NORTH ATLANTIC SMALLER COMPANIES INVESTMENT TRUST PLC ("NASCIT")

Annual Financial Report for the year ended 31 January 2011

NASCIT is pleased to announce its audited results for the year ended 31 January 2011

FINANCIAL HIGHLIGHTS

	2011	% change	2010	2009	2008	2007
revenue						
Gross income (£'000)	**2,341**	(33.6)	3,525	4,285	5,208	3,951
Net return after tax attributable to Shareholders of the Parent (£'000)	**(849)**	(291.6)	443	538	1,272	224
Basic return per Ordinary Share – revenue	**(5.86)p**	(296.0)	2.99p	3.64p	8.86p	1.65p
– capital	**284.70p**	(1.6)	289.45p	(372.41)p	(21.05)p	229.52p
assets						
Total assets less current liabilities (£'000)	**233,980**	6.5	219,613	178,284	238,166	250,549
Net asset value per 5p Ordinary Share:						
Basic	**1,664p**	12.4	1,480p	1,204p	1,611p	1,755p
Diluted	**1,459p**	24.8	1,169p	944p	1,209p	1,217p
Mid-market price of the 5p Ordinary Shares at 31 January	**1,146.0p**	40.8	814.0p	618.5p	1,025.0p	1,153.0p
discount to diluted net asset value	**21.5%**	8.9	30.4%	34.5%	15.2%	5.3%
indices and exchange rates at 31 January						
Standard & Poor's 500 Composite Index	**1,286.1**	19.8	1,073.9	825.9	1,378.6	1,438.2
Russell 2000 Index	**781.3**	29.8	602.0	443.5	713.3	800.3
US Dollar/Sterling exchange rate	**1.6018**	0.0	1.6024	1.4417	1.9880	1.9574
Standard & Poor's 500 Composite – Sterling adjusted	**803.1**	19.5	671.8	568.0	693.4	734.8
Russell 2000 – Sterling adjusted	**487.9**	29.6	376.6	305.1	358.8	408.9
FTSE All-Share Index	**3,044.3**	14.4	2,660.5	2,078.9	3,000.1	3,211.8

Corporate summary

Introduction
North Atlantic Smaller Companies Investment Trust plc ("NASCIT") is an investment trust whose shares are listed on the London Stock Exchange.

Objective and investment strategy
The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. The Company invests in both listed and unlisted companies.

Company's business
The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and its business is that of an investment trust. The business of the Company's subsidiary undertaking is an investment dealing and holding company.

Risk
Investment in small companies is generally perceived to carry a greater risk than investment in large companies. This is reasonable when comparing individual companies, but is much less so when comparing the volatility of returns from a diversified portfolio of small and large companies. The Board believe that the Company's portfolio is diversified. Since returns from large and small companies vary, there is an opportunity for investors to reduce overall risk by holding a portfolio containing both large and small companies together.

The Company has the ability to utilise gearing in the form of term loan facilities. Gearing has the effect of accentuating market falls and gains. Details of the Company's debt is shown in Note 12 to the financial statements.

The Company outsources all of its main operational activities to recognised third party providers.

AIC
The Company is a member of the Association of Investment Companies ("AIC").

Joint managers
The Joint Managers are Christopher Mills through Growth Financial Services Limited and North Atlantic Value LLP.

Company secretary
The Company Secretary is J O Hambro Capital Management Limited, Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB.

Website
www.navalue.co.uk

Chairman's Statement

The Company's fully-diluted net asset value reached an all time high rising by 24.8% during the twelve months ended 31 January 2011. During the same period, the Sterling adjusted Standard & Poor's Composite Index rose by 19.8%. The Company's share price rose by 40.8%.

The revenue account showed a loss after tax of £849,000 (2010: profit of £443,000). Consistent with the Company's long -standing policy, the Directors are not recommending the payment of a dividend (2010: nil).

During the year, the Company purchased 1,110,000 units of Convertible Unsecured Loan Stock 2013 and 1,374,000 Ordinary shares for cancellation. As these securities were purchased at a substantial discount to NAV, these purchases had a highly beneficial impact on the net asset value of the Company, whilst leaving adequate cash balances to fund a number of prospective investments. The Company will continue to consider the purchase of shares and CULS at a discount when appropriate.

A commentary on the quoted and unquoted investments can be found in the Investment Managers Report. Once again, while the strength in markets has provided some support for the value of the portfolio, most of the appreciation has been the result of corporate events and restructuring.

The expansion of liquidity supported by loose monetary policies in developed countries with weak financial sectors has underpinned the rise in share prices generally. While some developed economies, particularly in the US and northern Europe, continue to show signs of growth, domestic consumer spending will be constrained by continuing consumer deleveraging, rising energy costs and relatively high levels of unemployment. The Company continues to look for investments in sectors where margins and sales are unlikely to be squeezed by the combination of rising costs and competitive pricing environments.

The accommodative monetary policy adopted by the Fed is a response to its concern about the negative impact on consumption of rising oil prices, weak house prices, poorly capitalised banks and widespread deleveraging. This is in contrast to the emerging world where interest rates are mainly rising. With some European central banks in countries with healthy growth and relatively strong financial institutions also showing a tendency to move towards 'more normal' interest rates, the dollar is likely to remain under pressure. At the time of writing the Company has around 36% per cent of its portfolio in US dollar denominated assets.

We continue to see substantial deal flow and will focus on a small number of compelling investments as well as enhancements to our existing portfolio.

The Hon. Peregrine Moncreiffe *Chairman*
24 May 2011

Investment Managers' report

Quoted portfolio
The major achievement of the year was the successful sale of Castle Support Services for approximately £33m. This represented a profit of nearly £29m against our purchase price. Inspired Gaming was also taken over as was Chrysalis, the latter providing a 50% profit on our investment.

Our two major investments, BBA and RPC both performed well during the year with share prices rising by 38.5% and 40% respectively. To some extent, this was offset by the Gleeson and Nationwide Accident Repair share prices which were essentially unchanged.

Oryx International Growth Fund also had a good year outperforming its indices.

Unquoted portfolio
It is pleasing to report that Bionostics, Celsis and Orthoproducts all had excellent results during the period and the outlook for these businesses remains encouraging. Hampton Investment Properties also had an excellent year. Avanti Communications' Loan Note was redeemed having achieved an IRR of nearly 20%. On the property side there was a good recovery in Merchant Properties, but a write down in value was required for Martley.

During the year we also bought out the other shareholders in North American Banks Fund and these investments are now reported to you on a direct basis. Two of these investments, Metropolitan Banc Group, Inc and First American Financial Holdings, Inc now appear in the Company's twenty largest investments so a commentary on them can be found in the annual report.

No new investments were made during the period although Trident Private Equity III participated in the buyout of Inspired Gaming and it is pleasing to report that the investment is performing in line with expectations.

Further comment on the unquoted investments can be found in the annual report.

Christopher H B Mills *Chief Executive & Investment Manager*
24 May 2011

Sector analysis of investments at fair value

equities, convertible securities & loan stocks as a % of total portfolio valuation	United States 31.01.11 %	United Kingdom 31.01.11 %	Europe 31.01.11 %	Total 31.01.11 %	Total 31.01.10 %
Investment Companies	0.6	17.0	-	17.6	15.9
Manufacturing	10.3	0.6	-	10.9	10.4
Real Estate	-	7.8	0.5	8.3	9.7
General Industrials	1.3	7.1	-	8.4	17.9
Health Care, Equipment & Services	4.6	3.6	-	8.2	6.8
Support Services	1.3	5.6	-	6.9	8.0
Transport	-	5.4	-	5.4	5.1
General Financials	5.0	0.1	-	5.1	0.1
Media	-	4.2	-	4.2	2.9
Industrial Engineering	-	4.0	-	4.0	4.5
Construction & Materials	-	3.6	-	3.6	4.3
Technology Hardware & Equipment	1.3	1.0	-	2.3	2.0
Travel & Leisure	-	1.5	-	1.5	5.1
Oil & Gas Producers	-	0.8	-	0.8	0.6
Food Producers	-	0.7	-	0.7	0.1
General Retailers	-	0.1	-	0.1	-
Communications	-	-	-	-	2.8
	24.4	**63.1**	**0.5**	**88.0**	**96.2**
treasury bills	**12.0**	**-**	**-**	**12.0**	**3.8**
total at 31 January 2011	**36.4**	**63.1**	**0.5**	**100.0**	
Total at 31 January 2010	**11.3**	**85.3**	**3.4**		**100.0**

Twenty largest investments

as at 31 January 2011

equities (including convertibles, loan stocks and related financing)		**At fair value £'000**
Bionostics Holdings Limited	UK Unquoted	21,400
Oryx International Growth Fund Limited*†	UK Listed	20,324
RPC Group PLC	UK Listed	14,823
Hampton Investment Properties Limited	UK Unquoted	12,872
BBA Aviation Group PLC	UK Listed	11,150
Nationwide Accident Repair Services PLC	UK Quoted on AIM	9,900
Chrysalis PLC#	UK Unquoted	8,800
Celsis AG	UK/Swiss Unquoted	8,570
Orthoproducts Limited	UK Unquoted	7,453
MJ Gleeson Group PLC	UK Listed	7,438
ten largest investments		**122,730**
AssetCo (Abu Dhabi) Limited	UK Unquoted	7,371
Trident Private Equity Fund III LP	UK Unquoted	6,695
Trident Private Equity Fund II LP	Cayman Islands Unquoted	6,235
Essenden PLC	UK Unquoted and Quoted on AIM	3,080
Merchant Properties Unit Trust	UK Unquoted	2,785
Glass America LLC	USA Unquoted	2,736
Telos Corporation	USA Quoted and Unquoted	2,730
Performance Chemicals Company	USA Unquoted	2,641
Metropolitan Banc Group, Inc	USA Unquoted	2,025
First American Financial Holdings, Inc	USA Unquoted	2,025
twenty largest investments		**161,053**
Aggregate of other investments at fair value		21,882
		182,935
USA Treasury Bills		24,836
total value of investments and associates of the group		**207,771**

* incorporated in Guernsey.

† Oryx is accounted for in the Group accounts as an Associate under the equity method of accounting. The valuation shown above is the Group's share of Oryx's net assets. All other investments are valued at fair value.

Listing suspended at 5pm on 28 January 2011 and subsequently cancelled on 4 February 2011. Proceeds of £8,800,000 received on 18 February 2011 following a scheme of arrangement.

Group report of the Directors

for the year ended 31 January 2011

The Directors present their Report (incorporating the Business Review) and the financial statements for the year ended 31 January 2011.

Business review
At 31 January 2011, the diluted net asset value ("NAV") per share was 1,459p (31 January 2010: 1,169p), an increase of 24.8% during the year, compared to an increase of 19.5% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted). As stated in the Investment Manager's Report, a significant part of the return for the year was achieved through corporate events rather than as a result of movements in the stock markets.

A review of the performance of the Company's business during the year (as required by section 417 of the Companies Act 2006) is included in the Chairman's Statement and Investment Managers' Report incorporated into this Report by reference.

The key performance indicators for the Company including Net Asset Value and share price information are detailed at the beginning of this report.

The Company has no employees and accordingly this business review does not contain any information regarding employees. As an investment trust, the Board does not believe that the Company's business has an impact on the environment and has not put into place any policies regarding social and community issues. The Board does not believe that this will change in the near future but, if it were to do so, they would immediately review these matters.

Results and dividends
The total net return after taxation for the financial year ended 31 January 2011 amounted to £40,400,000 (2010: £43,313,000). The Board does not propose a final dividend (2010: nil).

