COMPANY NUMBER 2989519

CHELVERTON GROWTH TRUST PLC

Annual Report

for the year ended 31 August 2002

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.

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Company summary

Policy and objectives	Presented opposite
Benchmark	FTSE All-Share Index
Management Company	Chelverton Asset Management Limited See page 12 for further details.
Total net assets	£5,151,000 as at 31 August 2002
Market capitalisation	£3,777,000 as at 31 August 2002
Capital structure	18,883,045 Ordinary 1p shares
Wind-up date	March 2009
Management fee	1/6% per month of funds under management under £15 million, 1/8% per month for funds under management between £15 million and £30 million, and 1/12% per month of funds under management in excess of £30 million. See page 14 for further details.
PEP/ISA status	The Company is fully eligible for inclusion in PEPs and ISAs
AITC	The Company is a member of the Association of Investment Trust Companies

Performance statistics

	Year ended 31 August 2002	Period ended **31 August 2001
Net assets	**£5,151,000**	£6,300,000
Net asset value per share	**27.28p**	34.33p
FTSE All-Share Index	**2,046.21**	2,590.17
Share price	**20.00p**	31.00p
Discount to net asset value	**(26.69)%**	(9.70)%
Revenue return after taxation	**(£166,000)**	(£177,000)
Revenue return per share	**(0.88)p**	(1.53)p
Capital return per share	**(6.24)p**	(7.88)p
Cost of running the trust	**6.43%**	5.57%

** The comparatives are for the period 1 January 2001 to 31 August 2001 and include figures for the Company's subsidiary, The Micro Quoted Growth Trust plc, from 2 August 2001 onwards.

Chairman's statement

The state of investment markets around the world has been widely covered. It is abysmal, and our Manager, David Horner, provides, with both insight and clarity, on the next pages a discussion of current circumstances. Clearly, your Company has been hit by the prevailing gloom: our net asset value at the end of the year was 27.28p, down from 34.33p at the beginning of the year, a decline of 20.54%. Our benchmark index, the FTSE All-Share, declined during the same period by 21.00%.

Your Board remains convinced that this environment will change. We can have no idea of precisely when that will happen, but our policy remains to seek opportunities and to vacate positions which our Manager no longer considers attractive.

We have also focused on the matters which we can directly control. Our balance sheet has been strengthened with net bank debt reducing by 37% over the year. Through the reduction in board members from eight to four occasioned by last year's merger, the year on year reduction in Directors' remuneration is 46%.

The wide discount of the share price to the net asset value per share has been of concern to the Board. In an attempt to ameliorate the position, authority is to be sought at the forthcoming Annual General Meeting for the purchase by the Company of up to 14.99% of the issued share capital. Any purchase under this authority will only be made at a price below the prevailing net asset value.

During the year the Directors purchased a total of 221,917 shares in the Company and David Horner increased his holding to 641,368 shares.

It is more difficult than ever to forecast the timing of a recovery in investment markets. We believe, however, that our portfolio contains some very promising companies, and that when the markets turn, which they inevitably will, our portfolio will be well placed to participate in the rise that will occur.

We believe that the current environment will yield new investment opportunities as company valuations start to look attractive. We are well positioned to take advantage of such opportunities as and when they arise, and continue to carefully monitor a number of potential investments.

Pratt Thompson, Chairman
4 November 2002

Manager's overview

Market review

Much of what I wrote in this same overview a year ago unfortunately remains appropriate today. This last year has again been very challenging with the reaction to the excesses of the technology "bubble" still being felt in the smaller company sector.

The collapse of major companies like Marconi, Enron and Worldcom and the gradual demise of so many smaller companies, launched with significant fund raising only to disappoint and disappear, continues to drag better companies down. The general worldwide economic slowdown was already evident prior to the attacks of 11 September but those events naturally led to a period of reflection and further reduction in activity. In addition, the continuing unstable political world with the attacks on New York, the war in Afghanistan and the tensions in the Middle East and the Indian sub-continent, does not lend itself to economic growth.

At the moment investors, both institutional and individual, are shell-shocked having tried investing at various times in the past year in the belief that things had bottomed out, only to discover this was not the case. Investors are now taking no action on the premise that this will probably not lose them any more money.

Having experienced a decade of generally rising FTSE 100 share prices the investing public has had to come to terms with the fact that even the largest companies' share prices go down and that these companies can, as in the case of Marconi, lose them all of their money. Unfortunately this has not been, and sadly will not be, translated into greater investment interest in smaller quoted companies, many of which represent far greater value than the constituents of the FTSE 100.

During this period the Alternative Investment Market ("AIM"), which began life in 1994, has fallen to an historic low in line with the FTSE 100, and has dried up as a source of capital for growing companies. Similarly, the venture capital or private equity groups have wasted so much money in the past three years chasing the illusory technology companies, that they have largely disappeared as backers of Management Buy-Outs of public companies.

On the world scene the central banks around the world have cut interest rates regularly to maintain consumer confidence and to try to kick-start economic activity. To date these cuts have had only limited success, helping, in the UK, to fuel a house price boom and encourage massive personal indebtedness. At the moment inflation, apart from the public sector, is effectively nil and in reality we are close to a more worrying situation of general deflation.

Expectations for growth need to be scaled back and time horizons need to be extended. In the past, with inflation in high single figures or at times in double figures, problems and weaknesses were, in time, "dealt with". People's expectations for growth in wealth and lifestyle need to be severely reduced to reflect the forthcoming period of low or no growth.

Portfolio review

As our shareholders are aware, in running a small companies portfolio one has to take advantage of brief periods of liquidity to sell down holdings. During this period we have sold our entire holdings in Assurity, Murray Financial, Bizzbuild, Compel, Stenoak, William Ransom and Victoria. We have also reduced our holdings in Howle Holdings, Ennstone, Oasis Healthcare and Belgravium Technologies.

We were able to sell the Stenoak holding at a healthy profit which in hindsight, given the eventual and sudden receivership of the company, was a relief.

