North Atlantic Smaller Companies Investment Trust plc ("NASCIT")

Annual Financial Report for the year ended 31 January 2012

NASCIT is pleased to announce its audited results for the year ended 31 January 2012

		2012	% change	Restated* 2011	2010	2009	2008
revenue							
Gross income (£'000)		**6,432**	174.8	2,341	3,525	4,285	5,208
Net return after tax attributable to Shareholders of the Parent (£'000)		**14**	101.6	(849)	443	538	1,272
Basic return per Ordinary Share	– revenue	**0.10p**	101.7	(5.86)p	2.99p	3.64p	8.86p
	– capital	**(79.00)p**	(127.7)	284.70p	289.45p	(372.41)p	(21.05)p
assets							
Total assets less current liabilities (£'000)		**250,490**	(3.6)	259,916	219,613	178,284	238,166
Net asset value per 5p Ordinary Share:							
	Basic	**1,570p**	(5.6)	1,664p	1,480p	1,204p	1,611p
	Diluted	**1,395p**	(4.4)	1,459p	1,169p	944p	1,209p
Mid-market price of the 5p Ordinary Shares at 31 January		**1,035.0p**	(9.7)	1,146.0p	814.0p	618.5p	1,025.0p
discount to diluted net asset value		**25.8%**	4.3	21.5%	30.4%	34.5%	15.2%
Indices and exchange rates at 31 January							
Standard & Poor's 500 Composite Index		**1312.4**	2.0	1,286.1	1,073.9	825.9	1,378.6
Russell 2000 Index		**792.8**	1.5	781.3	602.0	443.5	713.3
US Dollar/Sterling exchange rate		**1.5781**	(1.5)	1.6018	1.6024	1.4417	1.9880
Standard & Poor's 500 Composite – Sterling adjusted		**832.8**	3.7	803.1	671.8	568.0	693.4
Russell 2000 – Sterling adjusted		**503.1**	3.1	487.9	376.6	305.1	358.8
FTSE All-Share Index		**2,932.90**	(3.7)	3,044.3	2,660.5	2,078.9	3,000.1

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited (see notes 1(c) and 10).

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 wholly owned subsidiary, Consolidated Venture Finance Limited, is an

investment dealing and holding company and its other subsidiary, Hampton Investment Properties Limited, is a property investment 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 companies. The Board believe that the Company's portfolio is diversified although considerably less liquid than a portfolio of large-cap listed equities.

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 Harwood Capital LLP.

company secretary
The Company Secretary is Bonita Guntrip ACIS, Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB.

website
www.harwoodcapital.co.uk

Chairman's statement

The Company's fully-diluted net asset value fell by 4.4% during the period under review, compared with a modest rise in the Sterling adjusted Standard and Poor's Composite Index. However, this should be seen in the context of declines in many other equity indices during this period including, for example, the FTSE Small Cap which dropped by over 7%.

The revenue account showed a profit after tax of £ 284,000 (2011: £849,000 loss). Consistent with the Company's long-standing policy, the Directors are not recommending the payment of a dividend (2011: Nil).

During the year, the Company repurchased 115,000 Ordinary Shares for cancellation. As these securities were purchased at a substantial discount to net asset value, these purchases had a beneficial impact on the net asset value of the Company, whilst still leaving adequate cash balances to fund a number of prospective investments. The Company will continue to consider the repurchase of Ordinary Shares and Convertible Unsecured Loan Stock at a discount when appropriate.

A commentary on the quoted and unquoted investments can be found in the Investment Managers Report on below.

We continue to search for investments that trade at a significant discount to private market value. It is imperative that the underlying businesses are sufficiently strong so as to withstand the anaemic economic growth that we are experiencing in most of Europe.

Although corporate profits have remained resilient, the fear of poor overall economic performance is constraining investors and the prices of financial assets have been supported by various forms of quantitative easing in the US and Europe. The monetisation of government debt cannot be maintained indefinitely without arousing inflationary pressures, particularly if governments seek to fund their deficits through increases in taxation rather than spending cuts.

Given the uncertainty in financial markets and the economic outlook your Directors maintain a cautious approach to valuations, although it is expected that corporate activity will have a positive impact on the value of our holdings and consequently the Company's net asset value over the course of the current year. New investments will be focused on opportunities where there are identifiable catalysts to enhance shareholder value.

I believe that there is potential value in the Company's portfolio, which can be realised to the benefit of our Shareholders over the medium-term.

The Hon. Peregrine Moncreiffe Chairman

23 May 2012

Investment Managers' report

quoted portfolio

United States
Two new investments were made during the year; SeraCare and Interxion, with a modest loss offsetting a modest profit respectively. It is, however, pleasing to report that since the end of the year, SeraCare is up 20% following a takeover bid and Interxion has increased nearly 20% on favourable trading news.

United Kingdom
The major success of the year was undoubtedly RPC Group, which rose 40% and, to a lesser extent, CVS Group, a recent purchase, which rose 10%. Oryx International Growth Fund also performed well, outperforming its benchmark index by nearly 800 basis points. Sadly, BBA fell 20% on concerns about the United States economy and Nationwide Accident fell by 33% as trading weakened in the face of sluggish UK economic prospects.

A big disappointment was the Company's investment in Guinness Peat Group, which fell 25%. Guinness Peat Group is in the course of being broken up and we remain confident that not only will the original cost of our investment be recovered, but the Company will in fact make a good profit.

unquoted portfolio

United Kingdom
Although the majority of the portfolio performed well, it was necessary to write down the value of the investment in AssetCo Abu Dhabi by 50%, as a result of financial irregularities. Orthoproducts, in particular, had a good year and is currently in discussions which might result in an offer at a good premium to the current valuation. Forefront, Letchworth and the major investments in Trident Private Equity II and Trident Private Equity III all made good progress during the year, although it was necessary to write down the investment in Indicant, as trading continued to deteriorate in the face of weakness in domestic consumer expenditure. As reported in last year's annual report, although subsequent to 31 January 2011, the holding in Lion/Katsu was sold at a small premium to the valuation.

United Kingdom Property
The valuation in Hampton Investment Properties was increased modestly, mainly reflecting retained income. Rising rents were offset by rising yield. Merchant Properties also had a modest rise reflecting major rent reviews. The investment in Kiln Lane was sold at valuation, but it was necessary to take a write down in the valuation of the investment in Darby Group which was sold during the year. Taken as a whole, property investment made a modest profit for the Company during the period under review.

United States
One new investment was made during the period, just prior to the close of the financial year; this was in SINAV Limited, the acquiring vehicle for GTL Resources Plc, which was a UK listed holding company for a US based ethanol producer. Celsis continued to trade extremely well and Bionostics and Global Options were broadly in line with expectations. Telos also continues to trade well and it is pleasing to note that the company has started to redeem its preference shares.

