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# **CHELVERTON GROWTH TRUST PLC**

## **Annual Report**

for the year ended 31 August 2019



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## Investment Objective

The Company's objective is to provide capital growth through investment in companies listed on the Official List and traded on the Alternative Investment Market ("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.

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

Shareholders will be asked to vote on amendments to the Investment Policy at the following Annual General Meeting as detailed on page 11.

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## Company summary

<b>Benchmark</b>	MSCI Small Cap UK Index
<b>Investment Manager</b>	Chelverton Asset Management Limited See page 16 for further details
<b>Total net assets</b>	£2,446,000 as at 31 August 2019
<b>Market capitalisation</b>	£2,211,000 as at 31 August 2019
<b>Capital structure</b>	5,460,301 Ordinary 1p shares carrying one vote each.

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## Performance statistics

	<b>Year ended</b> <b>31 August 2019</b>	<b>Year ended</b> 31 August 2018	<b>% Change</b>
<b>Net assets</b>	<b>£2,446,000</b>	£3,303,000	<b>(25.94)</b>
<b>Net asset value per share (NAV)</b>	<b>44.79p</b>	60.48p	<b>(25.94)</b>
<b>MSCI Small Cap UK Index</b>	<b>400.00</b>	442.32	<b>(9.57)</b>
<b>Share price</b>	<b>40.50p</b>	56.50p	<b>(28.32)</b>
<b>Discount to net asset value</b>	<b>(9.58)%</b>	(6.58)%	
<b>Revenue loss after taxation</b>	<b>£(125,000)</b>	£(136,000)	
<b>Revenue loss per share</b>	<b>(2.29)p</b>	(2.45)p	
<b>Capital loss per share</b>	<b>(13.41)p</b>	(23.40)p	

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

REGISTERED IN ENGLAND No. 02989519

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## Strategic Report

The Strategic Report has been prepared in accordance with section 414A of the Companies Act 2006 (the "Act"). Its purpose is to inform the Members of the Company and help them understand how the Directors have performed their duty under section 172 of the Act to promote the success of the Company.

### Chairman's statement

#### Strategy

Over the last twelve months, the Board has looked at the strategic options available to the Company; the objective of this review is to maximise returns and provide an effective exit to all Shareholders.

Driven by the very successful policy of returning cash to Shareholders over recent years, via a succession of well subscribed share tender offers, the number of shares in issue has been reduced by 71% from 18.9 million to 5.5 million. This policy to reduce the size of the business has, as we anticipated, reached a point at which it is now in Shareholders' best interests to examine alternatives to continuing as an independent company.

The Board is now actively putting in place a roadmap to achieve the strategic objectives mentioned in my opening remarks. Once finalised, we will put this roadmap to Shareholders for consideration and approval.

The objective is to secure a tax efficient, low cost and simple method of returning value to Shareholders. To this end we have entered into a discussion with a third party. These discussions are at an early stage and it is far from certain if they will reach a conclusion. This is currently our preferred route but we are also exploring other options open to us. Until we have reached a conclusion, we will be putting on hold further tender offers to Shareholders.

The current timescale we are working to is that by 2022 we will be in a position to present to Shareholders a clear, reasoned and certain exit strategy.

We will not rush to sell remaining assets unless it makes sense to our Shareholders, and it could be more appropriate that some investments are transferred to a new structure rather than realised at under value for cash.

#### Performance

The past year has been disappointing, with a decline in the fund's net asset value per share from 60.48p to 44.79p, a decrease of 25.94%. In the same period, the Company's benchmark index, the MSCI Small Cap UK Index fell by 9.57%.

The Company is now sub scale which means investments are concentrated in a small number of companies which results in a high volatility in investment returns compared to more balanced benchmarks.

We believe that a significant proportion of investee companies hold the potential for capital appreciation, with their value currently not adequately reflected by the stock market.

As a nation, we are living through a very unusual and difficult time. We all hope that in the future the macro political issues causing such paralysing uncertainty, will be cleared up and we can get on with addressing the multitude of matters relating to the economy. I hesitate to forecast the length of this period, as numerous deadlines have already come and gone.

As detailed in the Manager's Report, the underlying companies are, in the main, making progress, but within such an uncertain macroeconomic environment, the size of the investee companies renders them particularly vulnerable to the impact of illiquidity and consequent sharp price reductions on very modest selling.

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## Strategic Report *(continued)*

### Chairman's statement *(continued)*

The companies in the portfolio are highly UK-centric in their business dealings and therefore the prosperity and growth of the UK economy is the biggest single driver of their future success. If the UK does not itself head into recession, which most experts consider unlikely, the marketplace for our investee companies should remain favourable.

In the period under review, the economy has grown, albeit at a slightly lower rate than in the recent past. Continued growth in employment, and more importantly full-time employment, has finally been evidenced with real wage growth. Full employment and real wage growth have historically led to rising inflation, however, at this time, inflation is marginally reducing and this trend is expected to continue.

### Outlook

Hopefully the political stalemate will finally be resolved, in the next three months. It is important to point out that "The negotiated Brexit Deal" is merely the first stage of a lengthy process that will take several years to complete. It is widely reported that UK and Overseas investors are "underweight" in UK equities and it is to be hoped, that once there is some certainty and clarity in the UK, investors will begin to realise how underrated UK companies actually are. In time, the Board believe this should lead to a meaningful increase in the net asset value per share.

Despite the continuing uncertain political background, the investee companies within the portfolio have generally continued to make progress over the past year. We hope, and expect, that the investment and development that has taken place during the past few years will begin to bear fruit over the future period.

**Kevin Allen**

Chairman

5 November 2019

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## Strategic Report *(continued)*

### Investment Manager's overview

In the past year the impact of the uncertainty resulting from the grinding “Brexit” process has finally begun to impact on our companies. The significant reduction in share prices, seen across the entire market, has been amplified in the small company “value” segment, the area of the market in which this Company is largely invested.

In the past year the UK economy has grown, albeit slowly, and employment has continued to rise. We have finally started to observe some real wage increases. The tortuous Brexit impasse has created a very negative, indeed toxic, atmosphere which has adversely affected both business and consumer confidence.

However, when meeting up with companies in the portfolio, or indeed other investee companies across the funds managed by Chelverton Asset Management, one does not get any sense of the doom and gloom that one sees in the media. Generally, people are getting on with making their businesses more efficient, more profitable and more resilient.

Hopefully, when we finally see a resolution of the Brexit process, the Country and the companies we are invested in can get on with managing within a much more certain and predictable environment. There is a feeling within the investment community that once Brexit is resolved, or more precisely the high profile and public aspect of the first phase is resolved, then there will be a release of pent-up demand that has been held up waiting for something to happen.

The portfolio is invested in small AIM traded or unquoted companies whose business is largely conducted in the UK and therefore the strength and growth of the UK economy is by far and away the most important determinant of our underlying companies' success.

Across the larger funds managed by Chelverton, investing in companies outside of the FTSE 100, the “low point” was probably reached about three months ago. Since then, as the likelihood that “no-deal” receded and that a “deal” of some form is probable, there has been a strong rally in share prices and investor sentiment. As ever, it is the larger companies, valued in excess of say £1bn, that react first, then over time this ripples down the market.

One factor that endorses our view of value has been the very significant increase this year in the number of takeovers of UK companies by overseas businesses at healthy premiums. Whilst this is unlikely to impact the type of company in our portfolio, it is, on one level, encouraging confirmation of the deep value that we believe currently exists.

It is a well-documented view that UK and Overseas investors are very “underweight” in UK equities, all waiting for a resolution of the “Brexit” impasse. In addition, analysts say that the relative ratings between “Growth” companies and “Value” companies are as wide as they have ever been. History shows that these extremes of valuation do not last forever.

### Portfolio review

CEPS owns majority shareholdings in five different stand-alone subsidiaries, which are all operating in unrelated niche markets. The minority shareholding in each company is largely owned by the “business drivers” who are, as a result, incentivised to increase profits, generate cash and pay down any acquisition debt; by achieving this, their personal holdings will increase significantly in value.

Whilst three of the subsidiaries are producing record profits, a further one has moved from a large loss-making position to breakeven. The fifth company, which acquired another business twice its size for an initial £1, is still significantly loss making. Considerable effort is being spent to get this business back on track.

The holding in CEPS is now the largest in the Company and is considered by the Board, because it is made up of five separate businesses, to be a diversified holding.

Following the sharp fall in the share price of Universe, it has now stabilised operationally and has made what looks to be a highly sensible strategic acquisition. We therefore expect to see share price progress in the next year to reflect its underlying progress.

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## Strategic Report *(continued)*

### Investment Manager's overview *(continued)*

Touchstar has continued to develop its focused and streamlined business. As reported in its recent interim results, sales were up an encouraging 16%, but with a comment, echoed by many businesses, that buyers are holding back from ordering until there is clarity on Brexit!

Petards, having geared up to meet anticipated demand for its sophisticated products to the rail industry, discovered that while orders were agreed, they were not being called off. This year will be one of retrenchment and it is expected that next year will be one of recovery.

Plutus Powergen share price has declined further from 0.95p at the beginning of the year to 0.18p today. The Company is focused on the development and operation of flexible energy generation projects in the UK. The last year has seen the impact of the removal of Capacity Mechanism (CM), the system that the Government uses to assist companies to provide standby power to the National Grid. However, in the last few days the EC has approved, under the EU State Aid Rules, the British CM scheme, which can now be reinstated.

Plutus Powergen raised further funds at 0.6p almost a year ago; this Company did not participate. The untimely death, over a year ago, of the CEO and the recent resignation of the Operations Director, has given rise to public concern about the management of the company. This, coupled with the serving of a notice to terminate the use of Plutus Powergen's services by Rockpool, causes further concern. The company has had no operational developments to report in the last period as it has been seeking the finance necessary to develop its projects.

The holding in Chelverton Asset Management Holdings, the Investment Manager of this fund, was again revalued upwards reflecting the continued success of its funds, which has led to an overall growth in its funds under management. The Employee Share Option Trust ("ESOT") of Chelverton Asset Management tendered last year for 5,500 shares, (5.5%) of the share capital, at a price of £160 per share, compared to a cost price of £1. The ESOT intends to tender for another 5% of the shares, but is waiting for a Brexit resolution, as any action taken now will almost certainly disadvantage either the Shareholders who tender or those that do not. The fund retains 1,000 shares revalued upwards to £220 per share.

La Salle Education has continued to show excellent progress and its sales have increased by 70% and gross profit by 80%. While it is still loss making, at the EBITDA level, this is a business that, once it reaches critical mass, should become very profitable.

Spa Dental Partners was sold on the 26 October 2018, for loan stock, which is payable once a conditional liability claim is resolved. Because of the conditionality of the consideration, the value at which the investment is held has not been increased.

### Outlook

In time, and once the macroeconomic outlook is more settled and more favourable, we believe that the real value of our companies will begin to be evidenced by increases in their share prices. Expected recovery and growth in the share prices of the AIM holdings will contribute to an increase in the asset value and, we believe, will enable us to report a much better performance in a year's time.