Manager's overview (continued)

Victoria, a carpet manufacturer based in the West Midlands, was sold at a very small capital loss, before taking account of a substantial special dividend for a net positive return. It is an extremely well run company in a poorly rated sector. However, we concluded that the outlook for this sector is going to be very difficult and were able to sell to a very long-term investor.

We made a significant profit on Assurity, an unquoted start-up disaster recovery business, for which we had put together the original funding. However it was disappointing that our venture capital partners would only consider selling and were not prepared to take the company onto the next stage of development, for which finance was available. Given that much of the hard work had been done we feel that over a further two-year period further significant gains would have been made.

During this period we have added to our holding in Springhealth, which is consolidating its position as an operator of middle market health clubs and could, in time, be acquired by a larger group. Further investments were made in Pennant International and Universe as part of placings.

We have over the past year been looking at many of the fallen technology-related companies and have started to make a number of investments in companies that we believe have been misunderstood, or which are beginning to show progress and whose shares are now undervalued. Last year we acquired shares in Communitie.com, now sensibly renamed as Stanley Gibbons, and, in this period, in Hot Group, an internet-based recruitment business; K3 Business Technology, a supply chain management software supplier; and I-document Systems, a company that provides internet-based tools for document, information and content management.

One of our investments, Locker Holdings, took the unusual step of de-listing from the Stock Market and is now an unquoted public company. The management did this to facilitate a disposal programme, which it now has underway. Whilst we hold the investment at the price at which the shares were de-listed, we are very hopeful that in time the eventual proceeds will exceed this. It is further evidence of the lack of equity available for good management teams capable of acquiring and rationalising business sectors.

Companies that continue to do well include: Merrydown, the producer of *Schloer* and premium cider; Bioquell, a company developing a patented system of bio-decontamination for cleansing hospitals of so-called "superbugs"; and Oasis Healthcare, a "buy and build" dental business, which has more than doubled in size in the past year and has moved into profit. Chelverton Asset Management Limited ("CAM"), the manager of Chelverton Growth and in whom Chelverton Growth has a 25% shareholding, has had a very successful year, with one of the funds under their management being awarded "The Best Performing Smaller Company Fund" for 2001 by PriceWaterhouseCoopers. CAM has also recently been appointed as the fund manager to Premier UK Smaller Companies Fund, a unit trust from the Premier Asset Management plc stable.

The worst investment has been Wineworld, which had been making good steady progress until 11 September events hit both its corporate bookings and its visitor numbers. The company has had a further rights issue in which it was decided not to participate.

Manager's overview (continued)

Outlook

The stock market continues to test levels last seen seven years ago and the more challenging economic environment continues to undermine confidence. Further issues of concern to the sector are the withdrawal of major institutions, who are concentrating more and more resources on larger companies and of the private investors who have lost money in their "dependable blue-chips" and their speculative technology investments.

However, once we have moved through this period of uncertainty the fundamentals of the UK economy, which are in general positive, will in time restore confidence and investors will recognise the value to be had in these shares. We also believe that both UK and USA based venture capital investors will return to seek out value situations and that, coupled with continuing emphasis on directors' share buying and companies buying back their shares for cancellation, valuations will gradually rise back to more sensible levels.

David Horner
Chelverton Asset Management Ltd
4 November 2002

Portfolio review

as at 31 August 2002

Investment	Sector	Valuation £'000	% of total
Quoted			
Merrydown Maker of Schloer fruit drinks and Merrydown cider	Beverages	603	10.5
Bioquell Manufacture and supply of healthcare equipment and related products and services	Health	682	11.9
Dinkie Heel Manufacture and supply of components to the footwear industry and specialist rubber components for personal protection	Household Goods & Textiles	71	1.2
Howle Holdings Manufacture of engineers' cutting tools and hard-wearing tungsten carbide products	Engineering & Machinery	229	4.0
Ennstone Quarrying, manufacture and supply of natural dimensional stone products for the building and construction industry	Construction & Building Materials	387	6.7
Metrodome DVD and video distributor, specialising in the family entertainment arena	Media & Photography	60	1.1
Newmark Technology Electronic access control products and asset tagging products	Security	142	2.5
Springhealth Leisure Management of health clubs and related businesses in the leisure sector	Leisure, Entertainment & Hotels	112	1.9
LPA Group Design, manufacture and marketing of industrial electrical accessories	Electronic & Electrical Equipment	66	1.1
Hartest Holdings Manufacture and sale of specialist healthcare equipment and supplies to users of electron microscopes	Engineering & Machinery	217	3.8
Clipper Ventures The running of round-the-world yacht races	Leisure, Entertainment & Hotels	200	3.5
Jamies Bars Owner and operator of bars in the City and Central London	Leisure, Entertainment & Hotels	246	4.3
Auto Indemnity The provision of non-fault accident management services	Support Services	522	9.1
Pennant International Delivery of integrated logistic support solutions	Support Services	75	1.3
Oasis Healthcare Dental practices group	Health	336	5.8
Madisons Coffee Owner and operator of speciality coffee bars	Food & Drug Retailers	77	1.3

Portfolio review (continued)

as at 31 August 2002

Investment	Sector	Valuation £'000	% of total
Quoted			
Universe Provision of credit card fraud prevention system	Support Services	129	2.2
Conder Environmental Supply of oil spill recovery equipment; industrial pollution control equipment and provision of glass reinforced plastic oil/water separators	Engineering & Machinery	89	1.6
AWG Services Cash shell, with residual canal boat assets	Leisure, Entertainment & Hotels	39	0.7
Transport Systems Supply of traffic management services	Transport	89	1.5
Protec Development, assembly and marketing of electronic security and information systems and services for commercial and industrial applications	Support Services	53	0.9
Belgravium Technologies Software systems for warehousing and distribution	Engineering & Machinery	170	3.0
Stanley Gibbons Operates the business of Stanley Gibbons through its websites for the stamp and collectibles market	General Retailers	105	1.8
Hot Group Internet based IT recruitment services	Support Services	34	0.6
Capcon The provision of audit and stocktaking, and commercial investigation services	Speciality & Other Finance	60	1.0
I-document Systems Software company specialising in the development of products for document content and information	Software & Computer Services	279	4.8
K3 Business Technology Supply and maintenance of software systems	Software & Computer Services	112	2.0
Genus Breeding, agricultural consultancy and the distribution of animal healthcare and licensed products for the veterinary market	Support Services	103	1.8
Austin Reed Specialist retailer, manufacturer and licensor of quality clothing for men and women	General Retailers	28	0.5

