

# CHELVERTON UK DIVIDEND TRUST PLC

**Annual Report**  
for the year ended 30 April 2021



CHELVERTON  
ASSET MANAGEMENT



# Contents

## Section 1

Strategic Report including:

– Financial Highlights	1
– Chairman’s Statement	2
– Investment Manager’s Report	4
– Investment Objective and Policy	11
– Other Statutory Information	15

## Section 2

Directors	19
Investment Manager, Secretary, Custodian and Registrar	20
Directors’ Report	21
Statement on Corporate Governance	25
Audit Committee Report	32
Directors’ Remuneration Report	34
Statement of Directors’ Responsibilities	37
Independent Auditor’s Report	39

## Section 3

Financial Statements including:

– Consolidated Statement of Comprehensive Income	47
– Consolidated and Parent Company Statement of Changes in Net Equity	48
– Consolidated and Parent Company Balance Sheets	49
– Consolidated and Parent Company Statement of Cash Flows	50
– Notes to the Financial Statements	51
Shareholder Information	71
Company Summary	72
Capital Structure	73
Glossary of Terms	75
Directors and Advisers	76
Notice of Annual General Meeting	77
Proxy Form	82

# SECTION 1

# Strategic Report

The Strategic Report comprising pages 1 to 17 has been prepared in accordance with Section 414A of the Companies Act 2006 ('the Act'). Its purpose is to inform shareholders and help them understand how the Directors have performed their duty under Section 172 of the Act to promote the success of the Company.

Chelverton UK Dividend Trust PLC ('the Company') and its subsidiary SDV 2025 ZDP PLC ('SDVP') ('the subsidiary') together form the Group. The Group's funds are invested principally in mid and smaller capitalised UK companies. The portfolio comprises companies listed on the Official List and companies admitted to trading on AIM. The Group does not invest in other investment trusts or in unquoted companies. No investment is made in preference shares, loan stock or notes, convertible securities or fixed interest securities.

## Financial Highlights

	<b>30 April 2021</b>	30 April 2020	% change
<b>Capital</b>			
Total gross assets (£'000)	<b>64,013</b>	42,040	52.27
Total net assets (£'000)	<b>47,345</b>	26,034	81.86
Net asset value per Ordinary share	<b>227.07p</b>	124.86p	81.86
Mid-market price per Ordinary share (Discount)/premium	<b>220.00p</b> (3.11%)	127.50p 2.11%	72.55
Net asset value per Zero Dividend Preference share 2025	<b>114.01p</b>	109.67p	3.96
Mid-market price per Zero Dividend Preference share 2025 Premium/(discount)	<b>116.00p</b> 1.75%	102.00p (6.99%)	13.73
	<b>Year ended 30 April 2021</b>	Year ended 30 April 2020	% change
<b>Revenue</b>			
Return per Ordinary share	<b>6.12p</b>	9.45p	(35.24)
Dividends declared per Ordinary share	<b>10.00p</b>	9.60p	4.17
Special dividends declared per Ordinary share	<b>0.272p</b>	–	100
<b>Total return</b>			
Total return on Group gross assets	<b>57.18%</b>	(28.16%)	
Total return on Group's net assets* (total return as proportion of net assets after the provision for the Zero Dividend Preference shares)	<b>57.24%</b>	(25.85%)	
Total return on Group's net assets*	<b>89.79%</b>	(36.06%)	
Ongoing charges**	<b>2.33%</b>	2.12%	
Ongoing charges***	<b>1.56%</b>	1.50%	

\* Adding back dividends paid in the year.

\*\* Calculated in accordance with the Association of Investment Companies ('AIC') guidelines. Based on total expenses, excluding finance costs, for the year and average net asset value.

\*\*\* Based on gross assets.

# Strategic Report (continued)

## Chairman's Statement

It gives me great pleasure to introduce this Annual Report for the financial year to 30 April 2021 to shareholders.

The last 12 months as a whole have undoubtedly been challenging, with a continuation of the problems arising from the global Covid-19 pandemic and considerable ongoing economic uncertainty. Nevertheless your company has performed very well, benefitting from a strong recovery in the performance of its investee companies and an improving business and economic outlook in the UK from early 2021 onwards.

I and the Board would like to thank David Horner and the Chelverton team for delivering these excellent results, which are a testament to the skill of their portfolio management.

### Results

The Company's net asset value per Ordinary share as at 30 April 2021 was 227.07p (2020: 124.86p), an increase over the year of 81.86% with an Ordinary share price of 220.00p per share (2020: 127.50p). Total assets, including audited revenue reserves, were £64.013m (2020: £42.040m), an increase over the year of 52.3%, and the total net assets were £47.345m (2020: £26.034m). During the same period the MSCI Small Cap Index increased by 42.75%.

The Company was launched on 12 May 1999, and the net asset value per Ordinary share has risen by 138.2% and a total of 206.12p has been paid in dividends, including the fourth interim dividend announced with this report. Since the year end, the net asset value per Ordinary share has risen to 239.16p as at 21 June 2021 and the discount to market NAV is currently 2.99%.

In the year total dividends of 10.272p per Ordinary share were paid and proposed, including the fourth interim dividend of 2.50p and a special dividend of 0.272p. The total dividend in 2021 represents an increase of 7.0% year on year (2020: 9.60p). The Company uses its revenue reserves built over many years to declare the core and any special dividends each year.

The underlying portfolio yield has considerably stabilised this year as our investee companies either return to paying dividends or outline their future plans to do so. As a result of the policy over the past eleven years of growing the annual dividend and retaining to revenue reserves the maximum permitted under the legislation, the Company is in a strong position and can continue to pay its dividend for some time from accumulated reserves should it be required. The Board is confident that the company is well positioned to further grow the annual dividend, assuming more favourable macro-economic conditions continue.

The Company's portfolio is currently invested in 74 companies spread across 16 sectors. This spread creates a well diversified portfolio which should, in the future, lead to a strong return of dividend income and subsequently steady revenue growth and, in time, capital growth.

### Capital structure

During the year the Company's shares occasionally traded at a premium to net asset value, and we have been asked to issue new shares in order to meet market demand. The Board's policy is that it will only consider issuing new shares if it can do so at a premium to NAV which is sufficient not only to cover all the costs of issuance but also to recognise the value of the revenue reserves that have been built up over many years by retaining profits which would otherwise have been distributed to holders of the existing share capital. Provided these criteria are met, the issue of new shares will enhance net asset value per share, and the increase in the size of the Company should improve liquidity in the market for its shares while making it more attractive to potential new investors.

If the issue of new shares is considered in the future, the Board will take into account the two factors discussed above, and the potential to improve the underlying performance and returns of the company for the benefit of all shareholders.

### **Dividend**

As briefly discussed in the Results section, the Board has declared a fourth interim dividend of 2.50p per Ordinary share (2020: 2.40p) which, when added to the three quarterly interim dividends of 2.50p per Ordinary share, brings the total to 10.0p (2020: 9.60p) for the year ended 30 April 2021, an increase of 4.2% over the previous year.

In addition, the Board has declared a special dividend of 0.272p per Ordinary share (2020: nil) to be paid with the fourth interim dividend. Shareholders will effectively receive a fourth dividend of 2.772p per Ordinary share. This equates to a total dividend for the year of 10.272p per Ordinary share.

In 2020 the Board successfully balanced the Company's income flows and reserves such that interim dividends are declared as four equal payments paid quarterly across the financial year. This approach was maintained in 2021 and is expected to form the foundation of the Company's dividend policy for the foreseeable future. The Company has revenue reserves which after payment of the fourth interim dividend represent some 97.3% of the current annual dividend or some 9.9p per Ordinary share.

The Board is committed to progressively improving the Company's dividend for investors and as such has decided that the four interim dividends paid in respect of the financial year ending 30 April 2022 will very likely exceed, but in any event will not be less than, that paid in respect of the financial year ended 30 April 2021.

### **Outlook**

While there is some uncertainty as to the economic recovery in sectors with exposure to global trade, the outlook across the Company's portfolio companies is promising. The Board is confident that it is well placed to benefit from both improving domestic activity and a potential rebound in consumer spending and corporate investment.

The Board accordingly looks forward to continuing to work with David Horner and his Chelverton team to seek out opportunities in the UK smaller companies sector, and to maintaining the Company's strong performance relative to its investment company peers.

### **Lord Lamont of Lerwick**

Chairman

24 June 2021

# Strategic Report (continued)

## Investment Manager's Report

In the year to 30 April 2021 the Company's net asset value per share rose from 124.86p to 227.07p. At the same time the core dividend was increased 4.2% to 10.0p, in line with the intentions outlined in September 2020. The Company also announced a special dividend of 0.272p, which has been aggregated with the fourth interim dividend.

Including the special dividend the total dividend for the year was 10.272p, a 7.0% increase on the 9.6p paid in 2020. Prior to the Covid-19 pandemic it was the manager's intention to deliver a 7% increase in the core dividend for the year to April 2021, however given the unprecedented reduction in dividends and uncertainty across the market at the time of the first interim dividend decision, we prudently took a more conservative approach to dividend growth. With the trading outlook for our investee companies back on firmer footing and dividend payments gradually returning to 'normal' levels, we now have the confidence to pay a special dividend, in effect boosting the core dividend to the level originally planned. It is the intention to use the total dividend of 10.272p as the base from which to grow the core dividend in the current year.

While the 81.9% increase in NAV in the period is clearly pleasing, it should be taken in the context of the sharp fall in NAV in February and March 2020 during the initial phase of the pandemic. With this in mind, the two-year performance since 30 April 2019 is perhaps a more appropriate measure. During this period the Company's net asset value rose 6.01% from 214.19p to 227.07p. A satisfactory performance over a period of extreme volatility which was delivered alongside increases in the core dividend in both years.

The turning point in the year was the announcement of an effective Covid-19 vaccine in November. Prior to this, uncertainty and fear governed both share prices and management actions at our investee companies, with guidance largely removed from the market and analyst estimates focusing on the "worst case scenario". The impact on dividends across the market has been widely reported and our portfolio was not unaffected, with dividend income versus 2019 (the last year unaffected by Covid-19) reducing 53.0% to £1.71m. Given the high level of government support, corporate balance sheets were not, in the main, put under the same pressure as in previous crises. Despite this, due to the fixation on worst case scenarios, there was a significant uptick in equity issuance. As long-term income focused investors we see dilution as a major headwind against achieving good returns over the medium/long term. As such we believe additional equity should be issued sparingly. Unfortunately, the period saw a number of management teams raise new equity at very low prices, to give their businesses a short-term buffer against potential downside scenarios. While in some instances, particularly in the leisure sector, a capital injection was genuinely required to see them through the pandemic, other businesses raised cash where there simply was no need, and the dilution from these raises is permanent.

The announcement of multiple successful vaccine trials in November brought about a substantial swing in sentiment, with optimism now the order of the day. The market largely shrugged off new waves of the pandemic and additional lockdowns, with the focus now firmly on the post pandemic recovery and the expected wave of consumerism, funded by savings built up during the pandemic. Importantly, companies have been very cautious in their return to guidance, largely keeping enough powder dry to weather any re-opening delays.

During this time the much anticipated free trade agreement with the EU was also agreed and signed. The impact on our companies was relatively benign given the extensive preparations which had been taken previously for a "no-deal" scenario, however it removed a significant element of medium-term uncertainty and perceived risk.

The strong NAV performance delivered in 2021 was a direct result of the careful management of the Company's revenue reserves in prior years. Going into this downturn the Company had sufficient revenue reserves to cover around two years' worth of dividend payments. This level of cover, and the stable financial position of the trust provided by the Zero Dividend Preference shares, allowed us to focus on capital growth during the first phase of the recovery, adding to existing holdings which we felt were materially undervalued despite short term uncertainty over the ability to pay dividends. With the UK vaccination program continuing apace, the outlook for the vast majority of our holdings is more certain, with many currently benefitting from an element of "pent-up demand". As such we have seen share prices recover strongly since the initial vaccine announcement, with some share prices now materially higher than in February 2020.

We wrote in last year's report that we expected companies to emerge from this downturn stronger and fitter than before, as had been the case in previous crises. Having now been through several results seasons and been in regular contact with our management teams through the pandemic, we are increasingly convinced that this will be the case. Companies have not been idle through the pandemic, using the period of reduced business activity to accelerate planned improvement programs and speed up the digital transformation process. The pandemic forced us all to adopt new ways of working and interacting with each other. We see multiple examples across the portfolio where this has led to increased acceptance of more efficient business models, which would otherwise have taken a number of years to implement. How much of the changes in working practices will be permanent once the economy fully re-opens remains to be seen, but we believe the "hybrid" models which will likely emerge will leave our companies both more efficient and more scalable.

### **Portfolio review**

In the last year takeover activity in the portfolio significantly reduced from the level seen in 2020 (7 takeovers). Moss Bros Group and Low & Bonar were the only deals completed in the year, although both were originally announced in the prior year. In addition to the takeovers, eight other holdings from the portfolio were sold in their entirety (2020: 2): Elementis, Entain, Foxtons Group, Galliford Try Holdings, Kin & Carter, Titon Holdings, XP Power and XPS Pensions.

Shareholdings were reduced in 21 companies (2020: 11) including Alumasc Group, Amino Technologies, Bloomsbury Publishing, Braemar Shipping Services, Diversified Gas & Oil (now renamed Diversified Energy), DX Group, Headlam Group, Polar Capital Holdings, Randall & Quilter, Strix Group, Tyman and UP Global Sourcing Holdings, all after strong share price performance.

Eight new shareholdings were added to the Company's portfolio in the year (2020: 8), including: Anglo Pacific – a diversified natural resources royalty company, Contour Global – wholesale power generation, Curtis Banks Group – pension administration services, Duke Royalty – private SME financing, Hargreaves Services – industrial and property services, iEnergizer – business process outsourcing and content delivery services, MP Evans – sustainable palm oil producer and Vector Capital – commercial lending.

Shareholdings were increased in 33 companies (2020: 19) which were in the portfolio at the start of the year. As ever, this represents a significant part of the portfolio and this year includes a number of holdings which were increased at the lows during the first half of the year and were subsequently "top sliced" once the shares had rallied.

### **Outlook**

The positive momentum from the second half of last year has continued into the beginning of this year, with the Company's net asset value rising a further 5.3% since 30th April 2021 to 239.16p as at 21 June 2021.

## Strategic Report (continued)

As outlined above, we believe our investee companies are, in the main, emerging as better companies with more efficient processes. As the recovery continues, we expect the supply of skilled labour to become increasingly tight. This will make adoption of more flexible working practices to access new pools of talent increasingly important, with processes which will allow businesses to grow without requiring additional labour also to be encouraged. The market is currently focused on how quickly businesses can return to pre-pandemic levels of activity however, in time, we believe our companies will get the credit they deserve for improving their business models over the course of the downturn.

Finally, while it feels like a long time ago now, the impact of Brexit on this portfolio should not be forgotten. While we now have a free trade agreement in place with the European Union, Covid-19 has focused investor attention elsewhere. We firmly believe the “Brexit discount” which our investee companies were suffering from has not yet reversed, a situation which we believe will start to rectify itself over the coming periods.