**David Horner**

Chelverton Asset Management Limited  
5 November 2019



## Strategic Report *(continued)*

### Portfolio review as at 31 August 2019

Investment	Sector	Valuation £'000	% of total portfolio
<i>AIM Traded</i>			
<b>CEPS</b>	Support Services	1,214	43.3
Trading holding company for a number of companies supplying services and products			
<b>MTI Wireless Edge</b>	Technology Hardware & Equipment	176	6.3
Developer and manufacturer of sophisticated antennas and antenna systems			
<b>Petards Group</b>	Support Services	380	13.5
Development, provision and maintenance of advance security systems and related services			
<b>Plutus Powergen</b>	Flexible Energy Supply	93	3.3
Providers of management infrastructure and expertise to operate power plants and provide flexible electricity generation			
<b>Touchstar</b>	Technology Hardware & Equipment	298	10.6
Software systems for warehousing and distribution			
<b>Universe Group</b>	Support Services	34	1.2
Provision of credit fraud prevention, loyalty and retail systems			
<i>Fully Listed</i>			
<b>Zenith Energy</b>	Oil & Gas Producers	63	2.2
International energy production and exploration company			
<i>Nasdaq Traded</i>			
<b>One Horizon Group*</b>	Support Services	—	—
Media and digital technology holding company			
		<b>2,258</b>	<b>80.4</b>

\* Name changed to Touchpoint Group Holdings from 26 September 2019.

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## Strategic Report *(continued)*

### Portfolio review *(continued)* as at 31 August 2019

Investment	Sector	Valuation £'000	% of total portfolio
<i>Unquoted</i>			
<b>Anaxsys Technology</b> A medical device company for patient monitoring and screening	Healthcare Equipment & Services	–	–
<b>Chelverton Asset Management Holdings</b> Investment management, including providing services to Chelverton Growth Trust Plc	Support Services	220	7.9
<b>La Salle Education</b> A UK based company dedicated to improving mathematics education	Support Services	130	4.6
<b>Pedalling Forth</b> Internet retailer of cycling clothing for women	General Retailers	200	7.1
<b>Portfolio Valuation</b>		<b>2,808</b>	<b>100.0</b>

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## Strategic Report *(continued)*

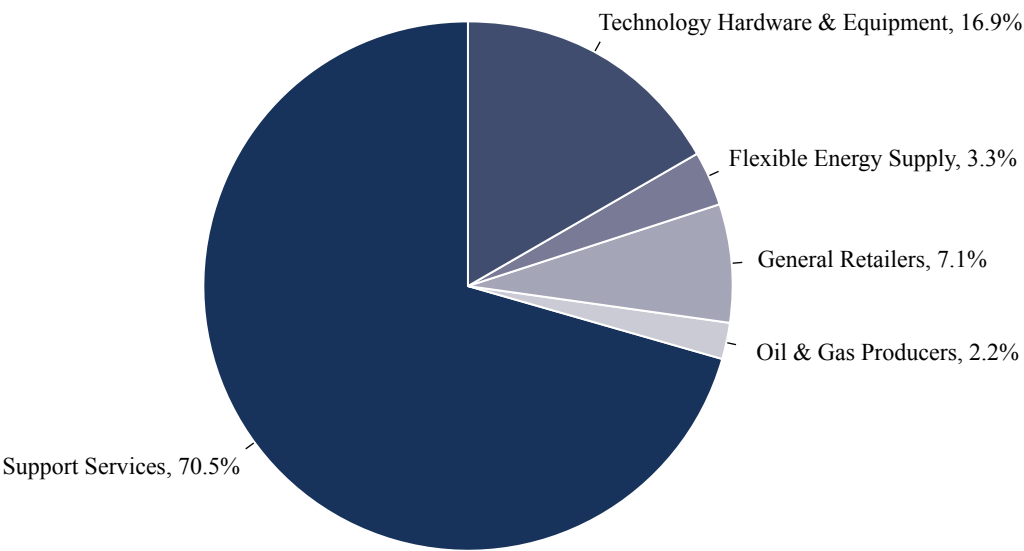
### Portfolio holdings as at 31 August 2019

Investment	31 August 2019		31 August 2018	
	Valuation £'000	% of total portfolio	Valuation £'000	% of total portfolio
CEPS	1,214	43.3	1,417	40.6
Petards Group	380	13.5	460	13.2
Touchstar	298	10.6	374	10.7
Chelverton Asset Management Holdings	220	7.9	210	6.0
Pedalling Forth	200	7.1	250	7.2
MTI Wireless Edge	176	6.3	171	4.9
La Salle Education	130	4.6	80	2.3
Plutus Powergen	93	3.3	317	9.1
Zenith Energy	63	2.2	37	1.1
Universe Group	34	1.2	31	0.9
One Horizon Group*	—	—	—	—
Anaxsys Technology	—	—	—	—
SpaDental (formerly Main Dental) (see note 9)	—	—	138	4.0
<b>Total</b>	<b>2,808</b>	<b>100.0</b>	<b>3,485</b>	<b>100.0</b>

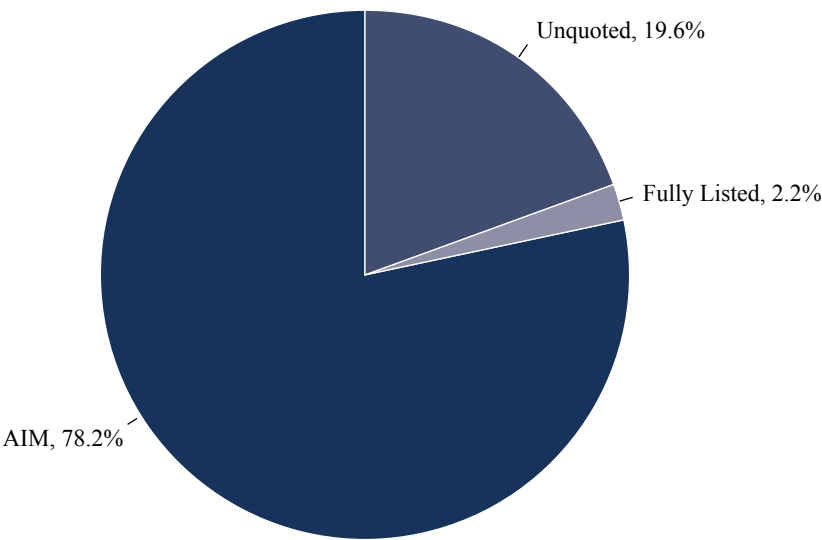
\* Name changed to Touchpoint Group Holdings from 26 September 2019.

Portfolio breakdown by sector and by index

Percentage of portfolio by sector



Percentage of portfolio by index



All investments are in companies based in the United Kingdom.

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## Strategic Report *(continued)*

### Other statutory information

As explained within the Report of the Directors on page 25, the Company carries on business as an investment trust. Investment trusts are collective closed-ended public limited companies.

Chelverton Growth Trust plc is a public limited company incorporated in England and Wales (registration number 02989519) with its registered office being Suite 8, Bridge House, Courtenay Street, Newton Abbot TQ12 2QS.

The Company is an investment company under section 833 of the Companies Act.

The Company's shares are listed on the London Stock Exchange main market under the code CGW (sedol 0262134) and L.E.I. 213800I86P8BAE6UVI83.

### Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate and gearing strategy, corporate governance procedures and risk management. Biographical details of the three Directors, can be found on page 15.

### 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 performance of the Company's investments is compared to the MSCI Small Cap UK Index.

The Company may 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.

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

It is intended, when deemed appropriate, that the Company will borrow for investment purposes.

The Investment Objective and Policy stated are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are constrained in their decision making and asset allocation. The Investment Objective and Policy allow the Company to be constrained in its investment selection only by valuation and to be pragmatic in portfolio construction by only investing in securities which the Investment Manager considers to be undervalued on an absolute basis. Portfolio risk is managed by investing in a diversified spread of investments.

Given the comments in the Chairman's statement the Directors feel it is appropriate to amend the Investment Policy to state the Company:

1. may participate in another CEPS placing (if it were to have one);
2. will liquidate its various other investments when it is felt appropriate to do so;
3. will repay the outstanding Jarvis Loan;
4. will pay all outstanding liabilities.

Resolution 7 as shown in the Notice of Annual General Meeting will give Shareholders the opportunity to vote on this amendment.

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## Strategic Report *(continued)*

### Other statutory information *(continued)*

#### 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 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 earnings prospects over a five year time horizon.

The Company's Investment Manager is Chelverton Asset Management Limited ("CAM"), an investment manager focussing exclusively on achieving returns for investors based on UK investment analysis of the highest quality. The founder and employee owners of CAM 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.

Note 15 gives details of the Directors' interests in the Investment Manager.

The Chairman's statement on pages 3 and 4 and the Investment Manager's overview on pages 5 and 6 give details of the Company's activities during the year under review.

#### Investment of Assets

At each Board meeting, the Board considers compliance with the Company's investment policy and other investment restrictions during the reporting period. An analysis of the portfolio at 31 August 2019 can be found on pages 7 to 10 of the report.

#### Environment Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, or operations of its own and does not generate any greenhouse gas or other emissions.

#### Review of Performance and Outlook

Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 3 and 4 and the Investment Manager's overview on pages 5 and 6.

#### Principal risks and uncertainties and risk management

As stated within the Corporate Governance Statement on pages 17 to 24, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established a continuing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below and in note 14 which provides detailed explanations of the risks associated with the Company's financial instruments.

#### Market risk

The Company is exposed to market risk due to fluctuations in the market prices of its investments.

The Investment Manager actively monitors economic and company performance and reports regularly to the Board on a formal and informal basis. The Board formally meets with the Investment Manager quarterly when portfolio transactions and performance are reviewed. The Board acting as the Management Engagement Committee meets as required to review the performance of the Investment Manager. Further details regarding the Company's Committees and their duties are given on pages 19 to 21 of the Corporate Governance Statement.

The Company is substantially dependent on the services of the Investment Manager's investment team for the implementation of its Investment Policy.

The Company may hold a proportion of the portfolio in cash or cash equivalent investments from time to time. Whilst during positive stock market movements the portfolio may forego notional gains, during negative market movements this may provide protection.

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## Strategic Report *(continued)*

### Other statutory information *(continued)*

#### Discount volatility

As with many investment trust companies, discounts can significantly fluctuate.

The Board recognises that it is in the long-term interests of Shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. The Board does not intend to adopt a precise discount target at which shares will be bought back. However, Ordinary shares will not be bought back for cancellation or into Treasury at a discount to NAV of less than 7.5%.

#### Regulatory risks

Relevant legislation and regulations which apply to the Company include the Companies Act 2006, the Corporation Tax Act 2010 ("CTA"), the Alternative Investment Fund Managers Directive ("AIFMD") and the Listing Rules of the Financial Conduct Authority ("FCA"). The Company has noted the recommendations of the UK Corporate Governance Code and its statement of compliance appears on pages 17 to 24. A breach of the CTA could result in the Company losing its status as an investment company and becoming subject to capital gains tax, whilst a breach of the Listing Rules might result in censure by the FCA. At each Board meeting the status of the Company is considered and discussed, so as to ensure that all regulations are being adhered to by the Company and its service providers.

The Board is not aware of any breaches of laws or regulations during the period under review and up to the date of this report.