Portfolio review (continued)

as at 31 August 2002

Investment	Sector	Valuation £'000	% of total
Unquoted			
Locker Holdings	Engineering & Machinery	156	2.7
Manufacturer of specialised mechanical handling equipment, filtration equipment, woven wire, wire products and perforated metal products			
Chelverton Asset Management	Fund Management	250	4.3
Manager of Chelverton Growth Trust, BFS Small Companies Dividend Trust and Premier UK Smaller Companies Unit Trust			
Wineworld	Leisure, Entertainment & Hotels	9	0.2
Management of Vinopolis, a London based project encompassing wine tasting, retail stores, restaurants and corporate hospitality			
Music Minutes	Leisure, Entertainment & Hotels	25	0.4
Owns and manages an on-line currency for use in sales promotion and loyalty campaigns			
Portfolio valuation		**5,755**	**100.0**

All the above investments are listed, or traded on the Alternative Investment Market, except Locker, Chelverton Asset Management, Music Minutes and Wineworld, which are unquoted. The investments are all equities with the exception of Music Minutes which is a loan stock.

During this period the shareholdings in Murray Financial, Bizzbuild, Stenoak, William Ransom, Compel, Victoria and Assurity have been sold.

Portfolio breakdown by Sector and by Index

Percentage of Portfolio by Sector

Percentage of Portfolio by Index

Directors

The Directors are:

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

Kevin Allen 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 Transport Systems PLC.

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

Manager, Secretary and Advisers

Investment Manager
Chelverton Asset Management Limited
11 George Street, Bath BA1 2EH

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

Secretary and Registered Office
Sinclair Henderson Limited
23 Cathedral Yard, Exeter EX1 1HB

Sinclair Henderson Limited provides company secretarial and administrative services for the Company. It provides similar services for a number of other investment trusts. Sinclair Henderson Limited is a subsidiary undertaking of Exeter Investment Group plc.

Registrar and Transfer Office
Capita IRG Plc
390–398 High Road
Ilford, Essex IG1 1NQ

Stockbrokers
Seymour Pierce Limited
29–30 Cornhill, London EC3V 3NF

Bankers

Lloyds TSB Bank Plc	HSBC Bank Plc
234 High Street	Mariner House, Pepys Street,
Exeter EX4 3NL	London EC3N 4DA

Auditors
Ernst & Young LLP
Rolls House, 7 Rolls Buildings
Fetter Lane, London EC4A 1NH

Solicitors
The City Law Partnership
99 Charterhouse Street
London EC1M 6NQ

A member of the Association of Investment Trust Companies. An investment company as defined under Sections 265 and 266 of the Companies Act 1985.
REGISTERED IN ENGLAND No. 2989519

Report of the Directors

The Directors present their report and audited financial statements for the year ended 31 August 2002.

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

Status and principal activity

The principal activity of the Company is to carry on business as an investment trust. The Company has conducted its affairs so as to enable it to receive approval from the Inland Revenue as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 August 2002. It has subsequently directed its affairs so as to enable it to continue to receive such approval. In accordance with the provisions of Section 265 and 266 of the Companies Act 1985, the Company is an investment company. The Directors do not envisage any change in this activity in the future. A description of activities in the year under review is given in the Chairman's statement on page 3 and the Manager's overview on pages 4 to 6.

Results and dividend

The results for the year and the proposed transfer from revenue reserves are set out in the consolidated statement of total return on page 21.

The Directors do not recommend a dividend for the year.

Directors

The Directors in office during the year are as shown on page 11:

Mr Kevin Allen will retire at the Annual General Meeting in accordance with the terms of the Articles of Association and, being eligible, will offer himself for re-election.

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. Kevin Allen is a director and employee of Transport Systems PLC, in which the Company has an investment.

Directors' beneficial and family interests

The interests of the Directors and their families in the Ordinary shares of the Company are set out below:

	At 31 August 2002	At 31 August 2001
W P Thompson	**100,000**	18,083
K J Allen	**221,762**	221,762
Sir Terence Harrison	**136,167**	36,167
B N Lenygon	**42,411**	2,411

There have been no changes to any of the above holdings between 31 August 2002 and the date of this Report.

Substantial shareholdings

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

	Number of shares	% of issued share capital
M E Brockbank	2,189,427	11.59
G E Stevens	1,535,110	8.13
Wallbrook Trustees (Jersey) Ltd	1,205,570	6.38
M M Brooks	1,132,500	6.00
Pilkington Pension Funds	700,918	3.71
Geared Income Investment Trust	699,231	3.70
Aberdeen UK Mid Cap Unit Trust	699,231	3.70
D A Horner	641,368	3.40

Net asset value

The net asset value at 31 August 2002 was 27.28p per Ordinary share.

Management and administration agreements

The Company's investments are managed by Chelverton Asset Management Limited ("CAM") under an agreement dated 31 August 2001.

The Company will pay to CAM, in respect of CAM's 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 1/6% per month of the gross value of funds under management ("the Value").

(ii) for the next £15 million of funds under management above £15 million, at the rate of 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 1/12% per month.

The appointment of CAM as Investment Manager is subject to termination by either party giving to the other not less than twelve months notice of such termination.

Under an agreement dated 31 August 2001, company secretarial services and the general administration of the Company are undertaken by Sinclair Henderson Limited. Their 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 the Secretary. The agreement may be terminated by either party giving to the other not less than twelve months' notice at any time.

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 2002 all suppliers' invoices received had been settled.

Corporate Governance – Statement of Compliance with the Combined Code ("Code")

The Directors have reviewed the principles outlined in the Code and believe that, insofar as they are relevant to the Company's business, they have complied with the provisions of the Code during the year ended 31 August 2002, subject to the exceptions explained below and its special status as an investment trust.

