
CHELVERTON GROWTH TRUST PLC

Half Yearly Report

for the six months ended 28 February 2023

Investment Objective and Policy

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 the Manager believes to be at a "point of change". The Company will 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 the net asset value per share at a higher rate than other quoted smaller company trusts and the MCSI Small Cap UK Index.

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

At the Annual General Meeting held on 12 December 2019, Shareholders voted to amend the Company's Investment Policy to state that the Company:

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

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 focusing 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.

Chairman's Report

At the beginning of the current period the net asset value per share was 54.24p. Over the first six months of the current year which ended on 28 February 2023 the net asset value per share had declined by 3.39% to 52.40p.

Over the same period, the AIM All-share index has declined by 2.7% and the share price has decreased from 31p to 29p. The shares were therefore trading at a discount of some 44.7% at the period end.

In the light of the market turmoil following the Autumn "Mini Budget" and the more recent volatility caused by the collapse of the Silicon Valley Bank and the distressed emergency takeover of Credit Suisse, we consider this to be a relatively robust performance.

In the UK, we are living with inflation of some 10% and interest rates at multi-year highs, having risen 11 times since December 2021 from 0.1% to the current 4.25%. The Bank of England has been forecasting for some time that the UK economy would move into recession, which we are pleased to see has not yet occurred. Very recently the IMF has forecast that the UK will be the worst performing economy in the G20, with a small decline in GDP during the next twelve months. However, it should also be noted that of the last 26 forecasts by the IMF, only two have turned out to be accurate.

We are experiencing an economy that is stagnating, with increased levels of industrial action and a shortage of labour. In addition, there have been significant rises in energy prices and industry wide increases in input prices and supply chain issues. However there has been recent evidence that as time passes and the economies of the world transition away from the Covid period, these issues are beginning to ease.

Future Strategy

The Board has reviewed several options on how to achieve a return of value to Shareholders, given that the current structure and small size of the fund make it increasingly difficult to provide adequate returns.

We have, where possible, sought to minimise costs. The Company continues to benefit from a zero-management charge from Chelverton Asset Management, the Investment Manager of the Company, who is waiving its management fee in its entirety. In addition, Ian Martin and I have also waived part of our fees. The collective effect of these actions means that the expense ratio, whilst still high, a consequence of a very small sized Company, is much smaller than it could have been.

Notwithstanding the current level of market uncertainty, we feel that the time is right to formulate proposals to present to Shareholders. Our objective is to structure an efficient transaction which ensures that the embedded value in the Company can be maximised. It is the Board's intention to work towards completion of these proposals in 2023.

Investments

Over the last six months your Company saw a small decline in the net asset value per share. Whilst in general, underlying investee performances have been encouraging, wider market sentiment towards UK publicly quoted equities, in particular small and micro-cap value companies, has been negative.

CEPS remains the largest investment in the Company. To remind Shareholders, this is a diversified AIM traded holding company that owns majority shareholdings in three subsidiaries and a significant minority in a fourth business. The company is being developed by both organic growth of the underlying companies and strategic "bolt-on" acquisitions.

As highlighted a year ago, an immense amount of work had gone into restructuring, developing, and improving the Aford Awards business. It is pleasing to be able to report that evidence of this progress is now being shown via improved financial performance.

Hickton Group, the fast-growing property services group, continues to expand. However, in common with many companies, in several sectors, it has experienced significant wage inflation and struggled to recruit and retain staff within a highly competitive employment environment. Of late, the company has improved and developed its procedures and processes and its results have advanced.

Chairman's Report (continued)

As expected, Friedmans and Milano have both produced improved performances with the opening-up, post Covid, of the UK economy.

Vale Brothers, in common with Hickton, has experienced a shortage of labour and rapidly rising costs from bought in products and components sourced in Asia.

Touchstar, the second largest investment, has made excellent progress in the past six months with a very positive trading statement at the end of January. The company now has a very strong balance sheet with some 40% of its market value represented by cash.

Petards is also expected to shortly announce its 2022 results showing an increase in profitability and an improvement in the quality of earnings.

The employment appeal at Main Dental Partners has now been heard and we are waiting for the judgement to be published in the next few months.