#### Financial risk

The financial situation of the Company is reviewed in detail at each Board meeting. The content of the Company's Annual Report and financial statements is monitored and approved both by the Board and the Audit Committee.

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

#### Liquidity risk

The Board monitors the liquidity of the portfolio at each Board meeting and regularly reviews the investments with the Investment Manager.

A more detailed explanation of the investment management risks facing the Company is given in note 14 to the financial statements.

#### Financial instruments

As part of its normal operations, the Company holds financial assets and financial liabilities. Full details of the role of financial instruments in the Company's operations are set out in note 14 to the financial statements.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio. Investment risk is spread through holding a wide range of securities in different industrial sectors.

#### Statement regarding annual report and accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

#### Performance analysis using key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives, for example: the NAV, the movement in the Company's share price and the premium/discount of the share price in relation to the NAV.

The Company's Income statement is set out on page 38.

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## Strategic Report *(continued)*

### Other statutory information *(continued)*

The movement of the NAV is compared to the MSCI Small Cap UK Index, the Company's benchmark. The NAV per Ordinary share at 31 August 2019 was 44.79p (2018: 60.48p), a decrease of 25.94%. By comparison the benchmark fell by 9.57%.

The Company's share price at the year end was 40.50p (2018: 56.50p).

### Viability Statement

The Board reviews the performance and progress of the Company over various time periods and uses these assessments, regular investment performance updates from the Investment Manager and a continuing programme of monitoring risk, to assess the future viability of the Company. The Directors consider that a period of two years is the most appropriate time horizon to consider the Company's viability and after careful analysis and consideration of the future prospects, as discussed in the Chairman's Statement on page 3, the Directors believe that the Company is viable over a two-year period. The Directors are of the opinion that the Company has sufficient liquidity in the portfolio in readily realisable smaller capitalised AIM traded securities.

In order to maintain viability, the Company has a robust risk control framework for the identification and mitigation of risk which is reviewed regularly by the Board. The Directors also seek reassurance from suppliers that their operations are well managed and they are taking appropriate action to monitor and mitigate risk. The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.

### Current and future developments

A review of the main features of the year is contained in the Chairman's statement and the Investment Manager's overview on pages 3 to 6.

The marketing and promotion of the Company will continue to involve the Board, led by the Investment Manager, with a proactive communications programme either directly or through its website, with existing and potential new Shareholders and other external parties.

The Directors are seeking to renew the appropriate powers at the next Annual General Meeting to enable the purchase of the Company's own shares, when it is in the interests of Shareholders as a whole.

### Social, environmental and employee issues

The Company does not have any employees and the Board consists entirely of non-executive directors. As the Company is an investment trust, which invests in other companies, it has no direct impact on the community or the environment, and as such has no policies in this area.

### Alternative Investment Fund Manager's Directive ("AIFMD")

The Board has registered itself as the AIFM with the FCA under the Directive and confirm that all required returns have been completed and filed.

By Order of the Board

**Kevin Allen**

Chairman

5 November 2019



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## Directors

The Directors are:

**Kevin Allen (Chairman)** 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.

**David Horner** is managing director of Chelverton Asset Management Limited and the chairman of CEPS plc. He qualified as a chartered accountant and has considerable experience of analysing and working with smaller companies. In 2013 he resigned his membership of The Institute of Chartered Accountants in England and Wales, as his career is now fully involved in fund management.

**Ian Martin** has successfully headed both quoted and unquoted companies in both the insurance and media industry. Until January 2019, he was a director of Neon Underwriting Ltd. Prior to that from 2002 to 2012, he oversaw the growth of Avesco, the AIM quoted provider to the broadcast industry, including delivering Olympic ceremonies in London and Beijing. Prior to that he held senior board positions at Ascot Underwriting, Admiral Insurance and the Brockbank Group plc. Ian is currently chairman of Touchstar plc and a non- executive director of JJ Location one of the most respected photographic studios in London.

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## Investment Manager, Secretary and Advisers

### Investment Manager

Chelverton Asset Management Limited  
11 Laura Place  
Bath BA2 4BL  
Tel: 01225 483 030

Chelverton Asset Management Limited was formed in 1998. The investment team consists of David Horner, David Taylor and James Baker who have considerable experience of companies in the smaller quoted market sector.

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

### Secretary and Registered Office

ISCA Administration Services Limited  
Suite 8, Bridge House  
Courtenay Street  
Newton Abbot TQ12 2QS  
Tel: 01392 487056  
Email: [cgw@iscaadmin.co.uk](mailto:cgw@iscaadmin.co.uk)

### Registrar and Transfer Office

Share Registrars Limited  
The Courtyard  
17 West Street  
Farnham  
Surrey GU9 7DR  
Tel: 01252 821390  
[www.shareregistrars.uk.com](http://www.shareregistrars.uk.com)

### Auditors

Hazlewoods LLP  
Windsor House  
Bayshill Road  
Cheltenham GL50 3AT

### Custodians

Jarvis Investment Management Limited  
78 Mount Ephraim  
Royal Tunbridge Wells  
Kent TN4 8BS  
Tel: 01892 510515

### Bankers

HSBC  
46 Market Street  
Falmouth  
Cornwall TR11 3AA

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## Corporate Governance Statement

Shareholders hold the Directors of a Company responsible for the stewardship of that Company's affairs. Corporate governance is the process by which a board of directors discharges this responsibility. The Company's arrangements in respect of corporate governance are explained in this report.

During the year under review, the Company was required to comply with, or to explain its non-compliance with, the relevant provisions of the UK Corporate Governance Code 2016 issued by the FRC which can be found at [www.frc.org.uk](http://www.frc.org.uk).

The Board have noted the process undertaken by the FRC to review and update the UK Corporate Governance Code and the publication of the new code.

The new UK Code introduced a number of principles that were considered by many in the investment company sector to be inappropriate to small investment companies and would have required change to the Company's current Board structure. From 1 September 2019, the Company will follow the Association of Investment Companies Code on Corporate Governance ("AIC Code") which the Board believe is more appropriate to the Company. The AIC code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them more relevant for investment companies.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers appropriate to the business of the Company as an investment trust.

During the year, the Company did not comply with the provisions of the UK Corporate Governance Code in respect of the following:

- Due to the size of the Board, it is felt inappropriate to appoint a senior independent non-executive Director.
- None of the Directors have service contracts. All Directors are required to retire and, if appropriate, seek re-election at least every three years. However, following best practice, all Directors who wish to continue, offer themselves for annual re-election at the Company's Annual General Meeting. The recommendation of the Code is for fixed term renewable contracts.
- As the Company has no staff, other than Directors, there are no procedures in place in relation to whistle-blowing. The Board has satisfied itself there are appropriate whistle-blowing procedures in place at its service providers.
- The Company does not have an internal audit function as all of the Company's management functions are performed by third parties. However, the need for an internal audit function will be reviewed annually.

At the end of the year the Board consisted of two independent directors and Mr Horner, who is not considered independent. The biographies of all the Directors are contained on page 15.

The Board believes that the two independent Directors are independent in character and that there are no relationships or circumstances which are likely to affect their judgement. All Directors receive relevant training, collectively or individually, as necessary. The Directors believe that the Board has the balance of skills, experience, ages and length of service to enable it to provide effective leadership and proper governance of the Company. The Directors possess a range of business and financial expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs.

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## Corporate Governance Statement *(continued)*

The Directors of the Company meet at regular Board Meetings. During the year to 31 August 2019, the Directors' attendance at meetings has been recorded as follows:

	Board Meetings	Audit Committee
K J Allen	4 of 4	2 of 2
D A Horner	4 of 4	n/a
I P Martin	4 of 4	2 of 2

The Board subscribes to the view that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure reduces his ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed, although the Board believes in the merits of periodic and progressive refreshment of its composition.

The basis on which the Company aims to generate value over the longer term is set out in the Strategic Report on pages 3 to 14. All matters, including corporate and gearing strategy, investment and dividend policies, corporate governance procedures and risk management are reserved for the approval of the Board of Directors. The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

### **Board of Directors**

In accordance with the Listing Rules for investment entities, the Board has reviewed the status of its individual Directors and the Board as a whole. The non-executive Directors are considered by the Board to be independent and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The three Directors were appointed at the 2018 Annual General Meeting for a term to expire at the next Annual General Meeting. All three non-executive Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

Mr Allen and Mr Martin are deemed by the Board to be independent of the Investment Manager. The continuing independence of Mr Allen has been fully considered in light of his having served for more than nine years on the Board since his first election. Mr Allen and Mr Martin were the founding Board members. Mr Martin, having previously resigned from the Board, was re-appointed on 19 December 2013. Their knowledge of the Company and experience is considered extremely valuable by the other Director. Mr Horner, as managing director of Chelverton Asset Management Limited the Investment Manager, is not independent. Given the size and nature of the Board, it is not considered appropriate to appoint a Senior Independent Director. This is a breach of code provision A.3.3. The Company does not have a Chief Executive Officer, but by appointing a management company the roles of Chairman and Chief Executive Officer are effectively separated. Brief biographical details of the Directors can be found on page 15.

### **Board responsibilities and relationship with Investment Manager**

The Board is responsible for the Investment Policy and strategic and operational decisions of the Company and for ensuring that the Company is run in accordance with all regulatory and statutory requirements. These matters include:

- The maintenance of clear investment objectives and risk management policies, changes to which require Board approval;
- The monitoring of the business activities of the Company, including investment performance and annual budgeting; and
- Review of matters delegated to the Investment Manager and Company Secretary.

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## Corporate Governance Statement *(continued)*

The Investment Manager ensures that Directors have timely access to all relevant management and financial information to enable informed decisions to be made and contacts the Board as required for specific guidance. The Company Secretary and Investment Manager prepare monthly reports for Board consideration on matters of relevance, for example current valuation and portfolio changes, cash availability and requirements and a breakdown of shareholdings by listing and sector. The Board takes account of Corporate Governance best practice.

The Directors review at each Board meeting the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. The Board is responsible for the Investment Policy and strategic and operational decisions of the Company. A formal schedule of matters specifically reserved for the Board's approval has been adopted. The management of the Company's assets is delegated to Chelverton Asset Management Limited, which has discretion to manage the assets of the Company in accordance with the Company's investment objectives and policies subject to the following:

- All proposed investments in unquoted companies are put to the Board for approval;
- Investments in quoted companies of over £100,000 in any single situation are referred to the Board; and
- Opportunistic top-up investments of up to £50,000 are permitted in any company on the basis that the Board is informed.

### **Corporate governance and social responsible investment policy**

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Investment Manager considers social environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Manager, encourage companies in which investments are held to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective is to deliver superior long term returns for Shareholders which the Board believe will be produced on a sustainable basis by investing in companies which adhere to best practice in the area of Corporate Governance. Accordingly the Fund Manager will seek to favour companies which pursue best practice in this area.

### **Chairman and Senior Independent Director**

The Chairman, Mr Allen, is independent. He considers himself to have sufficient time to commit to the Company's affairs. Given the size and nature of the Board it is not considered appropriate to appoint a Senior Independent Director.

