, only those Shareholders registered on the Register of Members of the Company as at 11.30 am on the day which is 48 hours prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.*
- In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that: (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate Shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate Shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in paragraph (i) of this Note 6.*

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7. *The following documents will be available for inspection at the registered office of the Company, Capita Sinclair Henderson Limited, Beaufort House, 51 New North Road, Exeter, EX4 4EP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the offices of Chelverton Asset Management Limited, 9 Dartmouth Street, SW1H 9BP from 11.15 am until the conclusion of the meeting:*
- a) *A copy of the Articles of Association of the Company as proposed to be adopted with effect from the passing of resolution 9.*
  - b) *A copy of the current Articles of Association of the Company.*
8. *CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.*
- In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID R054) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.*
- CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.*
- The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.*
9. *Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.*

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## Appendix

### Resolution 9.

#### Summary of material changes to the Company's Articles of Association

##### 1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 ('the 2006 Act') are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples include provisions as to the form of resolutions, the requirement to keep accounting records, provisions regarding the period of notice required to convene general meetings, the requirement to prepare and lay accounts before the Company's members and the requirement to send accounts to the members.

##### 2. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the 2006 Act. Further, the remainder of the provision is reflected in full in the 2006 Act.

The Current Articles enable members to act by written resolution. Under the 2006 Act public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

##### 3. Convening General and Annual General Meetings

3.1 The New Articles reflect the fact that the 2006 Act does not contain any references to extraordinary general meetings of shareholders. Under the 2006 Act, any meeting other than an annual general meeting is simply classified as a general meeting.

3.2 The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

##### 4. Votes of members

The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles give the Directors discretion, when calculating the time limits, to exclude weekends and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

##### 5. Age of directors on appointment

The Current Articles contain a provision stating that where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

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## Appendix (continued)

### 6. Conflicts of interest

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another investment trust (or other company) or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The 2006 Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

### 7. Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

### 8. Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the 2006 Act.

### 9. Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the Articles of Association and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

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## Appendix (continued)

### 10. Electronic and web communications

The New Articles continue to allow communications to members in electronic form and, in addition, permit the Company to take advantage of the new provisions in the 2006 Act relating to website communications. The 2006 Act now provides that the Company can communicate with a member by means of website communication; the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

### 11. Directors' indemnities

The 2006 Act further provides that a company which is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. It is therefore proposed that the indemnity provisions in the Current Articles are widened in order to reflect this change.

It should be noted that the amendments to the New Articles do not of themselves force either the Company or any individual shareholder to send or receive any notices, documents or information electronically. They will however, allow the Company to approach shareholders in the future for their individual agreement to use electronic mail and/or to publish on its website communications of the Company.

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## 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 Chelverton Asset Management Limited, 9 Dartmouth Street, London, SW1H 9BP at 11.30 am on Wednesday, 17 December 2008, and at any adjournment thereof.

Signature .....

Date ..... 2008

Please mark this box to indicate that this proxy appointment is one of multiple appointments being made (see note 7).

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

		FOR	AGAINST	WITHHELD
<b>RESOLUTION 1</b>	To adopt the financial statements for the year ended 31 August 2008, together with the Reports of the Directors and Independent Auditors thereon.			
<b>RESOLUTION 2</b>	To receive and accept the Directors' remuneration report.			
<b>RESOLUTION 3</b>	To re-elect Mr D A Horner as a Director of the Company.			
<b>RESOLUTION 4</b>	To re-elect Mr K J Allen as a Director of the Company.			
<b>RESOLUTION 5</b>	To appoint Hazlewoods LLP as Auditors to the Company, and to authorise the Directors to determine their remuneration.			
<b>RESOLUTION 6</b>	To authorise the Directors to allot shares other than in accordance with statutory pre-emption rights.			
<b>RESOLUTION 7</b>	To authorise the Directors to issue shares previously held in treasury at a discount to net asset value.			
<b>RESOLUTION 8</b>	To authorise the Company to renew its authority to make market purchases of its Ordinary shares.			
<b>RESOLUTION 9</b>	To adopt new Articles of Association.			

**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 proxy 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 not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting. Only those shareholders registered in the register of members 48 hours prior to the meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the 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 and against the resolution. The "vote withheld" option is provided to enable you to instruct the registered holder to abstain from voting.
7. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline or you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

Do not affix Postage Stamps if posting in  
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