**David Horner**

Chelverton Asset Management Limited

24 June 2021

## Breakdown of Portfolio by Industry

at 30 April 2021

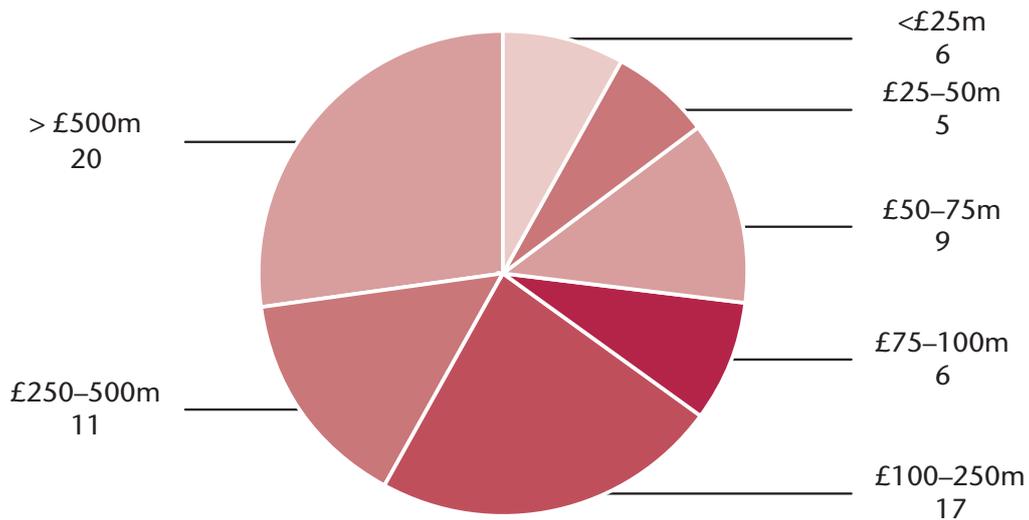
Market sector	Market value Bid £'000	% of portfolio
Financial Services	10,776	17.1
Industrial Goods & Services	10,460	16.6
Construction & Materials	6,050	9.7
Consumer Products and Services	5,582	9.0
Retail	4,442	7.1
Insurance	4,326	6.8
Real Estate	4,182	6.6
Travel & Leisure	3,526	5.6
Media	3,509	5.5
Food, Beverage & Tobacco	2,873	4.7
Telecommunications	2,184	3.5
Energy	1,827	2.9
Basic Resources	1,232	2.0
Banks	794	1.3
Utilities	597	1.0
Personal Care, Drugs & Grocery Stores	408	0.6
	<hr/>	<hr/>
	<b>62,768</b>	<b>100.0</b>

# Strategic Report (continued)

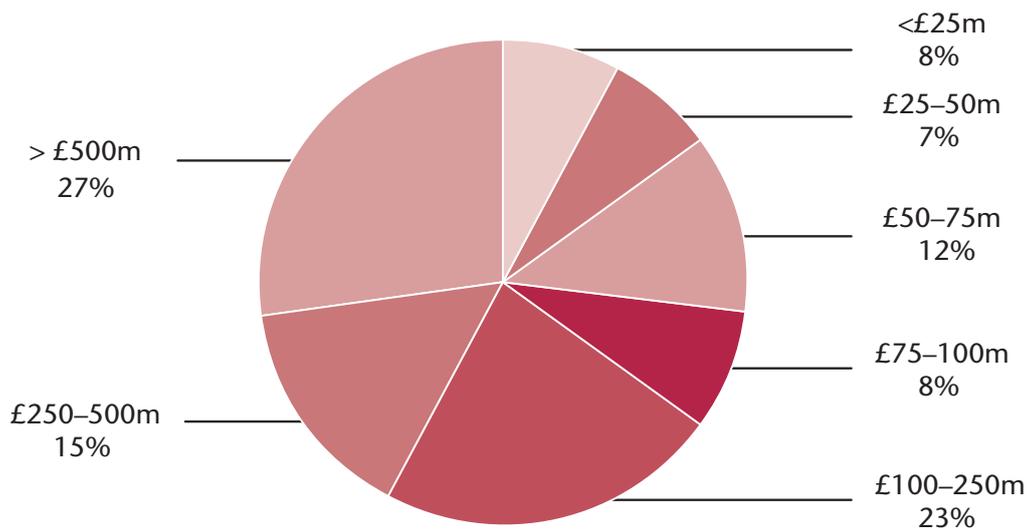
## Breakdown of Portfolio by Market Capitalisation

at 30 April 2021

### Number of Companies



### % of Portfolio



Source: Maitland Administration Services Limited

## Portfolio Statement

at 30 April 2021

Security	Sector	Market value £'000	% of portfolio
Belvoir Lettings	Real Estate	2,150	3.4
Diversified Gas & Oil	Energy	1,827	2.9
Alumasc Group	Construction & Materials	1,712	2.7
UP Global Sourcing Holdings	Consumer Products and Services	1,610	2.6
Jarvis Securities	Financial Services	1,500	2.4
Finnicap Group	Financial Services	1,320	2.1
Randall & Quilter	Insurance	1,320	2.1
Flowtech Fluid Power	Industrial Goods & Services	1,265	2.0
Devro	Food, Beverage & Tobacco	1,230	2.0
STV	Media	1,220	1.9
MTI Wireless Edge	Telecommunications	1,206	1.9
DFS Furniture	Retail	1,197	1.9
Redde Northgate	Industrial Goods & Services	1,091	1.7
Vistry Group	Consumer Products and Services	1,065	1.7
Tyman	Construction & Materials	1,056	1.7
Epwin Group	Construction & Materials	1,045	1.7
Premier Miton Group	Financial Services	1,032	1.6
Coral Products	Industrial Goods & Services	1,015	1.6
Brewin Dolphin Holdings	Financial Services	1,014	1.6
Clarke (T.)	Construction & Materials	1,000	1.6
Brown (N) Group	Retail	983	1.6
Amino Technologies	Telecommunications	978	1.6
Severfield	Construction & Materials	975	1.6
Marston's	Travel & Leisure	970	1.5
Chesnara	Insurance	964	1.5
Polar Capital Holdings	Financial Services	958	1.5
Numis Corporation	Financial Services	950	1.5
MP Evans	Food, Beverage & Tobacco	918	1.5
Castings	Industrial Goods & Services	915	1.5
Bloomsbury Publishing	Media	903	1.4
Vertu Motors	Retail	902	1.4
TheWorks.co.uk	Retail	876	1.4
Regional REIT	Real Estate	840	1.3
Crest Nicholson	Consumer Products and Services	818	1.3
Ramsdens Holdings	Financial Services	810	1.3
Headlam Group	Consumer Products and Services	796	1.3
Close Brothers Group	Banks	794	1.3
Essentra	Industrial Goods & Services	794	1.3
Appreciate Group	Financial Services	760	1.2
Smiths News	Industrial Goods & Services	760	1.2
Braemar Shipping Services	Industrial Goods & Services	756	1.2
Bakkavor	Food, Beverage & Tobacco	725	1.2
Restaurant Group	Travel & Leisure	720	1.1
Centaur Media	Media	714	1.1
Personal Group Holdings	Insurance	708	1.1
Photo-me International	Consumer Products and Services	693	1.1
Anglo Pacific	Basic Resources	692	1.1

## Strategic Report (continued)

### Portfolio Statement

at 30 April 2021 (continued)

Security	Sector	Market value £'000	% of portfolio
Curtis Banks Group	Financial Services	690	1.1
Hansard Global	Insurance	684	1.1
Palace Capital	Real Estate	674	1.1
Wilmington Group	Media	672	1.1
Saga	Travel & Leisure	665	1.1
Sabre Insurance	Insurance	650	1.0
Duke Royalty	Financial Services	630	1.0
iEnergizer	Industrial Goods & Services	612	1.0
Go-Ahead Group	Travel & Leisure	611	1.0
Portmeirion Group	Consumer Products and Services	600	1.0
Contour Global	Utilities	597	1.0
Gattaca	Industrial Goods & Services	592	0.9
Babcock International	Industrial Goods & Services	576	0.9
Revolution Bars Group	Travel & Leisure	560	0.9
Chamberlin	Basic Resources	540	0.9
Town Centre Securities	Real Estate	518	0.8
Hargreaves Services	Industrial Goods & Services	505	0.8
Strix Group	Industrial Goods & Services	493	0.8
Shoe Zone	Retail	484	0.8
Orchard Funding Group	Financial Services	480	0.8
RTC Group	Industrial Goods & Services	441	0.7
RPS Group	Industrial Goods & Services	440	0.7
McColl's Retail Group	Personal Care, Drugs & Grocery Stores	408	0.6
Vector Capital	Financial Services	352	0.6
GLI Finance	Financial Services	280	0.4
Kier Group	Construction & Materials	262	0.4
DX Group	Industrial Goods & Services	205	0.3
<b>Total Portfolio</b>		<b>62,768</b>	<b>100.0</b>

## Investment Objective and Policy

The investment objective of the Company is to provide Ordinary shareholders with a high income and opportunity for capital growth, having provided a capital return sufficient to repay the full final capital entitlement of the Zero Dividend Preference shares issued by the wholly owned subsidiary company SDVP.

The Company's investment policy is that:

- The Company will invest in equities in order to achieve its investment objectives, which are to provide both income and capital growth, predominantly through investment in mid and smaller capitalised UK companies admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange Main Market or traded on AIM.
- The Company will not invest in preference shares, loan stock or notes, convertible securities or fixed interest securities or any similar securities convertible into shares; nor will it invest in the securities of other investment trusts or in unquoted companies.

## Performance Analysis using Key Performance Indicators

At each quarterly Board meeting, the Directors consider a number of key performance indicators ('KPIs') to assess the Group's success in achieving its objectives, including the net asset value ('NAV'), the dividend per share and the total ongoing charges.

- The Group's Consolidated Statement of Comprehensive Income is set out on page 47.
- A total dividend for the year to 30 April 2021 of 10.272p (2020: 9.60p) per Ordinary share has been declared to shareholders by way of three payments totalling 7.50p per Ordinary share plus a planned fourth interim dividend payment of 2.50p per Ordinary share and a special dividend of 0.272p per Ordinary share.
- The NAV per Ordinary share at 30 April 2021 was 227.07p (2020: 124.86p).
- The ongoing charges (including investment management fees and other expenses but excluding exceptional items) for the year ended 30 April 2021 were 2.33% (2020: 2.12%). The increase in the annualised ongoing charges during the year is primarily due to the reduction in net asset value for the first half of the year due to the uncertainties around Covid-19.

The Directors, in conjunction with the Investment Manager, also took time during the 2020-21 financial year to specifically benchmark the Group's performance against different comparator peer groups and performance metrics to inform decision making.

Further detailed information is available in the Company's Key Information Document which was updated during the year and can be found on the Company's website: <https://www.chelvertonam.com/fund/chelverton-uk-dividend-trust-plc/>

## Principal Risks

The Directors confirm that they have carried out a robust annual assessment of the principal risks facing the Company, including those that would threaten its objectives, business model, future performance, solvency or liquidity. The Board regularly monitors the principal risks facing the Company, the likelihood of any risk crystallisation, the potential implications for the Company and its performance, and any additional mitigation that might be introduced. Mitigation of these risks is primarily sought and achieved in a number of ways as set out below:

## Strategic Report *(continued)*

### *Market risk*

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

The Investment Manager actively monitors economic performance of investee companies and reports regularly to the Board on a formal and informal basis. The Board formally meets with the Investment Manager on a quarterly basis when the portfolio transactions and performance are discussed and reviewed.

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 potential gains, during negative market movements this may provide protection.

### *Discount volatility*

The Board recognises that, as a closed ended company, 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 are pleased to report that discount volatility improved with Company's stronger Net Asset Value position and share price during the year. However, the Board, with its advisers, continues to monitor the Company's discount levels and shares may be bought back in future should it be thought appropriate to do so by the Board.

### *Regulatory risks*

A breach of Companies Act provisions and Financial Conduct Authority ('FCA') rules may result in the Group's companies being liable to fines or the suspension of either of the Group companies from listing and from trading on the London Stock Exchange. The Board, with its advisers, monitors the Group and SDVP's regulatory obligations both on an ongoing basis and at quarterly Board meetings.

### *Financial risk*

The financial position of the Group is reviewed via detailed management accounts at each Board meeting and both financial position and controls are monitored by the Audit Committee.

### *Political risk*

The Board recognises that changes in the political landscape may substantially affect the Company's prospects and the value of its portfolio companies. There is continuing uncertainty as to the nature of and prospects for future global trading relationships following the end of the 'Brexit' transition period and the UK's departure from the European Union ('EU'). Potential future changes to the UK's policies and regulatory landscape following the UK's departure from the EU could also impact the Company and its portfolio companies. Potential consequences for the Company are regularly monitored and assessed by the Board.

### *Climate change risk*

The Board and Investment Manager consider and discuss how climate change could affect the Company's portfolio companies and shareholder returns. Environmental, social and governance factors increasingly form a part of the dialogue between the Investment Manager and the management teams of portfolio companies and may also contribute to portfolio investment decisions.

#### *The coronavirus pandemic*

The Board recognises that despite an improving outlook as a result of successful vaccine rollouts, in the UK in particular, the pandemic continues to negatively impact economies and financial markets worldwide. Certain sectors of economies, globally and in the UK, have been severely affected by the restrictions imposed by governments to reduce the spread of the virus and may in turn take considerable time to recover. The Board and Investment Manager continue to monitor the effects of the pandemic on the market and the future prospects of all portfolio companies.

#### *Accounting policies*

New developments in accounting standards and industry-related issues are actively reported to and monitored by the Audit Committee, the Board where applicable and the Company's advisers, ensuring that all appropriate accounting policies are adhered to.

A more detailed explanation of the financial risks facing the Group is given in note 22 to the financial statements on pages 65 to 69.

#### *Gearing*

The Company's shares are geared by the Zero Dividend Preference shares and should be regarded as carrying above average risk, since a positive NAV for the Company's shareholders will be dependent upon the Company's assets being sufficient to meet those prior final entitlements of the holders of Zero Dividend Preference shares. As a consequence of the gearing, a decline in the value of the Company's investment portfolio will result in a greater percentage decline in the NAV of the Ordinary shares and vice versa.

## **Section 172 Statement**

The Directors are conscious of their duties to promote the success of the Company under Section 172 of the Companies Act 2006, for the benefit of the shareholders, giving careful consideration to wider stakeholders' interests and the environment in which the Company operates. The Board recognises that its decisions are material to the Company and its future performance but also the Company's key stakeholders as identified below. In making decisions, the Board considered the outcome from its stakeholder engagement exercises as well as the need to act fairly between the members of the Company.

#### *Key stakeholders*

Investors – The Company's shareholders have a significant role in monitoring and safeguarding the governance of the Company and exercise voting rights to do so at general meetings of the Company. Shareholders also benefit from improving performance and returns.

All shareholders have access to the Board via the Company Secretary and the Investment Manager at key company events such as the annual general meeting and throughout the year if appropriate. These regular communications help the Board make informed decisions when considering how to promote the success of the Company for the benefit of shareholders. This year, the Annual General Meeting to be held on 9 September 2021 is currently anticipated to be open to shareholders to attend in person. However, the Board reserves the right to change the arrangements for the meeting, if necessary at short notice, in order to ensure adherence to prevailing Government guidance in light of the ongoing Covid-19 pandemic. In any event, and to ensure all travel is minimised, shareholders are strongly encouraged to vote by proxy and to appoint the Chairman as their proxy. Shareholders are also encouraged to put forward any questions to the Company Secretary in advance of the Annual General Meeting, as was the case in 2020.

The Board received enhanced Investor Relations themed reporting from its broker Shore Capital during the year to ensure continuing awareness of key shareholder matters.

## Strategic Report (continued)

**Investment Manager** – The Board recognises the critical role of the Investment Manager in delivering the Company's future success. The Investment Manager attends Board and Audit Committee meetings, to participate in transparent discussions, where constructive and collegiate challenge is encouraged. The Board and Investment Manager communicate regularly outside of these meetings with the aim of maintaining an open relationship and momentum in the Company's performance and prospects. The Investment Manager's performance is evaluated informally on a regular basis, with a formal review carried out on an annual basis by the Board when performing the functions of a management engagement committee. The Investment Management Agreement is reviewed as part of this process as further discussed on page 21.

**Key suppliers** – The Company employs a collaborative approach and looks to build long term partnerships with its key suppliers. Key suppliers are required to report to the Board on a regular basis and their performance and the terms on which they are engaged, are evaluated and considered annually, as detailed from page 30.

**Portfolio companies** – The Investment Manager regularly liaises with the management teams of companies within the Investment Portfolio and reports on findings and the performance of investee companies to the Board on at least a quarterly basis.

**Regulators** – The Board regularly reviews the regulatory landscape and ensures compliance with rules and regulations relevant to the Company via reporting at quarterly Board meeting from the Company Secretary. Compliance with relevant rules and regulations is formally assessed on at least an annual basis.

## Viability Statement

The Board and Investment Manager continuously consider the performance, progress and future prospects of the Company over a variety of future timescales. These assessments, including regular investment performance updates from the Investment Manager, and a continuing programme of risk monitoring and analysis, form the foundations of the Board's assessment of the future viability of the Company. The Directors are mindful of the Company's commitments to shareholders of the subsidiary SDVP in 2025 in forming their viability opinion for the Company each year.