### **Board operation committees**

The Company uses an Audit Committee to control and monitor its operations and provide a forum through which the Company's external Auditors report to the Board of Directors. The Committee meets at least twice a year and is chaired by Mr Martin. Mr Horner is not a member by virtue of his association with the Investment Manager. The Audit Committee's delegated responsibilities are clearly defined in written terms of reference, copies of which are available from the Company Secretary.

The primary responsibilities of the Audit Committee are: to review the effectiveness of the internal control environment of the Company and monitor adherence to best practice in corporate governance; to make recommendations to the Board in relation to the re-appointment of the Auditors and to approve their remuneration and terms of engagement; to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process and provide a forum through which the Company's Auditors report to the Board. The Audit Committee also has responsibility for monitoring the integrity of the financial statements, financial reporting process and accounting policies of the Company and for reviewing the Company's financial reporting and internal control policies and procedures. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required.

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## Corporate Governance Statement *(continued)*

The Audit Committee has direct access to the Company's Auditors, Hazlewoods LLP, whose representatives attend the year end Audit Committee meeting. On the basis of these meetings the Audit Committee has been able to assess the effectiveness of the external audit. A formal statement of independence is received from the external Auditors each year. The Committee has advised the Board that based on its assessment of their performance and independence Hazlewoods LLP has fulfilled its obligations to the Company and Shareholders.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties and, as a result, this function is not felt to be appropriate. However the need for one is reviewed annually.

### Significant Issues Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
<b>Investment Portfolio Valuation</b>	
The Company's portfolio is invested predominantly in quoted and unquoted securities. Eighty percent of the portfolio is liquid and traded on recognised stock exchanges. Errors in the portfolio valuation could have a material impact on the Company's NAV per share.	Quoted securities are valued at bid price at the end of each month by the Company Secretary. The unquoted securities are reviewed on a quarterly basis by the Investment Manager and at the year end with the Auditors.
<b>Misappropriation of Assets</b>	
Misappropriation of the Company's investments or cash balances could have a material impact on its NAV per share.	The portfolio is agreed on a monthly basis by the Company Secretary and the Investment Manager during the completion of the monthly accounts. The Company Secretary reconciles cash balances on a monthly basis.
<b>Income Recognition</b>	
Incomplete or inaccurate income recognition could have an adverse effect on the Company's NAV and earnings per share.	The level of income received for the year is agreed with the Investment Manager and the Company Secretary.

The Audit Committee reviews the scope and results of the audit and, during the year, considered and approved Hazlewoods LLP's plan for the audit of the financial statements for the year ended 31 August 2019. At the conclusion of the audit Hazlewoods LLP did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. Hazlewoods LLP issued an unqualified audit report which is included on pages 32 to 37.

Hazlewoods LLP was first appointed as Auditor to the Company on 27 February 2007. As part of its review of the continuing appointment of the Auditor, the Committee considers the length of tenure of the audit firm, its fees and independence, along with any matters raised during each audit. The Committee has discussed with Hazlewoods LLP its objectivity, independence and experience in the investment trust sector.

The Committee had previously recommended the re-appointment of Hazlewoods LLP on each occasion since their initial appointment, and no tender had been undertaken for the audit of the Company. The Audit Partner for the Company has been rotated twice since their initial appointment, most recently in respect of the financial year ended 31 August 2018. The audit for 2018 was Hazlewoods LLP's twelfth year as Auditor and in accordance with Auditing Practice Board Ethical Standard 3 (Revised) the audit was put out to tender in respect of the 2018 year end. The Committee invited tenders from three audit firms and the tender documents were discussed in detail. Based on a number of criteria the Committee agreed to recommend to the Board the reappointment of Hazlewoods LLP as Auditors to the Company.

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## **Corporate Governance Statement** *(continued)*

Hazlewoods LLP has indicated their willingness to continue in office as Auditor of the Company. Following its review, the Committee considers that individually and collectively Hazlewoods LLP are appropriately experienced to fulfil the role required.

The Committee has considered the independence and objectivity of the Auditor and it is satisfied in these respects that Hazlewoods LLP has fulfilled its obligations to the Company and its Shareholders. During the year Hazlewoods LLP provided tax compliance services to the Company. These were not provided by the audit team and the fee is not significant at £2,000 plus VAT. No other non-audit services were provided in the year. The Committee has advised that based on its assessment of their performance and independence, Hazlewoods LLP has fulfilled its obligations to the Company and its Shareholders and on this basis recommends their reappointment as Auditor.

The Board acting as a Nomination Committee considers the appointment and re-appointment of Directors and meets as and when required, and is chaired by Mr Allen. The Board meets for the purpose of considering appointments to, and removals from, the Board and determining the appointment process when required.

The Board, excluding Mr Horner, reviews the performance of the Investment Manager under the Investment Management Agreement. Based on this review it has concluded that the Investment Manager's appointment continues to be in the best interest of Shareholders as a whole. The Board also reviewed the performance of the Company Secretary, the Custodian and the Registrar and matters concerning their respective agreements with the Company.

The Board of Directors of the Company comprised three male Directors in the year to 31 August 2019. While the Board recognises the benefits of diversity in future appointments to the Board, the key criteria for the appointment of new directors will be the appropriate skills and experience in the interest of Shareholder value. The Directors are satisfied that the Board currently contains members with an appropriate breadth of skills and experience.

The Board as a whole fulfils the function of a Remuneration Committee. Remuneration details are given in the Directors' remuneration report on pages 28 to 30. At 31 August 2019, there were no Directors' service agreements and no Director had been granted any options to acquire shares in the Company.

### **Company Secretary**

On 21 December 2015, ISCA Administration Services Limited was appointed as Company Secretary and Administrator to the Company and is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary also ensures timely delivery of information and reports and that the statutory obligations of the Company are met. All the Directors have direct access to the advice and services of the Company Secretary.

### **Independent professional advice and Director's training**

There is an agreed procedure for Directors to seek independent professional advice if necessary at the Company's expense on any matter that concerns them in the furtherance of their duties. The Chairman liaises on a regular basis with the other Directors and the Company Secretary to ensure that they are maintaining adequate training and continuing professional development.

### **Directors' Indemnities and Liability Insurance**

The Company has, as permitted by the Companies Act 2006 and the Company's Articles of Association, maintained Directors and Officers Indemnity insurance cover on behalf of the Directors indemnifying them against costs, charges, losses, damages and liabilities incurred for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or in connection with the activities of the Company. The policy does not provide cover for fraudulent or dishonest actions by the Directors. Save for the indemnity provisions contained in the Articles of Association and the Directors' letters of appointment, there are no qualifying third-party indemnities.

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## Corporate Governance Statement *(continued)*

### Performance evaluation

In accordance with corporate governance best practice, formal performance evaluation of the Board, Audit Committee and individual Directors was undertaken following the year end by verbal consultation between the independent Directors. It was concluded that the Board represented an effective combination of skill and expertise and continued to operate successfully as a small, proficient unit. The performance of each Director continues to be effective and demonstrates commitment to the role.

### Company information

The following information is disclosed in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6.

- The Company's capital structure and voting rights are summarised on page 2.
- Details of the substantial Shareholders in the Company are listed on page 26.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles and are discussed on pages 17 and 18.
- The Board is seeking to renew its current powers to buy back shares as detailed on page 27.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to the control attached to securities; no restrictions on voting rights; and no agreements which the Company is party to that might affect its control following a successful takeover.
- The Company's Articles can be amended by a Special Resolution at a General Meeting of the Company's Shareholders.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

### Relations with Shareholders

Communication with Shareholders is addressed by both the Board and the Investment Manager and the Directors are available to enter into dialogue with Shareholders. The Directors maintain communication with major Shareholders throughout the year and all Shareholders of the Company are encouraged to take the opportunity to meet with the Directors of the Board at the Annual General Meeting and ensure that their views are understood. All Shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and Shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairman of the Audit Committee.

Any Shareholder who would like to lodge questions in advance of the Annual General Meeting is invited to do so either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 16. The Company always responds to letters from individual Shareholders.

The Annual and Half Yearly Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies of the Annual Report are dispatched to Shareholders by mail. The Annual and Half Yearly Reports are also available for downloading from the Company's website maintained by the Investment Manager at [www.chelvertonam.com](http://www.chelvertonam.com).



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## Corporate Governance Statement *(continued)*

### Internal controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. It has established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the FRC.

Adequate internal controls are in place for identifying, evaluating and managing risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, has been in place for the full financial year and up to the date the financial statements were approved and is consistent with the internal control guidance issued by the FRC.

The Board has undertaken a robust review of the Company's principal risks and has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Directors, provide sufficient assurance that a sound system of internal control, which safeguards the assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

### Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming a reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost and benefits to the Company of third parties operating the relevant controls.

Against this background, the Board has split the review of risk and associated controls into four sections reflecting the nature of the risks being addressed. These sections are as follows:

- Corporate strategy;
- Published information, compliance with laws and regulations;
- Relationship with service providers; and
- Investment and business activities.

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

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

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## Corporate Governance Statement *(continued)*

The key procedures which have been established to provide internal controls are as follows:

- Investment management is provided by Chelverton Asset Management Limited. The Board is responsible for setting the overall Investment Policy and monitors the action of the Investment Manager at regular Board meetings;
- Administration and company secretarial duties for the Company are performed by ISCA Administration Services Limited;
- Custody of assets is undertaken by Jarvis Investment Management Limited;
- The duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expense payments are set by the Board; and
- The Board reviews financial information produced by the Investment Manager and the Company Secretary in detail on a regular basis.

In accordance with guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the system of internal control. The last review was undertaken on 24 October 2019 and concluded that the controls were suitable and operated effectively for the Company.

On behalf of the Board

**Kevin Allen**

Chairman

5 November 2019

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## Report of the Directors

The Directors present their report and audited financial statements of the Company for the year ended 31 August 2019. This report also contains certain information required in accordance with s992 of the Companies Act 2006.

The registered company number for Chelverton Growth Trust PLC is 02989519.

### Status, objective and review

The principal activity of the Company is to carry on business as an investment trust. The Company has been granted approval from HM Revenue & Customs ('HMRC') as an authorised investment trust under Section 1158 of the Corporation Tax Act 2010. The Company will be treated as an investment trust company for each subsequent accounting period, subject to there being no serious breaches of the conditions. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 August 2019 so as to be able to continue to qualify as an authorised investment trust. The Company is an investment company as defined in Section 833 of the Companies Act 2006.

### Results and dividend

The results for the year are set out in the Income statement on page 38. The Directors do not recommend the payment of a dividend for the year (2018: nil).

### Directors

The Directors in office during the year and at the date of this report, all of whom are non-executive, are shown below:

	<b>Date of appointment</b>
K J Allen	8 November 1994
D A Horner	1 May 2006
I P Martin	19 December 2013

In accordance with the AIC Code of Corporate Governance, non-executive directors should be subject to annual re-election. All Directors will retire at the Annual General Meeting and, being eligible, will offer themselves for re-election.

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

Mr Horner is managing director of Chelverton Asset Management Limited, the Company's Investment Manager. He has considerable experience of analysing and working with smaller companies.

Mr Allen is a founding Director of the Company. He is a chartered accountant and has held a number of financial management positions within varied sectors where he has gained a thorough knowledge of smaller companies' managerial issues. His financial experience enables him to contribute significantly on accounting and reporting matters. Mr Allen is deemed wholly independent by the other Board members notwithstanding his length of service.