Generally the Banks have performed better than last year and are now profitable. It was, however, necessary to write off one small holding, although this was largely offset by the sale of another holding, which had previously been written off.

conclusion
Although it is likely that markets will remain volatile, there is sufficient value potential in the quoted and unquoted portfolios such that I am optimistic that the current year will see resumed growth in the Company's net asset value.

Christopher H B Mills Chief Executive & Investment Manager

23 May 2012

Sector analysis of investments at fair value

equities, convertible securities & loan stocks as a % of total portfolio valuation	United States 31.01.12 %	United Kingdom 31.01.12 %	Europe 31.01.12 %	New Zealand 31.01.12 %	Total 31.01.12 %	Total 31.01.11 %
Investment Companies	–	20.0	–	–	20.0	17.6
Manufacturing	11.0	–	–	–	11.0	10.9
Real Estate	–	8.9	0.5	–	9.4	8.3
General Industrials	1.0	6.3	–	–	7.3	8.4
Health Care, Equipment & Services	6.2	3.6	–	–	9.8	8.2
Support Services	1.6	3.0	–	–	4.6	6.9
Transport	–	5.6	–	–	5.6	5.4
General Financials	5.1	–	–	–	5.1	5.1
Media	–	–	–	–	–	4.2
Industrial Engineering	–	3.1	–	–	3.1	4.0
Construction & Materials	–	5.8	–	–	5.8	3.6
Technology Hardware & Equipment	5.2	1.3	–	–	6.5	2.3
Travel & Leisure	–	0.8	–	–	0.8	1.5
Oil & Gas Producers	–	2.1	–	–	2.1	0.8
Food Producers	–	–	–	–	–	0.7
General Retailers	–	3.1	–	–	3.1	0.1
Financial Services	–	–	–	5.8	5.8	–
	30.1	63.6	0.5	5.8	100.0	
treasury bills	**–**	**–**	**–**	**–**	**–**	**12.0**
total at 31 January 2012	**30.1**	**63.6**	**0.5**	**5.8**	**100.0**	
total at 31 January 2011	**36.4**	**63.1**	**0.5**	**–**		**100.0**

The sector analysis excludes investments held by the subsidiary undertakings, Hampton Investment Properties Limited and Consolidated Venture Finance Limited.

Twenty largest investments

as at 31 January 2012

equities (including convertibles, loan stocks and related financing)		At fair value £'000
Bionostics Holdings Limited	UK Unquoted	21,721
Oryx International Growth Fund Limited*†	UK Listed	20,395
Hampton Investment Properties Limited ††	UK Unquoted	14,748
Trident Private Equity Fund III LP	UK Unquoted	12,666
RPC Group	UK Listed	12,536
Guinness Peat Group	NZD Listed	11,521
Gleeson (MJ) Group	UK Listed	11,490
BBA Aviation Group	UK Listed	11,184
Interxion Holdings	USA Listed	7,905
Orthoproducts Limited	UK Unquoted	7,101
ten largest investments		131,267
CVS Group	UK Unquoted	6,131
Nationwide Accident Repair Services	UK Quoted on AIM	5,900
Trident Private Equity Fund II LP	Cayman Islands Unquoted	5,384
AssetCo Plc	UK Unquoted	5,250
Nastor Investments Limited	UK Unquoted	5,149
Celsis AG	Swiss Unquoted	4,139
Glass America LLC	USA Unquoted	3,110
Merchant Properties Unit Trust	UK Unquoted	3,049
SINAV Limited	UK Unquoted	2,775
Telos Corporation	USA Unquoted	2,519
twenty largest investments		174,673
Aggregate of other investments at fair value		23,644
total value of investments and associates of the company		198,317

* 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.

†† Hampton Investment Properties Limited is accounted for in the Group accounts as a Subsidiary.

All other investments are valued at fair value.

Group report of the Directors

for the year ended 31 January 2012

The Directors present their report to Shareholders (incorporating the Business Review) and the financial statements for the year ended 31 January 2012. Certain information that is required to be disclosed in this Report has been provided in other sections of the Annual Report and accordingly, these are incorporated into this report by reference.

Business review
The business of the Company is that of an investment trust. The business of the Company's wholly owned subsidiary, Consolidated Venture Finance Limited, is investment dealing and holding and the business of the Company's other subsidiary, Hampton Investment Properties Limited, is a property investment company.

At 31 January 2012, the diluted net asset value ("NAV") per share was 1,395p (31 January 2011: 1,459p), a decrease of 4.4% during the year, compared to an increase of 3.7% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted).

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. There have been some successes during the year, notably RPC Group and OVS Group and several new investments were made.

The Board is aware that it is one of the principles of the AIC Code of Corporate Governance (published in October 2010) that a full portfolio listing be made available to Shareholders at least once a year. However, due to the activist nature of the Company's business, the Board has decided that it would not be in Shareholders' interests as a whole to publish the full portfolio. Any shareholder who wishes to discuss this further should contact Christopher Mills, the Company's Chief Executive and Investment Manager, or the Company Secretary.

The Company has no employees and accordingly this business review does not contain any information regarding employees. As an investment trust, the Board do 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 loss after taxation for the financial year ended 31 January 2012 amounted to £ 10,952,000 (2011 net profit: £40,400, 000). The Board does not propose a final dividend (2011: nil).

Investment policy
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. In order to achieve this, the Investment Manager must adhere to the following:

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 Company's Chief Executive and 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 would be 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 2012 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 instruments. 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 31 January 2013 will see progress, especially from the unquoted portfolio which continues to offer the potential for further significant appreciation.

Taxation status
In the opinion of the Directors, the Company has conducted its affairs so as to be able to seek approved investment trust status from Her Majesty's Revenue & Customs under Sections 1158-1159 of the Corporation Tax Act 2010 for the accounting year ended 31 January 2012. The Company is a member of the Association of Investment Companies. Pursuant to arrangements between The Association of Investment Companies and Her Majesty's Revenue & Customs, who have agreed that written approval of investment trust status can be granted within the Corporation Tax Self Assessment Regime, written approval for all accounting years to 31 January 2011 has been granted. The Board is aware of the new investment trust tax regime that came into force on 1 January 2012. It is the expectation of the Board that the Company will be compliant with the requirements of the new regime and retain its investment trust status. This regime will apply to the Company for the accounting period ended 31 January 2013.

Share capital
The Company's issued share capital consists of 14,113,553 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. During the year, 115,000 Ordinary Shares were purchased for cancellation.

In addition, the Company has 1,799,499 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 these 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.

During the year, on 4 July 2011, 171,301 CULS units were converted into Ordinary shares of 5p each at the rate of one 5p Ordinary share for every unit of 5p. No CULS were purchased for cancellation during the year.