Investment policy

1. The maximum investment limit is 15% of the Company's investments in any one company at the time of the investment.
2. Gearing is limited to a maximum of 30% of net assets.
3. The Company invests on both sides of the Atlantic, with the weighting varying from time to time.
4. The Company will invest in unquoted securities as and when opportunities arise.

Investment approach
The Company invests in a diversified range of companies, both quoted and unquoted, on both sides of the Atlantic in accordance with the above Investment Policy.

Christopher Mills, the Joint Investment Manager, is responsible for the construction of the portfolio and details of the top twenty largest investments are set out earlier in this report.

When analysing a potential investment, the Managers will employ a number of valuation techniques depending on their relevance to the particular investment. A key consideration when deciding on a potential investment is the sustainability and growth of long term cashflow.

In respect of the unquoted portfolio, regular contact is maintained with the management of prospective and existing investments, as well as rigorous financial and business analysis of these companies. It is recognised that different types of business perform better than others depending on economic cycles and market conditions and this is reflected within the range of investments in the portfolio.

The Company's activities have not changed in the year ended 31 January 2011 and the Directors anticipate that the Company will continue to operate on the same basis during the current financial year.

Financial instruments
The financial instruments employed by the Company primarily comprise equity and loan stock investments, although it does hold cash and liquid resources and various items such as debtors and creditors that arise directly from its operations. Further details of the Company's risk management objectives and policies relating to the use of financial instruments can be found in Note 18 to the financial statements.

Key performance indicators

The Directors regard the following as the key indicators pertaining to the Company's performance:

(i) net asset value per ordinary share.

(ii) share price return.

(iii) performance against benchmark

The performance of the Company's share price is measured against the Standard & Poor's 500 Composite Index and the Russell 2000 Index, the Company's benchmarks.

Future prospects
The Directors believe that the year ending January 2012 will see further progress, especially from the unquoted portfolio which continues to offer the potential for further significant appreciation.

Taxation status
The Company operates as an investment trust company and is an investment company within the meaning of Section 833 of the Companies Act 2006 (the "Act"). The Company was approved by HM Revenue & Customs as an investment trust in accordance with the requirements of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 January 2010. The Directors have continued to manage the business in such a way to ensure that the Company will continue to meet these requirements (which have been replaced by Section 1159 of the Corporation Tax Act 2010) and will seek such approval for the year ended 31 January 2011 and each subsequent year.

The Board has reviewed the Government's proposals for modernising the tax treatment of approved Investment Trust Companies (ITCs) which would provide ITCs with certainty regarding their tax status, allow for wider investment strategies, clarify the transactions which will be treated as investment transactions for tax purposes and reduce the administrative burdens currently imposed on ITCs. It is expected that the final legislation on these proposals will be contained in the 2011 Finance Bill but may not come into effect until 2012.

Share capital
The Company's issued share capital as at 31 January 2011 consisted of 14,057,252 Ordinary Shares of 5p nominal value each. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

Since the year end, 31 January 2011, the Company has purchased 115,000 Ordinary Shares for cancellation, leaving 13,942,252 Ordinary Shares in issue as at the date of this report.

In addition, as at 31 January 2011, the Company had 1,970,800 units of Convertible Unsecured Loan Stock ("CULS") 2013 of 5p nominal value in issue. Holders of CULS have the right to convert their stock into shares once a year and the Conversion Notice will be sent to the relevant holders with the Report & Accounts. There are no voting rights attached to the CULS. In the event of winding up, the holders of CULS may be entitled to repayment of the principal amount of the stock together with any accrued interest. Full details are provided in the Trust Deed dated 26 November 1993.

Share valuations
On 31 January 2011, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 1,146p and 1,459p respectively. The comparable figures at 31 January 2010 were 814p and 1,169p respectively.

Donations
The Company does not make any political or charitable donations.

Substantial shareholders
At the date of this report, the following interests in the Ordinary Shares of the Company which exceed 3% of the issued share capital have been notified to the Company:

	Number of Ordinary Shares	% of issued share capital
C H B Mills (includes 200,000 non-beneficial)	3,398,447	24.38
CG Asset Management Limited	1,009,859	7.18
Henderson Global Investors Limited	758,324	5.39
Findlay Park US Smaller Companies Fund Plc	595,000	4.23
Legal & General Group Plc	581,816	4.14
J O Hambro Investment Management Limited	443,567	3.16

Directors
The biographical details for Directors currently in office are shown in the Annual Report. Mr E F Gittes will retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-election.

In accordance with Listing Rule 15.2.13A, which requires Directors or members of the Manager to be subject to annual election, Mr C H B Mills is subject to annual election as he is both Chief Executive and a member of the Joint Manager and, accordingly, a resolution to re-elect him as a Director is included in the Notice of Annual General Meeting in the Annual Report.

The Chairman and other members of the Board recommend that the Directors retiring be re-elected. The Chairman has confirmed that all Directors retiring have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and in his view continue to responsibly fulfil their functions.

Directors' interests

The interests of the Directors as notified to the Company (beneficial unless otherwise stated) in the Ordinary Shares and Convertible Unsecured Loan Stock ("CULS") 2013 of the Company as at 31 January 2011 and 31 January 2010 were as follows:

	31 January 2011		31 January 2010	
	5p Ordinary Shares	**Units of CULS**	5p Ordinary Shares	Units of CULS
The Hon. P D E Moncreiffe	**303,130**	**90,000**	303,130	–
C H B Mills (beneficial)	**3,198,447**	**–**	2,836,932	–
C H B Mills (non-beneficial)	**200,000**	**–**	–	–
K Siem*	**–**	**–**	–	–
C L A Irby	**25,000**	**–**	25,000	–
O R Grace	**280,429**	**321,135**	280,429	321,135
E F Gittes	**–**	**–**	200,000	–

* Siem Capital International Limited, a company which is indirectly controlled by a trust of which Mr Siem and his family are potential beneficiaries, is ultimately interested in 145,000 Ordinary Shares and 2,000 units of CULS (2010: 145,000 Ordinary Shares and 2,000 units of CULS).

Details of Directors' remuneration and interests in Share Options are described in the Directors' Remuneration Report in the Annual Report.

There have been no changes to the above interests between 31 January 2011 and the date of this report.

Save as disclosed below or in notes 4 and 19 to the financial statements, no Director was party to or had any interest in any contract or arrangement with the Company at any time during the year.

Risk profile

The Company's risk profile is set out in note 18 to the financial statements. The principal risks to the Company and its Shareholders are investment risk, market price risk and foreign currency risk.

Investment management agreements

Pursuant to the Management, Administration and Custody Agreement dated 7 January 1993, as amended by the Amendment and Restatement Agreement on 19 March 2002 novated in November 2003 to North Atlantic Value LLP, the Joint Manager provides management and administration services to the Company.

The Management, Administration and Custody Agreement continues unless thereafter terminated by either party on not less than four months' notice in writing or may be terminated forthwith as a result of a material breach of the agreement or the insolvency of either party. No compensation is payable on termination of the Agreement. The Board reviews the activities of both the Joint Manager and the Chief Executive. The Chief Executive carries out day-to-day investment decisions for and on behalf of the Company. As part of this review, the Board is satisfied that the continuing appointment of the Joint Manager, on the terms agreed, is in the best interests of Shareholders.
Mr Mills has been Chief Executive of the Company since 1984 and the Board consider it is in the best interest of the Company for this arrangement to continue.

As part of this review, the Board has given consideration to the experience, skills and commitment of the Chief Executive in addition to the personnel, services and resources provided by the Joint Manager. The Company's performance over the last year is described in the Chairman's Statement. The Board considers that the arrangements between the Chief Executive and the Joint Manager continue to work well.

Related party transactions

Mr Mills, the Chief Executive, is Chief Investment Officer and a member of North Atlantic Value LLP, Joint Manager to the Company. Mr Mills makes day-to-day investment decisions for the Company in his capacity as its Chief Executive and this position is distinct from his position as Chief Investment Officer of the Joint Manager. Mr Mills is a director and a substantial shareholder of J O Hambro Capital Management Group Limited, the holding company of the Corporate Company Secretary,
J O Hambro Capital Management Limited and Designated Members of the Joint Manager. Mr Mills is a director and the sole shareholder in Growth Financial Services Limited ("GFS").

Pursuant to the Secondment Services Agreement between the Company, GFS and Mr Mills and the Management, Administration and Custody Agreement between the Company and North Atlantic Value LLP, Mr Mills is responsible for the day-to-day investment decisions in conjunction with the Joint Manager, North Atlantic Value LLP. The Secondment Services Agreement continues until terminated by the Company or GFS on not less than twelve months' notice. Details of the related party transactions and fees payable are disclosed in note 19 and in the Directors' Remuneration Report in the Annual Report. The Investment Management Fees are disclosed in note 4. The Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report in the Annual Report and note 4 of the financial statements.

Save as disclosed above or in note 19 to the financial statements, during the year no Director was materially interested in any contract of significance (as defined by the UK Listing Authority Listing Rules) entered into by the Company.

Institutional investors – use of voting rights
The Chief Executive and the Joint Manager, in the absence of explicit instruction from the Board, are empowered to exercise discretion in the use of the Company's voting rights in respect of investments and to then report to the Board, where appropriate, regarding decisions taken. The Board has considered whether it was appropriate to adopt a voting policy and an investment policy with regard to social, ethical and environmental issues and concluded that it was not appropriate to change the existing arrangements.

Creditors' payment policy
It is the Company's policy to settle investment transactions according to the settlement periods operating for the relevant markets. For other creditors, it is the Company's policy to pay amounts due to them as and when they become due. All supplier invoices received by 31 January 2011 had been paid (31 January 2010 – all supplier invoices paid).

Soft commission
The Joint Manager receives indirect benefits for certain investment services in the form of soft commission as a result of an agreement with a broker. The value of services supplied may depend upon a minimum threshold of commissions or a percentage of such commissions arising on dealings in securities for all clients including the Company. The practice of best execution is not compromised by this arrangement.

Auditors
A resolution to appoint KPMG Audit Plc as the Company's auditors will be proposed at the forthcoming Annual General Meeting, as they were appointed to fill a casual vacancy during the year.

Additional disclosures
The following further information is disclosed in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:

- The Company's capital structure and voting rights are summarised in note 15;
- Details of the substantial shareholders in the Company are listed earlier in this report;
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed in the Corporate Governance Statement in the annual report;
- Amendment of the Company's Articles of Association and powers to issue on a pre-emptive basis or buy back the Company's shares requires a special resolution to be passed by the Shareholders;
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Explanatory notes for special business at the annual general meeting
Resolutions 6 to 8 (if passed) would allow the Board to issue Shares without first offering them to existing Shareholders. Although the Directors have no current intention of exercising either of the authorities (if renewed) to allot Shares or disapply pre-emption rights, they reserve the right to allot Shares at any time.

Resolution 6 – Ordinary Resolution - Renewal of Directors' authority to allot Shares
The authority given to the Directors at the last Annual General Meeting to allot Shares expires at the conclusion of this year's meeting. Resolution 6 will renew the authority to allot Shares of the Company on similar terms. If Resolution 6 is passed the Directors will have the authority to allot Shares up to the aggregate nominal amount of £232,370 representing one third of the current issued share capital. This authority will expire at the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this resolution.

Resolution 7 – Special Resolution – Renewal of Directors' authority for the disapplication of pre-emption rights
The authority given to Directors to disapply pre-emption rights expires at the Annual General Meeting. Resolution 7 will renew the disapplication of pre-emption rights thereby authorising the Directors to allot equity securities for cash up to a maximum aggregate renewal amount of £34,855 representing 697,112 Ordinary Shares of 5p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing Shareholders.