Board of Directors

The Board consists entirely of non-executive Directors who are responsible for the implementation of the Company's investment policy. The Directors review at each Board meeting the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. All the Directors are fully independent of the Investment Manager. 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.2.1 but it is felt to be appropriate given the size and nature of the Company. Brief biographical details of the Directors can be found on page 11.

The Board has formal arrangements under which Directors, in the furtherance of their duties may take independent professional advice.

The Board also has direct access to the advice of the Company Secretary, which is responsible for ensuring the Board and committee procedures are followed and that applicable regulations are complied with.

Under the Articles of Association, one-third of the Directors are required to retire by rotation in each year. In order to comply with the Code, the Directors have adopted a policy providing for each Director to be put forward for election by shareholders at least every three years.

Supply of information

To enable the Directors to fulfil their role, they have timely access to all relevant management and financial information. The full Board meets regularly every two months. Frequent contact is maintained with the Investment Manager between formal meetings. The Board is responsible for the investment policy and operations of the Company and a formal schedule of matters specifically reserved for the Board's approval was adopted in November 2001.

Committee

The Company also uses a number of committees to control its operations. All these committees comprise the full Board and are chaired by W P Thompson.

The Audit Committee operates within clearly defined terms of reference and provides a forum through which the Company's external Auditors report to the Board of Directors. The Committee meets at least once a year.

The 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 appropriate, however the need for one is reviewed periodically.

The Management Engagement Committee is responsible for reviewing the terms of the Investment Manager's contract and meets when required.

The Nomination Committee considers the appointment and re-appointment of Directors and meets as and when required.

The Board has not appointed a Remuneration Committee as recommended by the Code because the Company has no executive Directors or senior executives as the management of the Company is carried out by CAM under the management agreement.

Remuneration details are given in note 5 to the financial statements. At 31 August 2002 there were no Directors' service agreements and no Director had been granted any options to acquire shares in the Company.

Relations with Shareholders

Communications with shareholders are given a high priority by both the Board and the Investment Manager. All Directors are available to enter into dialogue with shareholders and shareholders are encouraged to attend and vote at the Annual General Meeting during which the Board and Investment Manager are available to discuss issues affecting the Company.

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.

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
- Investment and business activities

Given the nature of the Company's activities and the fact that most functions are subcontracted the Directors have obtained information from key third party suppliers regarding the controls operated. To enable the Board to make an appropriate risk and control assessment the information and assurances sought from third party suppliers include the following:

- Details of the control environment operated by the third party suppliers.
- Identification and evaluation of risks and control objectives by third party suppliers.
- Assessment of the communication procedures with third party suppliers.
- Assessment of the control procedures operated by third party suppliers.

The key procedures which have been established to provide internal financial 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 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.

- The Board reviews financial information produced by the Investment Manager and the Administrator 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.

Annual General Meeting

The Notice of Annual General Meeting is set out on pages 41 and 42. 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 equivalent to 10% of its existing issued share capital.

It is also proposed that at the Annual General Meeting, the Company be given powers to buy back its own shares. This power will be exercised only if, in the opinion of the Directors, a purchase would be in the interests of shareholders as a whole.

Re-appointment of Auditor

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

By order of the Board
Sinclair Henderson Limited
Secretary
4 November 2002

Statement of Directors' responsibilities in respect of the accounts

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors have confirmed that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' report

To the members of Chelverton Growth Trust PLC

We have audited the group's accounts for the year ended 31 August 2002 which comprise Consolidated statement of total return, Consolidated balance sheet, Company balance sheet, Consolidated statement of cash flows and the related notes 1 to 24. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Report of the Directors, Chairman's statement and the Manager's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 August 2002 and of the net revenue and total return of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor, London

4 November 2002

Consolidated statement of total return

(incorporating the revenue account*) of the Company
for the year ended 31 August 2002

	Notes	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	**2001 Revenue £'000	**2001 Capital £'000	**2001 Total £'000
Losses on investments	10	–	**(1,017)**	**(1,017)**	–	(755)	(755)
Income	2	**85**	–	**85**	20	–	20
Investment management fee	3	**(32)**	**(95)**	**(127)**	(12)	(10)	(22)
Other expenses	4	**(200)**	**(4)**	**(204)**	(184)	(145)	(329)
Net return before finance costs and taxation		**(147)**	**(1,116)**	**(1,263)**	(176)	(910)	(1,086)
Interest payable	6	**(19)**	**(58)**	**(77)**	(1)	(4)	(5)
Return on ordinary activities before taxation		**(166)**	**(1,174)**	**(1,340)**	(177)	(914)	(1,091)
Taxation on ordinary activities	7	–	–	–	–	–	–
Return on ordinary activities after taxation		**(166)**	**(1,174)**	**(1,340)**	(177)	(914)	(1,091)
Minority interests		–	–	–	–	2	2
Return attributable to members of the parent company		**(166)**	**(1,174)**	**(1,340)**	(177)	(912)	(1,089)
Dividends in respect of equity shares		–	–	–	–	–	–
Transfer from reserves		**(166)**	**(1,174)**	**(1,340)**	(177)	(912)	(1,089)
		Revenue pence	**Capital pence**	**Total pence**	Revenue pence	Capital pence	Total pence
Return per Ordinary share	9	**(0.88)**	**(6.24)**	**(7.12)**	(1.53)	(7.88)	(9.41)

* The Revenue column of this statement is the revenue account of the Group.

** The comparatives are for the period 1 January 2001 to 31 August 2001 and include figures for the Company's subsidiary, The Micro Quoted Growth Trust plc, from 2 August 2001 onwards.

The notes on pages 25 to 39 form part of these financial statements.

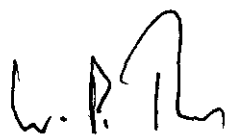
Consolidated balance sheet

as at 31 August 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Investments	10	**5,755**	7,753
Current assets			
Debtors	13	**14**	2
Cash at bank		**113**	27
		127	29
Creditors – amounts falling due within one year			
Creditors	14	**731**	1,482
Net current liabilities		**(604)**	(1,453)
Net assets		**5,151**	6,300
Share capital and reserves			
Called up share capital	15	**189**	182
Share premium account	16	**2,674**	2,438
Capital reserve – realised	16	**(429)**	(158)
– unrealised		**(1,856)**	(953)
Revenue reserve	16	**4,573**	4,739
Shareholders' funds	17	**5,151**	6,248
Minority interests		**–**	52
		5,151	6,300
Net asset value per Ordinary Share	21	**27.28p**	34.33p

The notes on pages 25 to 39 form part of these financial statements.