Share valuations
On 31 January 2012, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 1,035.0p and 1,395.0p respectively. The comparable figures at 31 January 2011 were 1,146.0p and 1,459.0p respectively.

Substantial shareholders
As at 31 January 2012, the following interests in the Ordinary Shares of the Company which exceed 3% of the issued share capital had been notified to the Company:

	Number of Ordinary Shares	% of issued share capital
C H B Mills	3,438,447	24.36
CG Asset Management Limited	1,208,627	8.56
Henderson Global Investors Limited	758,324	5.37
Findlay Park US Smaller Companies Fund Plc	595,000	4.22
Legal & General Group Plc	581,816	4.12
J O Hambro Investment Management Limited	443,567	3.14

Since 31 January 2012, Mr C H B Mills has acquired a further 10,552 Ordinary Shares of the Company as notified to the stock exchange, taking his total holding to 3,448,999 Ordinary Shares.

Directors
The biographical details for Directors currently in office are shown in the Annual Report. Mr O R Grace resigned as a director on 30 December 2011. The Board has decided not to seek a replacement for Mr Grace as it is felt that the size of the Board is still appropriate to the size of the Company. However, it will keep this matter under review.

The Company's Articles of Association require that Directors should submit themselves for election at the first Annual General Meeting following their appointment and thereafter for re-election at least every three years. However, the Company is adopting the requirements of the UK Corporate Governance Code in relation to the annual re-election of directors. Therefore, in accordance with provision B.7.1. of the UK Corporate Governance Code all of the Directors will retire at the Annual General Meeting and being eligible, offer themselves up for re-election.

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. The rest of the Board have evaluated the performance of the Chairman and have confirmed that they are satisfied that his performance remains effective and that he has demonstrated commitment to his role and they therefore recommend his re-election at the forthcoming Annual General Meeting. The Chairman has confirmed that he has no other significant commitments that would impact on his role as Chairman of the Company.

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 2012 and 31 January 2011 were as follows:

	31 January 2012		31 January 2011	
	5p Ordinary Shares	**Units of CULS**	5p Ordinary Shares	Units of CULS
P D E M Moncreiffe*	**303,130**	**90,000**	303,130	90,000
C H B Mills **	**3,238,447**	**–**	3,198,447	–
C H B Mills (non-beneficial)	**200,000**	**–**	200,000	–
K Siem***	**–**	**–**	–	–
C L A Irby	**25,000**	**–**	25,000	–
O R Grace	**–**	**–**	280,429	321,135
E F Gittes	**100,000**	**–**	–	–

* P D E M Moncreiffe's wife is a beneficiary of a trust which purchased 6,500 units of CULS on 3 February 2012.

** C H B Mills has acquired a further 10,552 Ordinary Shares since 31 January 2012 as notified to the stock exchange on 2 May 2012 and 15 May 2012.

*** 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 (2011: 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.

Save as disclosed, there have been no changes to the above interests between 31 January 2012 and the date of this report.

Save as disclosed below or in notes 3 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
During the year, the Board has reviewed the key risks that could affect the Company. The major financial risks associated with the Company are detailed in Note 18 to the Financial Statements. Other risks that could affect the Company include:

(i) Market risk: the performance of the investment portfolio against its benchmarks, the Standard & Poor's 500 Composite Index and the Russell 2000 Index is closely monitored by the Board;

(ii) Discount volatility: the Company's shares historically trade at a discount to its underlying net asset value. The Company has a share buyback programme in place to try to narrow this discount as far as possible and whereby any shares that it repurchases are cancelled;

(iii) Regulatory risk: any breach of a number of regulations applicable to the Company, the UKLA's Listing Rules and the Companies Act could lead to a number of detrimental effects on the Company as well as reputational damage. The Audit Committee monitors compliance with these regulations in close alliance with the Joint Managers;

(iv) Custodial and Banking risk: there is a risk that the custodians and banks used by the Company to hold assets and cash balances could fail and the Company's assets may not be returned. Associated with this is the additional risk of fraud of theft by employees of those third parties. The Board exercises monitoring through the Manager over the financial position of its custodial banks;

(v) Credit risk/Counterparty risk: the Company holds preference shares in some investee companies and provides other forms of debt or loan guarantees where deemed necessary. There is a risk of those conterparties being unable to meet their obligations. The financial position and performance of these investee companies are continually monitored by the Manager and actions are taken to protect the Company's investment if needed.

Significant agreements
The Company is required to disclose details of any agreements that it considers to be essential to the business. 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 Harwood Capital LLP (previously North Atlantic Value LLP), the Joint Manager provides management and administration services to the Company. This is considered by the Board to be a significant agreement.

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 Harwood Capital 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 the sole shareholder of 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 Harwood Capital LLP, Mr Mills is responsible for the day-to-day investment decisions in conjunction with the Joint Manager, Harwood Capital 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. The Investment Management Fees are disclosed in note 3. The Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report and note 3 of the financial statements.

Siem Kapital AS, an indirect wholly owned subsidiary of Siem Industries Inc, of which Mr Siem is Chairman, joined Harwood Capital LLP in a joint venture agreement to establish SINAV Limited specifically for the purpose of acquiring GTL Resources Plc during the year. SINAV Limited continues to be jointly held by Harwood Capital LLP (on behalf of the Company and other funds managed by Harwood Capital LLP) and Siem Kapital AS.

With the exception of the matters referred to above, 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 have 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.

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

Post balance sheet events
There have been no significant events since the balance sheet date.

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 2012 had been paid (31 January 2011 – 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 reappoint KPMG Audit Plc as the Company's auditors and to authorise the Board to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Going concern
The Company's assets comprise readily realisable securities which can be sold to meet funding commitments if necessary and it also has sufficient cash reserves so the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. They have, therefore, adopted the going concern basis in preparing these financial statements.

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; no agreements between the Company and its Directors concerning compensation for loss of office; and no qualifying third party indemnities in place.

Explanatory notes for the special business at the annual general meeting
The following resolutions (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 9 – 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 9 will renew the authority to allot Shares of the Company on similar terms. If Resolution 9 is passed the Directors will have the authority to allot Shares up to the aggregate nominal amount of £235,225 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 10 – 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 10 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 £35,283 representing 705,677 Ordinary Shares of 5p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing Shareholders.

Resolution 11 – 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 11 seeks the authority of Shareholders to purchase a maximum of 1,411,355 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 will they 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 12 – 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 12 seeks renewal of 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. The shorter notice period will only be used where the flexibility would be helpful given the business of the meeting and where the Board believe it to be to the advantage of shareholders as a whole.

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

Recommendation

The Board considers that resolutions 9 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 3,677,129 shares representing 26.05% of the voting rights of the Company.