Mr Martin is also a founding Director of the Company although he was only re-elected to the Board in 2013. He has also held a number of management positions within varied sectors where he gained a thorough knowledge of smaller companies' managerial issues. His financial experience enables him to contribute significantly on accounting and reporting matters. Mr Martin is deemed wholly independent by the other Board members.

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, save as disclosed below. Mr Horner is the managing director of

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## Report of the Directors *(continued)*

Chelverton Asset Management Limited, the Company's Investment Manager and is also the chairman of CEPS PLC in which the Company has a significant investment. The three Directors also have personal holdings in Chelverton Asset Management Holdings in which Mr Horner is a director and in which the Company has an investment. Mr Martin is the chairman of Touchstar plc in which the Company has an investment.

### Substantial shareholdings

The Directors had been notified of the following notifiable interests in the voting shares of the Company at 31 August 2019.

	Number of shares	% of total voting rights
IONIC Investments SA	968,539	17.74
Miton Global Opportunities PLC	600,000	10.99
Mr D A Horner	557,197	10.20
Mr K J Allen	221,762	4.06

### Share capital

At the year end and at the date of this report there were 5,460,301 Ordinary 1p shares in issue each carrying one vote in the event of a poll. No shares are held in Treasury.

### Management and administration agreements

The Company's investments are managed by Chelverton Asset Management Limited ("CAM") under an agreement dated 28 June 2001. As previously stated above, Mr Horner is a director of CAM.

The Company pays CAM, in respect of its services as Investment Manager, an annual fee of 1% of gross assets, payable monthly in arrears. With effect from 1 November 2019, the annual fee will be reduced to 0.5% per annum of gross assets.

The amount payable to CAM for the year ending 31 August 2019 was £35,000 (2018: £44,000). At the year-end £2,600 (2018: £3,300) was outstanding to CAM.

The appointment of CAM as Investment Manager may be terminated by either party giving to the other not less than twelve months' notice of such termination. There are no specific provisions contained within the Investment Management Agreement relating to the compensation payable in the event of termination of the agreement other than entitlement to fees, which would be payable within any notice period.

Under an agreement dated 21 December 2015, company secretarial services and the general administration of the Company are undertaken by ISCA Administration Services Limited for an annual fee of £40,000.

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

The Board, excluding Mr Horner, continually reviews the performance of the Investment Manager. In the opinion of the independent Directors the continuing appointment of CAM, as Investment Manager, on the terms outlined in the Investment Management Agreement dated 28 June 2001 and amended on 1 December 2006, is in the best interests of the Shareholders as a whole. Further, the Board is satisfied that CAM has the required skill and expertise to continue to manage the Company's portfolio and charges fees that are reasonable when compared with those of similar investment trusts.

### Payment of suppliers

The Company does not follow any code or standard on payment practice. However it is the Company's payment policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will be transacted, and it is the Company's policy to abide by those terms. At 31 August 2019, all suppliers' invoices received had been settled.

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## Report of the Directors *(continued)*

### Going concern

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Company, and forecast revenues for the current financial year. The Directors have also taken into account the Company's Investment Policy, which is described on page 11 and which is subject to regular Board monitoring processes, and is designed to ensure the Company holds sufficient liquid securities to meet possible cash flow needs.

The Company retains title to all assets held by its custodian. Note 14 to the financial statements sets out the financial risk profile of the Company and indicates the effect on its assets and liabilities of falls and rises in the value of securities, market rates of interest and changes in exchange rates.

The Directors believe, in the light of the controls and review processes noted above and 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. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

### Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 14 to the financial statements.

### Annual General Meeting

The Notice of Annual General Meeting is set out on pages 56 to 58.

It is also proposed in Resolution 8 that at the Annual General Meeting the Company be given renewed authority to buy back its own shares in the market, which may either be cancelled or held in Treasury. Any decision regarding placing into Treasury, or issuing shares from Treasury will only be taken if, in the opinion of the Directors, the decision would be in the interest of Shareholders as a whole and at prices below NAV. Of the authority granted at the 2018 Annual General Meeting to repurchase shares other than under a tender offer, authority to repurchase 818,499 shares remained outstanding.

As at 4 November 2019, being the latest practicable date before the publication of this Annual Report, there are no outstanding warrants or options to subscribe for any Ordinary shares of the Company.

### Disclosure of information to Auditors

The Directors who held office at the date of approval of the Report of the Directors' confirm that so far as they are aware:

- There is no relevant audit information of which the Company's Auditors are unaware; and
- They have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Re-appointment of Auditor

The Board agree that the reappointment of Hazlewoods LLP as Auditors to the Company shall be recommended. Therefore a resolution will be put to the Shareholders at the Annual General Meeting proposing the re-appointment of Hazlewoods LLP as Auditors to the Company. Hazlewoods LLP have indicated their willingness to continue in office.

On behalf of the Board

**Kevin Allen**

Chairman

5 November 2019

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## Directors' Remuneration Report

The Board has prepared this report, in accordance with Schedule 8 to The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013. An ordinary resolution will be put to the members to approve the report at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 32 to 37.

### Remuneration Committee

The Company has three non-executive directors. The Board as a whole fulfils the function of a Remuneration Committee which considers and approves Directors' remuneration.

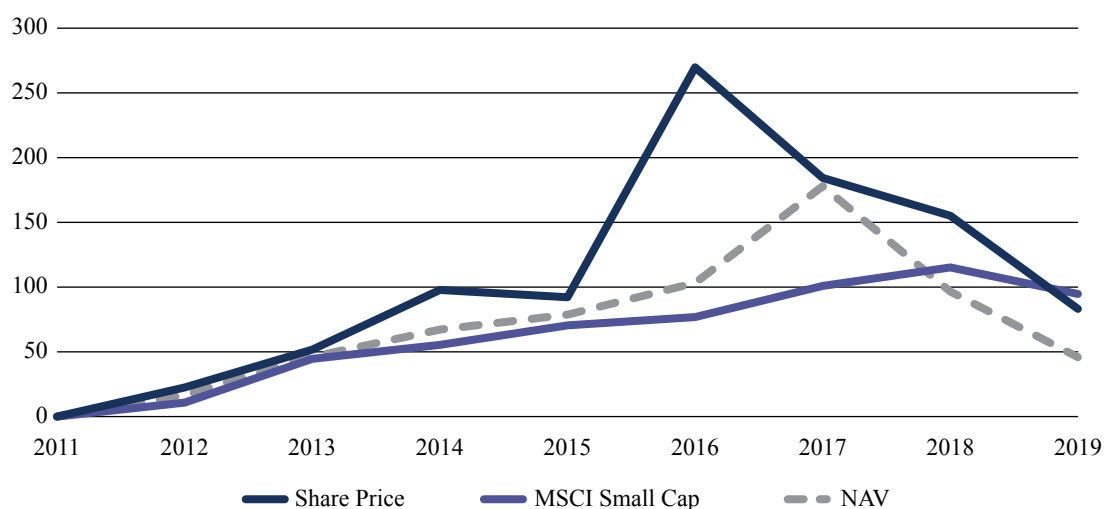
The Board is mindful of its obligation to set remuneration levels which will attract and maintain an appropriate calibre of individuals whilst simultaneously protecting the interests of Shareholders. The Company's Articles cap Directors' fees to £100,000 per annum. During the year to 31 August 2019, the Board reviewed the existing remuneration levels and recommended they remain unchanged from those to 31 August 2018.

### Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director may be removed without notice and that compensation will not be due on leaving office.

### Your Company's share price performance

The graph below shows the percentage growth over the past eight years in the Company's NAV and share price compared to the growth in the MSCI Small Cap UK Index. The Chairman's statement and Investment Manager's overview on pages 3 to 6 give further details on the performance of the NAV.



## Directors' Remuneration Report *(continued)*

### Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2019 £	2018 £
K J Allen	18,750	18,750
I P Martin	15,000	15,000
D A Horner*	—	—
	<b>33,750</b>	<b>33,750</b>

\* Mr Horner has waived his fees.

### Directors' beneficial and family interests (audited)

The interests of the Directors and their families in the Ordinary shares of the Company are set out below. Directors are encouraged to hold shares in the Company so as to align their interests with those of the other Shareholders in the Company.

	At 31 August 2019	At 31 August 2018
K J Allen	221,762	221,762
D A Horner	557,197	557,197
I P Martin	1,200	1,200

There have been no changes to any of the above holdings between 31 August 2019 and the date of this report. None of the Directors has any non-beneficial interests to disclose.

### Relative importance of spend on pay

	2019 £	2018 £	% Change
Cost of shares purchased for cancellation under tender offer and buyback	—	718,798	n/a
Total remuneration paid to Directors	<b>33,750</b>	<b>33,750</b>	<b>0.00</b>

Other than as declared in note 15 on page 53, none of the Directors nor any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

The Directors' Remuneration Report for the year ended 31 August 2018 was approved by Shareholders at the Annual General Meeting held on 13 December 2018. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	1,167,408	98.98
Against	12,055	1.02
Total votes cast	1,179,463	100.00
Number of votes withheld	88,515	

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## Directors' Remuneration Report *(continued)*

### Remuneration Policy

The Directors' Remuneration Policy was approved by Shareholders at the Annual General Meeting held on 13 December 2018. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	1,167,408	98.98
Against	12,055	1.02
Total votes cast	1,179,463	100.00
Number of votes withheld	88,515	

The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract and retain directors with suitable skills and experience, and is determined in such a way as to reflect the experience of the Board as a whole, in order to be comparable with other organisations and appointments. It is intended that this policy will continue for the year ending 31 August 2020 and thereafter.

The fees for non-executive Directors are determined within the limits set out in the Company's Articles. The approval of Shareholders would be required to increase the limits set out in the Articles. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, as the Board does not consider such arrangements or benefits necessary or appropriate. Fees for any new Director appointed will be made on the same basis.

The policy was last approved by Shareholders at the Annual General Meeting on 13 December 2018 and will remain valid until the Annual General Meeting in 2021.

	<b>Expected Fees for Year to 31 August 2020</b>	Fees for Year to 31 August 2019
	<b>£</b>	<b>£</b>
Chairman's fee	<b>18,750</b>	18,750
Non-Executive Director fee	<b>15,000</b>	15,000

### Approval

This Directors' Remuneration Report was approved by the Board of Directors on 5 November 2019.

On behalf of the Board

**Kevin Allen**

Chairman



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

The Directors are responsible for preparing the Annual Report and the financial statements and have elected to prepare them in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing the 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Directors Remuneration Report and Corporate Governance Statement.

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information related to the Company including on the website of the Investment Manager [www.chelvertonam.com](http://www.chelvertonam.com).

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

On behalf of the Board

**Kevin Allen**

Chairman

5 November 2019

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## **Independent Auditors' report to the members of Chelverton Growth Trust PLC**

### **Opinion**

We have audited the financial statements of Chelverton Growth Trust Plc (the 'Company') for the year ended 31 August 2019, which comprise the Income statement, Statement of financial position, Statement of changes in equity, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 49 to 53 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 14 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 27 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 14 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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## Independent Auditors' report *(continued)*

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified were valuation, ownership and existence of investments and, in particular, the valuation of unquoted investments and the allocation between capital and revenue items in the Income statement. Revenue recognition and management override of controls are a risk in any audit. This is not a complete list of all risks identified by our audit.