La Salle Education ("La Salle"), a business involved in supplying schools with the modern mathematics syllabus via the internet has been involved in providing services to many schools. The company is aware that there are considerable opportunities available. However, to take full advantage of the market, it is expected there will need to be a further fundraising.

Outlook

As mentioned in my introduction, things are very uncertain across the UK and Europe. Sadly, the war in the Ukraine continues and currently there appears to be no end in sight. European countries have rebalanced their economies and have achieved major savings in energy which it is to be hoped will become embedded.

With the impact of the draconian lockdown in China and with the "Ever Given" container vessel blocking the Suez Canal it became clear to European buyers that they had been under-pricing the risk of sourcing so many key products from China. Coupled with the population issues in China, we believe there will be a rebalancing of production, bringing it much closer to home.

The UK economy is expected to flat-line in 2023 but to "bounce back" to near long term trend growth in 2024. Inflation is expected to decline sharply by the end of the year and it might well be that interest rates have already peaked. As the countries of Europe and the World return to "normal" there will be steady growth in the UK economy.

It is the Board's intention to offer Shareholders the return of funds in the simplest, most cost effective, tax efficient timely manner possible. Once finalised, the details and recommendation will be sent for Shareholder consideration and approval. As I indicated earlier, we plan to do this soon with a view to completion in 2023.

Kevin Allen
Chairman

21 April 2023

Interim Management Report

The important events that have occurred during the period under review and the key factors influencing the financial statements are set out in the Chairman's Report. The Board considers that the principal risks and uncertainties facing the Company remain the same as those disclosed in the Annual Report for the year ended 31 August 2022 on pages 14 and 15 and pages 54 and 55. These risks include, but are not limited to, market risk, discount volatility risk, regulatory risk, financial risk and liquidity risk.

Responsibility Statement

The Directors are responsible for preparing the unaudited Half Yearly Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements for the six months to 28 February 2023, has been prepared in accordance with FRS 104 "Interim Financial Reporting", gives a fair view of the assets, liabilities, financial position and loss of the Company; and
- this Half Yearly Report includes a fair review of the information required by;
 - a) rule 4.2.7R of the Disclosure and Transparency Rules being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) rule 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half Yearly Report was approved by the Board of Directors on 21 April 2023 and the above responsibility statement was signed on its behalf by:

Kevin Allen
Chairman

Portfolio Review as at 28 February 2023

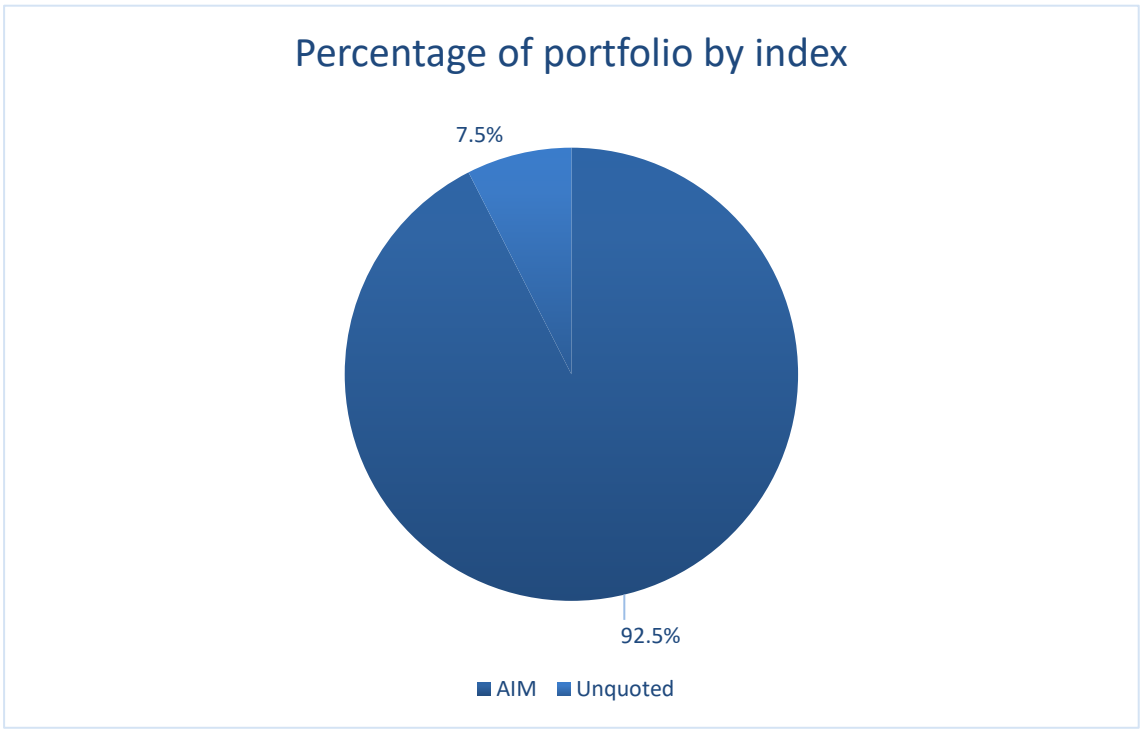
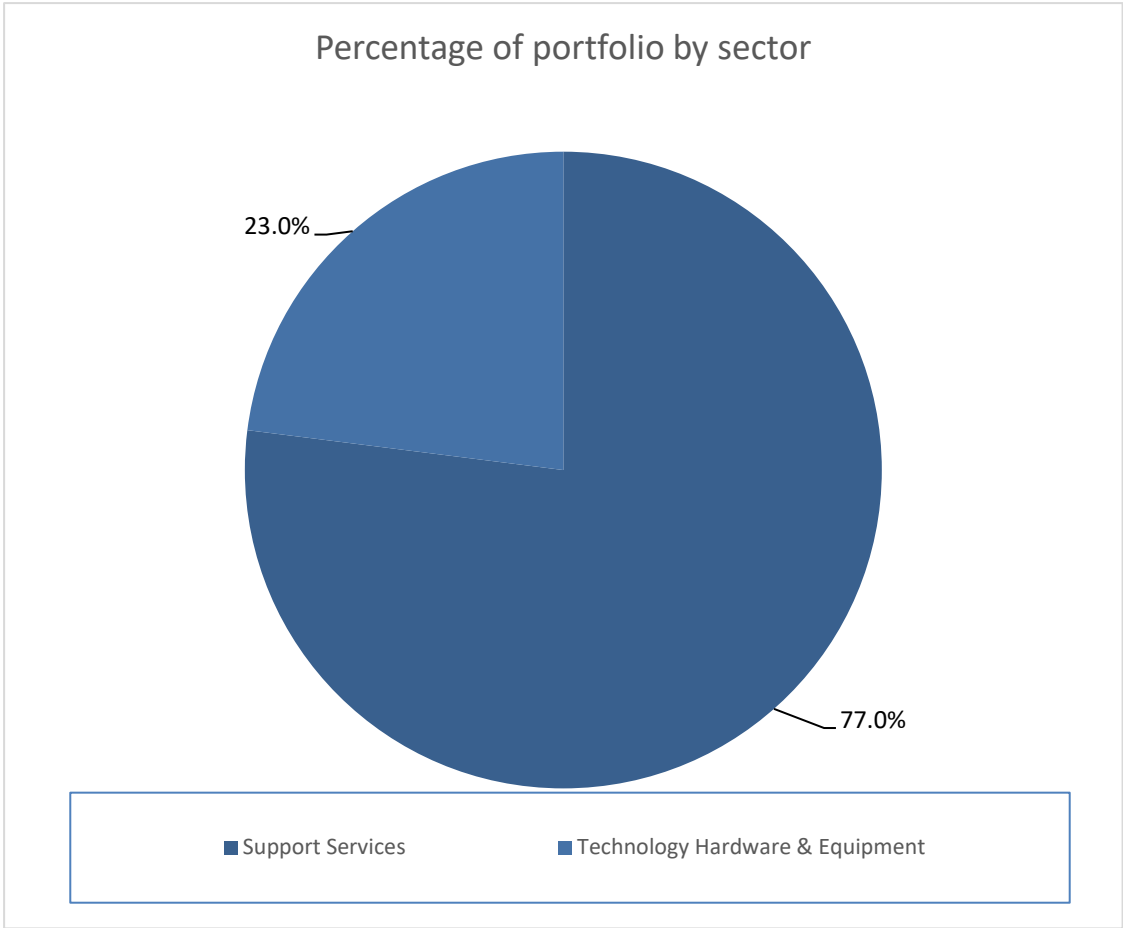
The Company's portfolio is set out below.