The Directors consider that a period of three years is currently the most appropriate time horizon to consider the Company's future viability. After careful analysis, taking into account the potential impact of the current risks and uncertainties the Company is exposed to including the continuing implications of the Covid-19 pandemic and government responses globally, the Directors confirm that in their opinion:

- it is appropriate to adopt the going concern basis for this Annual Report & Accounts
- the Company continues to be viable for a period of at least three years from the date of signing of this Annual Report and Accounts. Three years is considered by the Board to be the maximum period over which it is currently feasible to make a viability forecast based on known risks and macro-economic trends.

The following facts, which have not materially changed in the last financial year, support the Directors' view:

- the Company has a liquid investment portfolio invested predominantly in readily realisable smaller capitalised UK-listed and AIM traded securities and has some short-term cash on deposit; and
- revenue expenses of the Company are covered multiple times by investment income, even in the event that lower income levels as a result of the Covid-19 pandemic continue for some considerable time.

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 independent service providers, to whom all management and administrative functions are delegated, 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 the assessment.

## Other Statutory Information

### *Company status and business model*

The Company was incorporated on 6 April 1999 and commenced trading on 12 May 1999. The Company is a closed-ended investment trust with registered number 03749536. Its capital structure consists of Ordinary shares of 25p each, which are listed and traded on the main market of the London Stock Exchange.

The principal activity of the Company is to carry on business as an investment trust. The Company has been granted approval from HMRC as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010 ('1158/1159') on an ongoing basis. The Company will be treated as an investment trust company subject to there being no serious breaches of the conditions for approval. The Company is also an investment company as defined in Section 833 of the Companies Act 2006. The current portfolio of the Company is such that its shares are eligible for inclusion in ISAs up to the maximum annual subscription limit and the Directors expect this eligibility to be maintained.

The Group financial statements consolidate the audited annual report and financial statements of the Company and SDVP, its subsidiary undertaking, for the year ended 30 April 2021. The Company owns 100% of the issued ordinary share capital and voting rights of SDVP, which was incorporated on 25 October 2017.

Further information on the capital structure of the Company and SDVP can be found on pages 73 to 74.

### *AIFM*

The Board is compliant with the directive and is registered as a Small Registered Alternative Investment Fund Manager ('AIFM') with the FCA and all required returns have been completed and filed.

### *Employees, environmental, human rights and community issues*

The Board recognises the requirement under Section 414C of the Companies Act to detail information about employees, environmental, human rights and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements and the requirements of the Modern Slavery Act 2015 do not directly apply to the Company as it has no employees and no physical assets, all the Directors are non-executive and it has outsourced all its management and administrative functions to third-party service providers. The Company has therefore not reported further in respect of these provisions. However, in carrying out its activities and in relationships with service providers, the Company aims to conduct itself responsibly, ethically and fairly at all times.

### *Environmental, Social, Governance ('ESG')*

ESG matters will have an increasing prominence in future financial and regulatory reporting. In company meetings, the Investment Manager routinely questions the corporate management on a variety of topics, such as safety records, environmental footprint and the key areas of focus of their board papers, to ensure that portfolio companies and prospective investments are adhering to best practice and emerging market trends at all times.

## Strategic Report *(continued)*

The way companies respond to ESG issues can affect their business performance, both directly and indirectly. ESG factors are considered by Chelverton Asset Management investment teams and increasingly contribute to investment decision making, however investment decisions also continue to balance ESG performance in the context of overall investment potential.

The Investment Manager is successfully integrating responsible investing considerations more closely into investment processes for the Company and the other investment vehicles it operates on behalf of investors, a journey that began in 2018. The appointment and integration in 2018 of a Corporate Governance Manager within the investment team at Chelverton Asset Management has been supported by the appointment of an experienced ESG professional to the position of Responsible Investing Manager in October 2020. This renewed commitment is strengthening the Chelverton team's drive to focus on ESG priorities within all Chelverton's investment processes. Misjudgements on ESG matters can increasingly incur major additional costs to the portfolio holdings, as well as undermining their equity returns through reputational damage.

### *Global greenhouse gas emissions*

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission-producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### *Streamlined energy and carbon reporting*

The Company is categorised as a lower energy user under the HMRC Environmental Reporting Guidelines March 2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company has therefore not reported further in respect of these guidelines.

### *Culture and values*

The Company's values are to act responsibly, ethically and fairly at all times. The Company's culture is driven by its values and is focused on providing Ordinary shareholders with a high income and opportunity for capital growth, as set out on page 11. As the Company has no employees, its culture is represented by the values, conduct and performance of the Board, the Investment Manager and its key service providers, who all work collaboratively to support delivery of the Company's strategy.

### *Current and future developments*

A review of the main features of the year and the outlook for the Company are contained in the Chairman's Statement on pages 2 and 3 and the Investment Manager's Report on pages 4 to 6.

### *Dividends declared/paid*

	Payment date	30 April 2021 p	30 April 2020 p
First interim	2 October 2020	2.50	2.40
Second interim	2 January 2021	2.50	2.40
Third interim	3 April 2021	2.50	2.40
Fourth interim	16 July 2021	2.50	2.40
		<u>10.00</u>	<u>9.60</u>
Special dividend		0.272	–
		<u>10.272</u>	<u>9.60</u>

The Directors have not recommended a final dividend in respect of the year ended 30 April 2021 (2020: nil).

### *Ten year dividend history*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	p	p	p	p	p	p	p	p	p	p
1st Quarter	2.50	2.40	2.19	2.02	1.85	1.70	1.575	1.475	1.40	1.35
2nd Quarter	2.50	2.40	2.19	2.02	1.85	1.70	1.575	1.475	1.40	1.35
3rd Quarter	2.50	2.40	2.19	2.02	1.85	1.70	1.575	1.475	1.40	1.35
	7.50	7.20	6.57	6.06	5.55	5.10	4.725	4.425	4.20	4.05
4th Quarter	2.50	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.35
	10.00	9.60	8.97	8.46	7.95	7.50	7.125	6.825	6.60	6.40
% increase of core dividend	4.17	7.02	6.03	6.47	6.00	5.26	4.40	3.41	3.12	3.23
Special dividend	0.272	–	2.50	0.66	1.86	1.60	0.30	2.75	–	–
<b>Total dividend</b>	<b>10.272</b>	<b>9.60</b>	<b>11.47</b>	<b>9.12</b>	<b>9.81</b>	<b>9.10</b>	<b>7.425</b>	<b>9.575</b>	<b>6.60</b>	<b>6.40</b>

### *Diversity and succession planning*

As there were no changes to Board composition during the year, the Board of Directors of the Company comprised four male Directors in the year to 30 April 2021. The key criteria for the appointment of new Directors will be the skills and experience of candidates having regard also to the benefits of diversity in the interests of shareholder value. The Directors are satisfied that the Board currently contains members with an appropriate breadth of skills and relevant sector experience. Succession planning is considered on at least an annual basis, further details of which are on page 27. In relation to future appointments the Board will seek to consider a wide range of candidates with due regard to diversity, spanning gender, ethnicity, background and experience.

The Strategic Report is signed on behalf of the Board by

**Lord Lamont of Lerwick**

Chairman

24 June 2021

## SECTION 2

## Directors

**The Rt Hon. Lord Lamont of Lerwick\*\*** (Chairman) was Chancellor of the Exchequer between 1990 and 1993. Prior to that appointment, Lord Lamont was Chief Secretary to the Treasury between 1989 and 1990. Following his retirement as a Member of Parliament in 1997, he has held numerous positions as a director of various organisations and funds, including NM Rothschild and Sons Limited. He is a director of European Opportunities Trust plc.

Lord Lamont was appointed to the Board on 27 February 2006.

**William van Heesewijk** began his career with Lloyds Bank International in 1981, working for both the merchant banking and investment management arms. He has been involved in the investment trust industry since 1987 in various capacities. During his tenure with Fidelity Investments International, Gartmore Investment Management PLC, BFS Investments PLC and Chelverton Asset Management Limited, he managed several launches of onshore and offshore investment funds, including a number of roll-overs and reconstructions involving complex capital structures and across several geographic regions. His roles involved business development, project management, sales compliance and marketing. He was a member of the Association of Investment Companies Managers forum.

Mr van Heesewijk was appointed to the Board on 1 December 2005.

**Howard Myles\*\*** was a partner in Ernst & Young from 2001 to 2007 and was responsible for the Investment Funds Corporate Advisory Team. He was previously with UBS Warburg from 1987 to 2001. Mr Myles began his career in stockbroking in 1971 as an equity salesman and in 1975 joined Touche Ross & Co, where he qualified as a chartered accountant. In 1978 he joined W Greenwell & Co in the corporate broking team and in 1987 moved to SG Warburg Securities, where he was involved in a wide range of commercial and industrial transactions in addition to leading Warburg's corporate finance function for investment funds. He is now a non-executive director of Baker Steel Resources Trust Limited, Aberdeen Latin American Income Fund Limited and BBGI SICAV S.A., having stepped down from the Board of JPMorgan Brazil Investment Trust PLC in September 2020.

Mr Myles was appointed to the Board on 15 March 2011. He became Chairman of the Audit Committee on 15 June 2016.

**Andrew Watkins\*\*** Has a wealth of experience in the financial services industry working in senior positions at Kleinwort Benson, Flemings, Jupiter and most recently as Head of Client Relations, Sales & Marketing for Investment Trusts at Invesco Perpetual, retiring in 2017. He is currently a non-executive director and chairman of Ashoka India Equity Investment Trust plc and a non-executive director of Baillie Gifford European Growth Trust plc and BMO UK High Income Trust plc.

Mr Watkins was appointed to the Board on 6 September 2018.

\* Independent

+ Audit Committee member

# Investment Manager, Secretary, Custodian and Registrar

## **Investment Manager: Chelverton Asset Management Limited ('Chelverton')**

Chelverton was formed in 1998 by David Horner, who has considerable experience of analysing investments and working with smaller companies. Chelverton is predominantly owned by its employees.

Chelverton is a specialist fund manager focused on UK mid and small companies and has a successful track record. At 31 March 2021, Chelverton had total funds under management of approximately £1.8 billion, including two investment trust companies and three OEICs. The fund management team comprises David Horner, David Taylor, Oliver Knott, James Baker and Edward Booth.

Chelverton is authorised and regulated by the FCA.

## **Administrator and Corporate Secretary: Maitland Administration Services Limited**

Maitland Administration Services Limited provides company secretarial and administrative services for the Group. The Maitland group provides administration and regulatory oversight solutions for a wide range of investment companies.

## **Custodian: Jarvis Investment Management Limited**

Established for over 30 years, Jarvis Investment Management Limited offers a wide range of administration services and solutions, including custody services.

## **Registrar: Share Registrars Limited**

Share Registrars Limited is a CREST registrar established in 2004 and provides share registration services to over 200 client companies.

# Directors' Report

The Directors present their Annual Report and financial statements for the Group and the Company for the year ended 30 April 2021.

## Directors

The Directors who served during the year ended 30 April 2021 are listed on page 19. 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. None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company, and which was effected by the Company during the current financial year. There have been no loans or guarantees from the Company or its subsidiary undertakings, to any Director at any time during the year or thereafter.

## Corporate governance

A formal statement on corporate governance and the Company compliance with the UK Corporate Governance Code and the AIC Code of Corporate Governance can be found on pages 25 to 31.

## Management agreements

The Company's investments are managed by Chelverton Asset Management Limited under an agreement ('the Investment Management Agreement') dated 30 April 2006 (effective from 1 December 2005). A periodic fee is payable quarterly in arrears at an annual rate of 1% of the value of the gross assets under management of the Company. Fees payable under the Investment Management Agreement increased during the year, reflecting the Company's improving underlying Net Asset Value over the financial year.

The Investment Management Agreement may be terminated by 12 months' written notice. There are no additional arrangements in place for compensation beyond the notice period.

During the year the Board completed a bespoke review of the Investment Management Agreement and agreed minor changes with the Manager which the Directors considered to be neutral or beneficial for the Company and more appropriately reflect changes in operation of the agreement since inception.

Under another agreement ('the Administration Agreement') dated 1 January 2016, company secretarial services and the general administration of the Group are undertaken by Maitland Administration Services Limited ('Maitland'). Their fee is subject to review at intervals of not less than three years. The Administration Agreement may be terminated by six months' written notice.

It is the Directors' opinion that the continuing appointment of the Investment Manager and the Administrator/Secretary on the terms agreed is in the best interests of the Group and its shareholders. The Directors are confident that Chelverton has the required skill and expertise to continue successfully to manage the Group's assets, and continues to be satisfied with the services provided by Maitland.

## Dividends

Details of the dividends declared and paid by the Board are set out in the Strategic Report on page 1.

## Directors' indemnification and insurance

The Company's Articles of Association provide that, insofar as permitted by law, every Director shall be indemnified by the Company against all costs, charges, expenses, losses or liabilities incurred in the execution and discharge of the Directors' duties, powers or office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors. This cover was in place during the year, having been reviewed and renewed, and also to the date of signing this report.

## Directors' Report (continued)

### Substantial shareholdings

The Directors have been informed of the following notifiable interests in the voting shares of the Company at 30 April 2021:

	Number of shares	% of voting rights
<b>Ordinary shares</b>		
Philip J Milton & Company Plc	1,051,833	5.04%
Integrated Financial Arrangements Limited	801,748	4.05%

The Company has not been notified of any changes to the above holdings between 30 April 2021 and the date of this report.

### Special business at the Annual General Meeting

The Company's AGM will be held at 11.00 am on Thursday 9 September 2021. The Notice of Meeting is set out on pages 77 to 81.

In addition to the ordinary business of the meeting, there are items of special business, as follows:

#### *Authority to issue shares and disapply pre-emption rights*

An Ordinary Resolution was passed at the last AGM held on 9 September 2020 giving the Directors authority, pursuant to Section 551 of the Companies Act 2006, to allot Ordinary shares up to an aggregate nominal value equal to £781,875 (which figure represented 15% of the issued share capital of the Company). This authority expires at the conclusion of the next AGM. The Directors are accordingly seeking authorisation, pursuant to Section 551 of the Companies Act 2006, to allot up to an aggregate nominal value equal to £781,875, being 15% of the Ordinary shares in issue at the date of this report, as set out in Resolution 10 in the Notice of Meeting. This authority will expire at the AGM to be held in 2022 or 15 months from the passing of the Resolution, whichever is earlier.

A Special Resolution was also passed on 9 September 2020 giving the Directors power to issue Ordinary shares for cash notwithstanding the pre-emption provisions of the Companies Act 2006 and permitting the Directors to issue shares without being required to offer them to existing shareholders in proportion to their current holdings. This power expires at the conclusion of the next AGM and the Directors are accordingly seeking its renewal, pursuant to Sections 570 and 573 of the Companies Act 2006, to enable the Directors to issue up to 10% of the issued Ordinary share capital, representing 2,085,000 Ordinary shares at the date of this report, as set out in the Notice of Meeting as Resolution 10.

This authority will also cover the sale of shares held in Treasury, and will expire at the AGM to be held in 2022 or 15 months from the passing of the Resolution, whichever is earlier. The authorities to issue shares will only be used when it would be in the interests of shareholders as a whole. The Directors do not currently intend to issue or sell shares from Treasury other than above the prevailing NAV.

#### *Purchase of own shares*

At the AGM held on 9 September 2020 the Directors were granted the authority to buy back in the market up to 14.99% of the Company's Ordinary shares in circulation at that date for cancellation or placing into Treasury. No shares have been purchased under this authority, which remains in force. Resolution 11 as set out in the Notice of Meeting will renew this authority for up to 14.99% of the current issued Ordinary share capital in circulation, which represents 3,125,415 Ordinary shares at the date of this report. The Directors do not intend to use the authority to purchase the Company's shares unless to do so would result in an increase in the net asset value per share for the remaining shareholders and would generally be in the interests of all shareholders. The authority, if given, will lapse at the AGM to be held in 2022 or 15 months from the passing of this Resolution, whichever is earlier.

Purchases will be made on the open market. The price paid for Ordinary shares will not be less than 25p and not more than the higher of (i) 5% above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) of the Ordinary shares for the five business days immediately preceding the date on which the Ordinary share is purchased, and (ii) the higher of the price of the last independent trade and the current highest independent bid on the London Stock Exchange. Shares may be cancelled or placed in Treasury.

