
CHELVERTON GROWTH TRUST PLC

Half Yearly Report

for the six months ended 28 February 2013

Investment objective

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

Investment policy

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

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

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

It is intended from time to time, when deemed appropriate, that the Company will borrow for investment purposes. The Company, however, does not currently have any borrowing facilities.

Investment strategy

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

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

Interim management report

The Company's net asset value per share has increased in the last six months from 35.74p to 42.04p, an increase of 17.6%. In the same period the Company's benchmark index, the MSCI Small Cap UK index increased by 18.3 %.

In the last few months the Euro sovereign debt problems have re-emerged with the position of Cyprus causing great concern through Europe and even affecting Russia, and this contagion is focusing attention again on Portugal, Greece, Italy and France. Only when the European debt position is demonstrably resolved, in the distant future, will companies and stock markets begin to perform as history has shown they can.

The continued "rebalancing" of the British Economy away from Oil and Gas production and Financial services to modest growth in almost every other sector, and from public spending to private sector growth is taking its toll. The net effect of this slow, but necessary, change, manifests itself in the overall economy as very weak, or at times, no GDP growth. This process, politics allowing, needs to continue for many more years to achieve the right balance between the private sector – wealth creating, and the public sector – service provider.

In the past six months a gradual rebalancing of the portfolio has taken place with the large holding in IDOX being steadily sold as the share price continued to rise strongly. The cash proceeds were partially used to fund the tender offer for 10% of the share capital, and to invest in Main Dental Partners, a buy and build dental group and Airways International, a start-up company providing services to the Repair, Maintenance and Overhaul of jet planes. Longer term shareholders will recall the significant profits that were made in the past in Oasis Healthcare, a buy and build dental group.

Significant increases in value were recognised by the Board, prior to the tender offer, in Parmenion Capital Partners, One Horizon Group and Closed Loop Recycling. Significant growth has taken place in these three companies since the valuation date and we would expect further valuation uplifts by the year end.

Transflex, a vehicle hire company, which was a start-up when we invested a year ago is performing extremely well and the fund has invested an additional £100,000 for development capital, taking the investment to £200,000 being 10% of the company. It is likely that further funding will be required to finance the continued growth.

On the other side of the ledger we are disappointed to report that Metalrax went into Administration in early April and this was our first total casualty for several years. In addition the shares in Belgravium have declined sharply over the past six months as the trading performance has disappointed.

Elsewhere in the fund the shares in Sanderson have risen strongly recognising improved prospects and Datong having announced they had received a takeover approach went up some 50%.

The tender offer proceeded smoothly and an additional 1,188,423 shares were cancelled. In the absence of any unexpected events it will be the Board's intention to repeat the process again this year.

Looking through to the second half of the year the global macro outlook is improving, led by the US, and most forecasters believe that the UK will produce more encouraging growth over the second half of the year.

Principal risks and uncertainties

The Board considers that the principal risks and uncertainties facing the Company for the remaining six months of the financial year remain the same as those disclosed in the interim management report on page 2 and also on pages 11 and 12 of the Report of the Directors in the Annual Report for the year ended 31 August 2012. These risks include market risk, discount volatility, regulatory risks, financial risk and liquidity risks.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements for the six months to 28 February 2013, prepared in accordance with the Statement on Half Yearly Financial Reports issued by the UK Accounting Standards Board, gives a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the interim management report together with the notes to the Half Yearly Report include a fair review of the information required by;
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Yearly Report was approved by the Board of Directors on 29 April 2013 and the above responsibility statement was signed on its behalf by George Stevens, Chairman.

Going concern

The Directors believe, bearing in mind the nature of the Company's business and assets, 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.

Portfolio review

as at 28 February 2013

The Company's portfolio as at 28 February 2013 is set out below.