Investment	Sector	Valuation £'000	% of total portfolio
<i>AIM Traded</i>			
CEPS Trading holding company for a number of companies supplying services and products	Support Services	1,911	64.7
Petards Group Development, provision and maintenance of advance security systems and related services	Support Services	142	4.8
Touchstar Software systems for warehousing and distribution	Technology Hardware & Equipment	680	23.0
<i>Nasdaq Traded</i>			
Touchpoint Group Holdings Provider of mobile satellite communications equipment and airtime	Support Services	-	-
<i>Unquoted</i>			
La Salle Education A UK based company dedicated to providing online mathematics education	Support Services	221	7.5
Redecol A medical device company focused on the development of asthma monitoring	Healthcare Equipment & Services	-	-
		-----	-----
Portfolio Valuation		2,954	100.0
		-----	-----

Portfolio Holdings as at 28 February 2023

Investment	28 February 2023		31 August 2022	
	Valuation £'000	% of total portfolio	Valuation £'000	% of total portfolio
CEPS	1,911	64.7	2,075	68.0
Touchstar	680	23.0	595	19.5
La Salle Education	221	7.5	182	5.9
Petards Group	142	4.8	180	5.9
Redecol	-	-	21	0.7
Touchpoint Group Holdings	-	-	-	-
Total	2,954	100.0	3,053	100.0

Portfolio breakdown by sector and by index
at 28 February 2023



Income Statement (unaudited)

for the six months to 28 February 2023

	Six months to 28 February 2023			Year to 31 August 2022			Six months to 28 February 2022		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments at fair value (note 4)	-	(38)	(38)	-	(72)	(72)	-	80	80
Income (note 2)	6	-	6	9	-	9	4	-	4
Investment management fee*	-	-	-	-	-	-	-	-	-
Other expenses	(68)	-	(68)	(120)	(2)	(122)	(61)	(1)	(62)
Net (loss)/return on ordinary activities before taxation	(62)	(38)	(100)	(111)	(74)	(185)	(57)	79	22
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Net (loss)/return on ordinary activities after taxation	(62)	(38)	(100)	(111)	(74)	(185)	(57)	79	22
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
(Loss)/return per Ordinary share**	(1.13)p	(0.70)p	(1.83)p	(2.04)p	(1.35)p	(3.39)p	(1.04)p	1.44p	0.40p

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS"). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in July 2022 by the Association of Investment Companies ("AIC SORP").

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

The revenue column of the Income Statement includes all income and expenses. The capital column includes the realised and unrealised profit or loss on investments and 75% of the management fee and finance costs charged to capital.

* With effect from 1 September 2020, the Investment Manager agreed to waive the entitlement to a fee.

**The return per Ordinary share is based on 5,460,301 (31 August 2022: 5,460,301; 28 February 2022: 5,460,301) shares, being the weighted average number of shares in issue during the period.

Statement of Changes in Equity (unaudited)

for the six months to 28 February 2023

	Called up share capital £'000	Special reserve* £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Six months to 28 February 2023						
1 September 2022	55	787	1,937	134	48	2,961
Net loss after taxation for the period	-	-	(38)	-	(62)	(100)
28 February 2023	55	787	1,899	134	(14)	2,861
Year to 31 August 2022						
1 September 2021	55	787	2,011	134	159	3,146
Net loss after taxation for the year	-	-	(74)	-	(111)	(185)
31 August 2022	55	787	1,937	134	48	2,961
Six months to 28 February 2022						
1 September 2021	55	787	2,011	134	159	3,146
Net return/(loss) after taxation for the period	-	-	79	-	(57)	22
28 February 2022	55	787	2,090	134	102	3,168

*The Special reserve was created by the cancellation of the share premium account by order of the High Court on 20 January 2016.