Pursuant to the loan agreement between the Company and SDVP, the Company will not purchase any of its Ordinary shares out of capital reserves unless the cover for the final redemption value of the Zero Dividend Preference shares is at least 1.9 times after the purchase.

#### *Notice period for general meetings*

Resolution 12 is a Special Resolution that will give the Directors the ability to convene general meetings, other than Annual General Meetings, on a minimum of 14 clear days' notice. The minimum notice period for annual general meetings will remain at 21 clear days. The approval will be effective until the Company's Annual General Meeting to be held in 2022, at which it is intended that renewal will be sought. The Company will have to offer facilities for all shareholders to vote by electronic means for any general meeting convened on 14 days' notice. The Directors will only call a general meeting on 14 days' notice where they consider it to be in the interests of shareholders to do so and the relevant matter is required to be dealt with expediently.

#### *Recommendation*

The Board considers that the Resolutions to be proposed at the AGM are in the best interests of shareholders as a whole and the Company and, accordingly, recommends that shareholders vote in favour of each Resolution, as the Directors intend to do in respect of their own beneficial shareholdings representing approximately 1.0% of the issued share capital.

### **Company information**

The following information is disclosed in accordance with the Companies Act 2006:

- The Group's capital structure and voting rights are summarised on pages 73 and 74.
- Details of the substantial shareholders in the Company are listed on page 22.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association.
- The Articles of Association can be amended by the passing of a Special Resolution of the members in a General Meeting.
- Amendment of the Articles of Association and the giving of powers to issue or buy back the Company's shares require the relevant Resolution to be passed by shareholders. The Board's current powers to issue or buy back shares and proposals for their renewal are detailed on pages 22 and 23.
- There are no restrictions concerning the transfer of securities in the Company; no restrictions on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- Consideration of likely future developments is detailed in the Strategic Report on page 16.

## Directors' Report (continued)

### SDVP Annual General Meeting

SDVP's AGM will be held on Thursday 9 September 2021 following the Company's AGM. The Notice of Meeting is set out in the SDVP Annual Report. This year's arrangements for SDVP's AGM will mirror those for the Company's AGM, in line with the latest legislation and government guidance. The Board reserves the right to change arrangements for the meeting at short notice. Shareholders are strongly encouraged to vote by proxy and to appoint the Chairman of SDVP as their proxy.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are described in the Chairman's Statement on pages 2 and 3 and in the Investment Manager's Report on pages 4 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements. In addition, note 22 on pages 65 to 69 to the financial statements sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk. The Audit Committee has conducted stress testing of the balance sheet and future dividend streams in different scenarios to support the opinion regarding financial position and outlook. Despite the ongoing challenges arising from the impact of Covid-19 and the economic effects of government restrictions to reduce the spread of the virus, the Investment Manager continues to operate and administer the Company in accordance with relevant accounting standards.

Notwithstanding the Company's improved performance and financial position during the financial year, the Directors have determined that there is continuing uncertainty as to the prospects for and timing of a full recovery from the economic effects of the Covid-19 pandemic. It is likely that different sectors of the domestic economy, and countries globally, will recover at different speeds and trajectories. The Group continues to benefit from adequate financial resources however and, as a consequence, having assessed the principal risks facing the Company and the other matters set out in the Viability Statement, the Directors believe that the Group is well placed to manage its business risks successfully and it is appropriate to adopt the going concern basis.

### Climate Disclosures

Statements regarding the Company's climate related activities and Board policies where applicable can be found in the Strategic Report on pages 15 and 16.

### Auditor

The Auditor, Hazlewoods LLP, has indicated its willingness to continue in office and Resolutions 7 and 8 proposing its re-appointment and authorising the Directors to determine its remuneration for the ensuing year will be submitted for approval at the AGM.

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are each aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

On behalf of the Board

### Lord Lamont of Lerwick

Chairman

24 June 2021

# Statement on Corporate Governance

The Company is committed to maintaining high standards of corporate governance and the Directors are accountable to shareholders for the governance of the Group's affairs.

## Statement of compliance with the UK Corporate Governance Code 2018 ('the Governance Code')

The Directors have reviewed the detailed principles outlined in the Governance Code and confirm that, to the extent that they are relevant to the Company's business, they have complied with the provisions of the Governance Code throughout the year ended 30 April 2021 except as explained in this section as being non-compliant and that the Company's current practice is in all material respects consistent with the principles of the Governance Code.

The Board also confirms that, to the best of its knowledge and understanding, procedures were in place to meet the requirements of the Governance Code relating to internal controls throughout the year under review. This statement describes how the principles of the Governance Code have been applied in the affairs of the Company.

As an investment trust, the Company has also taken into account the Code of Corporate Governance 2019 produced by the Association of Investment Companies ('the AIC Code'), which is intended as a framework of best practice specifically for AIC member companies.

The AIC Code addresses all the principles set out in the Governance Code, and there are some areas where the AIC Code is more flexible than the Governance Code. The Board has taken steps to adhere to its principles for investment companies and follow the recommendations in the AIC Code where it believes they are appropriate.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC website, [www.theaic.co.uk](http://www.theaic.co.uk), and a copy of the Governance Code can be obtained at [www.frc.org.uk](http://www.frc.org.uk).

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Governance Code except as set out below:

- owing to the size of the Board, it is felt inappropriate to appoint a senior independent non-executive Director as further detailed on page 27.
- as the Group has no staff, other than Directors, there are no procedures in place in relation to raising concerns in confidence and anonymously. The Board has satisfied itself there are appropriate procedures for the workforce to raise concerns in place at its service providers.
- the Board has not established a remuneration committee or nomination committee as the functions of these are performed by the Board.

## Board responsibilities and relationship with Investment Manager

The Board is responsible for the investment policy and strategic and operational decisions of the Group and for ensuring that the Group is run in accordance with all regulatory and statutory requirements. These procedures have been formalised in a schedule of matters reserved for decision by the Board. 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 Group, including investment performance and annual budgeting; and
- review of matters delegated to the Investment Manager, Administrator, Custodian or Secretary.

## Statement on Corporate Governance (continued)

The Group's day-to-day functions have been delegated to a number of service providers, each engaged under separate legal agreements. At each Board meeting the Directors follow a formal agenda prepared and circulated in advance of the meeting by the Company Secretary to review the Group's investments and all other important issues, such as asset allocation, gearing policy, corporate strategic issues, cash management, peer group performance, marketing and shareholder relations, investment outlook and revenue forecasts, to ensure that control is maintained over the Group's affairs. The Board regularly considers its overall strategy and also regularly conducts one-off and more focused reviews of all matters within its remit, and the focus during the financial year was on monitoring the continued effective working of the Investment Manager and third party advisers together with modelling changes to the Company's dividend income streams as discussed throughout this Strategic Report.

The management of the Group's assets is delegated to Chelverton. At each Board meeting, representatives of Chelverton are in attendance to present verbal and written reports covering its activity, portfolio composition and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. 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 briefing notes for Board consideration on matters of relevance, for example changes to the Group's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

### Board membership

At the year end the Board consisted of four Directors, all of whom are non-executive. The Group has no employees. The Board seeks to ensure that it has the appropriate balance of skills, experience and length of service amongst its members. The Board's policy on tenure is that Directors can stand for more than nine years. The Board considers that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies where experience and continuity can be a significant strength. The Directors possess a wide range of business and financial expertise relevant to the direction of the Group and Company and consider that they commit sufficient time to the Group and Company's affairs. On appointment to the Board, Directors are fully briefed as to their responsibilities by the Chairman, the Investment Manager and the Company Secretary. Brief biographical details of the Directors can be found on page 19.

The Directors meet at regular Board meetings, held at least four times a year, and additional meetings and telephone meetings are arranged as necessary. During the year to 30 April 2021 the Board and its Committees met six times and all Directors were present at all formal Board meetings, and those specific purpose Committee meetings they were asked to attend.

### Board effectiveness

The Board, acting as the Nomination Committee, conducts a formal annual review of the size, composition and balance of the Board and the performance of the Board, its Committees and the Directors facilitated by feedback provided by each Director. The Chairman provides a summary of the findings which are discussed at the meeting and an action plan is agreed if required. During the year, no issues were identified requiring an action plan. The performance of the Chairman of the Board is evaluated by the other Directors. The Board is satisfied from the results of the evaluation completed this year that the Board, its Committees and Directors function effectively, collectively and individually, and that the Board contains an appropriate balance of skills and experience to manage the Company.

### **Chairman**

The Chairman, Lord Lamont, is independent. He has shown himself to have sufficient time to commit to the Group's affairs. The Company does not have a chief executive officer, as it has no executive directors. The Chairman has no relationships that may create a conflict of interest between the Chairman's interest and those of the shareholders, and in fact is a shareholder himself. The Chairman does not sit on the Board of any other investment company managed by Chelverton.

### **Directors' independence**

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 Governance Code requires that this report should identify each non-executive Director the Board considers to be independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement, stating its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination.

Mr Watkins is deemed to be independent of the Investment Manager. Despite being on the Board for over nine years, the Board believes Lord Lamont and Mr Myles are also independent. They all continue to perform their roles effectively. Mr van Heesewijk was not deemed independent by virtue of his role as a consultant to Chelverton.

Under the Articles of Association, one-third of Directors is required to retire by rotation at each AGM and no Director shall serve a term of more than three years before re-election. However, in line with prevailing corporate governance best practice, all Directors will retire and offer themselves for annual re-election at this year's annual general meeting. The Board has therefore reviewed the appointment of all Directors and recommends that shareholders vote for the re-election of Lord Lamont, Mr Myles, Mr van Heesewijk and Mr Watkins respectively.

The Board believes that although certain Board members have served for more than the recommended nine years, the Board continues to benefit from Directors' individual and collective expertise, their individual contributions to the Board remain effective, that they demonstrate commitment to their roles as non-executive Directors of the Company, and each has actively contributed throughout the year.

### **Senior Independent Director**

No separate Senior Independent Director has been appointed to the Board as, in the view of the Directors, it is inappropriate to do so given the size and composition of the Board. The Chairman's performance is evaluated annually by the Board when carrying out the functions performed by a nomination committee as detailed on page 28. All the Directors make themselves available to shareholders at general meetings of the Company. The Directors can be contacted at other times via the Company Secretary.

### **Audit Committee**

The Audit Committee comprises the independent Directors. The Committee met twice during the year ended 30 April 2021, with Mr Myles as Chairman. All members of the Committee were present at both meetings. The Audit Committee has direct access to the Group's Auditor, Hazlewoods LLP, and representatives of Hazlewoods LLP attend the year end Audit Committee meeting.

## Statement on Corporate Governance (continued)

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

### Management Engagement Committee

The functions performed by this type of Committee are carried out by the Board of the Company.

The Board reviewed the performance of the Investment Manager's obligations under the Investment Management Agreement and considered whether the terms and conditions of the Investment Management Agreement remain appropriate. The more detailed review of the terms of the Investment Management Agreement completed by the Board this year is discussed on page 21. Based on continuing performance, the Board decided that the Investment Manager's appointment should continue and no performance related changes would be made to the Investment Management Agreement. It also reviewed the performance of the Company Secretary, the Custodian and the Registrar and matters concerning their respective agreements with the Company.

### Nominations Committee

The functions performed by this type of Committee are carried out by the Board of the Company.

The Board, acting as the Nomination Committee, evaluated the performance of Directors and the Chairman for the year ended 30 April 2021. No third party was engaged to carry out an external valuation of the Board. As a result of the evaluation, the Board remains of the opinion that all Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company as detailed on page 27. The Board assessed the time commitment for each Board post and agreed that sufficient time was being spent by each Director to fulfil their duties. The Board also recommended the re-appointment of all Directors standing for re-election at the Annual General Meeting.

During the year, the Board gave consideration to the succession planning of Directors and the skills and experience required by the Board to face future opportunities and challenges. As stated on page 27, the Board believes that currently it has an appropriate balance of skills and experience to effectively manage the Company and, as a result, no changes to the composition of the Board are proposed at present. In the process of recruitment in the past it has not been considered necessary to engage the services of third-party recruitment consultants, but this will be reconsidered in relation to future appointments and the Board will seek to draw upon as diverse a pool of candidates as possible.

### Remuneration Committee

The functions performed by this type of Committee are carried out by the Board of the Company.

The Board assessed the Directors' fees, following proper consideration of the role that individual Directors fulfil in respect of Board and Committee responsibilities, the time committed to the Group's affairs and remuneration levels generally within the investment trust sector. The Board agreed that a more rigorous review of Board level remuneration would be completed in the 2022 financial year.

Under the Listing Rules, the Governance Code principles relating to directors' remuneration do not apply to an investment trust company other than to the extent that they relate specifically to non-executive directors. Detailed information on the remuneration arrangements can be found in the Directors' Remuneration Report on pages 34 to 36 and in note 5 to the financial statements.

#### **Independent professional advice**

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense.

#### **Institutional investors – use of voting rights**

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in investee companies.

#### **Conflicts of interest**

It is the responsibility of each individual Director to avoid an unauthorised conflict arising. He must notify and request authorisation from the Board as soon as he becomes aware of the possibility of a conflict arising.

The Board is responsible for considering Directors' requests for authorisation of conflicts and for deciding whether or not the conflict should be authorised. The factors to be considered will include whether the conflict could prevent the Director from properly performing his duties, whether it has, or could have, any impact on the Group and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Group's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

#### **Internal control review**

The Board is responsible for establishing and maintaining the Group's systems of internal control and for reviewing their effectiveness.

An ongoing process, in accordance with the guidance supplied by the Financial Reporting Council, 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', is in place for identifying, evaluating and managing risks faced by the Company and the Group. The Company's risks are documented and evaluated using a risk register. This register is reviewed regularly by Directors to ensure appropriate risk mitigation actions are in place. This process helps to ensure that the Board maintains a sound system of internal control to safeguard shareholders' investments and the Group's assets. This process also involves a review by Directors of reports on the internal control systems of the service providers who perform all the Company's administrative and managerial functions. As described below, this process, together with key procedures established with a view to providing effective financial control, have been in place for the full financial year and up to the date the financial statements were approved.

## Statement on Corporate Governance (continued)

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, rather than absolute, assurance against material misstatement or loss. No significant failings or weaknesses have been identified.

Reflecting recent macro-economic and political uncertainty, the Board, on the recommendation of the Audit Committee, completed additional reviews of the Company's internal control environment during the year, with updates at each quarterly meeting.

### Internal control assessment process

Risk assessment and the review of internal controls is undertaken by the Board in the context of the Group'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 threat of such risks becoming a reality;
- the Company's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Company and benefits related to the review of risk and associated controls of the Group; and
- the extent to which third parties operate the relevant controls.

Against this background the Board has split the review into four sections reflecting the nature of the risks being addressed. The sections are as follows:

- corporate strategy;
- published information and 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 Group does not have an internal audit function. The Directors have obtained information from key third-party suppliers regarding the controls operated by them and have also sought reassurance from each as to their continuing performance across the financial year. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following:

- details of the control environment;
- identification and evaluation of risks and control objectives;
- assessment of the communication procedures; and
- assessment of the control procedures.

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

- Investment management is provided by Chelverton. The Board is responsible for the implementation of the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings.
  - The provision of administration, accounting and company secretarial duties is the responsibility of Maitland Administration Services Limited.
  - Custody of assets is undertaken by Jarvis Investment Management Limited.
  - The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- 
- The non-executive Directors of the Group clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board, acting as the Management Engagement Committee, monitors their ongoing performance and contractual arrangements.
  - Mandates for authorisation of investment transactions and expense payments are set by the Board.
  - The Board reviews detailed financial information provided by the Administrator on a regular basis.

#### **Company Secretary**

The Board has direct access to the advice and services of the Company Secretary, Maitland Administration Services Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Group are met.

#### **Dialogue with shareholders**

Communication with shareholders is given a high priority by both the Board and the Investment Manager and all Directors are available to enter into dialogue with shareholders at any time. Major shareholders of the Group have the opportunity to meet with the independent non-executive Directors of the Board in order to ensure that their views are understood. All shareholders are encouraged to attend the AGM when Government guidelines permit, during which the Board and the Investment Manager are available to discuss issues affecting the Group and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairmen of the Board's standing committees.