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### Audit Risk

### How we responded to the risk

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#### *Ownership and existence of investments*

The Company's business is to invest predominantly in companies listed on the Official List and traded on the AIM with a market capitalisation at the time of investment of up to £50 million to provide capital growth. The Company will also invest in unquoted investments where it is believed there is a likelihood that the unquoted investment will become listed or traded or sold.

Accordingly, the investment portfolio is a significant material balance in the financial statements. We therefore identified the ownership and existence of the investment portfolio as a risk that requires particular audit attention.

Our audit work included, but was not restricted to:

- Testing investment additions and disposals to contracts and bank statements; and
- Confirming investment holdings to either third party confirmations, direct investee confirmations or share certificates.

The Audit Committee identified the ownership of investments as a significant issue in its report on page 20, where the Committee also described the action that it has taken to address this risk.

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#### *Valuation of investments*

The Company's business is to invest predominantly in companies listed on the Official List and traded on the AIM with a market capitalisation at the time of investment of up to £50 million to provide capital growth. The Company will also invest in unquoted investments where it is believed there is a likelihood that the unquoted investment will become listed or traded or sold.

Accordingly, the investment portfolio is a significant material balance in the financial statements. We therefore identified the valuation of the investment portfolio as a risk that requires particular audit attention.

Investments in quoted companies are measured at quoted market bid prices.

Investments in unquoted companies are held at the fair value of the underlying assets and liabilities or latest transactions, as there are no readily available market values.

In respect of quoted investments, our audit work included, but was not restricted to:

- Understanding management's process to recognise and measure listed or traded investments;
- Assessing whether the Company's accounting policy for valuation of quoted investments is in accordance with FRS 102; and
- Comparing quoted investment valuations to an independent source of market prices.

In respect of unquoted investments, our audit work included, but was not restricted to:

- Understanding management's process to measure unquoted investments; and
- Discussing the valuation basis with management, reviewing and challenging the basis and reasonableness of the key assumptions, estimates and judgments made by management.

The Company's accounting policy on valuation of investments is shown in note 1 to the financial statements and related disclosures are included in note 7. The Audit Committee identified the valuation of investments as a significant issue in its report on page 20, where the Committee also described the action that it has taken to address this matter.

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## Independent Auditors' report *(continued)*

Audit Risk	How we responded to the risk
<b><i>Allocation of capital and revenue items</i></b>	
The Company is required to apportion its expenses between revenue and capital. This allocation is important as the Company can only pay dividends out of the revenue reserve.	Our audit work included, but was not restricted to:
The split should be based on the "the Board's expected long-term split of returns".	<ul style="list-style-type: none"><li>• Reviewing material estimates, judgements and decisions made by management; and</li><li>• Reviewing historical trends.</li></ul> The Company's accounting policies in respect of material estimates and judgements are set out in note 1.
<b><i>Management override of controls</i></b>	
There is a risk of management override of controls in any entity, though the level of risk varies from entity to entity.	Our audit work included, but was not restricted to:
	<ul style="list-style-type: none"><li>• Reviewing material estimates, judgements and decisions made by management; and</li><li>• Testing of all material manual journal entries.</li></ul> The Company's accounting policies in respect of material estimates and judgements are set out in note 1.
<b><i>Revenue recognition</i></b>	
ISA 240 – The Auditors Responsibilities Relating to Fraud in an Audit of Financial Statements requires that auditors should presume that there is a risk that revenue may be misstated due to the improper recognition of revenue unless that risk can be rebutted. We identified completeness and occurrence of investment income as a risk that requires particular audit attention.	Our audit work included, but was not restricted to:
	<ul style="list-style-type: none"><li>• Assessing whether the Company's accounting policy for revenue recognition is in accordance with FRS 102;</li><li>• Obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy;</li><li>• Testing income transactions by comparing dividends during the year obtained from an independent source with those recognised by the Company;</li><li>• Testing gains and losses on investments to third party contracts;</li><li>• Performing cut-off testing of dividend income around the year end; and</li></ul> For income from unquoted investments our audit work included, but was not restricted to:
	<ul style="list-style-type: none"><li>• Checking the investment income that the Company was entitled to during the year directly with the underlying investment entities.</li></ul> The accounting policy on income, including its recognition, in shown in note 1 to the financial statements and the components of that income are included in note 2.

### **Our application of materiality**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of an omission or a misstatement that individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We also determine a level of performance materiality, which we use to determine the extent of testing needed, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

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## Independent Auditors' report *(continued)*

We established materiality for the financial statements as a whole to be £62,000, which is 2% of the value of the Company's total assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the economic decisions of the users of the financial statements would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £31,000, which is 25% of the Company's negative net return on revenue ordinary activities before taxation.

### **An overview of the scope of our audit**

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the maintenance of the Company's accounting records and the custody of its investments is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and third-party service providers and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- ***Fair, balanced and understandable***, set out on page 13 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- ***Audit committee reporting***, set out on pages 19 to 21 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- ***Directors' statement of compliance with the UK Corporate Governance Code***, set out on page 17 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditors in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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## **Independent Auditors' report** *(continued)*

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## **Independent Auditors' report** *(continued)*

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

### **Other matters which we are required to address**

Following the recommendation of the audit committee, we were appointed by the Audit Committee on 2 November 2017 to audit the financial statements for the year ending 31 August 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years.

As disclosed in the Corporate Governance Report, tax compliance services were provided in the year as permitted by the FRC's Ethical Standard. Separate teams were engaged to complete the work and the work was performed after the audit was complete and audit report signed with no reliance placed on the tax compliance work by the audit team. Other than those disclosed in the Corporate Governance Report, we have provided no non-audit services to the Company in the period from 1 September 2018 to 31 August 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Ryan Hancock (Senior Statutory Auditor)**

For and on behalf of Hazlewoods LLP,  
Statutory Auditor, Cheltenham  
5 November 2019

## Income statement

for the year ended 31 August 2019

		2019			2018		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value	7	–	(682)	(682)	–	(1,263)	(1,263)
Income	2	22	–	22	9	–	9
Investment management fee	3	(9)	(26)	(35)	(11)	(33)	(44)
Other expenses	4	(138)	(24)	(162)	(134)	(6)	(140)
<b>Net loss on ordinary activities before taxation</b>		<b>(125)</b>	<b>(732)</b>	<b>(857)</b>	<b>(136)</b>	<b>(1,302)</b>	<b>(1,438)</b>
Taxation on ordinary activities	5	–	–	–	–	–	–
<b>Net loss on ordinary activities after taxation</b>		<b>(125)</b>	<b>(732)</b>	<b>(857)</b>	<b>(136)</b>	<b>(1,302)</b>	<b>(1,438)</b>
		<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
<b>Loss per Ordinary share</b>	6	<b>(2.29)p</b>	<b>(13.41)p</b>	<b>(15.70)p</b>	<b>(2.45)p</b>	<b>(23.40)p</b>	<b>(25.85)p</b>

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

No operations were acquired or discontinued during the year.

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with applicable Financial Reporting Standards (“FRS”). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice (“AIC SORP”) issued in November 2014 and updated in February 2018 with consequential amendments by the Association of Investment Companies.

The notes on pages 42 to 54 form part of these accounts.



## Statement of changes in equity

for the year ended 31 August 2019

	Called up Share Capital £'000	Special Reserve* £'000	Capital Reserve £'000	Capital Redemption Reserve £'000	Revenue Reserve* £'000	Total £'000
<b>Year ended 31 August 2019</b>						
1 September 2018	55	787	1,843	134	484	3,303
Net loss after taxation for the year	–	–	(732)	–	(125)	(857)
31 August 2019	55	787	1,111	134	359	2,446
<b>Year ended 31 August 2018</b>						
1 September 2017	64	1,506	3,145	125	620	5,460
Cost of shares purchased for cancellation under tender offer and buybacks	(9)	(719)	–	9	–	(719)
Net loss after taxation for the year	–	–	(1,302)	–	(136)	(1,438)
31 August 2018	55	787	1,843	134	484	3,303

\* Distributable reserves. The Special Reserve and Revenue Reserve may be used for the repurchase of the Company's own shares.

The notes on pages 42 to 54 form part of these accounts.

## Statement of financial position

as at 31 August 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Investments at fair value	7	2,808	3,485
<b>Current assets</b>			
Debtors	9	145	9
Cash at bank and cash equivalents		125	439
		270	448
<b>Creditors – amounts falling due within one year</b>	10	(632)	(630)
<b>Net current liabilities</b>		(362)	(182)
<b>Net assets</b>		2,446	3,303
<b>Share capital and reserves</b>			
Called up share capital	11	55	55
Special reserve		787	787
Capital reserve		1,111	1,843
Capital redemption reserve		134	134
Revenue reserve		359	484
<b>Equity shareholders' funds</b>		2,446	3,303
<b>Net asset value per Ordinary share</b>	12	44.79p	60.48p

The notes on pages 42 to 54 form part of these accounts.

These accounts were approved by the Board of Directors of Chelverton Growth Trust PLC and authorised for issue on 5 November 2019. They were signed on its behalf by

**Kevin Allen**

Chairman

## Statement of cash flows

for the year ended 31 August 2019

	2019 £'000	2018 £'000
<b>Cash flows (used in)/from operating activities</b>		
Net loss on ordinary activities	(857)	(1,438)
Adjustment for:		
Net capital loss	732	1,302
Expenses charged to capital	(50)	(39)
Interest paid	32	10
Increase/(decrease) in creditors	2	(3)
(Increase)/decrease in debtors	(136)	674
<b>Cash (used in)/from operations</b>	<b>(277)</b>	<b>506</b>
<b>Cash flows (used in)/from investing activities</b>		
Purchase of investments	(146)	(1,271)
Proceeds from sales of investments	141	736
<b>Net cash used in investing activities</b>	<b>(5)</b>	<b>(535)</b>
<b>Cash flows (used in)/from financing activities</b>		
Cost of shares purchased for cancellation under tender offer and buy backs	–	(719)
New loan advanced	–	600
Capital repayment of loan	–	(250)
Interest paid	(32)	(10)
<b>Net cash used in financing activities</b>	<b>(32)</b>	<b>(379)</b>
<b>Net decrease in cash</b>	<b>(314)</b>	<b>(408)</b>
<b>Cash at the beginning of the year</b>	<b>439</b>	<b>847</b>
<b>Cash at the end of the year</b>	<b>125</b>	<b>439</b>

The notes on pages 42 to 54 form part of these accounts.

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## Notes to the financial statements

for the year ended 31 August 2019

### 1. ACCOUNTING POLICIES

#### Accounting convention

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 (“FRS 102”), the Companies Act 2006 and with the AIC Statement of Recommended Practice (“SORP”), ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’, issued in November 2014 and updated in February 2018 with consequential amendments. All the Company’s activities are continuing.

#### Income recognition

Dividends receivable on quoted equity shares are included as revenue when the investments concerned are quoted ‘ex-dividend’. Dividends receivable on equity and non-equity shares where no ex-dividend date is quoted are brought into account when the Company’s right to receive payment is established. All other income is included on an accruals basis.