By Order of the Board
Bonita Guntrip ACIS
Company Secretary
Registered Office:

Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

Registered No: 1091347

23 May 2012

Statement of Directors' responsibilities in respect of the Annual Report & Financial Statements for the year ended 31 January 2012

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Directors are aware:

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

The Directors confirm that the above statements also apply to the year ended 31 January 2011 as the necessary disclosure to this effect was omitted from the annual report for the year ended 31 January 2011 in error.

Each of the current Directors confirms that, to the best of their knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Report of the Directors, incorporating the Chairman's Statement and Investment Manager's Report by reference, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
The Hon. P D E M Moncreiffe
Chairman

23 May 2012

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 2012 . The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements
In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2012 and of the Group's loss for the year then ended;

the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, 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

the information given in the Corporate Governance Statement in the Annual Report with respect to internal control risk and management systems in relation to the 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 UK Corporate Governance 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
15 Canada Square
London
E14 5GL

23 May 2012

Consolidated statement of Comprehensive Income

for the year ended 31 January

	Notes	**2012** Revenue £'000	**2012** Capital £'000	**2012** Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Income	2	**6,432**	**–**	**6,432**	2,341	–	2,341
Net (losses)/gains on investments at fair value	9	**–**	**(11,158)**	**(11,158)**	–	37,868	37,868
Net gains on investment property	9	**–**	**38**	**38**	–	–	–
Currency exchange losses	9	**–**	**(185)**	**(185)**	–	(19)	(19)
total income		**6,432**	**(11,305)**	**(4,873)**	2,341	37,849	40,190
Expenses							
Investment management fee	3	**(2,398)**	**(2)**	**(2,400)**	(2,255)	(1,219)	(3,474)
Other expenses	4	**(2,565)**	**–**	**(2,565)**	(728)	–	(728)
Share based remuneration	5	**(191)**	**–**	**(191)**	–	–	–
Share of net return of associate	9	**–**	**71**	**71**	–	4,619	4,619
return before finance costs and taxation		**1,278**	**(11,236)**	**(9,958)**	(642)	41,249	40,607
Finance costs	6	**(994)**	**–**	**(994)**	(207)	–	(207)
return before taxation		**284**	**(11,236)**	**(10,952)**	(849)	41,249	40,400
Taxation	7	**–**	**–**	**–**	–	–	–
return for the year		**284**	**(11,236)**	**(10,952)**	(849)	41,249	40,400
return attributable to:							
Equity holders of the Company		**14**	**(11,110)**	**(11,096)**	(849)	41,249	40,400
Non-controlling interest		**270**	**(126)**	**144**	–	–	–
		284	**(11,236)**	**(10,952)**	(849)	41,249	40,400
basic earnings per ordinary share	8	**0.10p**	**(79.00)p**	**(78.90)p**	(5.86)p	284.70p	278.84p
diluted earnings per ordinary share	8	**0.14p**	**(69.74)p**	**(69.60)p**	(4.90)p	241.70p	236.80p

The Group 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).

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. Hampton Investment Properties Limited was acquired on 31 January 2011. This acquisition is presented for the first time in these financial statements (see notes 1(c) and 10).

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

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	Restated* Non controlling interest £'000	Total £'000
2012									
31 January 2011	**703**	**15**	**229**	**1,301**	**234,377**	**69**	**(2,798)**	**7,856**	**241,752**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(11,110)**	**–**	**14**	**144**	**(10,952)**
Shares purchased for cancellation	**(5)**	**–**	**–**	**–**	**(1,267)**	**5**	**–**	**–**	**(1,267)**
Arising on conversion of CULS	**8**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**7**
Share options expenses	**–**	**–**	**191**	**–**	**–**	**–**	**–**	**–**	**191**
Settlement of outstanding share options	**–**	**–**	**–**	**–**	**(120)**	**–**	**–**	**–**	**(120)**
Reduction in non-controlling interest in subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,067)**	**(1,067)**
31 January 2012	**706**	**14**	**420**	**1,301**	**221,880**	**74**	**(2,784)**	**6,933**	**228,544**

restated*	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Restated* Non controlling interest £'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	–	–	–	–
Non-controlling interest in subsidiary	–	–	–	–	–	–	–	7,856	7,856
31 January 2011	703	15	229	1,301	234,377	69	(2,798)	7,856	241,752

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited (see notes 1(c) and 10).

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

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
2012								
31 January 2011	**703**	**15**	**229**	**1,301**	**233,999**	**69**	**(2,420)**	**233,896**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(10,440)**	**–**	**(708)**	**(11,148)**
Shares purchased for cancellation	**(5)**	**–**	**–**	**–**	**(1,267)**	**5**	**–**	**(1,267)**
Arising on conversion of CULS	**8**	**(1)**	**–**	**–**	**–**	**–**	**–**	**7**
Share options expenses	**–**	**–**	**191**	**–**	**–**	**–**	**–**	**191**
Settlement of outstanding share options	**–**	**–**	**–**	**–**	**(120)**	**–**	**–**	**(120)**
31 January 2012	**706**	**14**	**420**	**1,301**	**222,172**	**74**	**(3,128)**	**221,559**

	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

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

The notes form part of these financial statements.

Consolidated and Company balance sheets

as at 31 January

	Notes	Group 2012 £'000	Restated* Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
non current assets					
Investments at fair value through profit or loss	9	**163,174**	174,575	**198,317**	207,771
Investment property	9	**41,654**	41,555	**–**	–
Investments accounted for using the equity method	9	**20,395**	20,324	**–**	–
Motor vehicles and equipment		**41**	10	**–**	–
		225,264	236,464	**198,317**	207,771
current assets					
Investments held by subsidiary companies for trading		**1,093**	550	**–**	–
Trade and other receivables	11	**1,835**	3,530	**2,630**	11,899
Cash and cash equivalents		**22,200**	30,799	**20,924**	21,812
Other		**1,170**	1,170	**–**	–
		26,298	36,049	**23,554**	33,711
total assets		**251,562**	272,513	**221,871**	241,482
current liabilities					
Bank loans and overdrafts	12	**–**	(6,284)	**–**	(5,786)
Trade and other payables	13	**(1,072)**	(6,313)	**(235)**	(1,716)
		(1,072)	(12,597)	**(235)**	(7,502)
total assets less current liabilities		**250,490**	259,916	**221,636**	233,980
non current liabilities					
CULS	14	**(77)**	(84)	**(77)**	(84)
Bank loans	12	**(21,869)**	(18,080)	**–**	–
		(21,946)	(18,164)	**(77)**	(84)
total liabilities		**(23,018)**	(30,761)	**(312)**	(7,586)
net assets		**228,544**	241,752	**221,559**	233,896

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited (see notes 1(c) and 10).

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

The notes form part of these financial statements.