These accounts were approved and signed by the Board of Directors on 4 November 2002.



Pratt Thompson

Chairman

Company balance sheet

as at 31 August 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Investments	10	**5,755**	1,514
Investment in subsidiary undertakings	12	**320**	5,112
		6,075	6,626
Current assets			
Debtors	13	**127**	–
Cash at bank		**61**	27
		188	27
Creditors – amounts falling due within one year			
Creditors	14	**1,112**	405
Net current liabilities		**(924)**	(378)
Net assets		**5,151**	6,248
Share capital and reserves			
Called up share capital	15	**189**	182
Share premium account	16	**2,674**	2,438
Capital reserve – realised	16	**(357)**	(156)
– unrealised		**(1,889)**	(927)
Revenue reserve	16	**4,534**	4,711
Shareholders' funds	17	**5,151**	6,248

The notes on pages 25 to 39 form part of these financial statements.

These accounts were approved and signed by the Board of Directors on 4 November 2002.

Pratt Thompson

Chairman

Consolidated statement of cash flows

for the year ended 31 August 2002

	Notes	2002 £'000	**2001 £'000
Operating activities			
Investment income received		**76**	10
Deposit interest received		**5**	8
Investment management fees paid		**(117)**	(8)
Secretarial fees paid		**(44)**	(2)
Other cash payments		**(226)**	(124)
Net cash outflow from operating activities	18	**(306)**	(116)
Servicing of finance			
Interest paid		**(78)**	(1)
Net cash outflow from servicing of finance		**(78)**	(1)
Capital expenditure and financial investment			
Purchases of investments		**(768)**	(200)
Sales of investments		**1,750**	16
Purchase of subsidiary undertaking		**–**	(922)
Acquisition costs		**(274)**	(15)
Net cash inflow/(outflow) from capital expenditure and financial investment		**708**	(1,121)
Net cash inflow/(outflow)		**324**	(1,238)
Increase/(decrease) in cash	19	**324**	(1,238)

The notes on pages 25 to 39 form part of these financial statements.

** The comparatives are for the period 1 January 2001 to 31 August 2001 and include figures for the Company's subsidiary, The Micro Quoted Growth Trust plc, from 2 August 2001 onwards.

Notes to the accounts

as at 31 August 2002

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the statement of recommended practice regarding the Financial Statements of Investment Trust Companies. All the Company's activities are continuing.

Basis of consolidation

The financial statements comprise the audited financial statements of the Company and its subsidiaries drawn up to the same accounting date. No revenue account is presented for the parent company as permitted by Section 230 of the Companies Act 1985.

The comparative figures are for the period 1 January 2001 to 31 August 2001. The results of the Company's subsidiary, The Micro Quoted Growth Trust plc, are only consolidated in these figures from 2 August 2001 onwards.

Income recognition

Dividends receivable on quoted equity shares are included in the financial statements 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. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. 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 statement of total return except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Management fees and debit interest have been allocated 75% to capital reserve (realised) and 25% to revenue reserve in the statement of total return, 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

Listed investments are included in the balance sheet at mid-market value at the close of business at the year end, or in the case of unlisted investments at Directors' valuation.

Any unrealised profits and losses are taken directly to the capital reserve. Any realised profits and losses arising on the disposal of investments are also taken directly to the capital reserve.

Notes to the accounts (continued)

as at 31 August 2002

1 **ACCOUNTING POLICIES** (continued)

Investment in subsidiary

The Company's investment in its subsidiary undertaking, The Micro Quoted Growth Trust plc ("MQGT") is shown in the balance sheet of the Company at net asset value. The difference between the net asset value of MQGT and the original cost of the investment is treated as unrealised depreciation and is taken to the unrealised capital reserve of the Company.

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.
- 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 Financial Reporting Standard No. 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 2002

2 INCOME	2002 £'000	2001 £'000
Income from investments		
Dividends from UK companies	**78**	12
Unfranked investment income	**2**	–
	80	12
Other income		
Bank interest receivable	**5**	8
Total income	**85**	20
Total income comprises:		
Dividends	**78**	12
Interest	**7**	8
	85	20

3 INVESTMENT MANAGEMENT FEE	2002			2001		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**27**	**81**	**108**	10	9	19
Irrecoverable VAT thereon	**5**	**14**	**19**	2	1	3
	32	**95**	**127**	12	10	22

The investment management fee is calculated at the rate of ½% per month of the gross asset value of the Group and is payable monthly in arrears. At 31 August 2002 there was £24,000 outstanding (2001: £nil).

Notes to the accounts (continued)

as at 31 August 2002

4 OTHER EXPENSES

	2002			2001		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Administrative and secretarial services	**40**	–	**40**	9	–	9
Directors' remuneration	**73**	–	**73**	134	–	134
Auditor's remuneration:						
audit services	**14**	–	**14**	12	–	12
non audit services	–	–	–	–	26	26
Reorganisation expenses	–	**4**	**4**	–	119	119
Other expenses	**73**	–	**73**	29	–	29
	200	**4**	**204**	184	145	329

5 DIRECTORS' REMUNERATION

	2002	2001
	£'000	£'000
Remuneration to Directors:		
W P Thompson (Chairman)	**22**	1
K J Allen	**17**	31
Sir Terence Harrison	**17**	1
B N Lenygon	**17**	1
K Browne	–	16
A J K Mackay	–	16
I P Martin	–	34
R D Naylor	–	34
Total remuneration	**73**	134

The 2001 comparative figures include £90,000 paid to Directors for the surrender of their share options and £25,000 paid as compensation for loss of office.