Investment	Sector	Valuation £'000	% of total
AIM traded			
Alliance Pharma	Pharmaceuticals & Biotechnology		
Acquisition of the manufacturing, sales and distribution rights to pharmaceutical products		276	6.33
Belgravium Technologies	Technology Hardware & Equipment distribution		
Software systems for warehousing and distribution		188	4.29
CEPS	Support Services		
Production and supply of components for the footwear industry; personal protection equipment; production of printed lycra fabric; and services to the direct mail industry		245	5.61
Datong Electronics	Electronic & Electrical Equipment		
Develops, manages and supplies covert tracking and surveillance systems		94	2.15
IDOX	Software & Computer Services		
Software company specialising in the development of products for document and information management		603	13.81
Lombard Risk Management	Software & Computer Services		
Lombard Risk is one of the world's leading providers of collateral management, liquidity analysis and regulatory compliance software to financial organisations		185	4.24
LPA Group	Electronic & Electrical Equipment		
Design, manufacture and marketing of industrial electrical accessories		165	3.78
Metalrax Group *	Industrial Engineering		
Specialist engineered products and consumer durables		67	1.55
MTI Wireless Edge	Technology Hardware & Equipment		
Developer and manufacturer of sophisticated antennas and antenna systems		46	1.04
Northbridge Industrial Services	Industrial Engineering		
Consolidation vehicle for specialist industrial hire services		150	3.44
Petards International Group	Support Services		
Development, provision and maintenance of advanced security systems and related services		100	2.29
Richoux Group	Travel & Leisure		
Owner and operator of Richoux Restaurants		61	1.40
Sanderson Group	Software & Computer Services		
Provides software and IT services		159	3.64

Portfolio review (continued)

as at 28 February 2013

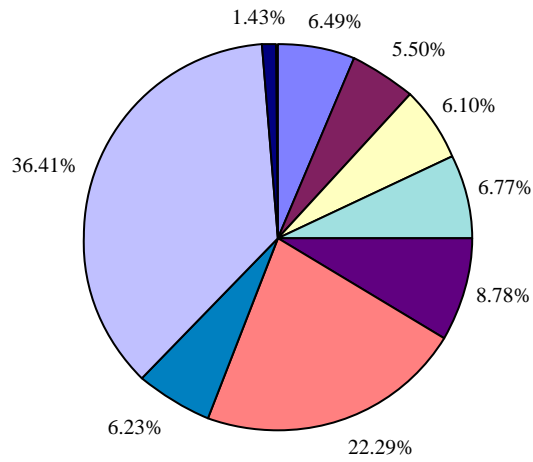
Investment	Sector	Valuation £'000	% of total
Security Research Group	Support Services		
Leading provider of Local Authority residential property searches; provision of packaging solutions and technical surveillance countermeasures components		104	2.38
Titan International Inc	Industrial Engineering		
Manufacture of big wheels for construction, mining and agricultural vehicles		156	3.58
Tristel	Health Care Equipment & Services		
Healthcare business specialising in infection control in hospitals		88	2.02
Universe Group	Support Services		
Provision of credit card fraud prevention system, loyalty systems and retail systems		24	0.55
<i>Delisted</i>			
One Horizon Group	Mobile Telecommunications		
Provider of software and associated equipment in VoIP and bandwidth optimisation		318	7.30
<i>Unquoted</i>			
Airways International	Support Services		
<i>Ordinary shares</i>		5	0.11
<i>Loanstock</i>		45	1.03
Commercial aviation maintenance			
Closed Loop Recycling	Support Services		
<i>Ordinary B shares</i>		0	0
<i>Loanstock</i>		84	1.92
Operation of a plastic (PET and HDPE) recycling plant			
Parmenion Capital Partners	Support Services		
Provides fund-based discretionary fund management services to Independent Financial Advisors		553	12.65
Anaxsys Technology	Health Care Equipment & Services		
A medical device company for patient monitoring and screening		200	4.58
Main Dental Partners	Support Services		
<i>Ordinary shares</i>		175	1.72
<i>Loanstock</i>		75	4.01
Operator of dental surgeries			
Transflex Vehicle Rental	Support Services		
Light commercial vehicle rental		200	4.58
Portfolio valuation		4,366	100.00