Resolution 8 – Special Resolution – Authority to purchase the Company's own Shares
The authority given to Directors to purchase the Company's Ordinary Shares in the market expires at the forthcoming Annual General Meeting. Resolution 8 seeks the authority of Shareholders to purchase a maximum of 1,394,225 Ordinary Shares representing 10% of the current issued share capital. The Directors intend to exercise this authority only when, in the light of market conditions prevailing at the time and taking into account investment opportunities, appropriate gearing levels and the overall financial position, they believe that the effect of such purchases will be to increase the underlying value per Ordinary Share having regard to the interests of Shareholders generally. Shares will not be bought at a price of less than 5 pence each being the nominal value of each share nor more than 5% above the average middle market quotation of the shares over the preceding five business days, nor more than the amount stipulated by Article 5(i) of the Buyback and Stabilisation Regulation 2003. They will also not be purchased during periods when the Company would be prohibited from making such purchases. Purchases will be made within guidelines set by the Board and using available reserves. Ordinary Shares purchased will be cancelled and the number of shares in issue reduced accordingly.

Resolution 9 – Special Resolution – Notice of general meetings
The authority given to Directors at last year's Annual General Meeting to call general meetings (other than an Annual General Meeting) on 14 days' notice will expire at the forthcoming Annual General Meeting. Resolution 9 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Resolutions 10 to 12 relate to the North Atlantic Smaller Companies Investment Trust plc 2011 Share Option Scheme ("the Scheme").

Resolution 10 – Ordinary Resolution – Approval of the 2011 Share Option Scheme
The purpose of Resolution 10 is to seek shareholder approval of the Scheme. The Scheme is broadly the same as the 2002 Share Option Scheme which it replaces (see the Directors' Remuneration Report in the Annual Report for further details). A summary of the rules of the Scheme is contained in the Appendix to the Notice of Annual General Meeting in the Annual Report.

Resolution 11 – Ordinary Resolution – Directors' authority to allot Shares in connection with the Scheme
Resolution 11 gives the Directors authority to grant options and allot Shares pursuant to the Scheme for a period of five years (which is the maximum period permitted under the Companies Act 2006). If passed, the Directors will have the authority to allot securities up to the aggregate nominal amount of £34,855 representing 5% of the current issued share capital.

Resolution 12 – Special Resolution – Directors' authority for the disapplication of pre-emption rights in connection with the Scheme
Resolution 12 will authorise the Directors to allot up to the number of securities referred to in Resolution 11 for the purposes of the Scheme without first offering such securities to existing Shareholders.

The above resolutions are contained in the Notice of Annual General Meeting in the Annual Report.

Recommendation
The Board considers that resolutions 6 to 12 are likely to promote the success of the Company and are in the best interests of the Company and its Shareholders as a whole. The Directors therefore unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 3,807,006 shares representing 27.31% of the voting rights of the Company.

By Order of the Board

J O Hambro Capital Management Limited
Company Secretary
Registered Office:
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

Registered No: 1091347
24 May 2011

Statement of Directors' responsibilities in respect of the Annual Report & Financial Statements for the year ended 31 January 2011

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement under the Disclosure and Transparency Rules

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

- the financial statements, prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and
- the annual financial report includes a fair review of the development and performance of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties faced.

For and on behalf of the Board

The Hon. P D E Moncreiffe
Chairman
24 May 2011

Independent Auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

We have audited the financial statements of North Atlantic Smaller Companies Investment Trust plc for the year ended 31 January 2011. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the financial statements
A description of the scope of an audit of financial statements is pro vided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Basis for qualified opinion on financial statements
As stated in Note 2 to the financial statements, neither Hampton Investment Properties Limited (HIP), which was a subsidiary undertaking at 31 January 2011, nor Bionostics Holdings Limited, which was a subsidiary undertaking at 31 January 2010, have been consolidated into these financial statements on the basis that, in the Directors' opinion, their consolidation would give no additional benefits to the Shareholders and cause undue expense. There would not be a material effect on the net assets of the Company in respect of these adjustments. In our opinion, the Company should consolidate these entities into its consolidated financial statements from the date control is acquired up until the date control is lost, as required by IAS 27. Accordingly investments held at fair value through profit/loss should be reduced by £12.9m (2010: £19.1m), investment property should be increased by £40.5m (2010: £1.0m), current assets should be increased by £2.4m (2010:£6.3m), long term liabilities should be increased by £23.5m (2010: £18.4m), other liabilities should be increased by £1.7m (2010: £3.0m), intangible assets of £nil m (2010: £35.9m) and a Non controlling interest of £4.8m (2010: £2.7m) recognised..

The audit report on the consolidated financial statements for the year ended 31 January 2010 was qualified with regard to the same accounting treatment.

Qualified opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Parent Company's affairs as at 31 January 2011 and of the Group's profit for the year then ended
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006

In our opinion, except for the effects of the matters described in the basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 January 2011
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the Group financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion 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;
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 Company.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
24 May 2011

Consolidated statement of Comprehensive Income

for the year ended 31 January

			2011			2010	
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Notes	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Income*	3	**2,341**	**–**	**2.341**	3,525	–	3,525
Net gains on investments at fair value	10	**–**	**37,868**	**37,868**	–	38,531	38,531
Currency exchange (losses)/gains	10	**–**	**(19)**	**(19)**	–	1,087	1,087
total income		**2,341**	**37,849**	**40,190**	3,525	39,618	43,143
Expenses							
Investment management fee	4	**(2,255)**	**(1,219)**	**(3,474)**	(1,862)	(1,225)	(3,087)
Other expenses	5	**(728)**	**–**	**(728)**	(973)	–	(973)
Share of net return of associate	10	**–**	**4,619**	**4,619**	–	4,477	4,477
return before finance costs and taxation		**(642)**	**41,249**	**40,607**	690	42,870	43,560
Finance costs	7	**(207)**	**–**	**(207)**	(242)	–	(242)
return before taxation		**(849)**	**41,249**	**40,400**	448	42,870	43,318
Taxation	8	**–**	**–**	**–**	(5)	–	(5)
return for the year		**(849)**	**41,249**	**40,400**	443	42,870	43,313
basic earnings per ordinary share	9	**(5.86p)**	**284.70p**	**278.84p**	2.99p	289.45p	292.44p

Diluted earnings per ordinary share	9	**(4.90p)**	**241.70p**	**236.80p**	2.49p	230.93p	233.42p

All of the profit for the year and the total comprehensive income for the year is attributable to the owners of the Group.

The Company does not have any income or expense that is not included in the return for the year, and therefore the “return for the year” is also the “Total comprehensive income for the year”, as defined in International Accounting Standard 1 (revised). All of the return and total comprehensive income for the year is attributable to the owners of the Group.

The total column of the statement is the Statement of Comprehensive Income of the Group. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

All items in the above Statement derive from continuing operations. No operations were acquired or discontinued in the year.

* Net of VAT reclaim in respect of Investment Management fee received during the year to 31 January 2010. No such refund has been received during the year to 31 January 2011.

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 January

group	**Share capital £’000**	**CULS reserve £’000**	**Share options reserve £’000**	**Share premium account £’000**	**Capital reserve £’000**	**Capital redemption reserve £’000**	**Revenue reserve £’000**	**Total £’000**
2011								
31 January 2010	**741**	**27**	**1,348**	**629**	**218,665**	–	**(1,949)**	**219,461**
Total comprehensive income for the year	–	–	**–**	**–**	**41,249**	–	**(849)**	**40,400**
New issue of ordinary shares	**5**	–	–	**672**	–	–	–	**677**
Shares purchased for cancellation	**(69)**	–	–	–	**(13,029)**	**69**	–	**(13,029)**
Premium paid on repurchase of CULS	–	**(8)**	**–**	**–**	**(9,740)**	–	–	**(9,748)**
Arising on conversion of CULS	**26**	**(4)**	**–**	**–**	**–**	–	–	**22**
Settlement of outstanding share options	–	–	–	–	**(3,887)**	–	–	**(3,887)**
Transfer between reserves	–	–	**(1,119)**	**–**	**1,119**	–	–	**–**
31 January 2011	**703**	**15**	**229**	**1,301**	**234,377**	**69**	**(2,798)**	**233,896**

	Share capital £’000	CULS reserve £’000	Share options reserve £’000	Share premium account £’000	Capital reserve £’000	Capital redemption reserve £’000	Revenue reserve £’000	Total £’000
2010								
31 January 2009	740	29	1,348	629	177,766	–	(2,392)	178,120
Total comprehensive income for the year	–	–	–	–	42,870	–	443	43,313
Premium paid on repurchase of CULS	–	–	–	–	(1,971)	–	–	(1,971)
Arising on conversion of CULS	1	(2)	–	–	–	–	–	(1)
31 January 2010	741	27	1,348	629	218,665	–	(1,949)	219,461

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

Company statement of changes in equity

for the year ended 31 January

company	**Share capital £’000**	**CULS reserve £’000**	**Share options reserve £’000**	**Share premium account £’000**	**Capital reserve £’000**	**Capital redemption reserve £’000**	**Revenue reserve £’000**	**Total £’000**
2011								
31 January 2010	**741**	**27**	**1,348**	**629**	**218,287**	–	**(1,571)**	**219,461**
Total comprehensive income for the year	–	–	–	–	**41,249**	–	**(849)**	**40,400**

New issue of ordinary shares	**5**	–	–	**672**	–	–	–	**677**
Shares purchased for cancellation	**(69)**	–	–	–	**(13,029)**	**69**	**–**	**(13,029)**
Premium paid on repurchase of CULS	–	**(8)**	–	–	**(9,740)**	–	**–**	**(9,748)**
Arising on conversion of CULS	**26**	**(4)**	–	–	–	–	–	**22**
Settlement of outstanding share options	–	–	–	–	**(3,887)**	–	–	**(3,887)**
Transfer between reserves	–	–	**(1,119)**	**–**	**1,119**	–	–	**–**
31 January 2011	**703**	**15**	**229**	**1,301**	**233,999**	**69**	**(2,420)**	**233,896**

2010	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
31 January 2009	740	29	1,348	629	177,388	–	(2,014)	178,120
Total comprehensive income for the year	–	–	–	–	42,870	–	443	43,313
Premium paid on repurchase of CULS	–	–	–	–	(1,971)	–	–	(1,971)
Arising on conversion of CULS	1	(2)	–	–	–	–	–	(1)
31 January 2010	741	27	1,348	629	218,287	–	(1,571)	219,461

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

Consolidated and Company balance sheets

as at 31 January

	Notes	**Group 2011 £'000**	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
non current assets					
Investments at fair value through profit or loss	10	**187,447**	179,670	**207,771**	195,375
Investments accounted for using the equity method	10	**20,324**	15,705	**–**	–
		207,771	195,375	**207,771**	195,375
current assets					
Investments held by subsidiary companies for trading		**550**	634	**–**	–
Trade and other receivables	11	**2,818**	2,018	**11,899**	2,702
Cash and cash equivalents		**30,343**	29,600	**21,812**	29,550
		33,711	32,252	**33,711**	32,252
total assets		**241,482**	227,627	**241,482**	227,627
current liabilities					
Bank loans and overdrafts	12	**(5,786)**	(5,864)	**(5,786)**	(5,864)
Investments held for trading – derivatives	10	**–**	(624)	**–**	(624)
Trade and other payables	13	**(1,716)**	(1,526)	**(1,716)**	(1,526)
		(7,502)	(8,014)	**(7,502)**	(8,014)
total assets less current liabilities		**233,980**	219,613	**233,980**	219,613
non current liabilities					
CULS	14	**(84)**	(152)	**(84)**	(152)
		(84)	(152)	**(84)**	(152)
total liabilities		**(7,586)**	(8,166)	**(7,586)**	(8,166)
net assets		**233,896**	219,461	**233,896**	219,461