#### Expenses

All expenses are accounted for on an accruals basis and charged through the revenue account in the Income statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed (see note 7).
- management fees, bank interest and loan interest have been allocated 75% to capital reserve and 25% to revenue reserve in the Income statement, being in line with the Board’s expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

#### Investments

All investments held by the Company are classified as ‘fair value through profit or loss’. Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments are measured at fair value, with changes in the fair value of investments and impairment of investments recognised in the Income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

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

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset. For investments traded on other financial markets such as the OTCQB, fair value is generally determined by reference to the share price at close of business on the balance sheet date, discounted to reflect the best estimate of the discount that may need to be applied for the shares to be sold as a single investment.

For investments that are not actively traded in organised financial markets, fair value is determined as set out below under the heading ‘significant judgements and estimation uncertainty’.

#### Cash at bank and cash equivalents

Cash at bank and cash equivalents includes funds held by the custodian on behalf of the Company.

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## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 1. ACCOUNTING POLICIES *(continued)*

#### Significant judgements and estimation uncertainty

Preparation of the financial statements requires the Directors to make significant judgements. The items in the financial statements where these judgements have been made are:

Investments that are not actively traded in organised financial markets, are valued at the Directors' estimate of the investment's net realisable value being their estimate of fair value. Generally, fair value will be at the most recent transaction price. In the case of direct investments in unquoted companies initial valuation is based on the transaction price. Where better indications of fair value become available, such as through subsequent issues of capital, dealings between third parties, net asset value or funds under management, the valuation is adjusted to reflect the new evidence. This represents the Directors' view of the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

#### Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- net movement arising from changes in the fair value of investments that can be readily converted to cash without accepting adverse terms;
- realised exchange differences of a capital nature;
- expenses, together with related taxation effect, charged to this account in accordance with the above policies; and
- net movement arising from the changes in the fair value of investments that cannot be readily converted to cash without accepting adverse terms, held at the year end.

#### Special reserve

The Special reserve was created by the cancellation of the Share Premium account by order of the High Court on 13 January 2016. It can be used for the repurchase of the Company's own shares.

#### Taxation

The charge for taxation, where relevant, is based on the revenue before taxation for the year. Tax deferred or accelerated can arise due to timing differences between the treatment of certain items for accounting and taxation purposes.

Full provision is made for deferred taxation under the liability method, on all timing differences not reversed by the balance sheet date, in accordance with FRS 102.

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.

#### Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 2. INCOME

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income from investments</b>						
UK net dividend income	17	–	17	9	–	9
Loan stock interest	5	–	5	–	–	–
<b>Total income</b>	<b>22</b>	<b>–</b>	<b>22</b>	<b>9</b>	<b>–</b>	<b>9</b>

### 3. INVESTMENT MANAGEMENT FEE

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	9	26	35	11	33	44

The investment management fee is calculated at the rate of 0.0833% per month, equating to 1% per annum, of the gross value of funds under management and is payable monthly in arrears. At 31 August 2019 there was £2,600 outstanding (2018: £3,300). With effect from 1 November 2019, the investment management fee will be reduced to 0.5% per annum of gross assets.

### 4. OTHER EXPENSES

	2019 £'000	2018 £'000
Administrative and secretarial services	40	40
Directors' remuneration	34	34
Auditors' remuneration		
– audit services	17	17
– non-audit services: tax compliance	2	2
Finance costs	32	9
Other expenses	37	38
	<b>162</b>	<b>140</b>

### 5. TAXATION

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Analysis of charge in period</b>						
Current Tax	–	–	–	–	–	–

## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 5. TAXATION *(continued)*

#### Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Theoretical tax at UK corporation tax rate of 19% (2018: 19%)						
Corporation tax	(24)	(139)	(163)	(26)	(247)	(273)
Investment income not taxable	(3)	–	(3)	(2)	–	(2)
Non-taxable investment losses	–	130	130	–	240	240
Excess expenses for the period	27	9	36	28	7	35
Current tax charge for the period	–	–	–	–	–	–

At 31 August 2019, the Company had surplus management expenses and losses of £4,527,000 (2018: £4,337,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval as an investment trust in the foreseeable future, the Company has not provided for deferred tax on any gains and losses arising on the revaluation or disposal of investments.

### 6. RETURN PER ORDINARY SHARE

	2019			2018		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	(2.29)	(13.41)	(15.70)	(2.45)	(23.40)	(25.85)

Revenue return per Ordinary share is based on the net revenue loss on ordinary activities after taxation attributable of £125,000 (2018: £136,000) and on 5,460,301 (2018: 5,563,242) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on the net capital loss of £732,000 (2018: £1,302,000) and on 5,460,301 (2018: 5,563,242) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Total return per Ordinary share is based on the total loss of £857,000 (2018: £1,438,000) and on 5,460,301 (2018: 5,563,242) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 7. INVESTMENTS

	2019 £'000	2018 £'000
Fully Listed	63	37
Traded on AIM	2,195	2,770
Unquoted	550	678
NASDAQ	–	–
	<b>2,808</b>	<b>3,485</b>

	Fully Listed £'000	Traded on AIM £'000	Unquoted* £'000	NASDAQ £'000	Total £'000
Opening book cost	72	4,236	998	166	5,472
Opening investment holding losses	(35)	(1,466)	(320)	(166)	(1,987)
	37	2,770	678	–	3,485
Movements in the year:					
Purchases in the year	46	–	100	–	146
Sales – proceeds	–	–	(141)	–	(141)
– losses on sales	–	–	(184)	–	(184)
Movement in investment holding losses	(20)	(575)	97	–	(498)
Closing valuation	63	2,195	550	–	2,808
Closing book cost	118	4,236	773	166	5,293
Closing investment holding losses	(55)	(2,041)	(223)	(166)	(2,485)
Closing valuation	63	2,195	550	–	2,808

	2019 £'000	2018 £'000
Realised losses on sales	(184)	(16)
Movement in fair value of investments	(498)	(1,247)
Net losses on investments	<b>(682)</b>	<b>(1,263)</b>

All quoted investments are made up of equity shares.

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

#### Transaction costs

During the year, the Company incurred transaction costs of £nil (2018: £696) and £nil (2018: £887) on purchases and sales of investments, respectively. These amounts are included in 'Losses on investments at fair value' as disclosed in the Income statement.



## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 7. INVESTMENTS *(continued)*

#### Analysis of movements in unquoted investments

Investment	Cost at 31 August 2018 £'000	Additions £'000	Disposals £'000	Cost at 31 August 2019 £'000	Realised (loss)/ gain £'000	Movement in Unrealised gain/ (loss) £'000	Valuation at 31 August 2019 £'000	Valuation at 31 August 2018 £'000
Anaxsys Technology	292	–	–	292	–	–	–	–
Airways Engineering*								
Loan stock	45	–	(45)	–	(45)	45	–	–
Ordinary B shares	30	–	(30)	–	(30)	30	–	–
Chelverton Asset Management Holdings	1	–	–	1	–	10	220	210
La Salle Education	130	50	–	180	–	–	130	80
SpaDental (formerly Main Dental)	250	–	(250)	–	(112)	112	–	138
Pedalling Forth	250	50	–	300	–	(100)	200	250
Security Research Group**	–	–	–	–	3	–	–	–
	<b>998</b>	<b>100</b>	<b>(325)</b>	<b>773</b>	<b>(184)</b>	<b>97</b>	<b>550</b>	<b>678</b>

\* Dissolved 18 December 2018.

\*\* Final liquidation proceeds received.

#### Details of material holdings in unquoted investments

Investment	Cost at 31 August 2019 £'000	Valuation at 31 August 2019 £'000	Cost at 31 August 2018 £'000	Valuation at 31 August 2018 £'000	Equity Held %	Last accounts period End	Net assets/ (liabilities) £'000	Pre tax Turnover £'000	Pre tax profit £'000
Anaxsys Technology	292	–	292	–	4.2	31 Jan '19	(204)	–	–
Chelverton Asset Management Holdings*	1	220	1	210	1.0	31 Mar '19	4,497	7,873	2,682
La Salle Education	180	130	130	80	7.0	31 Dec '18	414	–	–
Pedalling Forth	300	200	250	250	19.9	31 Dec '18	30	–	–

\* Consolidated figures.

A full listing of portfolio holdings is included in the portfolio review on pages 7 and 8.

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## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 8. SIGNIFICANT INTERESTS

At 31 August 2019, the Company had a holding of 3% or more of the issued class of share that is material in the context of the accounts in the following investments:

	Number of shares	Percentage of issued share capital	Issued share capital
<b>Security</b>			
CEPS	5,060,000	29.76	17,000,000
Pedalling Forth	40,000	19.94	200,560
Touchstar	850,000	10.03	8,475,077
La Salle Education	260,000	7.02	3,705,186
Plutus Powergen	33,333,334	3.82	872,534,994
Petards	2,000,000	3.48	57,468,229

### 9. DEBTORS

	2019 £'000	2018 £'000
Amounts falling due within one year		
Prepayments and other debtors	7	9
Amounts due from investment proceeds*	138	—
	<u>145</u>	<u>9</u>

\* Represents the amount due from SpaDental (formerly Main Dental) in the form of deferred consideration from a Share Purchase Agreement and an Assignment of Loan. From the date of completion, interest accrues on the balance outstanding of the purchase price at the rate of 3.5% above the base rate of Lloyds Bank, payable six monthly in arrears.

### 10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Accruals and other creditors	32	30
Short term loan	600	600
	<u>632</u>	<u>630</u>

On 4 June 2018, the Company entered in to a £600,000 loan agreement with Jarvis Securities plc. Interest is payable monthly in arrears at the rate of 4.5% plus the Bank of England base rate.

The loan was drawn down on 4 June 2018 and at the year end £600,000 was outstanding. The loan is secured on the assets of the Company and is repayable on demand.

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## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 11. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
5,460,301 (2018: 5,460,301) Ordinary shares of 1p each	<u>55</u>	<u>55</u>

#### Duration of Company

At the Annual General Meeting of the Company falling in the calendar year 2020 and, if the Company has not then been liquidated, unitised or reconstructed, at each fifth annual general meeting of the Company convened by the Board thereafter, the Board shall propose an ordinary resolution that the Company should continue as an investment trust for a further five year period.

### 12. NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per Ordinary share of 44.79p (2018: 60.48p) is based on net assets of £2,446,000 (2018: £3,303,000) and on 5,460,301 (2018: 5,460,301) Ordinary shares, being the number of shares in issue at the year end.

### 13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 August 2019, there were no capital commitments or contingent liabilities (2018: £nil).

### 14. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

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

The Company primarily invests in companies traded on AIM with a market capitalisation at the time of investment of up to £50 million. The Company finances its operations through its issued capital, existing reserves and the loan from Jarvis Securities plc as detailed in note 10.

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

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

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

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

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## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 14. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES *(continued)*

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

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

The Company's exposure to other changes in market prices at 31 August 2019 on its investments is as follows:

	2019 £'000	2018 £'000
Fair value through profit or loss investments	2,808	3,485

A 20% decrease in the market value of investments at 31 August 2019 would have decreased net assets attributable to Shareholders by 10 pence per share (2018: 13 pence per share). An increase of the same percentage would have an equal but opposite effect on net assets available to Shareholders.