There are no significant issues raised by major shareholders to bring to all shareholders' attention, topics of interest are covered in the Strategic Report on pages 1 to 17.

Any shareholder who would like to lodge questions in advance of the AGM is invited to do so either on the reverse of the Proxy Form or in writing to the Company Secretary at the address given on page 76. The Company always responds to letters from individual shareholders.

The Annual and Half Yearly Reports of the Group are prepared by the Board and its advisers to present a full and readily understandable review of the Group's performance. Copies are available for downloading from the Investment Manager's website, [www.chelvertonam.com](http://www.chelvertonam.com), and on request from the Company Secretary on 01245 398950. Copies of the Annual Report are circulated to shareholders.

# Audit Committee Report

## Role of the Audit Committee

The Audit Committee ('the Committee') provides a forum through which the Group's Auditor reports to the Board. The Committee is responsible for monitoring the process of production and ensuring the integrity of the Group's financial statements. The other primary responsibilities of the Committee are:

- to monitor adherence to best practice in corporate governance;
- to review the effectiveness of the internal control and risk management environment of the Group;
- to receive compliance reports from the Investment Manager;
- to consider the accounting policies of the Group;
- to make recommendations to the Board in relation to the re-appointment of the Auditor;
- to make recommendations to the Board in relation to the Auditors' remuneration and terms of engagement; and
- to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process.

The Committee's terms of reference were reviewed and updated in March 2021 to reflect current recommended best practice.

## Matters considered in the year

The Committee met twice during the financial year to consider the financial statements and to review the internal control systems. The principal matters considered by the Committee were the valuation of the Group's assets, proof of ownership of its investments and cash, and the maintenance of its approval as an investment trust. The Audit Committee also ensured that the Board considered the Group's income forecasts with more regularity and in more detail than usual years, to closely monitor the impact of the Covid-19 pandemic on investee companies.

The Manager and Administrator have reported to the Committee to confirm continuing compliance with their individual regulatory requirements and for maintaining the Company's investment trust status. These were also reviewed by the Auditor as part of the audit process.

The Committee liaised with the appointed Investment Manager, Chelverton Investment Management Limited, throughout the year, and received reports on their legal compliance. A Risk Assessment and Review of Internal Controls document maintained by the Board was considered in detail and amended as necessary. This document is reviewed by the Committee at each meeting.

## Internal audit

The Group does not have an internal audit function, as most of its day-to-day operations are delegated to third parties, all of whom have their own internal control procedures. The Committee discussed whether it would be appropriate to establish an internal audit function, and agreed that the existing system of monitoring and reporting by third parties remains appropriate and sufficient. The need for an internal audit function is reviewed annually.

### **External audit**

The Audit Committee monitors and reviews the effectiveness of the external third-party service providers, audit process for the publication of the Annual Report and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditors.

Prior to each Annual Report being published, the Committee considers the appropriateness of the scope of the audit plan, the terms under which the audit is to be conducted, as well as the matter of remuneration, with a view to ensuring the best interests of the Group are promoted.

Audit fees are computed on the basis of the time spent on Group affairs by the Audit Senior Statutory Auditor and staff and on the levels of skill and responsibility of those involved.

Hazlewoods LLP was first appointed as Auditor to the Group on 2 May 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 has recommended the re-appointment of Hazlewoods LLP on each occasion since their initial appointment. The audit was put out to tender in 2017, and, as a result of that process, the Committee recommended to the Board, and the Board approved, the re-appointment of Hazlewoods LLP. The Senior Statutory Auditor for the Group has been rotated three times since the initial appointment, most recently in respect of the financial year ended 30 April 2018.

Hazlewoods LLP has indicated its willingness to continue in office as Auditor of the Group. Following its review, the Committee considers that, individually and collectively, the Auditor is appropriately experienced to fulfil the role required, and have recommended its re-appointment to the Board. A resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

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 Group and its shareholders. In a change from previous years, Hazlewoods did not provide tax compliance services to the Group in the year ended 30 April 2021, which were outsourced to an alternative independent provider this year, and 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 Group and its shareholders.

### **Howard Myles**

Audit Committee Chairman

24 June 2021

## Directors' Remuneration Report

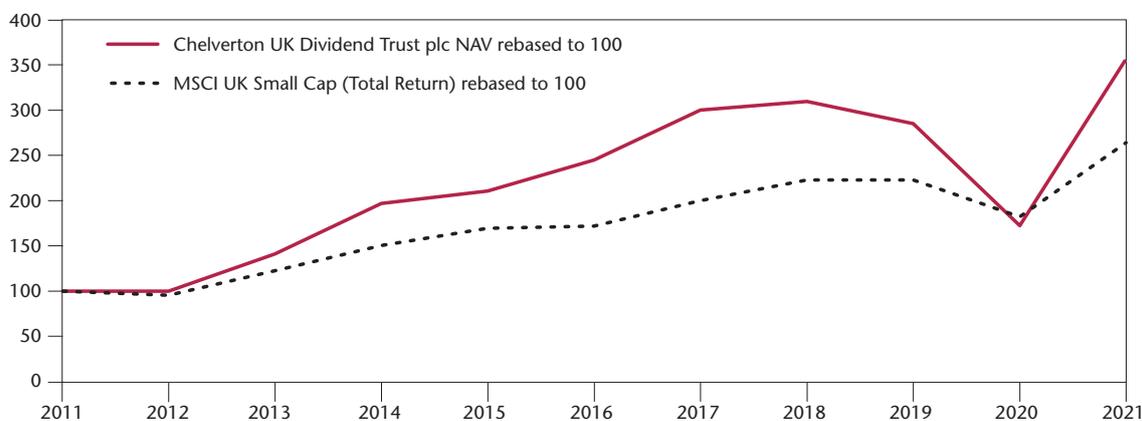
The Board has prepared this Report in accordance with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The law requires the Group's Auditor, Hazlewoods LLP, to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 39 to 45.

Last year, shareholders were asked to approve the Directors' Remuneration Report at the Annual General Meeting ('AGM') through an advisory vote, as has been the case in previous years, and this will again be the case at this year's AGM. Similarly, shareholders were also asked to give a binding vote on the Directors' Remuneration Policy at last year's AGM. The Remuneration Policy must be the subject of a binding vote at least every three years and will not therefore be proposed at this year's AGM.

The Board considers and approves Directors' remuneration. No major decisions on or changes to Directors' remuneration have been made during the year ended 30 April 2021. During the year ended 30 April 2021, the fees were continued at a rate of £20,000 for the Chairman and £17,500 for other Directors, with an additional payment of £2,500 to the Chairman of the Audit Committee.

### The Company's performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders, compared to the total shareholder return of the MSCI UK Small Cap Index. Although the Company has no formal benchmark, the MSCI UK Small Cap Index has been selected as it is considered to represent a broad equity market index against which the performance of the Company's assets may be adequately assessed.



### Directors' service contracts

None of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the year. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment, and at least every three years after that. Directors who have served on the Board for more than nine years must offer themselves for re-election on an annual basis.

### Directors' entitlements

Directors are only entitled to fees in accordance with the Directors' Remuneration Policy as approved by shareholders. None of the Directors has any entitlement to pensions or pension-related benefits, medical or life insurance, share options, long-term incentive plans, or any form of performance-related pay. Also, no Director has any right to any payment by way of monetary equivalent, or any assets of the Company

except in their capacity as shareholders. There is no notice period and no provision for compensation upon loss of office. The Directors' emoluments table below therefore does not include columns for any of these items or their monetary equivalents.

#### Directors' emoluments for the year ended 30 April 2021 (audited)

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

	Fees/Total	
	Year to 30 April 2021 £	Year to 30 April 2020 £
Lord Lamont (Chairman)	20,000	20,000
H Myles	20,000	20,000
W van Heesewijk*	–	–
A Watkins	17,500	17,500
	<b>57,500</b>	<b>57,500</b>

\* Mr van Heesewijk has waived his entitlement to fees.

During the year no Directors received taxable benefits (2020: same).

#### Directors' interests (audited)

The interests of the Directors and any connected persons in the Ordinary shares and Zero Dividend Preference ('ZDP') shares of the subsidiary Company are set out below:

Director	Number of Ordinary shares held at 30 April 2021	Number of ZDP shares held at 30 April 2021	Number of Ordinary shares held at 30 April 2020	Number of ZDP shares held at 30 April 2020
Lord Lamont (Chairman)	84,201	10,000	76,415	10,000
W van Heesewijk	110,000	Nil	110,000	Nil
H Myles	Nil	Nil	Nil	Nil
A Watkins	13,100	Nil	13,100	Nil

In August 2020 the Board acting in its capacity as the Remuneration Committee approved a revised and updated Share Dealing Policy for Directors.

#### Significance of spend on pay

	2021 £	2020 £	Change %
Dividends paid to Ordinary shareholders in the year	2,064,000	2,523,000	(18.19)
Total remuneration paid to Directors	57,500	57,500	–

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.

## Directors' Remuneration Report (continued)

The Directors' Remuneration Report for the year ended 30 April 2020 (Resolution 2) was approved by shareholders at the Annual General Meeting held on 9 September 2020. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	1,011,835	94.0
Against	64,210	6.0
At Chairman's discretion	0	0.0
Total votes cast	1,076,045	
Number of votes abstained	19,964	

### Remuneration policy

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.

The fees of the non-executive Directors are determined within the limits of £250,000, as set out in the Company's Articles of Association. The approval of shareholders would be required to increase the limits set out in the Articles of Association. 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 Directors' Remuneration Policy (Resolution 7) was approved by shareholders at the Annual General Meeting held on 9 September 2020. The votes cast by proxy were as follows:

	Number of votes	% of votes cast
For	991,995	91.9
Against	87,732	8.1
Total votes cast	1,079,727	
Number of votes abstained	16,282	

	Expected Fees for Year to 30 April 2022	Fees for Year to 30 April 2021
Chairman basic fee	20,000	20,000
Non-Executive Director basic fee	17,500	17,500
Audit Committee Chairman additional fee	2,500	2,500

The Company intends to continue with the Directors' Remuneration Policy approved by shareholders in 2020 over the next financial year. Fees payable in respect of subsequent periods will be determined following an annual review. Any views expressed by shareholders on remuneration being paid to Directors would be taken into consideration by the Board. In accordance with the regulations, an Ordinary Resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years.

### Approval

The Directors' Remuneration Report on pages 34 to 36 was approved by the Board on 24 June 2021.

On behalf of the Board

### Lord Lamont of Lerwick

Chairman  
24 June 2021

## Statement of Directors' Responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and the Company for that period.

In preparing each of the Group and the Company's 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;
- state that the Group and the Company have complied with IFRSs, as adopted by the EU subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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 Strategic Report, a Directors' Report, Directors' Remuneration Report and Statement on Corporate Governance that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the FCA.

The Directors are responsible for the maintenance and integrity of the corporate and financial information relating to the Company on the Investment Manager's website. Legislation in the UK governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with the relevant financial framework, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Annual Report includes a fair review of the development and performance of the Group and the position of the Group, together with a description of the principal risks and uncertainties faced;

## Statement of Directors' Responsibilities (continued)

- the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- the Investment Managers' Report includes a fair review of the development and performance of the business and the Group and its undertakings included in the consolidation taken as a whole and adequately describes the principal risks and uncertainties they face.

On behalf of the Board of Directors

**Lord Lamont of Lerwick**

Chairman

24 June 2021

# Independent Auditor's Report

to the members of Chelverton UK Dividend Trust PLC

## Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 April 2021 and of the Group's and the Parent Company's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB");

We have audited the financial statements of Chelverton UK Dividend Trust plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Changes in Net Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Cash Flows and the related notes, including a description of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union and IFRSs as issued by the IASB.

## 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 Group 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 going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the group and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- evaluating the directors' method to assess the group's and the parent company's ability to continue as a going concern;
- a review of the available cash and highly liquid assets;
- assessing the Group's ability to convert other less liquid assets into cash;
- comparing those resources against ongoing expenditure and charges; and
- reviewing the appropriateness of the directors' disclosures in the financial statements.

## Independent Auditor's Report (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Our approach to the audit

Our audit approach is based on a thorough understanding of the Group's business and is risk-based. The day-to-day management of the Group's investment portfolio, the maintenance of the Group'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 by the Group 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.

Our approach to the audit is also based on the key audit matters identified. 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.

The key audit matters identified were the valuation, ownership and existence of investments and the allocation of capital and revenue items. Revenue recognition and management override of controls are always deemed risks in any audit. This is not a complete list of all risks identified by our audit.

Key Audit Matter	How our scope addressed this matter
<b>Valuation, ownership and existence of investments</b>  The Group's business is to invest predominantly in small capitalised UK companies, listed on the Official List and admitted to trading on AIM, to achieve a high income and opportunity for capital growth. Accordingly, the investment portfolio is a significant, material balance in the financial statements. We therefore identified the valuation, ownership and existence of the investment portfolio as a risk that requires particular audit attention.	Our audit work included, but was not restricted to: <ul style="list-style-type: none"><li>• understanding management's process to recognise and measure quoted investments;</li><li>• assessing whether the Group's accounting policy for valuation of quoted investments is in accordance with IAS 39;</li><li>• comparing quoted investment valuations to an independent source of market prices;</li></ul>

Key Audit Matter	How our scope addressed this matter
	<ul style="list-style-type: none"> <li>• testing investment additions and disposals to contracts and bank statements; and</li> <li>• confirming investment holdings third-party confirmations.</li> </ul> <p>The Group’s accounting policy on valuation of investments is shown in note 1 to the financial statements and related disclosures are included in note 10. The Audit Committee identified the valuation and ownership of investments as a significant issue in its report on page 32, where the Committee also described the action that it has taken to address this risk.</p>
<p><b>Allocation of capital and revenue items</b></p> <p>The Group is required to apportion its expenses between revenue and capital. This allocation is important as the Group can only pay dividends out of revenue reserves.</p> <p>The split has to be performed on the basis of ‘the Board’s expected long-term split of returns.</p>	<p>Our audit work included, but was not restricted to, examining the historical trends of the Company and assessing whether the allocation of cost between revenue and capital is fair and reasonable.</p>
<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumption that the risk of management override of controls is always present.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• reviewing material estimates, judgements and decisions made by management; and</li> <li>• testing all material manual journal entries.</li> </ul> <p>The Group’s accounting policies in respect of material estimates and judgements are set out in note 1.</p>
<p><b>Revenue recognition</b></p> <p>Under ISA 240 there is always a presumed risk that revenue may be misstated due to the improper recognition of revenue. In particular we identified completeness and occurrence of investment income as a risk that requires particular audit attention.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• assessing whether the Group’s accounting policy for revenue recognition is in accordance with IAS 18 ‘Revenue’;</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 group;</li> </ul>

## Independent Auditor's Report (continued)

Key Audit Matter	How our scope addressed this matter
	<ul style="list-style-type: none"> <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> <li>• checking the classification of special dividends as either revenue or capital receipts.</li> </ul> <p>The accounting policy on income, including its recognition, is shown in note 1 to the financial statements and the components of that income are included in note 2.</p>

### 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 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.

We established materiality for the financial statements as a whole to be £640,000, which is 1% of the value of the Group's net assets. Performance materiality was set at £512,000, being 80% of the financial statement materiality. 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 £160,000, which is 25% of the financial statement materiality, based on long-term expectations of the split of revenue and capital income. We agreed with the Audit Committee that we would report all differences in excess of 5% of materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified during the course of assessing the overall presentation of the financial statements.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information. 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.

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 course of 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.

### **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 Group'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 Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
  - the Parent Company 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 Parent Company.

### **Corporate governance statement**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 14;

## Independent Auditor's Report (continued)

- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why that period is appropriate set out on page 14;
- Directors' statement on fair, balanced and understandable set out on page 38;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 11;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 29; and
- The section describing the work of the audit committee set out on page 27.

### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, set out on pages 37 and 38, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and its activities, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, money laundering, and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;

- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit;
- Considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

We consider that our procedures are sufficient to detect irregularities, including fraud, although they are not designed specifically for the detection of irregularities. The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remains a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Audit Approach" within this report.

A further description of our responsibilities is available 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 Board on 13 October 2017 to audit the financial statements for the year ending 30 April 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 2007 to 2021.