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

Consolidated and Company balance sheets

as at 31 January

	Notes	**Group 2011 £'000**	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
represented by:					
Share capital	15	**703**	741	**703**	741
Equity component of CULS		**15**	27	**15**	27
Share options reserve		**229**	1,348	**229**	1,348
Share premium account		**1,301**	629	**1,301**	629
Capital reserve		**234,377**	218,665	**233,999**	218,287
Capital redemption reserve		**69**	–	**69**	–
Revenue reserve		**(2,798)**	(1,949)	**(2,420)**	(1,571)
total equity attributable to equity holders of the parent		**233,896**	219,461	**233,896**	219,461
net asset value per ordinary share:					
Basic	9	**1,664p**	1,480p		
Diluted	9	**1,459p**	1,169p		

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 May 2011 and signed on its behalf by:

The Hon. P D E Moncreiffe, *Chairman*

Company Registered Number:
1091347

Consolidated cash flow statement

for the year ended 31 January

	Notes	**2011 £'000**	2010 £'000
group			
cash flows from operating activities			
Investment income received		**1,788**	2,191
Bank deposit interest received		**58**	136
Other income		**339**	392
Purchase of investments by dealing Subsidiary		**–**	(839)
Sale of investments by dealing Subsidiary		**–**	8
Investment Manager's fees paid		**(3,476)**	(2,188)
Other cash payments		**(5,742)**	(472)
cash expended on operations	16	**(7,033)**	(772)
Bank interest paid		**(179)**	(306)
CULS interest paid		**(10)**	(18)
Loan renewal expenses		**(9)**	–
net cash outflow from operating activities		**(7,231)**	(1,096)
cash flows from investing activities			
Purchases of investments		**(109,056)**	(120,767)
Sales of investments		**138,648**	128,383
net cash inflow from investing activities		**29,592**	7,616
cash flows from financing activities			
Repayment of fixed term borrowings		**–**	(1,884)
Repurchase of CULS for cancellation		**(9,795)**	(1,984)
Repurchase of ordinary shares for cancellation		**(13,029)**	–
Issue of new shares		**677**	–
net cash outflow from financing activities		**(22,147)**	(3,868)
increase in cash and cash equivalents for the year		**214**	2,652
cash and cash equivalents at the start of the year		**29,600**	25,514
Revaluation of foreign currency balances		**529**	1,434
cash and cash equivalents at the end of the year	17	**30,343**	29,600

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

Company cash flow statement

for the year ended 31 January

company	Note	2011 £'000	2010 £'000
cash flows from operating activities			
Investment income received		**1,788**	2,191
Bank deposit interest received		**58**	136
Other income		**336**	365
Investment Manager's fees paid		**(3,476)**	(2,188)
Other cash payments		**(5,739)**	(472)
cash (expended)/received from operations	16	**(7,033)**	32
Bank interest paid		**(179)**	(306)
CULS interest paid		**(10)**	(18)
Loan renewal expenses		**(9)**	–
net cash outflow from operating activities		**(7,231)**	(292)
cash flows from investing activities			
Purchases of investments		**(109,056)**	(120,767)
Sales of investments		**138,648**	128,383
net cash inflow from investing activities		**29,592**	7,616
cash flows from financing activities			
Repayment of fixed term borrowings		**–**	(1,884)
Repurchase of CULS for cancellation		**(9,795)**	(1,984)
Repurchase of ordinary shares for cancellation		**(13,029)**	–
Issue of new shares		**677**	–
Short-term loans net advanced by subsidiary		**(8,481)**	(838)
net cash outflow from financing activities		**(30,628)**	(4,706)
(decrease)/increase in cash and cash equivalents for the year		**(8,267)**	2,618
cash and cash equivalents at the start of the year		**29,550**	25,498
Revaluation of foreign currency balances		**529**	1,434
cash and cash equivalents at the end of the year	17	**21,812**	29,550

The financial statements have been prepared in accordance with the accounting policies.

The notes form part of these financial statements.

Notes to the financial statements

for the year ended 31 January

1 accounting policies

North Atlantic Smaller Companies Investment Trust plc ("NASCIT") is a Company incorporated in Great Britain and registered in England and Wales. The consolidated Annual Report for the Group for the year ended 31 January 2011 comprises the results of the Company and its Subsidiary – Consolidated Venture Finance Limited (together referred to as the "Group").

new standards and interpretations

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010.

standards, amendments and interpretations effective on 1 January 2010

- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 July 2009);
- IFRS 1 (amendments), 'Additional exemptions for first-time adopters' (effective from 1 January 2010);
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010);
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009);

- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009); and
- IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009).

IASB and IFRIC have issued a number of standards and interpretations which are not effective for the year ended 31 January 2011 and are not relevant for the Group's operations. The Directors have therefore chosen not to early adopt these standards and interpretations as they do not anticipate that they would have a material impact on the Group's financial statements.

standards, amendments and interpretations that are not yet effective and not relevant for the group's operations

- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective from 1 July 2010)
- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective from 1 January 2011)
- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'' (effective from 1 July 2011)
- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' – Additional exemption for entities ceasing to suffer from severe hyperinflation (effective from 1 July 2011)
- IFRS 7, 'Financial Instruments': Disclosures – Amendments resulting from May 2010 Annual Improvements to IFRS (effective from 1 January 2011)
- IFRS 7, 'Financial Instruments': Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective from 1 July 2011)
- IFRS 9, 'Financial Instruments' – Classification and Measurement (effective from 1 January 2013)
- IAS 1, 'Presentation of Financial Statements' – Amendments resulting from May 2010 Annual Improvements to IFRS (effective from 1 January 2011)
- IAS 24, 'Related Party Disclosures' – Revised definition of related parties (effective from 1 January 2011)

Improvements to IFRS' were issued in April 2009 and May 2010 respectively and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2010 and 1 January 2011 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

(a) basis of preparation/statement of compliance

Except as disclosed in note 2, in relation to the non-consolidation of certain investments, the consolidated annual financial statements of the Group and the annual financial statements of the Company have been prepared in conformity with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Accounting Standards and Standing Interpretation Committee, interpretations approved by the International Accounting Standards Committee that remain in effect and to the extent they have been adopted by the European Union. They have also been prepared in accordance with applicable requirements of England and Wales company law and reflect the following policies which have been adopted and applied consistently. The financial statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trust companies, except to any extent where it conflicts with IFRS.

(b) 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 and derivatives designated at fair value through profit or loss.

(c) basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its wholly owned Subsidiary undertaking, Consolidated Venture Finance Limited, drawn up to 31 January 2011. Certain investments which meet the definition of subsidiary undertakings at the balance sheet date have not been consolidated within the Group financial statements and this is explained further in note 2.

Except as shown in (d) below, in accordance with IAS 28 (Investments in Associates), investments where the Company holds, directly or indirectly, more than 20% or more of the voting power of the investee, or otherwise has significant influence, are not accounted for as associates. Instead they are accounted for in the same way as other investments designated as at fair value through profit or loss.

In accordance with the exemptions given by s408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's profit for the financial year dealt with in the accounts of the Group is £40,400,000 (2010: £43,313,000).

(d) oryx

NASCIT is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of Oryx. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Oryx has been accounted for as an associate as it is considered to be a long term holding of the Company.

The results and assets and liabilities of Oryx are incorporated in the consolidated accounts using the equity method of accounting. Oryx is carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of Oryx.

(e) segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The Group invests in smaller companies principally based in countries bordering the North Atlantic Ocean. Geographical analysis of the portfolio is shown is shown earlier in this report.

(f) investments

All non current investments held by the Group, other than the investment in Oryx, are designated at 'fair value through profit or loss' on initial acquisition. Investments are initially recognised at fair value, being the value of the consideration given.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel.

After initial recognition, investments are measured at fair value, with investment holding gains and losses on investments recognised in the Statement of Comprehensive Income and (apart from those on current asset investments) allocated to capital. Gains and losses on disposal are calculated as the difference between sales proceeds and cost.

Investments are included in the Balance Sheet on the following basis:

(i) quoted at market value on a recognised stock exchange

Securities quoted on recognised stock exchanges are valued at the market bid price and exchange rates ruling at the balance sheet date. With the exception of AIM quoted SETS stocks, which are valued using latest trade price, which is equivalent to the fair value.

Unexpired traded put and call options are held in current liabilities as investments held for trading – derivatives and are revalued to the prevailing fair value at the balance sheet date.

(ii) unlisted at market value

Treasury Bills are valued at fair value having been adjusted for movements in exchange rates between the dates of purchase and the year-end. Accrued income arising from them is included in debtors.

(iii) unquoted at directors' estimate of fair value

Unquoted investments, including the subsidiary, are valued in accordance with the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. Their valuation incorporates all factors that market participants would consider in setting a price. The primary valuation techniques employed to value the unquoted investments are earnings multiples, recent transactions and the net asset basis. Valuations in local currency are translated into Sterling at the exchange rate ruling on the balance sheet date.

Included within the Statement of Comprehensive Income as at 31 January 2011, is a gain of £11,511,000 relative to the movement in the fair value of the unlisted investments valued using valuation techniques.

(iv) current asset investments

Investments held by the Subsidiary undertaking are classified as 'held for trading' and are valued at fair value in accordance with the policies set out in 1(f)(i) and 1(f)(iii) above for quoted and unquoted holdings respectively.

Profits or losses on investments in the Subsidiary are taken to revenue.

(g) options

Where put and call option transactions are entered into for investment purposes, the premiums received are taken to the Statement of Comprehensive Income and included as capital and the gains or losses arising on the valuations to fair value are recognised in the Statement of Comprehensive Income and included as capital likewise.

Premiums received and gains or losses on revaluation are taken to the Capital Reserve. Where an option transaction is in profit at the year-end, the premium received on any open option is spread over the life of that option.

(h) foreign currency

The currency of the primary economic environment in which the Company operates (the "functional currency") is pounds Sterling (Sterling), which is also the presentational currency of the Group. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange.

Exchange differences arise on settlement of monetary items and from retranslating at the balance sheet date:

- investments and other financial instruments measured at fair value through profit or loss; and
- other monetary items are included in the Statement of Comprehensive Income and allocated as capital if they are of a capital nature, or as revenue if they are of a revenue nature.

Exchange differences allocated as capital are included in the transfer to Capital Reserve.

(i) trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date" i.e. the day that the entity 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.

(j) 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. Dividends received from UK registered companies are accounted for net of imputed tax credits.

(k) expenses

All expenses are accounted for on an accruals basis and are allocated wholly to revenue with the exception of Performance Fees which are allocated wholly to capital, as the fee is payable by reference to the capital performance of the Group and transaction costs which are also allocated to capital.

Finance costs: 100% of basic loans, borrowing cost and CULS are charged to revenue.

(l) share based payments

In accordance with IFRS 2: Share Based Payments, an expense is recognised in the financial statements relating to the value of share options awarded under the 2002 Executive Share Option Scheme to the Chief Executive and employees of North Atlantic Value LLP.

The accounting charge is based on the fair value of each grant, measured at the grant date and is spread over the vesting period. The deemed expense over the vesting period was transferred to the Share Options Reserve and all options have now vested.