Consolidated and Company balance sheets

as at 31 January

	Notes	Group 2012 £'000	Restated* Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
represented by:					
Share capital	15	**706**	703	**706**	703
Equity component of CULS		**14**	15	**14**	15
Share options reserve		**420**	229	**420**	229
Share premium account		**1,301**	1,301	**1,301**	1,301
Capital reserve		**221,880**	234,377	**222,172**	233,999
Capital redemption reserve		**74**	69	**74**	69
Revenue reserve		**(2,784)**	(2,798)	**(3,128)**	(2,420)

	Notes				
total equity attributable to equity holders of the parent		**221,611**	233,896	**221,559**	233,896
Non-controlling interest		**6,933**	7,856	**–**	–
total equity attributable to group		**228,544**	241,752	**221,559**	233,896
net asset value per ordinary share:					
Basic	8	**1,570p**	1,664p		
Diluted	8	**1,395p**	1,459p		

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited (see notes 1(c) and 10).

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

The notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 23 May 2012 and signed on its behalf by:

The Hon. P D E M Moncreiffe, Chairman
Company Registered Number:

1091347

Consolidated cash flow statement

for the year ended 31 January

	Notes	2012	Restated* 2011
group		**£'000**	£'000
cash flows from operating activities			
Investment income received		**2,653**	1,788
Rental income received		**3,098**	–
Bank deposit interest received		**64**	58
Other income		**1,064**	339
Sale of investments by dealing Subsidiary		**57**	–
Investment Manager's fees paid		**(3,688)**	(3,476)
Other cash payments		**(4,661)**	(1,855)*
cash expended on operations	16	**(1,413)**	(3,146)
Bank interest paid		**(995)**	(179)
CULS interest paid		**(9)**	(10)
Loan renewal expenses		**–**	(9)
net cash outflow from operating activities		**(2,417)**	(3,344)
cash flows from investing activities			
Purchases of investments		**(81,690)**	(109,056)
Sales of investments		**79,330**	138,648
Purchases of plant and equipment		**(55)**	–
Sales of plant and equipment		**29**	–
net cash (outflow)/inflow from investing activities		**(2,386)**	29,592
cash flows from financing activities			
Repayment of fixed term borrowings		**(24,538)**	–
Increase in fixed term borrowings		**21,869**	–
Repurchase of CULS for cancellation		**–**	(9,795)
Repurchase of ordinary shares for cancellation		**(1,267)**	(13,029)
Issue of new shares		**–**	677
Settlement of outstanding share options		**(120)**	(3,887)*
Cash from subsidiary undertaking		**–**	456*
net cash outflow from financing activities		**(4,056)**	(25,578)
(decrease)/increase in cash and cash equivalents for the year		**(8,859)**	670
cash and cash equivalents at the start of the year		**30,799**	29,600

Revaluation of foreign currency balances		**260**	529
cash and cash equivalents at the end of the year	17	**22,200**	30,799

* The amounts at 31 January 2011 have been restated to reflect the reclassification of the settlement of outstanding share options from operating activities to financing activities and to consolidate the cash of the subsidiary, Hampton Investment Properties Limited.

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

The notes form part of these financial statements.

Company cash flow statement

for the year ended 31 January

	Notes	2012	Restated* 2011
company		**£'000**	£'000
cash flows from operating activities			
Investment income received		**2,653**	1,788
Bank deposit interest received		**62**	58
Other income		**225**	336
Investment Manager's fees paid		**(3,688)**	(3,476)
Other cash payments		**(170)**	(1,852)*
cash expended from operations	16	**(918)**	(3,146)
Bank interest paid		**(73)**	(179)
CULS interest paid		**(9)**	(10)
Loan renewal expenses		**–**	(9)
net cash outflow from operating activities		**(1,000)**	(3,344)
cash flows from investing activities			
Purchases of investments		**(79,625)**	(109,056)
Sales of investments		**79,126**	138,648
net cash (outflow)/inflow from investing activities		**(499)**	29,592
cash flows from financing activities			
Repayment of fixed term borrowings		**(5,960)**	–
Repurchase of CULS for cancellation		**–**	(9,795)
Repurchase of ordinary shares for cancellation		**(1,267)**	(13,029)
Issue of new shares		**–**	677
Settlement of outstanding share options		**(120)**	(3,887)*
Purchase of equity instruments in subsidiary		**(1,221)**	–
Short-term loans net advanced by subsidiary		**8,919**	(8,481)
net cash inflow/(outflow) from financing activities		**351**	(34,515)
decrease in cash and cash equivalents for the year		**(1,148)**	(8,267)
cash and cash equivalents at the start of the year		**21,812**	29,550
Revaluation of foreign currency balances		**260**	529
cash and cash equivalents at the end of the year	17	**20,924**	21,812

* The amounts at 31 January 2011 have been restated to reflect the reclassification of the settlement of outstanding share options from operating activities to financing activities.

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

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 2012 comprises the results of the Company and its subsidiaries – Consolidated Venture Finance Limited and Hampton Investment Properties Limited (together referred to as the "Group").

new standards and interpretations not yet applied
IASB and IFRIC have issued and endorsed the following standards and interpretations, applicable to the Group, which are not yet effective for the year ended 31 January 2012 and have therefore not been applied in preparing these financial statements.

New/Revised International Financial Reporting Standards		Issued	Effective Date for annual periods beginning on or after
IFRS 7	Financial Instruments: Disclosures — Amendments enhancing disclosures about transfers of financial assets	October 2010	1 July 2011
IFRS 7	Financial Instruments: Disclosures — Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	December 2011	1 January 2013 (and interim periods within those periods)
IFRS 7	Financial Instruments: Disclosures — Amendments requiring disclosures about the initial application of IFRS 9	December 2011	1 January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9	Financial Instruments — Classification and measurement of financial assets	Original issue November 2009	1 January 2015 (mandatory application date amended December 2011)

Revised International Accounting Standards		Revised	Effective Date
IAS 1	Presentation of Financial Statements — Amendments to revise the way other comprehensive income is presented	June 2011	1 July 2012
IAS 32	Financial Instruments: Presentation — Amendments to application guidance on the offsetting of financial assets and financial liabilities	December 2011	1 January 2014

The Directors do not anticipate that the initial adoption of the above standards, amendments and interpretations will have a material impact in future periods.

The Company will only adopt standards at the beginning of its financial year, therefore any standards or interpretations with an effective date after 1 February 2011 will not have been adopted.

(a) basis of preparation/statement of compliance
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
As stated in the Annual Report for the Group for the year ended 31 January 2011, your Board was of the opinion that in the context of an investment company and in view of the envisaged short term nature of control it was misleading and impracticable to consolidate Hampton Investment Properties Limited, Kiln Lane Property Limited and Browallia LLP.

Following discussions with the Financial Reporting Review Panel and in accordance with International Accounting Standards (IAS 27), your Board has reconsidered its opinion. Accordingly the Group financial statements for the year ended 31 January 2011 have been restated to include the financial statements of Hampton Investment Properties Limited (see note 10 for further information). On the grounds of immateriality, the financial statements of Kiln Lane Property Limited and Browallia LLP have not been included in the restated consolidated financial statements.