* In administration

Portfolio of investments

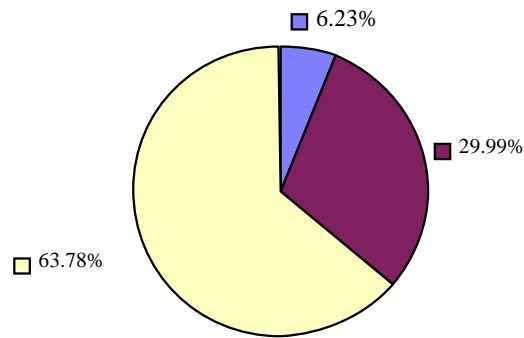
<u>Investment</u>	28 February 2013		31 August 2012	
	<u>Valuation</u>	<u>% holding</u>	<u>Valuation</u>	<u>% holding</u>
IDOX	603	13.8	1,057	27.3
Parmenion Capital Partners	553	12.7	398	10.3
One Horizon Group	276	7.3	59	1.5
Alliance Pharma	318	6.3	223	5.7
Main Dental Partners	250	5.7	0	0.0
CEPS	245	5.6	227	5.8
Anaxsys Technology	200	4.6	200	5.2
Transflex Vehicle Rental	200	4.6	100	2.6
Belgravium Technologies	188	4.3	350	9.0
Lombard Risk Management	185	4.2	116	3.0
LPA Group	165	3.8	214	5.5
Sanderson Group	159	3.6	105	2.7
Titan Europe	156	3.5	118	3.0
Northbridge Industrial Services	150	3.4	131	3.4
Security Research	104	2.4	149	3.8
Petards International Group	100	2.3	14	0.4
Datong Electronics	94	2.1	64	1.6
Tristel	88	2.0	124	3.2
Closed Loop Recycling	84	1.9	0	0.0
Metalrax Group	67	1.6	130	3.4
Richoux Group	61	1.5	47	1.2
MTI Wireless Edge	46	1.1	37	1.0
Airways International	50	1.2	0	0.0
Universe Group	24	0.5	14	0.4
Total	4,366	100.0	3,877	100.0

Percentage of portfolio by sector



Pharmaceuticals & Biotechnology	Technology Hardware & Equipment Distribution
Electronic and electrical equipment	Healthcare equipment and services
Industrial engineering	Software & Computer Services
Mobile Telecommunications	Support Services
Travel and leisure	

Percentage of portfolio by index



Delisted	Unquoted	AIM
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Portfolio breakdown by sector and by index

Income statement (unaudited)

for the six months to 28 February 2013

	Six months to 28 February 2013			Year to 31 August 2012			Six months to 29 February 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	–	773	773	–	647	647	–	352	352
Income	14	–	14	77	–	77	38	–	38
Investment management fee*	(6)	(17)	(23)	(10)	(31)	(41)	(5)	(15)	(20)
Refund of VAT on administration and secretarial fees	–	–	–	40	–	40	–	–	–
Other expenses	(61)	–	(61)	(128)	–	(128)	(28)	–	(28)
Net return on ordinary activities before taxation	(53)	756	703	(21)	616	595	5	337	342
Taxation on ordinary activities	–	–	–	–	–	–	–	–	–
Net return on ordinary activities	(53)	756	703	(21)	616	595	5	337	342
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence	pence	pence	pence
Return per Ordinary share[#]	(0.5)	7.15	6.65	(0.17)	4.97	4.80	0.04	2.60	2.64

Notes

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

The return per Ordinary share is based on 10,570,998 (31 August 2012: 12,389,652; 29 February 2012: 12,951,672) shares, being the weighted average number of shares in issue during the period.

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

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

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

Reconciliation of movements in shareholders' funds (unaudited)

for the six months to 28 February 2013

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Six months to 28 February 2013						
1 September 2012	119	2,674	(1,241)	70	2,590	4,212
Cost of shares purchased for cancellation under tender offer and buyback offer	(13)	–	–	13	(503)	(503)
Net return after taxation for the period	–	–	756	–	(53)	703
28 February 2013	106	2,674	(485)	83	2,034	4,412
Year to 31 August 2012						
1 September 2011	132	2,674	(1,857)	57	3,043	4,049
Cost of shares purchased for cancellation under tender offer	(13)	–	–	13	(406)	(406)
Cost of shares purchased for Treasury	–	–	–	–	(26)	(26)
Net return after taxation for the year	–	–	616	–	(21)	595
31 August 2012	119	2,674	(1,241)	70	2,590	4,212
Six months to 29 February 2012						
1 September 2011	132	2,674	(1,857)	57	3,043	4,049
Cost of shares purchased for cancellation under tender offer	(13)	–	–	13	(406)	(406)
Net return after taxation for the period	–	–	337	–	5	342
29 February 2012	119	2,674	(1,520)	70	2,642	3,985