The Share Options Reserve as at the balance sheet date reflects the fair value of any remaining options. Fair value is deemed to be the share price of the Ordinary Shares – providing these options are "in the money", i.e. where share price exceeds exercise price.

(m) cash and cash equivalents

Cash in hand and at banks 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. Bank overdrafts that are repayable on demand, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

(n) bank loans and borrowings

All bank 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 has been recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest rate basis.

(o) convertible unsecured loan stock (CULS) 2013

The CULS comprise of an equity element and a debt element, rather than just being treated as debt. The equity element was identified when the CULS were issued and reduces when the CULS are bought back or exercised. A CULS Reserve has been created to recognise the equity component.

(p) taxation

Tax on the profit or loss for the year comprises current and deferred tax. Corporation tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in Equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates, using the Company's marginal method of tax, as applied to those items allocated to revenue, for the accounting period.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(q) share capital and reserves

Share Capital represents the nominal value of equity shares.

Equity component of CULS represents the equity component of convertible unsecured loan stock issued.

Share Options Reserve represents the expense of share based payments. The fair value of Share Options is measured at grant date and spread over the vesting period. The deemed expense is transferred to the Share Options Reserve.

Share Premium Account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Capital Reserve represents realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items. In addition, performance fee costs are allocated to the Capital Reserve.

Revenue Reserve represents retained profits from the income derived from holding investment assets less the costs associated with running the Company.

2 non-consolidation of investments

In accordance with International Accounting Standards (IAS 27), consolidated financial statements are required to include all subsidiaries of the parent.

As at 31 January 2011 NASCIT held three portfolio investments in excess of 50%, Hampton Investment Properties Limited "Hampton", Kiln Lane Property Limited and Browallia LLP. Having carefully considered the implications your Board have concluded that in the context of an investment company and in view of the envisaged short term nature of control and recognising the resources available to the Company, they regard it as misleading and impracticable to consolidate these investments as required by IAS 27. As a consequence the Company's auditors have included a specific qualification in their report in respect of this issue.

Brief details of the holdings and where appropriate a summary of the impact on NASCIT's accounts had the holdings been consolidated are included as follows:

i) Hampton

Based upon the most recent management accounts of Hampton, dated 31 January 2011, the principal effect of consolidating would be to alter the composition of assets and liabilities of the Group Balance Sheet as follows:

– to decrease:

a) investments at fair value through profit or loss by £12.9m

– to increase:

b) investment property by £40.5m

c) current assets by £2.4m

d) non current liabilities by £23.5m

e) current liabilities by £1.7m

– to include:

f) minority interest of £4.8m

The Directors believe that consolidation of this investment would give no additional benefits to the Shareholders, cause undue expense and would not have a material effect on Net Assets or on the reported net asset value per share.

Were the information available it would also be necessary to reflect the trading activity and expenses in NASCIT's Statement of Comprehensive Income. In the absence of the relevant information it is not possible to quantify the effect this would have on the profit for the year.

ii) Kiln Lane Property Limited

The Company holds 89% of Kiln Lane but the Board has chosen not to consolidate this investment on the basis of non-materiality.

iii) Browallia LLP

The Company holds 95% of Browallia LLP but again the Board has chosen not to consolidate this investment on the basis of non-materiality.

Recent financial information on Browallia LLP is not available but its assets have been transferred into another of the investee companies in the portfolio and an application has been made to have the company struck off so the effect if the holding had been consolidated would be minimal.

3 income

	2011	2010
	£'000	£'000
income from investments		
UK dividend income	**1,602**	1,661
Unfranked investment income		
– dividends	**–**	31
– interest	**161**	210
– interest reinvested	**649**	837
– underwriting commission	**62**	–
	2,474	2,739
other income		
Interest receivable	**86**	133
Net dealing losses from Subsidiary trading	**(530)**	(263)
VAT reclaimed on investment management fee†	**–**	525
Sundry income	**311**	391
	(133)	786
Total income	**2,341**	3,525

	2011	2010
	£'000	£'000
total income comprises		
Dividends	**1,602**	1,692
Interest	**896**	1,180
Other income*	**(157)**	653
	2,341	3,525

	2011	2010
	£'000	£'000
income from investments		
Listed UK	**1,664**	1,661
Unlisted UK	**789**	1,030
Other unlisted	**21**	48
	2,474	2,739

* Includes net dealing losses from Subsidiary trading.

† 31 January 2010 income net of VAT refund received during the year to 31 January 2010. There was no such refund in the year up to 31 January 2011.

4 investment management fee

(i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors above and the Directors' Remuneration Report in the Annual Report, Growth Financial Services Limited ("GFS") provides the services of Mr Mills as Chief Executive of the Company, who is responsible for day-to-day investment decisions. Mr Mills is the sole shareholder and a director of GFS. GFS is entitled to receive part of the investment management and related fees payable to GFS and North Atlantic Value LLP as may be agreed between them from time to time.

(ii) Pursuant to the terms of the Management, Administration and Custody Agreement, described in the Group Report of the Directors above, North Atlantic Value LLP is entitled to receive a fee (the Annual Fee) in respect of each financial period equal to the difference between (a) 1% of Shareholders' Funds (as defined) on 31 January each year and (b) the amount payable to GFS referred to in note 4(i) above. This fee is payable quarterly in advance.

As set out in note 19, no formal arrangements exist to avoid double charging on investments managed or advised by North Atlantic Value LLP.

(iii) The Performance Fee, calculated annually to 31 January, is only payable if the investment portfolio outperforms the Sterling adjusted Standard & Poors' 500 Composite Index. It is calculated as 10% of the outperformance and paid as a percentage of Shareholders' Funds. It is limited to a maximum payment of 0.5% of Shareholders' Funds. The Performance Fee arrangements payable to GFS have been in place since 1984 when they were approved by Shareholders.

(iv) In addition to the management fees disclosed in note 4(ii) above, North Atlantic Value LLP is also paid the following:

- an activity fee of £225 per transaction as reimbursement of custodian and related transaction costs incurred on the Company's behalf (see note 5).
- an investment management related fee of £100,000 per annum (see note 5). With effect from 1 February 2011, it has been agreed that the activity fee of £225 per transaction will no longer be payable and that in return the investment management related fee will increase to £125,000 per annum. The Joint Manager felt that a fee per transaction meant that it was unattractive to do small trades so this adjustment will remedy that.

The amounts payable in the year in respect of investment management are as follows:

	2011			2010		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Annual fee	**2,255**	**–**	**2,255**	1,862	–	1,862
Performance Fee	**–**	**1,176**	**1,176**	–	1,102	1,102
Irrecoverable VAT thereon	**–**	**43**	**43**	–	123	123
	2,255	**1,219**	**3,474**	1,862	1,225	3,087

At 31 January 2011, £113,000 was payable to the Joint Manager in respect of outstanding management fees (2010: £93,000). At 31 January 2011, £1,176,000 plus VAT was payable to GFS in respect of outstanding performance fees (2010: £1,102,000). This is expected to be paid in May 2011.

5 other expenses

	2011	2010
	£'000	£'000
Auditor's remuneration (see below)	**54**	51
Directors' fees *	**98**	104
Investment management related fee (see note 4)	**100**	100
Activity fees (see note 4)	**27**	29
Other expenses	**449**	689
	728	973

* During the year, it was discovered that Mr E F Gittes had been overpaid a total of £7,000 during the period July 2009 - March 2011 (£4,000 relates to the year ended 31 January 2010) as his fees had not been adjusted upon his retirement as Chairman of the Company. This is now being rectified with a deduction of £2,000 in the year ended 31 January 2011 and the remainder to be deducted during the forthcoming year.

Auditors' remuneration	**2011 £'000**	2010 £'000
Fees payable to the Company's Auditor for the audit of the financial statements:		
– Current year auditor	**39**	–
– Prior year auditor	**6**	47
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the financial statements of the Company's Subsidiary pursuant to legislation:		
– Prior year auditor	**1**	1
– Other services relating to taxation:		
– Current year auditor	**4**	–
– Prior year auditor	**4**	3
	54	51

Fees payable to the Company's Auditor, KPMG Audit PLC and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Company's Group financial statements are required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, SI 2008 No. 489, to disclose such fees on a consolidated basis.

6 share based remuneration

	2011 Revenue £'000	**2011 Capital £'000**	**2011 Total £'000**	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Cost of repurchasing management options (see below)	**–**	**–**	**–**	–	–	–
	–	**–**	**–**	–	–	–

A list of the Options in issue are shown below;

No. of options at 1 February 2010	**Year of grant**	**Price**	**Excercised/ cancelled during the year**	Grant of options during the year	Price	**No. of Options at 31 January 2011**
100,000	2000	677.57p	100,000	–	–	**–**
355,000	2002	645.54p	355,000	–	–	**–**
225,000	2003	663.80p	225,000	–	–	**–**
337,500	2005	875.60p	317,500	–	–	**20,000**

Further details of Options are disclosed in note 15.

On 15 March 2010 C H B Mills (Mr Mills) exercised 100,000 share options granted in 2000 under the NASCIT 1994 Executive Share Option Scheme at an exercise price of 677.57p per share. With the approval of the Board, Mr Mills exercised these options at the strike price of 677.57p.

Accordingly, application was made and accepted, for 100,000 Ordinary Shares to be admitted to the Official List and be admitted to trading on the main market of the London Stock Exchange. Admission took place on 15 April 2010.

Further to a review of the NASCIT 2002 Executive Share Option Scheme, a majority of the option holders waived their rights to future participation. As part of the review of the incentive scheme, it was agreed that, subject to the proceeds being reinvested in NASCIT shares and those shares being held for a period of not less than two years, an ex gratia payment totalling £3.9 million be paid to Mr Mills and to those eligible employees of North Atlantic Value LLP.

The carrying value of these exercised and waivered options was £6.4 million.

At the date of this report there were 20,000 options granted in 2005 in issue, with a carrying value of £0.2 million.

7 interest payable and similar charges

	2011	2010

	£'000	£'000
On bank loans and overdrafts	**197**	224
Interest on CULS	**10**	18
	207	242

8 taxation on ordinary activities

	2011	2010
	£'000	£'000
Overseas taxation	**-**	5
	-	5

The current taxation charge for the year is different from the standard rate of corporation tax in the UK 28% (2010: 28%). The differences are explained below.

	2011	2010
	Total	Total
	£'000	£'000
Total return on ordinary activities before taxation	**40,400**	43,318
Theoretical tax at UK Corporation tax rate of 28% (2010: 28%)	**11,312**	12,129
Effects of:		
Non taxable capital return	**(11,550)**	(12,004)
UK dividends which are not taxable	**(449)**	(469)
Increase in tax losses, disallowable expenses and offshore income gains	**687**	344
Overseas tax which is not recoverable	**–**	5
Actual current tax charge	**–**	5

Factors that may affect future tax charges:

The Group has tax losses of £19,794,000 (2010: £19,107,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those losses which will be recoverable only to the extent that the Group has sufficient future taxable revenue.

Of the Group tax losses shown above, the Parent Company has tax losses of £19,794,000 (2010: £19,107,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those losses, which will be recoverable only to the extent that the Company has sufficient future taxable revenue.