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

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

#### **Use of this 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  
24 June 2021

## SECTION 3

# Consolidated Statement of Comprehensive Income

for the year ended 30 April 2021

	Note	2021			2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value through profit or loss	10	–	23,110	23,110	–	(17,046)	(17,046)
Investment income	2	1,708	–	1,708	2,414	–	2,414
Investment management fee	3	(124)	(372)	(496)	(135)	(407)	(542)
Other expenses	4	(280)	(10)	(290)	(270)	(13)	(283)
<b>Net surplus/(deficit) before finance costs and taxation</b>		<b>1,304</b>	<b>22,728</b>	<b>24,032</b>	<b>2,009</b>	<b>(17,466)</b>	<b>(15,457)</b>
<b>Finance costs</b>	6	<b>–</b>	<b>(630)</b>	<b>(630)</b>	<b>–</b>	<b>(607)</b>	<b>(607)</b>
<b>Net surplus/(deficit) before taxation</b>		<b>1,304</b>	<b>22,098</b>	<b>23,402</b>	<b>2,009</b>	<b>(18,073)</b>	<b>(16,064)</b>
<b>Taxation</b>	7	<b>(27)</b>	<b>–</b>	<b>(27)</b>	<b>(38)</b>	<b>–</b>	<b>(38)</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>1,277</b>	<b>22,098</b>	<b>23,375</b>	<b>1,971</b>	<b>(18,073)</b>	<b>(16,102)</b>
		<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
		<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Net return per:</b>							
Ordinary share	8	6.12	105.99	112.11	9.45	(86.68)	(77.23)
Zero Dividend Preference share 2025	8	–	4.34	4.34	–	4.19	4.19

The total column of this statement is the Statement of Comprehensive Income of the Group prepared in accordance with international accounting standards and in conformity with the requirements of the Companies Act 2006. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All of the net return for the period and the total comprehensive income for the period is attributable to the shareholders of the Group. The supplementary revenue and capital return columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

The notes on pages 51 to 70 form part of these financial statements.

## Consolidated and Parent Company Statement of Changes in Net Equity

for the year ended 30 April 2021

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Year ended 30 April 2021</b>							
30 April 2020		5,213	17,517	5,004	(5,148)	3,448	26,034
Total comprehensive income for the year		-	-	-	22,098	1,277	23,375
Dividends paid	9	-	-	-	-	(2,064)	(2,064)
30 April 2021		<u>5,213</u>	<u>17,517</u>	<u>5,004</u>	<u>16,950</u>	<u>2,661</u>	<u>47,345</u>
<b>Year ended 30 April 2020</b>							
30 April 2019		5,213	17,517	5,004	12,925	4,000	44,659
Total comprehensive (expense)/ income for the year		-	-	-	(18,073)	1,971	(16,102)
Dividends paid	9	-	-	-	-	(2,523)	(2,523)
30 April 2020		<u>5,213</u>	<u>17,517</u>	<u>5,004</u>	<u>(5,148)</u>	<u>3,448</u>	<u>26,034</u>

The notes on pages 51 to 70 form part of these financial statements.

# Consolidated and Parent Company Balance Sheets

as at 30 April 2021

		Group 2021	Group 2020	Company 2021	Company 2020
	Note	£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Investments at fair value through profit or loss	10	62,768	40,588	62,768	40,588
Investments in subsidiary	12	–	–	13	13
		<u>62,768</u>	<u>40,588</u>	<u>62,781</u>	<u>40,601</u>
<b>Current assets</b>					
Trade and other receivables	13	757	186	757	186
Cash and cash equivalents		488	1,266	488	1,266
		<u>1,245</u>	<u>1,452</u>	<u>1,245</u>	<u>1,452</u>
<b>Total assets</b>		<u>64,013</u>	<u>42,040</u>	<u>64,026</u>	<u>42,053</u>
<b>Current liabilities</b>					
Trade and other payables	14	(136)	(104)	(149)	(117)
		<u>(136)</u>	<u>(104)</u>	<u>(149)</u>	<u>(117)</u>
Total assets less current liabilities		<u>63,877</u>	<u>41,936</u>	<u>63,877</u>	<u>41,936</u>
<b>Non-current liabilities</b>					
Zero Dividend Preference shares	15	(16,532)	(15,902)	–	–
Loan from subsidiary	16	–	–	(16,532)	(15,902)
		<u>(16,532)</u>	<u>(15,902)</u>	<u>(16,532)</u>	<u>(15,902)</u>
<b>Total liabilities</b>		<u>(16,668)</u>	<u>(16,006)</u>	<u>(16,681)</u>	<u>(16,019)</u>
<b>Net assets</b>		<u>47,345</u>	<u>26,034</u>	<u>47,345</u>	<u>26,034</u>
<b>Represented by:</b>					
Share capital	17	5,213	5,213	5,213	5,213
Share premium account		17,517	17,517	17,517	17,517
Capital redemption reserve		5,004	5,004	5,004	5,004
Capital reserve		16,950	(5,148)	16,950	(5,148)
Revenue reserve		2,661	3,448	2,661	3,448
		<u>47,345</u>	<u>26,034</u>	<u>47,345</u>	<u>26,034</u>
<b>Equity shareholders' funds</b>		<u>47,345</u>	<u>26,034</u>	<u>47,345</u>	<u>26,034</u>

The notes on pages 51 to 70 form part of these financial statements.

These financial statements were approved by the Board of Chelverton UK Dividend Trust PLC and authorised for issue on 24 June 2021.

## Lord Lamont of Lerwick

Chairman

# Consolidated and Parent Company Statement of Cash Flows

for the year ended 30 April 2021

	Note	2021 £'000	2020 £'000
<b>Operating activities</b>			
Investment income received		1,447	2,618
Investment management fee paid		(469)	(605)
Administration and secretarial fees paid		(64)	(64)
Other cash payments		(210)	(247)
<b>Cash generated from operations</b>	19	<b>704</b>	<b>1,702</b>
Purchases of investments		(9,266)	(9,951)
Sales of investments		9,848	10,348
<b>Net cash inflow from operating activities</b>		<b>1,286</b>	<b>2,099</b>
<b>Financing activities</b>			
Dividends paid	9	(2,064)	(2,523)
<b>Net cash outflow from financing activities</b>		<b>(2,064)</b>	<b>(2,523)</b>
<b>Change in cash and cash equivalents</b>	20	<b>(778)</b>	<b>(424)</b>
<b>Cash and cash equivalents at start of year</b>	21	<b>1,266</b>	<b>1,690</b>
<b>Cash and cash equivalents at end of year</b>	21	<b>488</b>	<b>1,266</b>

The notes on pages 51 to 70 form part of these financial statements.

# Notes to the Financial Statements

as at 30 April 2021

## 1 ACCOUNTING POLICIES

Chelverton UK Dividend Trust PLC is a public company, limited by shares, domiciled and registered in the UK. The consolidated financial statements for the year ended 30 April 2021 comprise the financial statements of the Company and its subsidiary SDV 2025 ZDP plc (SDVP) (together referred to as the 'Group').

### **Basis of preparation**

The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with international accounting standards and in conformity with the requirements of the Companies Act 2006, and reflect the following policies which have been adopted and applied consistently.

### **New standards, interpretations and amendments adopted by the Group**

There are no amendments to standards effective this year, being relevant and applicable to the Group.

### **Critical accounting judgements and uses of estimation**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the amounts reported in the Balance Sheet and the Statement of Comprehensive Income. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There were no significant accounting estimates or significant judgements in the current period.

### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its wholly-owned subsidiary undertaking, SDVP, drawn up to the same accounting date.

The subsidiary is consolidated from the date of its incorporation, being the date on which the Company obtained control, and will continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's return for the financial period dealt with in the financial statements of the Group is a profit of £23,375,000 (2020: loss of £16,102,000).

# Notes to the Financial Statements (continued)

as at 30 April 2021

## 1 ACCOUNTING POLICIES (continued)

### Convention

The financial statements are presented in Sterling rounded to the nearest thousand. The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investments classified as fair value through profit or loss. Where presentational guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP'), issued by the Association of Investment Companies (dated April 2021) is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP.

### Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The Group only invests in companies listed in the UK.

### Investments

All investments held by the Group are recorded at 'fair value through profit or loss'. Investments are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Consolidated Statement of Comprehensive Income and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to quoted market bid prices at the close of business on the Balance Sheet date, without adjustment for transaction costs necessary to realise the asset.

### Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the 'trade date', i.e. the day that the Group commits to purchase or sell the asset. Regular way purchases, or sales, are purchases or sales of financial assets that require delivery of the asset within a time frame generally established by regulation or convention in the market place.

### Income

Dividends receivable on quoted equity shares are taken into account on the ex-dividend date. Where no ex-dividend date is quoted, they are brought into account when the Group's right to receive payment is established. Other investment income and interest receivable are included in the financial statements on an accruals basis. Overseas dividends received from UK Companies are stated gross of any withholding tax.

### Expenses

All expenses are accounted for on an accruals basis. All expenses are charged through the revenue account in the Consolidated Statement of Comprehensive Income except as follows:

- expenses which are incidental to the acquisition of an investment are included within the costs of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;

## 1 ACCOUNTING POLICIES (continued)

- expenses are charged to capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- operating expenses of the subsidiary are borne by the Company and taken 100% to capital.

All other expenses are allocated to revenue with the exception of 75% (2020: 75%) of the Investment Manager's fee which is allocated to capital. This is in line with the Board's expected long-term split of returns from the investment portfolio, in the form of capital and income gains respectively.

### Cash and cash equivalents

Cash in hand and in banks including where held by custodians and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

### Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs, where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

### Zero Dividend Preference shares

Shares issued by the subsidiary are treated as a liability of the Group, and are shown in the Balance Sheet at their redemption value at the Balance Sheet date. The appropriations in respect of the Zero Dividend Preference shares necessary to increase the subsidiary's liabilities to the redemption values are allocated to capital in the Consolidated Statement of Comprehensive Income. This treatment reflects the Board's long-term expectations that the entitlements of the Zero Dividend Preference shareholders will be satisfied out of gains arising on investments held primarily for capital growth.

### Share issue costs

Costs incurred directly in relation to the issue of shares in the subsidiary are borne by the Company and taken 100% to capital. Share issue costs relating to Ordinary share issues by the Company are taken 100% to the share premium account in respect of premiums on issue of such shares. Where there is no premium on issue, costs are taken directly to equity against revenue reserves.

### Capital reserve

Capital reserve (other) includes:

- gains and losses on the disposal of investments;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve (investment holding gains) includes increase and decrease in the valuation of investments held at the year end. This reserve is distributable to the extent that gains have been realised.

# Notes to the Financial Statements (continued)

as at 30 April 2021

## 1 ACCOUNTING POLICIES (continued)

### Revenue reserve

This reserve includes net revenue recognised in the revenue column of the Statement of Comprehensive Income. This reserve is distributable.

### Capital redemption reserve

This reserve represents the cancellation of the C shares when they were converted into Ordinary shares and deferred shares. This reserve is not distributable.

### Taxation

There is no charge to UK income tax as the Group's allowable expenses exceed its taxable income. Deferred tax assets in respect of unrelieved excess expenses are not recognised as it is unlikely that the Group will generate sufficient taxable income in the future to utilise these expenses. Deferred tax is not provided on capital gains and losses because the Company meets the conditions for approval as an investment trust company.

### Dividends payable to shareholders

Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Net Equity. Dividends declared and approved by the Group after the Balance Sheet date have not been recognised as a liability of the Group at the Balance Sheet date.

## 2 INCOME

	2021 £'000	2020 £'000
<b>Income from listed investments</b>		
UK dividend income	1,381	2,069
Overseas dividend income	233	238
Property income distributions	<u>94</u>	<u>107</u>
<b>Total income</b>	<u>1,708</u>	<u>2,414</u>

Total income comprises entirely of dividends.

## 3 INVESTMENT MANAGEMENT FEE

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	<u>124</u>	<u>372</u>	<u>496</u>	<u>135</u>	<u>407</u>	<u>542</u>

At 30 April 2021 there were amounts outstanding of £86,000 (2020: £58,000).

#### 4 OTHER EXPENSES

	2021 £'000	2020 £'000
Administration and secretarial fees	64	64
Directors' remuneration (note 5)	58	59
Auditor's remuneration:		
audit services*	22	21
non-audit services*	–	(1)
Insurance	3	3
Other expenses*	143	137
	<u>290</u>	<u>283</u>
Subsidiary operating costs	(10)	(13)
	<u>280</u>	<u>270</u>

\* The above amounts include irrecoverable VAT where applicable.

#### 5 DIRECTORS' REMUNERATION

	2021 £	2020 £
Directors' fees	57,500	57,500
Social security costs	297	1,361
	<u>57,797</u>	<u>58,861</u>
<b>Remuneration to Directors</b>		
Lord Lamont (Chairman)	20,000	20,000
H Myles	20,000	20,000
W van Heesewijk*	–	–
A Watkins	17,500	17,500
	<u>57,500</u>	<u>57,500</u>

\* Mr van Heesewijk has waived his entitlement to fees.

#### 6 FINANCE COSTS

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Appropriations in respect of						
Zero Dividend Preference shares	–	630	630	–	607	607
	<u>–</u>	<u>630</u>	<u>630</u>	<u>–</u>	<u>607</u>	<u>607</u>

## Notes to the Financial Statements (continued)

as at 30 April 2021

### 7 TAXATION

	2021 £'000	2020 £'000
<b>Based on the revenue return for the year</b>		
Overseas tax	<u>27</u>	<u>38</u>
	<u>27</u>	<u>38</u>

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 19% to 30 April 2021 and 30 April 2020. The differences are explained below:

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Return on ordinary activities before taxation</b>	<u>1,304</u>	<u>22,098</u>	<u>23,402</u>	<u>2,009</u>	<u>(18,073)</u>	<u>(16,064)</u>
Theoretical corporation tax at 19% (2020: 19%)	248	4,198	4,446	382	(3,434)	(3,052)
Effects of:						
Capital items not taxable	–	(4,271)	(4,271)	–	3,354	3,354
UK and overseas dividends which are not liable to UK corporation tax	(307)	–	(307)	(438)	–	(438)
Excess expenses in the year	59	73	132	56	80	136
Overseas tax	<u>27</u>	<u>–</u>	<u>27</u>	<u>38</u>	<u>–</u>	<u>38</u>
Actual current tax charged to the revenue account	<u>27</u>	<u>–</u>	<u>27</u>	<u>38</u>	<u>–</u>	<u>38</u>

The Group has unrelieved excess expenses of £23,268,308 (2020: £22,576,227). It is unlikely that the Group will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 8 RETURN PER SHARE

### Ordinary shares

Revenue return per Ordinary share is based on revenue on ordinary activities after taxation of £1,277,000 (2020: £1,971,000) and on 20,850,000 (2020: 20,850,000) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on the capital profit of £22,098,000 (2020: loss of £18,073,000) and on 20,850,000 (2020: 20,850,000) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

### Zero Dividend Preference shares

Capital return per Zero Dividend Preference share 2025 is based on allocations from the Company of £630,000 (2020: £607,000) and on 14,500,000 (2020: 14,500,000) Zero Dividend Preference shares 2025, being the weighted average number of Zero Dividend Preference shares in issue during the year

## 9 DIVIDENDS

	2021 £'000	2020 £'000
<b>Declared and paid per Ordinary share</b>		
Fourth interim dividend for the year ended 30 April 2020 of 2.40p (2019: 2.40p)	500	500
Special dividend for the year ended 30 April 2020 of nil (2019: 2.50p)	–	521
First interim dividend of 2.50p (2020: 2.40p)	521	500
Second interim dividend of 2.50p (2020: 2.40p)	521	501
Third interim dividend of 2.50p (2020: 2.40p)	522	501
	<u>2,064</u>	<u>2,523</u>
<b>Declared per Ordinary share*</b>		
Fourth interim dividend for the year ended 30 April 2021 of 2.50p (2020: 2.40p)	521	500
Special Dividend for the year ended 30 April 2021 of 0.272p (2020: nil)	57	–
	<u>578</u>	<u>500</u>

All dividends are paid from Revenue Reserve.

\* Dividend paid subsequent to the year end.