Balance sheet (unaudited)

as at 28 February 2013

	As at 28 February 2013 £'000	As at 31 August 2012 £'000	As at 29 February 2012 £'000
Fixed assets			
Investments at fair value	4,366	3,877	3,994
Current assets			
Debtors	4	9	7
Cash at bank	102	364	32
	<u>106</u>	<u>373</u>	<u>39</u>
Creditors – amounts falling due within one year			
Creditors	60	38	48
	<u>60</u>	<u>38</u>	<u>48</u>
Net current (liabilities)/assets	<u>46</u>	<u>335</u>	<u>(9)</u>
Net assets	<u>4,412</u>	<u>4,212</u>	<u>3,985</u>
Share capital and reserves			
Share capital	106	119	119
Share premium account	2,674	2,674	2,674
Capital reserve	(485)	(1,241)	(1,520)
Capital redemption reserve	83	70	70
Revenue reserve	2,034	2,590	2,642
	<u>4,412</u>	<u>4,212</u>	<u>3,985</u>
Equity shareholders' funds	<u>4,412</u>	<u>4,212</u>	<u>3,985</u>
Net asset value per Ordinary share (note 1)	<u>42.04p</u>	<u>35.74p</u>	<u>33.53p</u>

Statement of cash flows (unaudited)

for the six months to 28 February 2013

	Six months to 28 February 2013 £'000	Year to 31 August 2012 £'000	Six months to 29 February 2012 £'000
Operating activities	14	71	32
Investment income received			
Interest income received	–	6	6
Investment management fees paid	(22)	(41)	(20)
Secretarial fees paid	(22)	(49)	(20)
Other cash payments	(23)	(86)	(14)
	<hr/>	<hr/>	<hr/>
Net cash outflow from operating activities (note 3)	(53)	(59)	(16)
	<hr/>	<hr/>	<hr/>
Investing activities	(447)	(714)	(100)
Purchases of investments			
Sales of investments	740	1,539	513
	<hr/>	<hr/>	<hr/>
Net cash inflow from investing activities	293	825	413
	<hr/>	<hr/>	<hr/>
Financing			
Cost of shares purchased for Treasury		(26)	
Cost of shares purchased for cancellation under tender offer and buyback offer	(502)	(406)	(395)
	<hr/>	<hr/>	<hr/>
Net cash outflow from financing activities	(502)	(432)	(395)
	<hr/>	<hr/>	<hr/>
Increase/(decrease) in cash	(262)	334	2
	<hr/>	<hr/>	<hr/>

Notes to the half yearly report

The unaudited interim financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 August 2012, which contained an unqualified auditors' report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 (2) or (3) of the Companies Act 2006. The financial information for the period ended 28 February 2013 and 29 February 2012 has not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews.

This information has been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year to 31 August 2012.

1 Net asset value

The basic net asset value per Ordinary share is based on net assets of £4,412,000 (31 August 2012: £4,212,000; 29 February 2012: £3,985,000) and on 10,495,860 Ordinary shares (31 August 2012: 11,784,283; 28 February 2012: 11,884,283) being the number of Ordinary shares in issue at the period end.

2 Taxation

The tax charge for the six months to 28 February 2013 is nil (year to 31 August 2012: nil; six months to 29 February 2012: nil).

The Company has an effective tax rate of 0% for the year ending 31 August 2012. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an Investment Trust and there is expected to be an excess of management expenses over taxable income.

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

	Six months to 28 February 2013 £'000	Year to 31 August 2012 £'000	Six months to 29 February 2012 £'000
Net return before finance costs and taxation	703	595	342
Net capital return before finance costs	(756)	(616)	(337)
Expenses charged to capital	(17)	(31)	(15)
Increase in creditors and accruals	22	(7)	(8)
Decrease/(increase) in prepayments and accrued income	(5)	-	2
Net cash outflow from operating activities	<u>(53)</u>	<u>(59)</u>	<u>(16)</u>

4 Called up share capital

Pursuant to the Tender Offer, 1,188,423 Ordinary shares were repurchased for cancellation on 6 February 2013. Following the Tender Offer and buyback offer there are 10,495,860 Ordinary shares in issue (31 August 2012: 11,784,283; 29 February 2012: 11,884,283).

5 Related party transactions

Chelverton Asset Management Limited acts as the Investment Manager. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited. He is also a director of CEPS PLC, in which the Company has an investment. At 28 February 2013 there was £3,000 (31 August 2012: £3,000; 29 February 2012: £3,000) payable to the Investment Manager.

6 Status of Company

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

Notes

Directors and advisers

Directors

George Stevens (Chairman)
Kevin Allen
David Horner

Investment Manager

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www.shareregistrars.uk.com

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Custodian and Banker

Jarvis Investment Managers
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Royal Tunbridge Wells
TN4 8BS
Tel: 01892 510 515

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

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