The Company carries out its activities as an investment trust and the intention is to continue meeting the conditions required to obtain approval in the foreseeable future. Therefore, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

9 return per ordinary share and net asset value per ordinary share

Consolidated return per Ordinary Share:

		Revenue			**Capital**			**Total**	
	***Net return**	**Ordinary**	**Per Share**	***Net return**	**Ordinary**	**Per Share**	***Net return**	**Ordinary**	**Per Share**
	£'000	**Shares**	**pence**	**£'000**	**Shares**	**pence**	**£'000**	**Shares**	**pence**
2011									
Basic return per Share	**(849)**	**14,488,339**	**(5.86)**	**41,249**	**14,488,339**	**284.70**	**40,400**	**14,488,339**	**278.84**
CULS**	**13**	**2,577,905**		**–**	**2,577,905**		**13**	**2,577,905**	
Diluted return per Share	**(836)**	**17,066,244**	**(4.90)**	**41,249**	**17,066,244**	**241.70**	**40,413**	**17,066,244**	**236.80**

		Revenue			Capital			Total	
	*Net return	Ordinary	Per Share	*Net return	Ordinary	Per Share	*Net return	Ordinary	Per Share
	£'000	Shares	pence	£'000	Shares	pence	£'000	Shares	pence
2010									

Basic return per Share	443	14,810,713	2.99	42,870	14,810,713	289.45	43,313	14,810,713	292.44
CULS**	19	3,753,120		–	3,753,120		19	3,753,120	
Diluted return per Share	462	18,563,833	2.49	42,870	18,563,833	230.93	43,332	18,563,833	233.42

Basic return per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in issue during the year.

* Profit for the year.
** CULS interest cost and excess of the total number of potential shares on CULS conversion over the number that could be issued at the average market price from the conversion proceeds, as calculated in accordance with IAS 33: Earnings per share.

Consolidated net asset value per Ordinary Share:

The consolidated net asset value per Ordinary Share calculated in accordance with the Articles of Association is as follows:

	Net asset value per Share	
	2011	2010
Ordinary Shares – Basic	**1,664p**	1,480p
– Diluted	**1,459p**	1,169p

The basic net asset value per Ordinary Share is based on net assets of £233,896,000 (2010: £219,461,000) and on 14,057,252 Ordinary Shares (2010: 14,824,227) being the number of Ordinary Shares in issue at the year end.

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 2013 CULS are fully converted at par and that all 20,000 (2010: 1,017,500) Share Options were exercised at the prevailing exercise prices, giving a total of 16,048,052 issued Ordinary Shares (2010: 19,429,552).

10 investments

a. Investments at fair value through profit or loss

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Quoted at fair value:				
United Kingdom	**46,360**	75,328	**66,684**	91,033
Overseas	**1,085**	2,186	**1,085**	2,186
Total quoted investments	**47,445**	77,514	**67,769**	93,219
Treasury bills at fair value	**24,836**	7,489	**24,836**	7,489
Unlisted and loan stock at fair value	**115,166**	94,667	**115,166**	94,667
Total investments at fair value	**187,447**	179,670	**207,771**	195,375

group – 2011	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Total £'000**
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2010	51,547	29,326	59,258	16,648	7,298	164,077
Opening unrealised (depreciation)/appreciation	(15,745)	12,386	20,941	(2,180)	191	15,593
opening valuation as at 1 February 2010	35,802	41,712	80,199	14,468	7,489	179,670
Movements in year:						
Transfers	(5,015)	(18,451)	14,150	9,316	–	–
Purchases at cost	12,260	244	9,242	2,927	84,426	109,099
Sales – proceeds	(17,273)	(34,344)	(1,999)	(18,851)	(66,272)	(138,739)
– realised (losses)/gains on sales	(2,377)	28,562	(1,256)	(5,691)	24	19,262

	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
Increase/(decrease) in fair value	11,909	(5,584)	11,511	1,150	(831)	18,155
closing valuation as at 31 January 2011	**35,306**	**12,139**	**111,847**	**3,319**	**24,836**	**187,447**
Closing bookcost as at 31 January 2011	39,142	5,337	79,395	4,349	25,476	153,699
Closing unrealised (depreciation)/appreciation	(3,836)	6,802	32,452	(1,030)	(640)	33,748
	35,306	**12,139**	**111,847**	**3,319**	**24,836**	**187,447**
company – 2011						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2010	62,028	29,326	59,325	16,648	7,298	174,625
Opening unrealised (depreciation)/appreciation	(10,521)	12,386	20,874	(2,180)	191	20,750
opening valuation as at 1 February 2010	51,507	41,712	80,199	14,468	7,489	195,375
Movements in year:						
Transfers	(5,015)	(18,451)	14,150	9,316	–	–
Purchases at cost	12,260	244	9,242	2,927	84,426	109,099
Sales – proceeds	(17,273)	(34,344)	(1,999)	(18,851)	(66,272)	(138,739)
– realised (losses)/gains on sales	(2,377)	28,562	(1,256)	(5,691)	24	19,262
Increase/(decrease) in fair value	16,528	(5,584)	11,511	1,150	(831)	22,774
closing valuation as at 31 January 2011	**55,630**	**12,139**	**111,847**	**3,319**	**24,836**	**207,771**
Closing bookcost as at 31 January 2011	49,623	5,337	79,462	4,349	25,476	164,247
Closing unrealised appreciation/(depreciation)	6,007	6,802	32,385	(1,030)	(640)	43,524
	55,630	**12,139**	**111,847**	**3,319**	**24,836**	**207,771**

group – 2010	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Total £'000**
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2009	61,447	48,422	43,117	7,514	14,561	175,061
Opening unrealised (depreciation)/appreciation	(24,156)	(12,876)	10,703	(531)	(696)	(27,556)
opening valuation as at 1 February 2009	**37,291**	**35,546**	**53,820**	**6,983**	**13,865**	**147,505**
Movements in year:						
Transfers	(604)	–	604	–	–	–
Purchases at cost	4,701	2,804	71,065	11,679	30,452	120,701
Sales – proceeds	(22,527)	(8,290)	(57,807)	(1,345)	(36,128)	(126,097)
– realised gains/(losses) on sales	8,530	(13,610)	2,279	(1,200)	(1,587)	(5,588)
Increase/(decrease) in fair value	8,411	25,262	10,238	(1,649)	887	43,149
closing valuation as at 31 January 2010	**35,802**	**41,712**	**80,199**	**14,468**	**7,489**	**179,670**
Closing bookcost as at 31 January 2010	51,547	29,326	59,258	16,648	7,298	164,077
Closing unrealised (depreciation)/appreciation	(15,745)	12,386	20,941	(2,180)	191	15,593
	35,802	**41,712**	**80,199**	**14,468**	**7,489**	**179,670**
company – 2010						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2009	71,928	48,422	43,184	7,514	14,561	185,609
Opening unrealised (depreciation)/appreciation	(23,409)	(12,876)	10,636	(531)	(696)	(26,876)
opening valuation as at 1 February 2009	**48,519**	**35,546**	**53,820**	**6,983**	**13,865**	**158,733**
Movement in year:						
Transfers	(604)	–	604	–	–	–
Purchases at cost	4,701	2,804	71,065	11,679	30,452	120,701
Sales – proceeds	(22,527)	(8,290)	(57,807)	(1,345)	(36,128)	(126,097)
– realised gains/(losses) on sales	8,530	(13,610)	2,279	(1,200)	(1,587)	(5,588)
Increase/(decrease) in fair value	12,888	25,262	10,238	(1,649)	887	47,626
closing valuation as at 31 January 2010	**51,507**	**41,712**	**80,199**	**14,468**	**7,489**	**195,375**
Closing bookcost as at 31 January 2010	62,028	29,326	59,325	16,648	7,298	174,625
Closing unrealised (depreciation)/appreciation	(10,521)	12,386	20,874	(2,180)	191	20,750
	51,507	**41,712**	**80,199**	**14,468**	**7,489**	**195,375**

analysis of capital gains and losses	**2011 £'000**	2010 £'000
Gains/(losses) on sales	**19,262**	(5,588)
Unrealised gains	**18,155**	43,149
	37,417	37,561

Net premiums on sale of options held for trading	**(161)**	900
Movement in valuation of unexpired put options	**612**	78
Losses on loan repayment	**–**	(19)
Movement in valuation of escrow	**–**	11
gains on investments	**37,868**	38,531
Unrealised gains	**4,619**	4,477
gains on equity accounted investments	**4,619**	4,477

	2011	2010
	£'000	£'000
Exchange losses on capital items	**(626)**	(371)
Exchange gains on escrow	**–**	448
Exchange gains on capital items and currency	**607**	1,010
exchange (losses)/gains	**(19)**	1,087

	2011	2010
portfolio analysis	**£'000**	£'000
Equity shares	**133,453**	131,685
Convertible preference securities	**25,839**	26,028
Fixed interest securities	**3,319**	14,468
Treasury Bills	**24,836**	7,489
	187,447	179,670

b. Subsidiary undertaking

At 31 January 2011 the Company has the following Subsidiary:

Subsidiary	**Principal activity**	**% equity held**	**Country of registration**
Consolidated Venture Finance Limited*	Security trading	100.00**%**	England and Wales

This Subsidiary was active during the year.

* Directly held by the Company at a cost of less than £1,000.

c. Associates

In the Group accounts Oryx is recognised as an Associate and the results of that Company have been accounted for in the Group accounts as an Associate under the equity method of accounting and valued using the latest Net Asset Value of that Company. Oryx is a separately quoted company and has a financial year end date of 31 March, therefore the statutory accounts are not available to consolidate.

At the date of this report, the Company held 7,106,284 Ordinary shares representing 34.99% of the total voting rights in Oryx.

The carrying value of the investment in associate in the Consolidated Balance Sheet using the equity method is as follows:

	2011	2010
	£'000	£'000
Cost		
Opening share of net assets at 1 February	**15,705**	11,228
Sales – proceeds	**–**	–
– gains on disposals	**–**	–
Share of profit for the year	**4,619**	4,477
Closing share of net assets at 31 January	**20,324**	15,705

The following financial information for Oryx has been extracted from its unaudited interim results for the six months ended 30 September 2010:

	£'000
Net assets	50,906

Income and gains from investments	11,704
Net profit for the period	4,207

Oryx is traded on the London Stock Exchange. The value at bid price at 31 January 2011 was £17,410,000, based on the holding of 7,106,284 Ordinary shares priced at 245p per share.

d. Significant holdings

At the year-end, the Group and Company held 20% or over of the aggregate nominal value of voting equity of the following companies, all of which are incorporated and registered in England and Wales, unless stated:

		31 January 2011 %	31 January 2010 %
Forefront Group Limited	– Ordinary Shares	**23.1**	21.4
Castle Support Services PLC	– Ordinary Shares	**–**	24.6
Hampton Investment Properties Limited*	– Ordinary Shares	**62.1**	72.0
Kiln Lane Property Limited*	– Ordinary Shares	**89.0**	89.0
Martley Limited (Jersey)	– Ordinary Shares	**29.6**	29.6
Nationwide Accident Repair Services PLC	– Ordinary Shares	**23.2**	23.2
North America Banks Fund Limited	– Ordinary Shares	**–**	21.1
Bionostics Holdings Limited	– Ordinary Shares	**47.1**	54.7
Orthoproducts Limited	– Ordinary Shares	**40.0**	40.0
Oryx International Growth Fund Limited (incorporated in Guernsey)	– Ordinary Shares	**34.5**	31.5
Browallia LLP*	– Ordinary Shares	**95.0**	95.0
Performance Chemicals Company	– Ordinary Shares	**46.1**	39.1
Trident Private Equity Fund III LP	– Ordinary Shares	**32.0**	52.7

* The Board has chosen not to consolidate these holdings. See note 2 for further details.