Distributable reserves: The Special reserve and Revenue reserve can be used for the repurchase of the Company's Ordinary shares.

Statement of Financial Position

(unaudited)

as at 28 February 2023

	As at 28 February 2023 £'000	As at 31 August 2022 £'000	As at 28 February 2022 £'000
Fixed assets			
Investments at fair value (note 4)	2,954	3,053	3,232
Current assets			
Debtors	145	146	149
Cash and cash equivalents	13	10	22
	<u>158</u>	<u>156</u>	<u>171</u>
Creditors – amounts falling due within one year			
Creditors	(36)	(33)	(20)
Short-term loans (note 5)	(215)	(215)	(215)
	<u>(251)</u>	<u>(248)</u>	<u>(235)</u>
Net current liabilities	<u>(93)</u>	<u>(92)</u>	<u>(64)</u>
Net assets	<u>2,861</u>	<u>2,961</u>	<u>3,168</u>
Share capital and reserves			
Called up share capital	55	55	55
Special reserve	787	787	787
Capital reserve	1,899	1,937	2,090
Capital redemption reserve	134	134	134
Revenue reserve	(14)	48	102
Equity Shareholders' funds	<u>2,861</u>	<u>2,961</u>	<u>3,168</u>
Net asset value per Ordinary share (note 6)	<u>52.40p</u>	<u>54.24p</u>	<u>58.02p</u>

Statement of Cash Flows (unaudited)

for the six months to 28 February 2023

	Six months to 28 February 2023 £'000	Year to 31 August 2022 £'000	Six months to 28 February 2022 £'000
Cash flows used in operating activities			
Net (loss)/gain on ordinary activities	(100)	(185)	22
Adjustment for:			
Net capital loss/(gain)	38	74	(79)
Expenses charged to capital	-	(2)	(1)
Interest paid	-	3	1
Change in creditors	3	1	(12)
Change in debtors	7	-	(3)
Cash used in operations	(52)	(109)	(72)
Cash flows from/(used in) investing activities			
Purchases of investments	-	(160)	(160)
Proceeds from sale of investments	55	133	106
Net cash from/(used in) investing activities	55	(27)	(54)
Cash flows from financing activities			
Loan advanced	-	215	165
Capital repayment of loan	-	(100)	(50)
Interest paid	-	(3)	(1)
Net cash from financing activities	-	112	114
Net increase/(decrease) in cash	3	(24)	(12)
Cash at the beginning of the period	10	34	34
Cash at the end of the period	13	10	22

Notes to the Half Yearly Report

1 Accounting policies

a) Statement of compliance

The Company's Financial Statements for the period ended 28 February 2023 have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in July 2022 ('the SORP') by the Association of Investment Companies.

The Financial Statements have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 August 2022.

b) Financial information

The financial information contained in this report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the period ended 28 February 2023 and 28 February 2022 have not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews. The information for the year to 31 August 2022 has been extracted from the latest published Annual Report and Financial Statements, which have been lodged with the Registrar of Companies, contained an unqualified auditors' report and did not contain a statement required under Section 498 (2) or (3) of the Companies Act 2006.

c) Going concern

The Company's assets consist mainly of equity shares in companies which, in most circumstances are realisable within a short timescale. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts. In assessing the Company's ability to continue as a going concern, the Board has fully considered the current economic environment and impact of the war in Ukraine.

2 Income

	Six months to 28 February 2023 £'000	Year to 31 August 2022 £'000	Six months to 28 February 2022 £'000
Income from investments			
Loan stock interest	6	9	4
Total income	6	9	4

3 Taxation

The tax charge for the six months to 28 February 2023 is nil (year to 31 August 2022: nil; six months to 28 February 2022: nil).

The Company has an effective tax rate of 0% for the year ending 31 August 2023. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an Investment Trust and there is expected to be an excess of management expenses over taxable income.