6 INTEREST PAYABLE

	2002			2001		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
On bank overdraft	**19**	**58**	**77**	1	4	5

Notes to the accounts (continued)

as at 31 August 2002

7 TAXATION

	2002 £'000	2001 £'000
Analysis of charge in period		
Current tax:		
Corporation tax	–	–
	–	–

Factors affecting current tax charge for the period

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

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation	**(166)**	(177)
Corporation tax at 30%	**(50)**	(53)
UK dividend income not taxable	**(23)**	(4)
Deductable expenses charged to capital	**(46)**	(63)
Excess expenses for the period	**119**	120
Current tax charge for the period	–	–

There is an unrecognised deferred tax asset which relates to excess expenses carried forward. The deferred tax asset would only be recovered if the Company was to generate sufficient taxable profits in the future to utilise these expenses. It is considered too uncertain that this will occur and therefore no deferred tax asset has been recognised.

8 NET REVENUE FOR THE YEAR

The net revenue of the year dealt with in the accounts of the parent company was a deficit of £177,000 (2001: £173,000).

Notes to the accounts (continued)

as at 31 August 2002

9 RETURN PER ORDINARY SHARE

	2002			2001		
	Revenue pence	**Capital pence**	**Total pence**	Revenue pence	Capital pence	Total pence
Basic	**(0.88)**	**(6.24)**	**(7.12)**	(1.53)	(7.88)	(9.41)

Revenue return per Ordinary share is based on the net revenue loss on ordinary activities after taxation attributable to members of the parent company of £166,000 (2001: £177,000) and on 18,825,093 (2001: 11,572,636) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on the net capital losses attributable to members of the parent company of £1,174,000 (2001: £912,000) and on 18,825,093 (2001: 11,572,636) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

10 INVESTMENTS

	2002		2001	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Listed	**1,930**	**1,930**	2,479	–
AIM	**3,385**	**3,385**	3,854	94
Unlisted	**440**	**440**	1,420	1,420
	5,755	**5,755**	7,753	1,514

Group	**Listed £'000**	**AIM £'000**	**Unlisted £'000**	**Total £'000**
Opening book cost	2,965	4,344	1,398	8,707
Opening unrealised (depreciation)/appreciation	(486)	(490)	22	(954)
	2,479	3,854	1,420	7,753
Movements in the year:				
Purchases at cost:	41	447	280	768
Sales:				
Proceeds	(507)	(367)	(875)	(1,749)
Realised (losses)/gains on sales	(5)	(401)	292	(114)
Increase in unrealised depreciation	(78)	(148)	(677)	(903)
Closing valuation	1,930	3,385	440	5,755

10 INVESTMENTS (continued)

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Closing book cost	**2,494**	**4,023**	1,095	7,612
Closing unrealised depreciation	**(564)**	**(638)**	(655)	(1,857)
	1,930	**3,385**	440	5,755

Company	**Listed**	**AIM**	**Unlisted**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Opening book cost	–	458	1,398	1,856
Opening unrealised (depreciation)/appreciation	–	(364)	22	(342)
	–	94	1,420	1,514
Movements in the year:				
Purchases at cost:	1,838	446	175	2,459
In specie distribution of investments held by subsidiary	712	3,523	–	4,235
Sales:				
Proceeds	(322)	(254)	(880)	(1,456)
Realised gains/(losses) on sales	2	(358)	292	(64)
Increase in unrealised depreciation	(300)	(66)	(567)	(933)
Closing valuation	1,930	3,385	440	5,755
Closing book cost	2,230	3,815	985	7,030
Closing unrealised depreciation	(300)	(430)	(545)	(1,275)
	1,930	3,385	440	5,755

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Realised (losses)/gains on sales	**(114)**	**(64)**	1	–
Increase in unrealised depreciation	**(903)**	**(933)**	(756)	(596)
Increase in unrealised depreciation of subsidiary (see note 12)	–	**(29)**	–	(165)
	(1,017)	**(1,026)**	(755)	(761)

Notes to the accounts (continued)

as at 31 August 2002

11 SIGNIFICANT INTERESTS

The Group has an interest exceeding 20% in the nominal value of the allotted shares of that class in the following investee company:

Security	Cost	Market value	Aggregate capital and reserves	Profit after tax for the year	Earnings per share	Dividend per share	Class of share	% held
	£	£	£	£	pence	pence		
Chelverton Asset Management	12,500	250,000	109,234	31,363	62.73	40.00	Ordinary £1	25

A 'put and call' option is in place between the Company and Colinette Holdings Limited, the 67.5% shareholder of Chelverton Asset Management Limited, in respect of the 12,500 shares in Chelverton Asset Management Limited.

The Group has a holding of 3% or more of the issued class of share that is material in the context of the financial statements in the following investments:

Security	Number of shares held	Percentage of Issued Share Capital	Issued Share Capital
Transport Systems, Ord 5p	740,000	8.415	8,793,821
Dinkie Heel, Ord 5p	1,234,544	8.358	14,770,000
Merrydown, Ord 25p	1,270,000	5.594	22,702,514
Clipper Ventures, Ord 1p	688,679	5.163	13,338,569
Howle Holdings, Ord 5p	1,478,555	5.094	29,025,759
Locker Holdings, Ord 5p	3,911,982	4.885	80,076,952
LPA Group, Ord 10p	410,000	3.760	10,903,229
Auto Indemnity Group Ord 10p	2,129,979	3.488	61,068,684
Newmark Security Group Ord 1p	6,666,666	3.457	192,853,781
Hartest Holdings, Ord 1p	3,477,444	3.128	111,163,464

Notes to the accounts (continued)

as at 31 August 2002

12 INVESTMENT IN SUBSIDIARY UNDERTAKING	2002 £'000	2001 £'000
Opening bookcost	**5,697**	–
Opening unrealised depreciation	**(585)**	–
	5,112	–
Additions at cost	**54**	2,697
In specie distributions	**(4,817)**	–
Transfer from listed investments	**–**	2,580
	349	5,277
Increase in unrealised depreciation	**(29)**	(165)
Valuation at 31 August 2002	**320**	5,112
Closing book cost	**934**	5,697
Closing unrealised depreciation	**(614)**	(585)
	320	5,112

During the year the Group acquired the remaining 62,631 Ordinary shares of 75p each in The Micro Quoted Growth Trust plc. This increased the total holding to 6,200,000 shares and represents 100% of the voting rights of that company.