e. Investments held for trading – derivatives

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Valuation of unexpired put options	**–**	(612)	**–**	(612)
Unrealised loss on unexpired put options	**–**	(12)	**–**	(12)
	–	(624)	**–**	(624)

f. Investments deposited as collateral

Where US Treasury Bills or investments are required in accordance with United States SEC regulations to be deposited with brokers as cover for option transactions, these may be held to the order of these brokers until the relevant option positions are closed. At 31 January 2011, US Treasury Bills with a market value of £24,836,000 were deposited with brokers (2010: £7,489,000).

g. Transaction costs

During the year, the Group incurred total transaction costs of £58,000 (2010: £67,000) comprising £42,000 (2010: £38,000) and £16,000 (2010: £29,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Consolidated Statement of Comprehensive Income.

h. Material disposals of unlisted investments in the year:

Security Name	Disposal Date	Proceeds £'000	Bookcost £'000	Gain/(loss) £'000	Carrying value at 31 January 2010 £'000
Avanti Communications Senior Loan	July 2010	6,282	5,979	303	5,531

DMWSL 632 (Inspired Gaming) Loan Notes	July 2010	8,817	14,799	(5,982)	N/A
Bionostics Mezzanine Loan	September 2010	1,613	1,629	(16)	N/A
Hampton Loan	November 2010	500	500	–	N/A

11 trade and other receivables

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Amounts owed by Subsidiary	**–**	–	**9,232**	1,281
Accrued income	**242**	129	**242**	129
Other debtors	**2,576**	1,889	**2,425**	1,292
	2,818	2,018	**11,899**	2,702

12 bank loans: falling due in less than one year

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
£9 million multi currency loan facility to 31 July 2011				
Euro €6.8 million term drawn to 14/04/11	**5,786**	5,864	**5,786**	5,864
	5,786	5,864	**5,786**	5,864

During the year no repayments were made. The Euro loan of €6.8m was due to mature on 14 April 2011, at which point in time €5m was repaid in full and the balance of €1.8m continues to be borrowed and was rolled over until 23 June 2011.

13 trade and other payables

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Amounts due to brokers	**2**	–	**2**	–
Other creditors and accruals	**1,714**	1,526	**1,714**	1,526
	1,716	1,526	**1,716**	1,526

14 debenture loan – convertible unsecured loan stock (CULS) 2013

	2011 No. of units	**2011 £'000**	2010 No. of units	2010 £'000
group and company				
Balance at beginning of year	**3,587,825**	**152**	3,866,504	164
Converted during the year	**(507,025)**	**(21)**	(28,679)	(1)
Bought back in year	**(1,110,000)**	**(47)**	(250,000)	(11)
Balance at end of year	**1,970,800**	**84**	3,587,825	152

The CULS include an equity component as well as debt. As explained in note 1.(o), the equity component is shown in the CULS Reserve.

The CULS were issued in units of 5p. The CULS units are redeemable at par on 31 May 2013, unless previously redeemed, purchased by the Company or converted at the option of the holder.

During the year ended 31 January 2011, 507,025 (2010: 28,679) CULS units were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p.

Also during the year ended 31 January 2011, 1,110,000 (2010: 250,000) CULS units were purchased for cancellation at an average rate of 882p per unit (2010: 794p).

The remaining CULS units are convertible into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p one month after despatch of the audited accounts in each of the years 2011 to 2013 inclusive. Interest at the rate of 0.5p gross per 5p unit per annum is payable on 31 January each year.

15 share capital

	2011 Number	2011 £'000	**2010 Number**	2010 £'000
– issued and fully paid:				
Ordinary Shares of 5p:				
Balance at beginning of year	**14,824,227**	741	**14,795,548**	740
Conversion of CULS	**507,025**	26	**28,679**	1
New issue of shares	**100,000**	5	**–**	–
Cancellation of shares	**(1,374,000)**	(69)	**–**	–
Balance at end of year	**14,057,252**	703	**14,824,227**	741

During the year, 507,025 (2010: 28,679) CULS units were converted into Ordinary Shares of 5p as detailed in note 14.

Since 31 January 2011, a total of 115,000 Ordinary Shares have been purchased by the Company for cancellation. As at the date of this report, the Company's issued share capital consists of 13,942,252 Ordinary shares of 5p nominal value each.

There are contingent rights to subscribe for Ordinary Shares of 5p each pursuant to:

There are Options under the 2002 Executive Share Option Scheme totalling 20,000 (2010: 1,017,500) remaining, details of which are given in the Directors' Remuneration Report in the Annual Report. These Options have been granted to investment management employees of the Joint Manager.

16 reconciliation of total return from ordinary activities before finance costs and taxation to cash (expended)/received from operations

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Total gains from ordinary activities before finance costs and taxation	**40,607**	43,560	**40,607**	43,560
Gains on investments	**(37,849)**	(39,618)	**(42,468)**	(44,095)
Share of net return of associate	**(4,619)**	(4,477)	**–**	–
Settlement of outstanding share options	**(3,887)**	–	**(3,887)**	–
Provision for Subsidiary	**–**	–	**530**	236
Dividends and interest reinvested	**(649)**	(837)	**(649)**	(837)
Increase in debtors and accrued income	**(1,324)**	(90)	**(1,324)**	(90)
Changes relating to investments of dealing Subsidiary	**530**	(568)	**–**	–
Increase in creditors and accruals	**158**	1,263	**158**	1,263
Tax on investment income	**–**	(5)	**–**	(5)
Cash (expended)/received from operations	**(7,033)**	(772)	**(7,033)**	32

17 analysis of net cash and net debt

net cash	At 1 February 2010 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2011 £'000**
Group				
Cash and cash equivalents	29,600	214	529	**30,343**
Company				
Cash and cash equivalents	29,550	(8,267)	529	**21,812**

net debt	At 1 February 2010 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2011 £'000**
Group				
Loans falling due in less than one year	5,864	–	(78)	**5,786**
Company				
Loans falling due in less than one year	5,864	–	(78)	**5,786**

18 financial instruments and risk profile

An explanation of the Group's financial risk management objectives, policies and strategy can be found in the Group Report of the Directors.

The Group's financial instruments comprise its investment portfolio, cash balances, derivatives contracts, borrowing facilities, loan stock and trade receivables and trade payables that arise directly from its operations. Note 1 sets out the accounting policies, including criteria for recognition and the basis for measurement, applied to significant financial instruments (excluding cash at bank and bank loans) which are carried at fair value. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised.

To support its investment in unquoted companies, the Group may periodically agree to guarantee all or part of the borrowings of investee companies. Provision is made for any costs that may be incurred when the Directors consider it likely that the guarantee will crystallise.

The main risks arising from the Group's financial instruments are:

(i) market price risk, including currency risk, interest rate risk and other price risk;

(ii) liquidity risk; and

(iii) credit risk

The Company Secretary in close co-operation with the Board of Directors and the Joint Managers, co-ordinates the Group's risk management. The policies for managing each of these risks are summarised below and have been applied throughout the year.

(i) market price risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks, which policies have remained substantially unchanged from those applying in the year ended 31 January 2010. The Joint Managers assess the exposure to market risk when making each investment decision and monitor the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

currency risk

The Group's total return and net assets can be materially affected by currency translation movements as a significant proportion of the Group's assets are denominated in currencies other than Sterling, which is the Group's functional currency. It is not the Group's policy to hedge this risk on a continuing basis but the Group may, from time to time, match specific overseas investment with foreign currency borrowings. The Joint Managers seek, when deemed appropriate, to manage exposure to currency movements on borrowings by using forward foreign currency contracts as a hedge against potential foreign currency movements. At 31 January 2011, the Group had no open forward currency contracts (2010: none).

The revenue account is subject to currency fluctuation arising on overseas income. The Group does not hedge this currency risk.

Foreign currency exposure by currency of denomination:

group and company

	31 January 2011			31 January 2010		
	Overseas investments	**Net monetary assets**	**Total currency exposure**	Overseas investments	Net monetary assets	Total currency exposure
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
US Dollar	**74,502**	**16,703**	**91,205**	39,920	23,748	63,668
Euro	**685**	**(5,794)**	**(5,109)**	6,597	(5,865)	732
	75,187	**10,909**	**86,096**	46,517	17,883	64,400

Sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at each balance sheet date and takes account of forward currency contracts that offset the effects of changes in currency exchange rates.

If Sterling had weakened against the US Dollar by 10%, this would have increased the net assets by £10,134,000 (2010: £7,074,000).

If Sterling had strengthened against the US Dollar by 10%, this would have decreased the net assets by £8,291,000 (2010: decrease of £5,788,000).

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Group's objectives.

interest rate risk

Interest rate movements may affect;

- the fair value of the investments in fixed interest rate securities (including unquoted loans);
- the level of income receivable on cash deposits;
- the fair value of the Company's issued CULS;
- the interest payable on the Group's variable rate borrowings; and
- the loan guarantee, and any amounts payable should the guarantee be called upon.

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 and borrowing under the multi-currency loan facility.

The Board reviews on a regular basis the values of the fixed interest rate securities and the unquoted loans to companies in which private equity investment is made.

The Group finances part of its activities through borrowings at levels approved and monitored by the Board.

Movements in interest rates would not significantly affect net assets attributable to the Group's Shareholders and total profit.

loans and borrowings

group and company	Effective interest rate	Maturity	**31 January 2011 £'000**	31 January 2010 £'000
current				
Term loan – Euro €6.8 million (2010: €6.8 million)	3.50%	14 April 2011	**5,786**	5,864
non current				
CULS	5.00%	31 May 2013	**84**	152
			5,870	6,016

	Maturity	**31 January 2011 £'000**	31 January 2010 £'000
Maturity dates of financial liabilities:			
Principal amounts payable on maturity:			
Term loan – Euro €6.8 million (2010: €6.8 million)	14 April 2011	**5,786**	5,864
CULS	31 May 2013	**84**	152
Interest payable on maturity:			
Term loan – Euro €6.8 million (2010: €6.8 million)	14 April 2011	**51**	13
CULS *	31 May 2013	**23**	60

* Gross amounts payable, split annually for each payment anniversary of 31 January, based on the outstanding principal at year end over the remaining term as at 31 January 2011 of 2.33 years (2010: 3.33 years). Assumes no further redemptions.

CULS

The Convertible Loan Stock 2013 (CULS) were issued in units of 5p each. The units are redeemable at par on 31 May 2013, unless previously redeemed, purchased by the Company, or converted at the option of the holder.

During the year ended 31 January 2011, 507,025 (2010: 28,679) units of CULS were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p. Also during the year ended 31 January 2011, the Company purchased 1,110,000 (2010: 250,000) units of CULS for cancellation at a total cost (including stamp duty) of £9,795,000 (2010: £1,984,000).

The CULS units are convertible into Ordinary Shares of 5p each at a rate of one Ordinary Share for every 5p unit, one month after despatch of the audited accounts in each of the years 2008 to 2013 inclusive.

Interest is payable to holders of the CULS at a rate of 0.5p gross per 5p unit per annum on 31 January each year.

The amount included in the table above of £84,000 (2010: £152,000) is the fair value of the financial liability element of the CULS as of its date of issue, as adjusted for the effective rate of interest, less interest paid to the unit holders and less the amount of CULS that has been purchased for cancellation or converted into Ordinary Shares.

term bank loans

As at 31 January 2011, the Company had a multi-currency loan Revolving Credit Facility of up to £9 million (which expires on 31 July 2011). All loan drawdowns are repayable in full on maturity, unless rolled over for a further agreed period.

Interest is payable on the loans on a quarterly basis and the rate is fixed for the duration of the drawdown.

Both the interest due and the principal are payable in the relevant currency of the drawdown.

Further information on the financial liabilities is given in note 12 (multi-currency loan facility) and note 14 (CULS).