The Group financial statements consolidate the financial statements of the Company, its wholly owned Subsidiary undertaking, Consolidated Venture Finance Limited and its 68.1% ownership of Hampton Investment Properties Limited, drawn up to 31 January 2012. The Company's 65.4% holding in Performance Chemical Company has not been consolidated on the grounds of immateriality.

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 loss for the financial year dealt with in the accounts of the Group is £11,148,000 (2011 profit: £40,400,000).

(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 and in properties within the UK. A geographical analysis of the portfolio 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 Group's business is investing in financial assets and investment properties with a view to profiting from their total return in the form of income and capital growth. The 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 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 2012, is a loss of £3,328,000 relative to the movement in the fair value of the unlisted investments valued using valuation techniques.

(iv) investment property
Investments in property are initially recognised at cost and then valued at fair value based on an independent professional valuation at the reporting date, with changes in fair value recognised in the Consolidated Statement of Comprehensive Income. Disposals of investment property are recognised when contracts for sale have been exchanged and sales have been completed.

(v) current asset investments
Investments held by the Subsidiary undertakings 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 undertakings are taken to revenue.

(g) options
Where put and call option transactions are entered into for investment purposes, the premiums 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) goodwill
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually (as at 31 January) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the net assets of each subsidiary to which the goodwill relates. Where the net assets of the subsidiary are less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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 2011 Executive Share Option Scheme to the Chief Executive and employees of Harwood Capital 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 is transferred to the Share Options Reserve.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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 income

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
income from investments				
UK dividend income	**2,643**	1,602	**2,643**	1,602
Unfranked investment income				
– interest	**(5)**	161	**(5)**	161
– interest reinvested	**93**	649	**93**	649
– underwriting commission	**–**	62	**–**	62
	2,731	2,474	**2,731**	2,474
other income				
Interest receivable	**152**	86	**150**	86
Net dealing losses from Subsidiary trading	**(523)**	(530)	**–**	–
Net return from Subsidiary	**–**	–	**43**	(530)
Rental income	**3,104**	–	**–**	–
Sundry income	**968**	311	**129**	311
	3,701	(133)	**322**	(133)
Total income	**6,432**	2,341	**3,053**	2,341

total income comprises				
Dividends	**2,643**	1,602	**2,643**	1,602
Interest	**240**	896	**238**	896
Rental income	**3,104**	–	**–**	–
Other income*	**445**	(157)	**172**	(157)
	6,432	2,341	**3,053**	2,341
income from investments				
Listed UK	**2,643**	1,664	**2,643**	1,664
Unlisted UK	**74**	789	**74**	789
Other unlisted	**14**	21	**14**	21
	2,731	2,474	**2,731**	2,474

* Includes net dealing losses from Subsidiary trading.

3 investment management fee

(i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors above and the Directors' Remuneration 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 Harwood Capital 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, Harwood Capital 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 3(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 Harwood Capital 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 3(ii) above, Harwood Capital LLP is also paid the following:

- an investment management related fee of £125,000 per annum (see note 4). 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:

	Group and Company 2012			Group and Company 2011		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Annual fee	**2,398**	**–**	**2,398**	2,255	–	2,255
Performance Fee	**–**	**–**	**–**	–	1,176	1,176
Irrecoverable VAT thereon	**–**	**2**	**2**	–	43	43
	2,398	**2**	**2,400**	2,255	1,219	3,474

At 31 January 2012, £120,000 was payable to the Joint Manager in respect of outstanding management fees (2011: £113,000). At 31 January 2012, £ nil plus VAT was payable to GFS in respect of outstanding performance fees (2011: £1,176,000).

4 other expenses

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Auditor's remuneration (see below)	51	54	51	54
Directors' fees*	113	98	113	98
Investment management related fee (see note 3)	125	100	125	100
Activity fees (see note 3)	–	27	–	27
Other expenses	2,276	449	811	449
	2,565	728	1,100	728

* From 1 July 2011 it was agreed the fees for the Directors' fees would increase to £25,000 per annum.

auditors' remuneration	**Group 2012 £'000**	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Fees payable to the Company's Auditor for the audit of the financial statements:				
– Current auditor	**47**	39	**47**	39
– Previous auditor	**–**	6	**–**	6
Fees payable to the Company's Auditor and its associates for other services:				
– Previous auditor	**–**	1	**–**	1
Other services relating to taxation:				
– Current auditor	**4**	4	**4**	4
– Previous auditor	**–**	4	**–**	4
	51	54	**51**	54

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.

5 share based remuneration

	Revenue £'000	**2012 Capital £'000**	**Total £'000**	Revenue £'000	2011 Capital £'000	Total £'000
Accounting charge for the year	**191**	**–**	**191**	–	–	–
	191	**–**	**191**	–	–	–

A list of the Options in issue are shown below;

No. of options at 1 February 2011	**Year of grant**	**Price**	**Cancelled during the year**	**Grant of options during the year**	**Price**	**No. of options at 31 January 2012**
20,000	2005	875.60p	20,000	–	–	–
–	2011	–	–	430,000	1,467.71	430,000

Further details of Options are disclosed in note 15.

On 14 July 2011 C H B Mills (Mr Mills) was granted 420,000 share options under the NASCIT 2011 Executive Share Option Scheme at an exercise price of 1,467.71p per share. A further 10,000 options were granted to other eligible employees of Harwood Capital LLP. These options are exercisable providing the necessary performance requirements are met between 14 July 2014 and 14 July 2021.

The fair value of the share options is estimated at the grant date using a binomial lattice pricing model.

The assumptions used in calculating the fair value are:

– Future share price volatility	25.0% per annum
– Future dividend yield	0.0% per annum
– Future risk-free interest rate	1.2% per annum
– Minimum gain threshold	33.0% per annum
– Proportion of options exercised minimum gain achieved	50.0% per annum

Based on these assumptions the fair value has been calculated as 22.1% of the 1,097.00p (the closing mid-market price on 13 July 2011) per option giving a total fair value of £1,042,000.

The accounting charge is based on the fair value of each grant, at the grant date and is spread over the vesting period, being 3 years from the date of grant assuming all necessary performance criteria are met. The deemed expense is transferred to the Share options reserve.

The remaining holders of the 20,000, 2005 options waived their rights to future participation. 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 £120,000 be paid to those eligible employees of Harwood Capital LLP for these options. The estimated fair value of these waived share options was £120,000.

At the date of this report there were 430,000 options granted in 2011 in issue with an estimated fair value of £1.04m.

As previously disclosed in the financial statements for the year ended 31 January 2011, 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.

Additionally, 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 Harwood Capital LLP.