Notes to the Half Yearly Report (continued)

4 Investments

				28 February 2023	31 August 2022	28 February 2022
	Traded on AIM £'000	Unquoted £'000	NASDAQ £'000	Total £'000	Total £'000	Total £'000
Opening book cost	3,642	472	166	4,280	4,752	4,752
Opening investment holding losses	(792)	(269)	(166)	(1,227)	(1,654)	(1,654)
	2,850	203	-	3,053	3,098	3,098
Movements in the period:						
Purchases	-	-	-	-	160	160
Sale proceeds	(61)	-	-	(61)	(133)	(106)
Losses on sales	(61)	-	-	(61)	(499)	(226)
Movement in investment holding losses	5	18	-	23	427	306
Closing valuation	2,733	221	-	2,954	3,053	3,232
Closing book cost	3,520	472	166	4,158	4,280	4,580
Closing investment holding losses	(787)	(251)	(166)	(1,204)	(1,227)	(1,348)
Closing valuation	2,733	221	-	2,954	3,053	3,232
Analysis of capital gains and (losses)						
Realised losses on sales	(61)	-	-	(61)	(499)	(226)
Movement in fair value of investments	5	18	-	23	427	306
	(56)	18	-	(38)	(72)	80

Fair value hierarchy

In accordance with FRS 102 and FRS 104 the Company must disclose the fair value hierarchy of financial instruments.

The fair value hierarchy consists of the following three classifications:

Level 1 - Valued using quoted prices in active markets for identical assets or liabilities. This is usually the bid price.

Level 2 – Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – Valued by reference to valuation techniques using inputs that are not based on observable market data.

Details of the Company's financial instruments are shown in the Portfolio Review including financial instruments which fall into Level 3 shown under the section heading "Unquoted". A summary reconciliation of the fair value movements of Level 3 investments is shown in the table above.

Notes to the Half Yearly Report (continued)

4 Investments (continued)

Financial assets at fair value through profit or loss;

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 28 February 2023				
Equity investments	2,733	-	221	2,954
Total	2,733	-	221	2,954
At 31 August 2022				
Equity investments	2,850	-	203	3,053
Total	2,850	-	203	3,053
At 28 February 2022				
Equity investments	2,989	-	243	3,232
Total	2,989	-	243	3,232

5 Short term loans

On 16 September 2021, the Company entered into an interest free loan agreement with Mr Horner. Drawdowns were made of £165,000 on 16 September 2021, £25,000 on 30 May 2022 and £25,000 on 31 May 2022. At the period end, £215,000 was outstanding. The loan is unsecured, interest free and can be repaid by the Company at any time or on 18 months notice from Mr Horner.

6 Net asset value

The basic net asset value per Ordinary share is based on net assets of £2,861,000 (31 August 2022: £2,961,000; 28 February 2022: £3,168,000) and on 5,460,301 Ordinary shares (31 August 2022: 5,460,301; 28 February 2022: 5,460,301) being the number of Ordinary shares in issue at the period end. No shares are held in Treasury.

7 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. 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 page 6.

As stated in note 5, on 16 September 2021, the Company entered into an interest free loan agreement with Mr Horner. At the period end a balance of £215,000 was outstanding.

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

	Ordinary shares held £'000	Percentage of Ordinary shares held %
K J Allen	1	1
D A Horner *	55.25	55.25
I P Martin	2	2

*Director and connected persons total holdings.

Directors and Advisers

Directors

Kevin Allen (Chairman)
David Horner
Ian Martin

Investment Manager

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

Secretary and Registered Office

ISCA Administration Services Limited
Suite 8, Bridge House
Courtenay Street
Newton Abbot
TQ12 2QS
Tel: 01392 487 056
Email: cgw@iscaadmin.co.uk

Auditors

Hazlewoods LLP
Staverton Court
Staverton
Cheltenham
GL51 0UX

Registrar and Transfer Office

Share Registrars Limited
3 The Millenium Centre
Crosby Way
Farnham
GU9 7XX
Tel: 01252 821 390
www.shareregistrars.uk.com

Custodians and Bankers

Jarvis Investment Management Limited
78 Mount Ephraim
Royal Tunbridge Wells
TN4 8BS

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

An investment company as defined under Section 833 of the Companies Act 2006.
REGISTERED IN ENGLAND No 02989519