Sensitivity analysis is based on the Group's and Company's monetary financial instruments held at each balance sheet date with all other variables held constant.

If interest rates rose by 100 basis points this would increase net assets by £246,000 (2010: increase by £237,000).

If interest rates fell by 100 basis points this would decrease net assets by £246,000 (2010: decrease by £237,000).

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as borrowings are drawn down and repaid during the year.

other price risk

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

The Group's exposure to price risk comprises mainly movements in the value of the Group's investments. It should be noted that the prices of options tend to be more volatile than the prices of the underlying securities. As at the year-end, the spread of the Group's investment portfolio analysed by sector was set out earlier in this report.

The Board of Directors manages the market price risks inherent in the investment portfolios by ensuring full and timely access to relevant investment information from the Joint Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Joint Managers compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation.

When appropriate, derivative contracts are used to hedge against the exposure to price risk.

The Group's exposure to other changes in market prices at 31 January 2011 on its quoted and unquoted investments and options on investments was as follows:

	2011 Group £'000	**2011 Company £'000**	2010 Group £'000	2010 Company £'000
Financial assets at fair value through profit or loss				
Non current investments at fair value through profit or loss	**187,447**	**207,771**	179,670	195,375
Financial assets at fair value through profit or loss and held for trading				
– Current asset investments	**550**	**550**	634	634
Current liabilities				
– Put options on investments	**–**	**–**	(612)	(612)

The following table illustrates the sensitivity of the profit after taxation and net assets to an increase or decrease of 10% in the fair values of the Group's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Group's equities and equity exposure through options at each balance sheet date, with all other variables held constant.

	2011		2010	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Increase/(decrease) in net assets	**18,745**	**(18,745)**	17,967	(17,967)

(ii) liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not significant as the Group invests in equities and other investments that are readily realisable. It has no derivative liabilities as shown in note 10(e). The Group had a multi-currency loan facility of £9.0 million as at 31 January 2011. Details of contractual maturities of the financial liabilities together with contractual amounts of interest payable are shown above.

(iii) credit risk

The Group does not have any significant exposure to credit risk arising from any one individual party. Credit risk is spread across a number of counterparties, each having an immaterial effect on the Group's cash flows, should a default happen. The Company assesses the credit worthiness of its debtors from time to time to ensure they are neither past due or impaired.

The maximum exposure of the financial assets to credit risk at the balance sheet date was as follows:

	2011 Group £'000	2011 Company £'000	2010 Group £'000	2010 Company £'000
financial assets neither past due or impaired				
Fixed income securities	**3,319**	**3,319**	14,468	14,468
Preference shares	**25,839**	**25,839**	26,028	26,028
Treasury Bills	**24,836**	**24,836**	7,489	7,489
Accrued income and other debtors	**1,341**	**1,190**	1,593	996
Cash and cash equivalents	**30,343**	**21,812**	29,600	29,550
	85,678	**76,996**	79,178	78,531

The maximum credit exposure of financial assets represents the carrying amount.
There are no financial assets that are past due or impaired.

commitments giving rise to credit risk

There are no commitments giving rise to credit risk as at 31 January 2011.

fair value of financial assets and financial liabilities

The fair value for each class of financial assets and liabilities, compared with the corresponding amount in the Balance Sheet was as follows (trade receivables and trade payables, are excluded from the comparison, as their carrying amounts are a reasonable approximation of their fair value).

	31 January 2011		31 January 2010	
	Fair value	**Balance Sheet value**	Fair value	Balance Sheet value
financial assets	**£'000**	**£'000**	£'000	£'000
Financial assets at fair value through profit or loss				
– Non current assets	**187,447**	**187,447**	179,670	179,670
Financial assets at fair value through profit or loss and held for trading				
– Current asset investments	**550**	**550**	634	634
Loans and receivables				
– Cash and cash equivalents	**30,343**	**30,343**	29,600	29,600
	218,340	**218,340**	209,904	209,904

	31 January 2011		31 January 2010	
	Fair value	**Balance Sheet value**	Fair value	Balance Sheet value
financial liabilities	**£'000**	**£'000**	£'000	£'000
Financial assets at fair value through profit or loss and held for trading				
– Put options on investments	**–**	**–**	(612)	(612)
Other financial liabilities				
– Multi-currency loan	**(5,786)**	**(5,786)**	(5,864)	(5,864)
– CULS	**(84)**	**(84)**	(152)	(152)
	(5,870)	**(5,870)**	(6,628)	(6,628)

fair values are derived as follows:

– Where assets and liabilities are denominated in a foreign currency, they are converted into Sterling using year-end rates of exchange.
– Financial assets (non current and held for trading) – as set out in the accounting policies .
– Cash and cash equivalents, bank overdraft and multi-currency loan – at face value of the account.
– The Company's CULS – at the face value of the financial liability element of remaining CULS in issue.

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company 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 (Level 1).

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

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

The table below sets out fair value measurements of financial assets in accordance with the IFRS 7 fair value hierarchy system:

financial assets at fair value through profit or loss

At 31 January 2011

	Total £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Equity investments	159,292	47,445	–	111,847
Fixed interest investments	28,155	24,836	–	3,319
Total	**187,447**	**72,281**	**–**	**115,166**

financial assets at fair value through profit or loss continued

At 31 January 2010

	Total £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Equity investments	157,713	77,514	–	80,199
Fixed interest investments	21,957	7,489	–	14,468
Total	179,670	85,003	–	94,667

financial liabilities at fair value through profit or loss

At 31 January 2011

Nil.

At 31 January 2010

	Total £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Derivatives	(612)	–	(612)	–
Total	**(612)**	**–**	**(612)**	**–**

A reconciliation of fair value measurements in Level 3 is set out below.

level 3 financial assets at fair value through profit or loss

At 31 January 2011

	Equity investments £'000	Fixed interest investments £'000	Total £'000
Opening balance	80,199	14,468	94,667
Purchases	9,242	2,927	12,169
Sales	(1,999)	(18,851)	(20,850)
Transfers into Level 3*	14,150	9,316	23,466
Total gains or losses included in gains on investments in the statement of comprehensive income:			
– on assets sold	(1,256)	(5,691)	(6,947)
– on assets held at the end of the year	11,511	1,150	12,661
Closing balance	**111,847**	**3,319**	**115,166**

*Transfers into Level 3 relate to holdings that were listed (in Level 1) in the prior year but became unlisted during the year to 31 January 2011.

capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern, and
– to maximise the income and capital return to its equity Shareholders through an appropriate balance of equity capital and debt. The policy is that gearing should not exceed 30% of net assets.

The Company's capital at 31 January comprises:

	2011 £'000	2010 £'000
Debt		
Borrowings under the multi-currency loan facility	**5,786**	5,864
CULS	**84**	152
Equity		
Equity share capital	**703**	741
Retained earnings and other reserves	**233,193**	218,720
	239,766	225,477
Debt as a % of net assets	**2.5%**	2.7%

The Board, with the assistance of the Joint Managers monitor and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:
– the planned level of gearing, which takes account of the Joint Managers' views on the market;
– the need to buy back equity Shares for cancellation, which takes account of the difference between the net asset value per share and the Share price (i.e. the level of share price discount or premium);
– the need for new issues of equity Shares; and
– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to several externally imposed capital requirements, including:
– the bank borrowings under the multi-currency loan facility are not to exceed 35% of the adjusted net asset value and the minimum adjusted net asset value is £135m.

These requirements are unchanged since last year, and the Company has complied with them.

19 related party transactions

The Joint Manager, North Atlantic Value LLP, is regarded as a related party of the Company and acts as Investment Manager or Investment Adviser of the following companies in which the Company has an investment and from which companies the Joint Manager receives fees or other incentives for its services. The amounts payable to the Joint Manager are disclosed in note 4. The relationships between the Company, its Directors and the Joint Managers are disclosed in the Group Report of the Directors.

The relevant companies and the annual fees receivable as derived from the last audited accounts are:

	Services	**Fees**
Oryx International Growth Fund Limited	Investment Advisory	£517,000
Trident Private Equity II LP	Investment Advisory	£531,000
Trident Private Equity III LP	Investment Advisory	£1,080,000

J O Hambro Capital Management Limited (the Corporate Company Secretary) is a Designated Member of North Atlantic Value LLP.

Christopher Mills is Chief Investment Officer and a member of North Atlantic Value LLP. He is also a substantial shareholder of J O Hambro Capital Management Group Limited (one of the two Designated Members of North Atlantic Value LLP) and the holding company of the Corporate Company Secretary.

disclosure of interests

Christopher Mills, the Chief Executive and Investment Manager is also a director of Oryx International Growth Fund Limited (Oryx).

North Atlantic Value LLP is investment manager to Oryx and investment adviser to Trident Private Equity II LP and Trident Private Equity III LP and receives fees from them.

Christopher Mills is also a director of the following companies in which the Company has an investment or may have had in the year and/or from which he may receive fees or hold options or shares: Catalyst Media Group PLC, Sunlink Health Systems Inc, Bionostics Limited, Hampton Investment Properties, Izodia PLC, Second London American Trust PLC (in members' voluntary liquidation), Prime Focus London PLC, Oryx International Growth Fund Limited, Glass America, Inc, Progeny, Inc, Global Options, Celsis International Limited and MJ Gleeson PLC. Employees of the Joint Manager may hold options over shares in investee companies. A total of £43,750 in directors fees from these companies was received by Christopher Mills during the year under review.

No formal arrangements exist to avoid double charging on investments held by the Company which are also managed or advised by Christopher Mills (Chief Executive) and/or the Joint Manager. Members and private clients of the Joint Manager and its associates (excluding Christopher Mills and the Chairman) hold 142,493 shares in the Company (2010: 82,050).

Members and employees of the Joint Manager, and institutional and private clients of the Joint Manager, North Atlantic Value LLP may co-invest in the same investments as the Company.

The Hon. P D E Moncreiffe is a director of Crendon Industrial in which the Company has an interest.

From time to time Directors may co-invest in the same investments as the Company.

Oliver Grace was a director of Second London American Trust PLC (in members' voluntary liquidation) and Oliver Grace and his associates hold 21,238,447 shares in Second London American Trust Plc (in members' voluntary liquidation).

On 10 December 2010, the Company purchased 200,000 Ordinary shares for cancellation from one of its Directors, Mr E F Gittes, at a price of 1,005p per share. This transaction was notified to the UK Listing Authority and announced via the regulatory news service.

transaction with other companies in the group.

At 31 January 2011 amounts due from the wholly owned subsidiary Consolidated Venture Finance Limited (CVF) were £9,232,000 (2010: £1,281,000).

20 commitments and contingent liabilities

(i) To support its investment in unquoted companies, the Group may periodically agree to guarantee all or part of the borrowings of investee companies. At the date of this report, the Company was a party to an agreement with KBC Bank NV to assist Nastor Investments Limited to acquire the entire issued share capital of Celsis International Limited. In return for its support, the Company receives a fee of 4% of the outstanding balance per annum.

(ii) Pursuant to an agreement executed in December 2009, the Company pledged its shares held in Glass America Inc for the benefit of Deerpath Funding LP as security against a term loan and revolving credit facility amounting to a total of $7,750,000 granted to Glass America. The pledgers in turn receive the benefit of the credit facilities.

(iii) The Company has also committed to invest £25.5m in Trident Private Equity Fund III over the forthcoming months, of which £5.4m has been drawn down to date.

Copies of the Annual Report for the year ended 31 January 2011 will shortly be available from the Company Secretary, J O Hambro Capital Management Limited, Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB and from the Company's website www.navalue.com