It was not disclosed in the financial statements for the year ended 31 January 2011 that the exercise of 100,000 share options resulted in a gain to Mr Mills of £104,000 based on a mid-market price of 781.50p nor that the estimated fair value of the options settled was £3.9 million .

6 interest payable and similar charges

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
On bank loans and overdrafts	**985**	197	**63**	197
Interest on CULS	**9**	10	**9**	10
	994	207	**72**	207

7 taxation on ordinary activities

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 28% to 31 March 2011 and 26% from 1 April 2011. The differences are explained below.

	Group 2012 Total £'000	Group 2011 Total £'000	**Company 2012 Total £'000**	Company 2011 Total £'000
Total return on ordinary activities before taxation	**(10,952)**	40,400	**(11,148)**	40,400
Theoretical tax at UK Corporation tax rate of 26.33% (2011: 28%)	**(2,884)**	11,312	**(2,935)**	11,312
Effects of:				
Non taxable capital return	**2,958**	(11,550)	**2,749**	(11,550)
UK dividends which are not taxable	**(696)**	(449)	**(696)**	(449)
Increase in tax losses, disallowable expenses and offshore income gains	**622**	687	**882**	687
Actual current tax charge	**–**	–	**–**	–

Factors that may affect future tax charges:

The Group has tax losses of £ 20,416,000 (2011: £19,794,000) 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 £ 20,676,000 (2011: £19,794,000) 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.

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

Consolidated return per Ordinary Share:

		Revenue			**Capital**			**Total**	
	***Net return £'000**	**Ordinary Shares**	**Per Share pence**	***Net return £'000**	**Ordinary Shares**	**Per Share pence**	***Net return £'000**	**Ordinary Shares**	**Per Share pence**
2012									
Basic return per Share	14	14,062,899	0.10	(11,110)	14,062,899	(79.00)	(11,096)	14,062,899	(78.90)
CULS**	9	1,868,628		–	1,868,628		9	1,868,628	
Diluted return per Share	23	15,931,527	0.14	(11,110)	15,931,527	(69.74)	(11,087)	15,931,527	(69.60)

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

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	
		2012	2012
Ordinary Shares	– Basic	**1,570p**	1,664p
	– Diluted	**1,395p**	1,459p

The basic net asset value per Ordinary Share is based on net assets of £221,611,000 (2011: £233,896,000) and on 14,113,553 Ordinary Shares (2011: 14,057,252) 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 430,000 (2011: 20,000) Share Options were exercised at the prevailing exercise prices, giving a total of 16,343,052 issued Ordinary Shares (2011: 16,048,052).

9 investments

a. Investments at fair value through profit or loss and investment property

	Group 2012 £'000	Restated* Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Quoted at fair value:				
United Kingdom	**52,768**	46,360	**73,163**	66,684
Overseas	**22,438**	1,085	**22,438**	1,085
Total quoted investments	**75,206**	47,445	**95,601**	67,769
Treasury bills at fair value	**–**	24,836	**–**	24,836
Unlisted and loan stock at fair value	**87,968**	102,294	**102,716**	115,166
Investments at fair value through profit or loss	**163,174**	174,575	**198,317**	207,771
Investment property*	**41,654**	41,555	**–**	–
Total	**204,828**	216,130	**198,317**	207,771

* The Company holds the investment property through a subsidiary, Hampton Investment Properties Limited. The restatement has been fully described in note 10.

group – 2012	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Investment property £'000**	**Total £'000**
analysis of investment portfolio movements							
Opening bookcost as at 1 February 2011	39,142	5,337	70,821	4,349	25,476	35,235	180,360
Opening (depreciation)/appreciation on assets held	(3,836)	6,802	28,154	(1,030)	(640)	6,320	35,770
opening valuation as at 1 February 2011	35,306	12,139	98,975*	3,319	24,836	41,555*	216,130
Movements in year:							
Transfers	–	6,500	(6,500)	–	–	–	–
Purchases at cost	43,450	5,129	8,819	801	21,351	1,244	80,794
Sales							
– proceeds	(14,476)	(5,613)	(13,644)	(445)	(45,846)	(1,183)	(81,207)
– realised (losses)/gains on sales	3,096	197	1,576	–	(981)	133	4,021
Increase/(decrease) in appreciation on assets held	(3,596)	(6,927)	(4,008)	(924)	640	(95)	(14,910)
closing valuation as at 31 January 2012	**63,780**	**11,425**	**85,218**	**2,751**	**–**	**41,654**	**204,828**
Closing bookcost as at 31 January 2012	71,212	11,550	61,072	4,705	–	35,429	183,968
Closing (depreciation)/appreciation on assets held	(7,432)	(125)	24,146	(1,954)	–	6,225	20,860
	63,780	**11,425**	**85,218**	**2,751**	**–**	**41,654**	**204,828**

* The amounts at 1 February 2011 have been restated to reflect the reclassification of investments arising on the acquisition of the controlling stake in Hampton Investment Properties Limited on 31 January 2011 (see notes 1(c) and 10).

company – 2012

analysis of investment portfolio movements

Opening bookcost as at 1 February 2011	49,623	5,337	79,462	4,349	25,476	–	164,247
Opening appreciation/(depreciation) on assets held	6,007	6,802	32,385	(1,030)	(640)	–	43,524
opening valuation as at 1 February 2011	55,630	12,139	111,847	3,319	24,836	–	207,771
Movements in year:							
Transfers	–	6,500	(6,500)	–	–	–	–
Purchases at cost	43,450	5,129	10,015	801	21,351	–	80,746
Sales							
– proceeds	(14,476)	(5,613)	(13,644)	(445)	(45,846)	–	(80,024)
– realised gains/(losses) on sales	3,096	197	1,576	–	(981)	–	3,888
(Decrease)/increase in appreciation on assets held	(3,525)	(6,927)	(3,328)	(924)	640	–	(14,064)
closing valuation as at 31 January 2012	**84,175**	**11,425**	**99,966**	**2,751**	**–**	**–**	**198,317**
Closing bookcost as at 31 January 2012	81,693	11,550	70,909	4,705	–	–	168,857
Closing appreciation/(depreciation) on assets held	2,482	(125)	29,057	(1,954)	–	–	29,460
	84,175	**11,425**	**99,966**	**2,751**	**–**	**–**	**198,317**

restated

group – 2011

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 (depreciation)/appreciation on assets held	(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:							
Adjustment arising on acquisition of controlling stake	–	–	(12,872)	–	–	41,155	28,683
Transfers	(5,015)	(18,451)	14,150	9,316	–	–	–
Purchases at cost	12,260	244	9,242	2,927	84,426	–	109,099
Sales	(17,273)	(34,344)	(1,999)	(18,851)	(66,272)	–	(138,739)
– proceeds							
– realised (losses)/gains on sales	(2,377)	28,562	3,042	(5,691)	24	–	23,560
Increase/(decrease) in appreciation on assets held	11,909	(5,584)	7,213	1,150	(831)	–	13,857
closing valuation as at 31 January 2011	**35,306**	**12,139**	**98,975**	**3,319**	**24,836**	**41,555**	**216,130**
Closing bookcost as at 31 January 2011	39,142	5,337	70,821	4,349	25,476	35,235	180,360
Closing (depreciation)/appreciation on assets held	(3,836)	6,802	28,154	(1,030)	(640)	6,320	35,770
	35,306	**12,139**	**98,975**	**3,319**	**24,836**	**41,555**	**216,130**