The consideration of £54,000 was satisfied by the issue of 682,334 Ordinary shares.

Details of the investments in which the Group or Company holds more than 50% of the nominal value of any class of share capital are as follows:

Name of Company	Country of registration	Holding	Proportion of voting rights	Nature of business
MAH Investments Limited†	England & Wales	Ordinary shares	100%	Investment holding company
The Micro Quoted Growth Trust plc†	England & Wales	Ordinary shares	100%	Investment Trust
MGT Trading Limited*	England & Wales	Ordinary shares	100%	Investment dealing company

* Held by The Micro Quoted Growth Trust plc.

† In liquidation.

Notes to the accounts (continued)

as at 31 August 2002

13 DEBTORS – amounts falling due within one year	2002		2001	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts due from brokers	–	–	–	–
Accrued income	3	3	–	–
Prepayments and other debtors	7	7	–	–
Income tax recoverable	–	–	–	–
Dividends receivable	4	4	2	–
Amounts owed by subsidiary undertakings	–	113	–	–
	14	127	2	–

14 CREDITORS – amounts falling due within one year	2002		2001	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts due from brokers	–	–	–	–
Other creditors	62	59	386	216
Sundry creditors	–	–	189	189
Bank overdraft	669	669	907	–
Amounts owed to subsidiary undertakings	–	384	–	–
	731	1,112	1,482	405

15 CALLED UP SHARE CAPITAL	2002	2001
	£'000	£'000
Authorised:		
27,000,000 Ordinary shares of 1p each	270	270
Allotted, called up and fully paid:		
18,883,045 Ordinary shares of 1p each (2001: 18,200,711)	189	182

At an Extraordinary General Meeting of the Company held on 27 July 2001 a resolution was passed to increase the authorised share capital to 27,000,000 Ordinary shares of 1p each. This resolution became effective when the offer for The Micro Quoted Growth Trust plc became unconditional on 2 August 2001. From 2 August 2001 to 31 August 2001 the Company issued 7,033,285 New Ordinary shares of 1p in relation to this offer. During the year ended 31 August 2002 the Company issued a further 682,334 New Ordinary shares of 1p to acquire the remaining shares in The Micro Quoted Growth Trust plc.

15 CALLED UP SHARE CAPITAL (continued)

Duration

The Articles of Association provide that the Directors shall convene an Extraordinary General Meeting of the Company on 30 November 2009, or if that day is not a business day, on the immediately preceding business day, at which proposals for the voluntary liquidation, unitisation or other reorganisation of the Company shall be put to the members ("Winding-up Resolution") unless the Directors shall have been previously released from their obligation to do so by a special resolution of the Company duly passed at the Annual General Meeting of the Company 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.

16 RESERVES

	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Group				
1 September 2001	2,438	(158)	(953)	4,739
Net losses on realisation of investments	–	(38)	–	–
Transfer on disposal of investments	–	(76)	76	–
Increase in unrealised depreciation	–	–	(979)	–
Issue of share capital	236	–	–	–
Costs charged to capital	–	(157)	–	–
Retained net loss for the year	–	–	–	(166)
at 31 August 2002	**2,674**	**(429)**	**(1,856)**	**4,573**
Company				
1 September 2001	2,438	(156)	(927)	4,711
Net losses on realisation of investments	–	(4)	–	–
Transfer on disposal of investments	–	(60)	60	–
Increase in unrealised depreciation	–	–	(1,022)	–
Issue of share capital	236	–	–	–
Costs charged to capital	–	(137)	–	–
Retained net loss for the year	–	–	–	(177)
at 31 August 2002	**2,674**	**(357)**	**(1,889)**	**4,534**

Notes to the accounts (continued)

as at 31 August 2002

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2002 Group £'000	2002 Company £'000	2001 Group £'000	2001 Company £'000
Revenue reserve				
Loss available to Ordinary shareholders	**(166)**	**(176)**	(177)	(173)
Recognised losses for the year	**(1,174)**	**(1,164)**	(912)	(916)
Issue of share capital	**7**	**7**	70	70
Premium on issue of share capital	**236**	**236**	2,438	2,438
Net (depletion)/addition to shareholders funds	**(1,097)**	**(1,097)**	1,419	1,419
Opening shareholders' funds	**6,248**	**6,248**	4,829	4,829
Closing shareholders' funds	**5,151**	**5,151**	6,248	6,248

18 RECONCILIATION OF NET REVENUE BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2002 £'000	2001 £'000
Net loss before finance costs and taxation	**(147)**	(176)
Expenses charged to capital	**(99)**	(155)
(Decrease)/increase in creditors and accruals	**(48)**	217
Increase in prepayments and accrued income	**(12)**	(2)
	(306)	(116)

19 RECONCILIATION OF NET CASH FLOW TO NET DEBT	2002 £'000	2001 £'000
Net (debt)/funds at 1 September 2001	**(880)**	358
Net cash inflow/(outflow)	**324**	(1,238)
Net debt at 31 August 2002	**(556)**	(880)

20 ANALYSIS OF CHANGES IN NET DEBT	At 1 September 2001	Cash flows	At **31 August 2002**
Cash at bank	27	86	**113**
Bank overdraft	(907)	238	**(669)**
	(880)	324	**(556)**

21 NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per Ordinary share is based on net assets of £5,151,000 (2001: £6,248,000) and on 18,883,045 (2001: 18,200,711) Ordinary shares, being the number of shares in issue at the year end.

22 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 August 2002 there were no contingent liabilities (2001: £nil).

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Company has little exposure to credit and cash flow risk and no exposure to foreign currency risk.

The Company finances its operations through its issued capital and existing reserves.

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

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

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

Policy

(i) Market price risk

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

The Directors are conscious of the fact that the nature of AIM investments is such that prices can be volatile. Investors should be aware that the Company is exposed to a higher rate of risk than exists within a fund which holds traditional blue chip securities.