## Notes to the Financial Statements (continued)

as at 30 April 2021

### 10 INVESTMENTS – Group and Company

	Listed £'000	AIM £'000	2021 Total £'000
<b>Year ended 30 April 2021</b>			
Opening book cost	42,746	22,319	65,065
Opening investment holding losses	(18,359)	(6,118)	(24,477)
	<b>24,387</b>	<b>16,201</b>	<b>40,588</b>
Investments transferred between Listed and AIM during the year	(2,418)	2,418	–
Movements in the year:			
Purchases at cost	3,534	5,732	9,266
Disposals:			
Proceeds	(6,977)	(3,219)	(10,196)
Net realised gains on disposals	459	633	1,092
Decrease in investment holding losses	14,788	7,230	22,018
Closing valuation	<b>33,773</b>	<b>28,995</b>	<b>62,768</b>
Closing book cost	37,344	27,884	65,228
Closing investment holding (losses)/gains	(3,571)	1,111	(2,460)
	<b>33,773</b>	<b>28,995</b>	<b>62,768</b>
Realised gains on disposals	459	633	1,092
Decrease in investment holding losses	14,788	7,230	22,018
Gains on investments	<b>15,247</b>	<b>7,863</b>	<b>23,110</b>

## 10 INVESTMENTS – Group and Company (continued)

	Listed £'000	AIM £'000	2020 Total £'000
<b>Year ended 30 April 2020</b>			
Opening book cost	43,913	23,023	66,936
Opening investment holding (losses)/gains	(7,238)	197	(7,041)
Opening valuation	36,675	23,220	59,895
Movements in the year:			
Purchases at cost	5,906	2,145	8,051
Disposals:			
Proceeds	(5,712)	(4,600)	(10,312)
Net realised (losses)/gains on disposals	(1,361)	1,751	390
Increase in investment holding (losses)/gains	(11,121)	(6,315)	(17,436)
Closing valuation	24,387	16,201	40,588
Closing book cost	42,746	22,319	65,065
Closing investment holding losses	(18,359)	(6,118)	(24,477)
	24,387	16,201	40,588
Realised (losses)/gains on disposals	(1,361)	1,751	390
Increase in investment holding (losses)/gains	(11,121)	(6,315)	(17,436)
Losses on investments	(12,482)	(4,564)	(17,046)

### Transaction costs

During the year the Group incurred transaction costs of £24,000 (2020: £41,000) and £14,000 (2020: £10,000) on purchases and sales of investments respectively. These amounts are included in gains on investments, as disclosed in the Consolidated Statement of Comprehensive Income.

## 11 SIGNIFICANT INTERESTS

The Company has provided notifications of holdings of 3% or more in relevant issuers. The following issuer notifications remain effective as at 30 April 2021:

Name of issuer	Class of share	% held
Chamberlin plc	Ordinary	8.62
Coral Products plc	Ordinary	8.31
RTC Group plc	Ordinary	7.00
Orchard Funding Group plc	Ordinary	4.68

## Notes to the Financial Statements (continued)

as at 30 April 2021

### 12 INVESTMENT IN SUBSIDIARY

	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
Cost as at 1 May and 30 April	<b>13</b>	<b>13</b>

The Company owns the whole of the issued ordinary share capital of SDVP, especially formed for the issuing of Zero Dividend Preference shares, which is incorporated and registered in England and Wales, under company number: 11031268.

### 13 TRADE AND OTHER RECEIVABLES

	<b>Group 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
Amounts due from brokers	<b>455</b>	107	<b>455</b>	107
Dividends receivable	<b>290</b>	57	<b>290</b>	57
Prepayments and accrued income	<b>12</b>	22	<b>12</b>	22
	<b>757</b>	186	<b>757</b>	186

### 14 TRADE AND OTHER PAYABLES

	<b>Group 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
Trade and other payables	<b>136</b>	104	<b>136</b>	104
Loan from subsidiary undertaking	<b>–</b>	–	<b>13</b>	13
	<b>136</b>	104	<b>149</b>	117

## 15 ZERO DIVIDEND PREFERENCE SHARES

On 8 January 2018, SDVP issued 10,977,747 Zero Dividend Preference shares at 100p per share from the conversion of Zero Dividend Preference shares of SCZ, the 2018 ZDP subsidiary. On 8 January 2018, 1,802,336 Zero Dividend Preference shares were also issued at 100p per share by a placing with net proceeds of £1.8 million. The expenses of the placing were borne by the Company and the Investment Manager. On 11 April 2018, SDVP issued a further 1,419,917 Zero Dividend Preference shares at 103p per share (a premium of 3p per share), and net proceeds of £1.5 million. On the 10 May 2018 and 15 May 2018, SDVP issued a further 100,000 and 200,000 Zero Dividend Preference shares at 104p per share (a premium of 4p per share), and net proceeds of £313,000. The Zero Dividend Preference shares each have an initial capital entitlement of 100p per share, growing by an annual rate of 4% compounded daily to 133.18p on 30 April 2025, a total of £19,311,000. The accrued entitlement as per the Articles of Association of SDVP at 30 April 2021 was 114.01p (2020: 109.67p) per share, being £16,532,000 in total, and the total amount accrued for the year of £630,000 (2020: £607,000) has been charged as a finance cost to capital.

## 16 SECURED LOAN

Pursuant to a loan agreement between SDVP and the Company, SDVP has lent the gross proceeds of the following Zero Dividend Preference transactions to the Company:

- Gross proceeds of £10,978,000 raised from the conversion of 10,977,747 Zero Dividend Preference shares at 100p on 8 January 2018
- Gross proceeds of £10,978,000 raised from the placing of 1,802,336 Zero Dividend Preference share at 100p on 8 January 2018
- Gross proceeds of £1,463,000 raised from the placing of 1,419,917 Zero Dividend Preference shares at a premium of 103p on 11 April 2018
- Gross proceeds of £313,000 raised from the placings of 300,000 Zero Dividend Preference shares at a premium of 104p on the 10 and 15 May 2018

The loan is non-interest bearing and is repayable three business days before the Zero Dividend Preference share redemption date of 30 April 2025 or, if required by SDVP, at any time prior to that date in order to repay the Zero Dividend Preference share entitlement. The funds are to be managed in accordance with the investment policy of the Company.

The loan is secured by way of a floating charge on the Company's assets under a loan agreement entered into between the Company and SDVP dated 27 November 2017.

A contribution agreement between the Company and SDVP has also been made whereby the Company will undertake to contribute such funds as would ensure that SDVP will have in aggregate sufficient assets on 30 April 2025 to satisfy the final capital entitlement of the Zero Dividend Preference shares. The contribution accrued by the Company to cover the entitlement for the year was £630,000 (2020: £607,000).

## Notes to the Financial Statements (continued)

as at 30 April 2021

### 16 SECURED LOAN (continued)

	2021 £'000	2020 £'000
Value at 1 May	15,902	15,295
Contribution to accrued capital entitlement of Zero Dividend Preference shares 2025	<u>630</u>	<u>607</u>
	<u>16,532</u>	<u>15,902</u>

### 17 SHARE CAPITAL

	2021		2020	
	Number	£'000	Number	£'000
<b>Issued, allotted and fully paid:</b>				
Ordinary shares of 25p each				
Opening balance	<u>20,850,000</u>	<u>5,213</u>	<u>20,850,000</u>	<u>5,213</u>
	<u>20,850,000</u>	<u>5,213</u>	<u>20,850,000</u>	<u>5,213</u>

No Ordinary shares were issued in the year.

The rights attaching to the Ordinary shares are:

#### As to dividends each year

Ordinary shares are entitled to all the revenue profits of the Company available for distribution, including all undistributed income.

#### As to capital on winding up

On a winding up, holders of Zero Dividend Preference shares issued by SDVP are entitled to a payment of an amount equal to 100p per share, increased daily from 8 January 2018 at such a compound rate, equivalent to 4%, as will give a final entitlement to 133.18p for each Zero Dividend Preference share at 30 April 2025, £19,311,000 in total.

The holders of Ordinary shares will receive all the remaining Group assets available for distribution to shareholders after payment of all debts and satisfaction of all liabilities of the Company rateably according to the amounts paid or credited as paid up on the Ordinary shares held by them respectively.

#### Voting

Each holder of Ordinary shares on a show of hands will have one vote and on a poll will have one vote for each Ordinary share held. Each holder of Zero Dividend Preference shares on a show of hands will have one vote at meetings where Zero Dividend Preference shareholders are entitled to vote and on a poll will have one vote for every Zero Dividend Preference share held.

## 17 SHARE CAPITAL (continued)

### Duration

Under the Parent Company's Articles of Association, the Directors are required to convene a General Meeting of the Company to be held in April 2025 so as to align the vote with any timetable for a further issue of Zero Dividend Preference shares or to save costs by proposing the Continuation Resolution (as defined below) at the Annual General Meeting or some other General Meeting of the Company ('the First GM'), at which an Ordinary Resolution will be proposed to the effect that the Company continues in existence ('the Continuation Resolution'). In the event that such Resolution is not passed, the Directors shall, subject to the Statutes, put forward further proposals to shareholders regarding the future of the Company (which may include voluntary liquidation, unitisation or other reorganisation of the Company) ('the Restructuring Resolution') at a General Meeting of the Company to be convened not more than four months after the date of the First GM (or such adjournment).

The Restructuring Resolution shall be proposed as a Special Resolution. If the Restructuring Resolution is either not proposed or not passed then the Directors shall convene a General Meeting not more than four months after the date of the First GM (or such adjournment). If the Restructuring Resolution is not proposed or four months after the date the Restructuring Resolution is not passed, an Ordinary Resolution pursuant to Section 84 of the Insolvency Act 1986 to voluntarily wind up the Company shall be put to shareholders and the votes taken on such Resolution shall be on a poll.

## 18 NET ASSET VALUE PER SHARE

The net asset value per share and the net assets attributable to the Ordinary shareholders and Zero Dividend Preference shareholders are as follows:

	<b>Net asset value per share 2021 pence</b>	<b>Net assets attributable to shareholders 2021 £'000</b>	<b>Net asset value per share 2020 pence</b>	<b>Net assets attributable to shareholders 2020 £'000</b>
Ordinary shares	<b>227.07</b>	<b>47,345</b>	124.86	26,034
Zero Dividend Preference shares	<b>114.01</b>	<b>16,532</b>	109.67	15,902

The net asset value per Ordinary share is calculated on 20,850,000 (2020: 20,850,000) Ordinary shares, being the number of Ordinary shares in issue at the year end.

The net asset value per Zero Dividend Preference share is calculated on 14,500,000 (2020: 14,500,000) Zero Dividend Preference shares, being the number of Zero Dividend Preference shares in issue at the year end.

## Notes to the Financial Statements (continued)

as at 30 April 2021

### 19 RECONCILIATION OF NET RETURN BEFORE AND AFTER TAXATION TO CASH GENERATED FROM OPERATIONS – Group and Company

	2021 £'000	2020 £'000
Net surplus/(deficit) before taxation	23,402	(16,064)
Taxation	(27)	(38)
Net deficit after taxation	<u>23,375</u>	<u>(16,102)</u>
Net capital return	(22,098)	18,073
(Increase)/decrease in receivables	223	225
Increase/(decrease) in payables	32	(74)
Interest and expenses charged to the capital reserve	(382)	(420)
Net cash inflow from operating activities	<u>704</u>	<u>1,702</u>

### 20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH – Group and Company

	2021 £'000	2020 £'000
Decrease in cash in year	(778)	(424)
Net cash at 1 May	<u>1,266</u>	<u>1,690</u>
Net cash at 30 April	<u>488</u>	<u>1,266</u>

### 21 ANALYSIS OF CHANGES IN NET CASH – Group and Company

	At 1 May 2020 £'000	Cash flows £'000	At 30 April 2021 £'000
Cash at bank (including those held by custodians)	1,266	(778)	<u>488</u>

## 22 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

### Objectives, policies and strategies

The Group primarily invests in mid and small capitalised companies. All of the Group's investments comprise ordinary shares in companies listed on the Official List and companies admitted to AIM.

The Group finances its operations through Zero Dividend Preference shares issued by SDVP and equity. Cash, liquid resources and short-term debtors and creditors arise from the Group's day-to-day operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

In pursuing its investment objective, the Group is exposed to a variety of risks that could result in either a reduction in the Group's net assets or a reduction of the profits available for distribution. These risks are market risk (comprising currency 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.

As required by IFRS 7: Financial Instruments: Disclosures, an analysis of financial assets and liabilities, which identifies the risk to the Group of holding such items, is given below.

### Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Group's business. It represents the potential loss the Group might suffer through holding market positions by way of price movements and movements in exchange rates and interest rates. The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

### Market price risk

Market price risks (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

The Board manages the risks inherent in the investment portfolios by ensuring full and timely reporting of relevant information from the Investment Manager. Investment performance is reviewed at each Board meeting.

The Group's exposure to changes in market prices at 30 April on its investments is as follows:

	2021 £'000	2020 £'000
Fair value through profit or loss investments	62,768	40,588

### Sensitivity analysis

A 10% increase in the market value of investments at 30 April 2021 would have increased net assets by £6,277,000 (2020: £4,059,000). An equal change in the opposite direction would have decreased the net assets available to shareholders by an equal but opposite amount.

# Notes to the Financial Statements (continued)

as at 30 April 2021

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

### Foreign currency risk

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

### Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits. The Group does not currently receive interest on its cash deposits.

The majority of the Group's financial assets are non-interest bearing. As a result the Group'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 30 April 2021 of financial assets and financial liabilities to interest rate risk is limited to cash and cash equivalents of £488,000 (2020: £1,266,000). Cash and cash equivalents are all due within one year.

### Credit risk

Credit risk is the risk of financial loss to the Group if the contractual party to a financial instrument fails to meet its contractual obligations.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Balance Sheet date.

Listed investments are held by Jarvis Investment Management Limited acting as the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Group's risk by reviewing the custodian's internal controls reports.

Investment transactions are carried out with a number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Group has delivered in its obligations before any transfer of cash or securities away from the Group is completed.

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality. The maximum exposure to credit risk as at 30 April 2021 was £64,013,000 (2020: £42,040,000). The calculation is based on the Group's credit risk exposure as at 30 April 2021 and this may not be representative of the year as a whole.

None of the Group's assets are past due or impaired.

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

### Liquidity risk

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

Please see notes 15 and 16 for details of liabilities that fall due for payment in more than one year. All other payables are due in less than one year.

### Financial instruments by category

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

30 April 2021

	At cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
<b>Assets as per Balance Sheet</b>				
Investments	–	–	62,768	62,768
Trade and other receivables	–	757	–	757
Cash and cash equivalents	488	–	–	488
Total	488	757	62,768	64,013
<b>Liabilities as per Balance Sheet</b>				
Trade and other payables	136	–	–	136
Zero Dividend Preference shares	–	16,532	–	16,532
Total	136	16,532	–	16,668

# Notes to the Financial Statements (continued)

as at 30 April 2021

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

### Financial instruments by category (continued)

30 April 2020

	At cost £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
<b>Assets as per Balance Sheet</b>				
Investments	–	–	40,588	40,588
Trade and other receivables	–	186	–	186
Cash and cash equivalents	1,266	–	–	1,266
Total	1,266	186	40,588	42,040
<b>Liabilities as per Balance Sheet</b>				
Trade and other payables	104	–	–	104
Zero Dividend Preference shares	–	15,902	–	15,902
Total	104	15,902	–	16,006

### IFRS 7 hierarchy

As required by IFRS 7 the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

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

An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Quoted prices provided by external pricing services, brokers and vendors are included in Level 1, if they reflect actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 2 inputs include the following:

- Quoted prices for similar (i.e. not identical) assets in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active. Characteristics of an inactive market include a significant decline in the volume and level of trading activity, the available prices vary significantly over time or among market participants or the prices are not current.

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

### IFRS 7 hierarchy (continued)

- Inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals).
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market-corroborated inputs).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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. 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 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 investments.

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 within Level 2.

Investments classified within Level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. 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 or Level 3 investments (2020: same).

## 23 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

## **Notes to the Financial Statements** (continued)

as at 30 April 2021

### **23 CAPITAL MANAGEMENT POLICIES AND PROCEDURES** (continued)

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and to maximise equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows and projected strategic investment opportunities. The management regards capital as total equity and reserves, for capital management purposes. The Group currently do not have any loans and the Directors do not intend to have any loans or borrowings.