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

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

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

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

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

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

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

	2019 £'000	2018 £'000
Cash at bank and cash equivalents	125	439
Short term loan	(600)	(600)

As the Company receives no interest on its bank balances and pays interest on its loan then the effect of an interest rate increase of 1% would decrease net revenue before taxation on an annualised basis by £6,000 (2018: £6,000). If there was a decrease in interest rates of 0.5% net revenue before taxation would increase by £3,000 (2018: £3,000). These calculations are based on balances as at 31 August 2019 and may not be representative of the year as a whole.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held with the custodian to be delayed.

#### (v) Liquidity risk

Eighty percent of the Company's portfolio is fully listed on the London Stock Exchange or AIM quoted securities which under normal conditions can be sold to meet funding commitments if necessary. These may however be difficult to realise in adverse market conditions. The Company's unquoted investments, representing the remaining twenty percent of the portfolio, could be more difficult to realise as they are not tradable instruments.

## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 14. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES *(continued)*

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

The Company's financial liabilities comprise of creditors as disclosed in note 10. All items are due within one year.

#### (vii) Managing Capital

The Company's capital management objectives are to increase net asset value per share at a higher rate than other quoted smaller company trusts and the MSCI Small Cap UK Index.

Primarily the Company finances its operations through its issued capital and existing reserves. However to help fund further investment the Company borrowed on a short term loan £600,000 from Jarvis Securities plc. At the year end an amount of £600,000 was outstanding. Further details are given in note 10.

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

Other than the loan from Jarvis, which is shown at amortised cost, all financial assets and liabilities of the Company are held at fair value.

#### (ix) Financial instruments by category

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

	At amortised cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
<b>31 August 2019</b>				
<b>Assets as per the Statement of Financial Position</b>				
Investments	–	–	2,808	2,808
Debtors	–	145	–	145
Cash at bank and cash equivalents	125	–	–	125
<b>Total</b>	<b>125</b>	<b>145</b>	<b>2,808</b>	<b>3,078</b>
<b>Liabilities as per the Statement of Financial Position</b>				
Creditors	32	600	–	632
<b>Total</b>	<b>32</b>	<b>600</b>	<b>–</b>	<b>632</b>
<b>31 August 2018</b>				
<b>Assets as per the Statement of Financial Position</b>				
Investments	–	–	3,485	3,485
Debtors	–	9	–	9
Cash at bank and cash equivalents	439	–	–	439
<b>Total</b>	<b>439</b>	<b>9</b>	<b>3,485</b>	<b>3,933</b>
<b>Liabilities as per the Statement of Financial Position</b>				
Creditors	30	600	–	630
<b>Total</b>	<b>30</b>	<b>600</b>	<b>–</b>	<b>630</b>

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## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 14. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### **Fair value hierarchy**

In accordance with FRS 102, the Company must disclose the fair value hierarchy of financial instruments.

The fair value hierarchy consists of the following three classifications:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – The price of a recent transaction for an identical asset, where quoted prices are unavailable.

The price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3 – Inputs for the asset or liability that are based on observable market data and unobservable market data, to estimate what the transaction price would have been on the measurement data in an arm's length exchange motivated by normal business considerations.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices or last traded in respect of SETS at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

Investments, whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. The Company does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2.

Investments classified within Level 3 have significant unobservable inputs. Level 3 instruments include unquoted holdings. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The Company has no Level 2 investments, and Level 3 investments consist only of unquoted holdings.

## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 14. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### Financial assets at fair value through profit or loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 August 2019</b>				
Investments	2,258	–	550	2,808
<b>Total</b>	<b>2,258</b>	<b>–</b>	<b>550</b>	<b>2,808</b>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 August 2018</b>				
Investments	2,807	–	678	3,485
<b>Total</b>	<b>2,807</b>	<b>–</b>	<b>678</b>	<b>3,485</b>

The following table presents the movement in the Level 3 investments for the period ended 31 August 2019:

	Investments £'000
Opening balance	678
Purchases	100
Sales at cost	(325)
Total gains on investments in the Income Statement	97
<b>Closing balance</b>	<b>550</b>

### 15. RELATED PARTY TRANSACTIONS

Under the terms of the agreement dated 28 June 2001, the Company has appointed Chelverton Asset Management Limited to be the Investment Manager. The fee arrangements for these services and fees payable are set out in the Report of the Directors on page 26 and in note 3 to the accounts. Mr Horner, a Director of the Company, is also a director of Chelverton Asset Management Limited, a subsidiary of Chelverton Asset Management Holdings Limited, and chairman of CEPS PLC, in which the Company has a significant investment. Mr Martin is the chairman of Touchstar plc, in which the Company holds an investment as set out on pages 7 and 9.

The three Directors also have individual holdings in Chelverton Asset Management Holdings, a company which has Mr Horner as a director and in which the Company also has a direct holding. The Directors' holdings are detailed below:

	Percentage of holding in shares %	Ordinary shares held £'000
K J Allen	1	1
D A Horner*	56	56
I P Martin	2	2

\* Director and connected persons total holdings.

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## Notes to the financial statements *(continued)*

for the year ended 31 August 2019

### 16. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to provide an adequate return to Shareholders;
- to support the Company's stability and growth;
- to provide capital for the purpose of further investments.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure, taking into consideration the future capital requirements of the Company and capital efficiency, projected operating cash flows and projected strategic investments opportunities. The management regards capital as total equity and reserves, for capital management purposes.



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## Shareholder information

Shareholders wishing to communicate directly with the Board should contact the Company Secretary who will pass on Shareholder details to the relevant Board member.

### Contact details

Company Secretary:	ISCA Administration Services Limited	Tel: 01392 487 056 Fax: 01392 891 155 <a href="mailto:cgw@iscaadmin.co.uk">cgw@iscaadmin.co.uk</a>
Registrar:	Share Registrars Limited	Tel: 01252 821 390 <a href="http://www.shareregistrars.uk.com">www.shareregistrars.uk.com</a>
Investment Manager:	Chelverton Asset Management Limited	Tel: 0207 222 8989 or 01225 483 030
Website:		<a href="http://www.chelvertonam.com">www.chelvertonam.com</a>

Postal address details are shown on page 16.

### Key dates

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

### Frequency of NAV publication

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

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## Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in Chelverton Growth Trust PLC, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Chelverton Growth Trust PLC will be held at the offices of Chelverton Asset Management Limited, 11 Laura Place, Bath BA2 4BL at 12.00pm on Thursday, 12 December 2019, for the following purposes:

To consider and if thought fit to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the financial statements for the year ended 31 August 2019, together with the Report of the Directors and Independent Auditors' report thereon.
2. To receive and if thought fit, to accept the Directors' Remuneration Report for the year ended 31 August 2019.
3. To re-elect Mr K Allen as a Director of the Company.
4. To re-elect Mr D Horner as a Director of the Company.
5. To re-elect Mr I Martin as a Director of the Company.
6. To re-appoint Hazlewoods LLP as Auditors to the Company, to hold office from the conclusion of this Meeting until the next Annual General Meeting, and to authorise the Directors to determine their remuneration.
7. To amend the Investment Policy of the Company.

The following resolution will be proposed as special resolution.

8. THAT the Company is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 to renew its authority to make market purchases 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 818,499 (or, if less, 14.99% of the issued Ordinary share capital in circulation immediately following the passing of this resolution);
  - (ii) the minimum price which may be paid for each Ordinary share is 1p;
  - (iii) the maximum price which may be paid for each Ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent. of the average of the middle market quotations for Ordinary shares taken from London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the contract of purchase is made;
  - (iv) this authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, fifteen months after that date; and
  - (v) the Company may make a contract to purchase Ordinary shares under the authority conferred by this resolution before this authority expires, such contract which will or may be executed wholly or partly after the expiry of this authority.

Registered Office  
Suite 8, Bridge House  
Courtenay Street  
Newton Abbot TQ12 2QS

By order of the Board  
ISCA Administration Services Limited  
Secretary  
5 November 2019

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## Notice of Annual General Meeting *(continued)*

### NOTES:

#### Entitlement to attend and vote

1. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001 and paragraph 18(c) of The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting. In calculating the period of 48 hours mentioned above no account shall be taken of any part of a day that is not a working day.

#### Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

#### Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy on how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or by facsimile transmission to 01252 719 232;
  - alternatively, the completed proxy form can be scanned and emailed to [voting@shareregistrars.uk.com](mailto:voting@shareregistrars.uk.com);
  - and received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

*In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.*

*Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.*

#### Appointment of proxy using CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

*CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.*

*In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCO Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual.*

*The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent 7RA36 by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.*

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## Notice of Annual General Meeting *(continued)*

*CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCO Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.*

*The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.*

### **Appointment of proxy by joint members**

8. *In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).*

### **Changing proxy instructions**

9. *To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.*

*Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.*

*If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.*

### **Termination of proxy appointments**

10. *In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:*

11. *By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.*

*In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.*

*If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.*

*Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.*

### **Issued shares and total voting rights**

12. *As at 4 November 2019, the Company's issued share capital comprised 5,460,301 ordinary shares of 1p each. No ordinary shares are held in treasury. Each ordinary share carries the right to one vote at an Annual General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 4 November 2019 is 5,460,301.*

### **Communications with the Company**

13. *Except as provided above, members who have general queries about the Meeting should telephone the Company Secretary on 01392 487 056 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.*

### **Website**

14. *This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting at 4 November 2019 (the business day prior to the approval of this Notice) and, if applicable, any members' statements, members' resolutions or members' matter of business received by the Company after the date of this Notice, will be available on the Company's website: [www.chelvertonam.com](http://www.chelvertonam.com).*

## 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/

NUMBER OF SHARES HELD

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Chelverton Asset Management Limited, 11 Laura Place, Bath BA2 4BL at 12.00pm on Thursday, 12 December 2019, and at any adjournment thereof.

Signature .....

Date ..... 2019

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

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

### ORDINARY RESOLUTIONS

**RESOLUTION 1** To adopt the financial statements for the year ended 31 August 2019, together with the Reports of the Directors and Independent Auditors thereon.

**RESOLUTION 2** To receive and accept the Directors' Remuneration Report.

**RESOLUTION 3** To re-elect Mr K Allen as a Director of the Company.

**RESOLUTION 4** To re-elect Mr D Horner as a Director of the Company.

**RESOLUTION 5** To re-elect Mr I Martin as a Director of the Company.

**RESOLUTION 6** To re-appoint Hazlewoods LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

**RESOLUTION 7** To amend the Investment Policy of the Company.

FOR	AGAINST	WITHHELD

### SPECIAL RESOLUTION

**RESOLUTION 8** To authorise the Company to renew its authority to make market purchases of its Ordinary shares.

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### 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 appointer is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. To be valid, this form must be completed and deposited at Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or emailed to [voting@shareregistrars.uk.com](mailto:voting@shareregistrars.uk.com) not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting. Only those Shareholders registered in the register of members 48 hours prior to the meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. A "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution. The "vote withheld" option is provided to enable you to instruct the registered holder to abstain from voting.
7. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline or you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.



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