Adherence to the investment objectives and the internal control limits on investment set by the Company mitigates the risk of excessive exposure to any one particular type of security or issuer.

(ii) Liquidity risk

The Company's investments are in small companies which are less liquid than larger companies. As at 31 August 2002, the Company had an overdraft of £669,000. The Company's available overdraft facility of £2,500,000 would be sufficient to meet any funding commitments that might arise.

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

(iii) Interest rate risk

The Company has an overdraft facility with Lloyds TSB of £2,500,000 which bears interest at 1% over the Bank of England base rate. At the year end the Company had drawn-down £669,000.

As required by Financial Reporting Standard No.13: Derivatives and other financial instruments, an analysis of financial assets and liabilities, which identifies the risk of holding such items, is given below:

Financial assets

The Company holds fixed asset investments which are traded on AIM, listed on the London Stock Exchange or are unlisted. These assets are discussed in the Manager's overview and are listed on pages 7 to 9. All of the Company's assets are in sterling and accordingly the Company has no direct currency exposure.

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

31 August 2002	Total £'000	Financial assets on which no interest is paid £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Interest rate %	Years to maturity
Equity shares	5,730	5,730	–	–	–	–
Loan stock	25	–	–	25	10	0.25
Cash and debtors	127	14	113	–	–	–
	5,882	5,744	113	25		

31 August 2001	Total £'000	Financial assets on which no interest is paid £'000	Floating rate financial assets £'000
Equity shares	7,753	7,753	–
Cash and debtors	29	2	27
	7,782	7,755	27

Financial liabilities

Primarily the Company finances its operations through its issued capital and existing reserves. The only financial liabilities of the Company are creditors which are due within one year, as disclosed in note 14. The only interest paid on these liabilities, which are all in sterling, is on the Lloyds TSB overdraft facility which incurs interest at 1% over the Bank of England base rate.

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair values of financial assets and financial liabilities

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

24 RELATED PARTY TRANSACTIONS

Under the terms of an agreement the Company has appointed Chelverton Asset Management Limited to be the Investment Manager. The fee arrangements for these services and fees payable are set out in the report of the Directors on page 14 and in note 3 to the financial statements. Kevin Allen, a Director of the Company is a Director and employee of Transport Systems PLC, in which the Company has an investment, see note 11.

Shareholder Information

Contact details

Company Secretary:	Sinclair Henderson Limited	Tel: 01392 412122 Fax: 01392 253282
Registrar:	Capita IRG Plc	Tel: 020 8478 8241 Fax: 020 8478 7717
Investment Manager:	Chelverton Asset Management Limited	Tel: 01225 483 030 Fax: 01225 338 046 Email: chelverton@fastnet.co.uk

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	Interim results

Frequency of NAV Publication

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

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 The City Law Partnership, 99 Charterhouse Street, London EC1M 6NQ at 12 noon on 18 December 2002 for the following purposes:

Ordinary business

1. To receive and adopt the accounts for the year ended 31 August 2002, together with the Reports of the Directors and Independent Auditors thereon.
2. To re-elect K J Allen as a Director of the Company.
3. To re-appoint Ernst & Young LLP as Auditors to the Company, to hold office from the conclusion of this Meeting until the next Annual General Meeting, and to authorise the Directors to determine their remuneration.

Special business

To consider and if thought fit, to pass the following resolutions of which Resolution 4 will be proposed as an ordinary resolution and Resolution 5 and 6 will be proposed as special resolutions.

4. THAT the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregated nominal amount of £18,883 such authority to expire on 18 December 2007, save that the Company may, before the expiry of such authority, make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.
5. THAT subject to the passing of resolution 4 set out in the notice convening this meeting ("the Resolution") 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 conferred by resolution 4 above 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 up to an aggregate nominal amount of £18,883, at a price not less than the Net Asset Value per share and shall expire on the date which is fifteen months after the date of passing of this resolution or the conclusion of the next Annual General Meeting of the Company, whichever is the earlier, save that the Company may, before the expiry of such power, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.
6. THAT the Company is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 ("the Act") 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 2,830,568 (representing 14.99% of the current issued Ordinary share capital at the date of the passing of this resolution);

   (ii) the minimum price which may be paid for each Ordinary share is 1p;

Notice of Annual General Meeting

(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 will or may be executed wholly or partly after the expiry of this authority.

Registered Office:
23 Cathedral Yard
Exeter EX1 1HB

By Order of the Board
Sinclair Henderson Limited
Secretary
4 November 2002

NOTES:

1. *A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.*

2. *A form of proxy is attached for use in connection with the business set out above. This form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, to reach the Registrars at the address printed on the form of proxy not later than 6 pm on 16 December 2002.*

3. *The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6 pm on 16 December 2002 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 16 December 2002 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.*

4. *Shareholders (and any parties or representatives they appoint) agree, by attending this meeting, that they are expressly requesting that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.*

5. *The Articles of Association and register of Directors' interests in the Ordinary Shares of the Company will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays and Public Holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.*

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 The City Law Partnership, 99 Charterhouse Street, London EC1M 6NQ at 12 noon on 18 December 2002, and at any adjournment thereof.

Signature .....

Date 2002

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

		FOR	AGAINST
RESOLUTION 1	To adopt the accounts for the year ended 31 August 2002, together with the Reports of the Directors and Independent Auditors thereon.		
RESOLUTION 2	To re-elect K J Allen a Director.		
RESOLUTION 3	To re-appoint Ernst & Young LLP as Auditors to the Company, and to authorise the Directors to determine their remuneration.		
RESOLUTION 4	To authorise the Directors to allot shares in accordance with resolution 4 set out in the notice of meeting.		
RESOLUTION 5	To authorise the Directors to allot shares in accordance with resolution 5 set out in the notice of meeting.		
RESOLUTION 6	To authorise the Company to make market purchases of up to 2,830,568 Ordinary shares.		

NOTES:

1. *A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words 'the Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided.*
2. *If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.*
3. *In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.*
4. *If this form is returned without any indication as to how the person appointed proxy shall vote, the Chairman will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.*
5. *To be valid, this form must be completed and deposited at the office of the Company's Registrars not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting*

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