# Shareholder Information

## Financial calendar

Group's year end	30 April
Quarterly interim dividends usually paid	July, October, January and April
Annual results announced	July
Annual General Meeting	September
Group's half year	31 October
Half year results announced	December

## Share prices and performance information

The Company's Ordinary shares and the Zero Dividend Preference shares issued through SDVP are listed on the London Stock Exchange Main Market.

The net asset values are announced daily to the London Stock Exchange and published monthly via the AIC.

Information about the Group can be obtained on the Chelverton website at [www.chelvertonam.com](http://www.chelvertonam.com). Any enquiries can also be e-mailed to [cam@chelvertonam.com](mailto:cam@chelvertonam.com).

## Share register enquiries

The register for the Ordinary shares and the Zero Dividend Preference shares are maintained by Share Registrars Limited. In the event of queries regarding your holding, please contact the Registrar on 01252 821390. Changes of name and/or address must be notified in writing to the Registrar.

# Company Summary

## History

The Company was launched on 12 May 1999, raising £21.38 million before expenses, by a placing of 15,000,000 Ordinary shares and, through its former subsidiary company, Small Companies PLC, 6,250,000 Zero Dividend Preference shares and 31,260 Preference shares. A further 750,000 Ordinary shares were issued as a result of a placing for cash on 3 March 2000 and on 26 October 2005 a further 500,000 shares were issued. The subsidiary, Small Companies PLC, was placed into members' voluntary liquidation on 30 April 2007, following which the capital entitlements of the Zero Dividend Preference and Preference shares were repaid to those investors.

A further subsidiary, Chelverton Small Companies ZDP PLC, was incorporated on 13 July 2012, to issue Zero Dividend Preference shares. A total of 8,500,000 Zero Dividend Preference shares were issued on 24 August 2012, and a further 849,000 on 24 March 2017. This subsidiary was placed into members' voluntary liquidation on 5 January 2018, following which the capital entitlements of the Zero Dividend Preference shares were repaid.

## Group structure

The Company has in issue one class of Ordinary share. In addition, it has a wholly owned subsidiary, SDVP, through which Zero Dividend Preference shares have been issued. SDVP was incorporated on 25 October 2017 and has a capital structure comprising unlisted Ordinary shares and Zero Dividend Preference shares listed on the Official List and traded on the London Stock Exchange. SDVP was incorporated specifically for the issue of Zero Dividend Preference shares.

On 8 March 2018, SDVP issued 12,780,083 Zero Dividend Preference shares at 100p per share. The expenses of the placing were borne by the Company. On 11 April 2018, SDVP issued a further 1,419,917 Zero Dividend Preference shares at 103p per share (a premium of 3p per share) and net proceeds of £1,500,000. On the 10 and 15 May 2018, SDVP issued a further 100,000 and 200,000 Zero Dividend Preference shares at 104p per share (a premium of 4p per share), and net proceeds of £313,000. Pursuant to a loan agreement between SDVP and the Company, SDVP has lent the proceeds of the placing to the Company. The loan is non-interest bearing and is repayable three business days before the Zero Dividend Preference share redemption date of 30 April 2025 or, if required by SDVP, at any time prior to that date in order to repay the Zero Dividend Preference share entitlement. The funds are to be managed in accordance with the investment policy of the Company.

A contribution agreement between the Company and SDVP has also been made whereby the Company will undertake to contribute such funds as will ensure that SDVP will have in aggregate sufficient assets on 30 April 2025 to satisfy the final capital entitlement of the Zero Dividend Preference shares.

## Total net assets and market capitalisation at year end

As at 30 April 2021, the Company had a market capitalisation of £45,870,000 (2020: £26,584,000) and total net assets amounted to £47,345,000 (2020: £26,034,000).

## Management fee

The fee payable to the Investment Manager is 1% of the combined gross assets of the Group.

## Capital structure

Details of share structure and entitlements and voting rights of each class can be found on pages 73 and 74.

## ISA status

The Company's Ordinary shares are qualifying investments for Individual Savings Accounts ('ISAs'), as are the Zero Dividend Preference shares of SDVP.

Registered in England  
No. 03749536

A member of the Association of Investment Companies

# Capital Structure

## **Chelverton UK Dividend Trust PLC ('the Company')**

Chelverton UK Dividend Trust PLC was registered on 3 September 2003 with company number 03749536. The Company has in issue one class of Ordinary share. In addition, it has a wholly owned subsidiary, SDV 2025 ZDP PLC, which was registered on 25 October 2017 with company number 11031268, through which Zero Dividend Preference shares have been issued.

## **Ordinary shares of 25p each ('Ordinary shares') – 20,850,000 in issue as at 30 April 2021**

### *Share Capital Events*

No Ordinary shares were issued during the year. The Company has only one class of share and this figure represents 100% of the Company's share capital and voting rights.

### *Dividends*

Holders of Ordinary shares are entitled to dividends.

### *Capital*

On a winding up of the Company, Ordinary shareholders will be entitled to all surplus assets of the Company available after payment of the Company's liabilities, including the full and final capital entitlement of the Zero Dividend Preference shares.

### *Voting*

Each holder on a show of hands will have one vote and on a poll will have one vote for each Ordinary share held.

## **SDV 2025 ZDP PLC ('SDVP')**

### **Ordinary shares of 100p each ('ordinary shares') – 50,000 in issue (partly paid up as to 25p each)**

The ordinary shares in the subsidiary are owned by the Company. References to Ordinary shares within this Annual Report are to the Ordinary shares of Chelverton UK Dividend Trust PLC.

### *Capital*

Following payment of any liabilities and the capital entitlement to the Zero Dividend Preference shareholders, ordinary shareholders are entitled to any surplus assets of SDVP.

### *Voting*

Each holder on a show of hands will have one vote and on a poll will have one vote for each ordinary share held.

## **Zero Dividend Preference shares of 100p each – 14,500,000 in issue as at 30 April 2021**

### *Share Capital Events*

No Zero Dividend Preference shares were issued during the year.

### *Dividends*

Holders of Zero Dividend Preference shares are not entitled to dividends.

## Capital Structure (continued)

### *Capital*

On a winding up of SDVP, after the satisfaction of prior ranking creditors and subject to sufficient assets being available, Zero Dividend Preference shareholders are entitled to an amount equal to 100p share (increased daily from 8 January 2019 at such compound rate, equivalent to 4%, as will give an entitlement to 133.18p per share at 30 April 2025).

### *Voting*

Each holder of Zero Dividend Preference shares on a show of hands will have one vote at meetings where Zero Dividend Preference shareholders are entitled to vote and on a poll will have one vote for every Zero Dividend Preference share held.

Holders of Zero Dividend Preference shares are not entitled to attend, speak or vote at General Meetings unless the business of the meeting includes a resolution to vary, modify or abrogate the rights attached to the Zero Dividend Preference shares.

# Glossary of Terms

## **Net asset value ('NAV')**

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all the Company's assets, at current market value, having deducted all prior charges at their par value (or at their asset value).

## **Discount**

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

## **Gearing**

Gearing is the process whereby changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the presence of borrowing or share classes with a prior ranking entitlement to capital.

## **Ongoing charges**

The total expenses incurred by a company, including those charged to capital (excluding performance fee and finance costs and exceptional costs) as a percentage of average quarterly net assets.

## **Total return**

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

## Directors and Advisers

<b>Directors</b>	Lord Lamont of Lerwick (Chairman) William van Heeswijk Howard Myles Andrew Watkins
<b>Investment Manager</b>	Chelverton Asset Management Limited 11 Laura Place Bath BA2 4BL Tel: 01225 483030
<b>Secretary and Registered Office</b>	Maitland Administration Services Limited Hamilton Centre Rodney Way, Chelmsford Essex CM1 3BY Tel: 01245 398950
<b>Registrar and Transfer Office</b>	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR Tel: 01252 821390 <a href="http://www.shareregistrars.uk.com">www.shareregistrars.uk.com</a>
<b>Auditors</b>	Hazlewoods LLP Staverton Court Staverton Cheltenham, GL51 0UX
<b>Brokers</b>	Shore Capital 57 St James's Street London SW1A 1LD
<b>Custodian</b>	Jarvis Investment Management Limited 78 Mount Ephraim Tunbridge Wells Kent TN4 8BS

# Chelverton UK Dividend Trust PLC

## 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 UK Dividend 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.

**The Directors currently anticipate that this year's Annual General Meeting will be open to shareholders, but reserve the right to change arrangements for the meeting at short notice. Therefore shareholders are strongly encouraged to vote by proxy and to appoint the Chairman as their proxy.**

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at 11.00 am on Thursday 9 September 2021 at the offices of Chelverton Asset Management, 3rd Floor, 20 Ironmonger Lane, London EC2V 8EP for the following purposes:

### **Ordinary Business – Resolutions 1 to 6 will be proposed as Ordinary Resolutions**

- 1 To receive the Strategic Report, Directors' Report and the audited financial statements for the year ended 30 April 2021.
- 2 To receive and approve the Directors' Remuneration Report for the year ended 30 April 2021.
- 3 To re-elect Lord Lamont as a Director.
- 4 To re-elect Mr van Heesewijk as a Director.
- 5 To re-elect Mr Myles as a Director.
- 6 To re-elect Mr Watkins as a Director.
- 7 To re-appoint Hazlewoods as the Company's Auditor.
- 8 To authorise the Directors to determine the remuneration of the Company's Auditor.

### **Special Business**

To consider and, if thought fit, to pass the following Resolutions of which Resolution 9 will be proposed as an Ordinary Resolution and Resolutions 10 to 12 will be proposed as Special Resolutions:

- 9 THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act') (in substitution for any existing allotment authorities, provided that such substitution shall not have retrospective effect) to exercise all the powers of the Company to allot shares and to grant rights to subscribe for, or to convert any security into, shares in the Company ('the Rights') up to an aggregate nominal value equal to £781,875, being 15% of the issued Ordinary share capital as at 22 June 2021, during the period commencing on the date of the passing of this Resolution and expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2022, or 15 months from the passing of this Resolution, whichever is earlier (the 'Period of Authority'), but so that the Directors may, at any time prior to the expiry of the Period of Authority, make offers or agreements which would or might require shares to be allotted and/or Rights to be granted after the expiry of the Period of Authority and the Directors may allot shares or grant Rights in pursuance of such offers or agreements as if the authority had not expired.

## Notice of Annual General Meeting (continued)

10 THAT, subject to the passing of Resolution 9 above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) or sell shares held in Treasury (within the meaning of Section 560(3) of the Act) for cash pursuant to the authority conferred by Resolution 9 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- a) the allotment of equity securities in connection with a rights issue, open offer or any other offer in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective number of Ordinary shares held by them subject to such exclusions or other arrangements as the Directors may deem fit to deal with fractional entitlements, record dates, legal, regulatory or practical problems arising under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and
- b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to 10% of the issued Ordinary share capital, representing 2,085,000 Ordinary shares as at 22 June 2021.

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022, or 15 months from the passing of this Resolution, whichever is earlier, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

11 THAT the Company is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ('Ordinary shares') for cancellation or for placing into Treasury provided that:

- a) the maximum aggregate number of Ordinary shares authorised to be acquired is 3,125,415, or if less, 14.99% of the Ordinary shares in issue and in circulation immediately following the passing of this Resolution;
- b) the minimum price which may be paid for each Ordinary share is 25p (exclusive of expenses);
- c) 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 which shall not be more than the higher of (i) 5% above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) of the Ordinary shares for the five business days immediately preceding the date on which the Ordinary share is purchased, and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange;
- d) this authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months from the date on which this Resolution is passed; and
- e) any Ordinary shares bought back under the authority hereby granted may, at the discretion of the Directors, be cancelled or held in treasury and if held in treasury may be cancelled at the discretion of the Directors.

12 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board  
**Maitland Administration Services Limited**  
Secretary  
24 June 2021

Registered office:  
Hamilton Centre  
Rodney Way  
Chelmsford CM1 3BY

## Explanatory notes to the notice of meeting

Ordinary shareholders have the right to attend, speak and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof. In order to exercise all or any of these rights you should read the following explanatory notes to the business of the Annual General Meeting.

## Notes

1. *In accordance with the prevailing guidance issued by the UK government in response to the coronavirus pandemic, the Annual General Meeting is currently anticipated to be open to members. All members are entitled to vote at the meeting by providing a form of proxy. Members are strongly advised to appoint the Chairman of the meeting as their proxy.*

*To be effective, the enclosed proxy form, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR not later than 48 hours before the time of the meeting.*

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

*You may submit any questions relevant to the business of the Annual General Meeting in advance by email addressed to the Company Secretary at cosec@maitlandgroup.com.*

2. *A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.*
3. *The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.*
4. *As at 22 June 2021 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 20,850,000 Ordinary shares carrying one vote each.*
5. *The Company specifies that only those Ordinary shareholders registered on the Register of Members of the Company as at 11.00 am on 7 September 2021 (or in the event that the meeting is adjourned, only those Ordinary shareholders registered on the Register of Members of the Company as at 11.00 am on the day which is 48 hours prior to the adjourned meeting) shall be entitled to vote by proxy at the Annual General Meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to vote by proxy at the meeting.*
6. *In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member to be answered. No such answer need be given if:*
  - a) *to do so would:*
    - i) *interfere unduly with the preparation for the meeting; or*
    - ii) *involve the disclosure of confidential information;*
  - b) *the answer has already been given on a website in the form of an answer to a question; or*
  - c) *it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.*

## Notice of Annual General Meeting (continued)

7. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to vote, corporate representatives will be required to produce prior to the meeting evidence satisfactory to the Company of their appointment. Corporate shareholders can also appoint one or more proxies in accordance with Note 1. On a vote on a Resolution on a show of hands, each authorised person has the same voting rights to which the corporation would be entitled.

On a vote on a Resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:

- a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
  - b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 7RA36) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

9. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.

Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

10. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a Resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A Resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the Resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
11. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed Resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
12. The Annual Report incorporating this notice of Annual General Meeting and, if applicable, any members' statements, members' Resolutions or members' matters 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).
13. None of the Directors has a contract of service with the Company.

# Chelverton UK Dividend Trust PLC

## Proxy Form

I/We (Block Capitals please) .....

.....  
 being a member/members of the above-named Company, hereby appoint the Chairman of the Meeting

.....  
 as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 am at the offices of Chelverton Asset Management, 3rd Floor, 20 Ironmonger Lane, London EC2V 8EP on Thursday 9 September 2021 and at any adjournment thereof.

Signature .....

Date ..... 2021

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

Please tick here to indicate that this proxy appointment is one of multiple appointments being made.

### ORDINARY RESOLUTIONS

**RESOLUTION 1** To receive the Strategic Report, Directors' Report, Auditor's Report and the audited financial statements for the year ended 30 April 2021.

**RESOLUTION 2** To receive and approve the Directors' Remuneration Report, for the year ended 30 April 2021.

**RESOLUTION 3** To re-elect Lord Lamont as a Director.

**RESOLUTION 4** To re-elect Mr van Heesewijk as a Director.

**RESOLUTION 5** To re-elect Mr Myles as a Director.

**RESOLUTION 6** To re-elect Mr Watkins as a Director.

**RESOLUTION 7** To re-appoint Hazlewoods LLP as the Company's Auditor.

**RESOLUTION 8** To authorise the Directors to determine the remuneration of the Company's Auditor.

**RESOLUTION 9** To authorise the allotment of shares.

FOR	AGAINST	VOTE WITHHELD

### SPECIAL RESOLUTIONS

**RESOLUTION 10** To authorise the Directors to issue shares having disapplied pre-emption rights.

**RESOLUTION 11** Authority to buy back shares.

**RESOLUTION 12** Authority to hold general meetings on 14 clear days' notice.


*continued over*



## NOTES

1. All members are entitled to vote at the meeting by providing a form of proxy.
2. Members are strongly advised to appoint the Chairman of the meeting as their proxy. However, in accordance with the Companies Act 2006 we are required to advise you that 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.
3. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on behalf of that corporation.
4. 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.
5. 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.
6. To be valid, this form must be completed and deposited at the office of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. Only those Ordinary 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 Ordinary 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.
7. 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.
8. 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.
9. The termination of the authority of a person to act as proxy must be notified to the Company's Registrar in writing.
10. Please return this proxy form to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR.