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 (depreciation)/appreciation on assets held	(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	(17,273)	(34,344)	(1,999)	(18,851)	(66,272)	–	(138,739)
– proceeds							
– realised (losses)/gains on sales	(2,377)	28,562	(1,256)	(5,691)	24	–	19,262
Increase/(decrease) in appreciation on assets held	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 appreciation/(depreciation) on assets held	6,007	6,802	32,385	(1,030)	(640)	–	43,524

	55,630	12,139	111,847	3,319	24,836	–	207,771

	Group 2012 £'000	Group 2011 £'000
analysis of capital gains and losses		
Gains on sales	**3,888**	23,560
Unrealised (losses)/gains	**(14,815)**	13,857
Movement in subsidiary	**(154)**	–
	(11,081)	37,417
Net premiums on sale of options held for trading	**–**	(161)
Movement in valuation of unexpired put options	**–**	612
Losses on loan repayment	**(174)**	–
Movement in valuation of escrow	**97**	–
(losses)/gains on investments at fair value	**(11,158)**	37,868
Realised gains on investment property	**133**	–
Unrealised gains on investment property	**(95)**	–
gains on investment property	**38**	–
Unrealised gains	**71**	4,619
gains on equity accounted investments	**71**	4,619

	2012 £'000	2011 £'000
Exchange losses on capital items	**(329)**	(626)
Exchange losses on escrow	**(116)**	–
Exchange gains on capital items and currency	**260**	607
exchange losses	**(185)**	(19)

	2012 £'000	2011 £'000
portfolio analysis		
Equity shares	**138,223**	120,581
Convertible preference securities	**22,200**	25,839
Fixed interest securities	**2,751**	3,319
Treasury Bills	**–**	24,836
Investment properties	**41,654**	41,555
	204,828	216,130

b. subsidiary undertakings

At 31 January 2012 the Company has the following Subsidiaries:

Subsidiary	Principal activity	% equity held	Country of registration
Consolidated Venture Finance Limited*	Security trading	100.00%	England and Wales
Hampton Investment Properties Limited**	Property investment	68.10%	England and Wales

The Subsidiaries were active during the year.

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

** Directly held by the Company at a cost of £9,796,000. The subsidiary has been consolidated in the Group financial statements using financial information from its accounts at 31 January 2012.

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 Net Asset Value at 31 January 2012 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 37.24% of the total voting rights in Oryx.

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

	2012	2011
	£'000	£'000
Cost		
Opening share of net assets at 1 February	**20,324**	15,705
Share of profit for the year	**71**	4,619
Closing share of net assets at 31 January	**20,395**	20,324

The figures used to value the Group's holding in Oryx have been extracted from the company's 31 January 2012 management accounts .

The following financial information for Oryx has been extracted from its unaudited interim results for the six months ended 30 September 2011, being the latest available results and therefore do not have any bearing on the figures used to value Oryx as at 31 January 2012 and are presented for informational purposes only.

	£'000
Net assets	54,176
Income and losses from investments	(898)
Net return for the period	(740)

Oryx is traded on the London Stock Exchange. The value at bid price at 31 January 2012 was £14,212,000, based on the holding of 7,106,284 Ordinary shares priced at 2.00p 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 2012 %	31 January 2011 %
Forefront Group Limited	– Ordinary Shares	**23.1**	23.1
Kiln Lane Property Limited (sold during the year)	– Ordinary Shares	**–**	89.0
Martley Limited (Jersey)	– Ordinary Shares	**29.6**	29.6
Nationwide Accident Repair Services PLC	– Ordinary Shares	**23.2**	23.2
Bionostics Holdings Limited	– Ordinary Shares	**47.1**	47.1
Orthoproducts Limited	– Ordinary Shares	**40.0**	40.0
Oryx International Growth Fund Limited (incorporated in Guernsey)	– Ordinary Shares	**36.5**	34.5
Browallia LLP (liquidated during the year)	– Ordinary Shares	**–**	95
Performance Chemicals Company*	– Ordinary Shares	**65.4**	46.1
Trident Private Equity Fund III LP	– Ordinary Shares	**32.7**	32.0

* The Board has chosen not to consolidate this holding. See note 1(c) for further details.

e. 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 2012, US Treasury Bills with a market value of £nil were deposited with brokers (2011: £24,836,000).

f. transaction costs
During the year, the Group incurred total transaction costs of £177,000 (2011: £58,000) comprising £155,000 (2011: £42,000) and £22,000 (2011: £16,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Consolidated Statement of Comprehensive Income.

g. material disposals of unlisted investments in the year:

Carrying

Security Name	Disposal Date	Proceeds	Bookcost	Gain/(loss)	value at 31 January 2011
		£'000	£'000	£'000	£'000
Augean, Ords (AIM)	February 2011	1,090	1,867	(777)	1,060
Chrysalis PLC	February 2011	8,800	5,015	3,785	8,800
Lion Katsu	April 2011	1,441	418	1,023	1,400
North American Bank Fund	February 2011	1,280	3,475	(2,195)	1,280

10 acquisition of controlling interest of Hampton Investment Properties Limited ("Hampton")

As referred to in note 1(c) the Company has been in discussion with the Financial Reporting Review Panel relating to the non-consolidation of subsidiaries in the Financial Statements for the year ended 31 January 2011.

The Directors were of the opinion that in the context of an investment company it was misleading and impracticable to consolidate Hampton. However, a reconstruction of Hampton on 31 January 2011 resulted in the Company acquiring a controlling interest. The Directors have, therefore, agreed with the Financial Reporting Review Panel that Hampton should have been consolidated in the Group's financial statements from that date.

Prior to 31 January 2011, the Company held 72% of the Convertible Unsecured Loan Stock ("CULS") in Hampton Trust PLC. However, those CULS were controlled by the Trustees of the Loan Stock and any Steering Committee that was appointed. A new Trustee or Steering Committee member could only be appointed by way of a Special Resolution requiring 75% of the Loan Stock. As the Company only held 72%, it was unable to pass a Special Resolution and therefore control was deemed to be with the Trustees and/or the Steering Committee.

As at 31 January 2011, following a restructuring of the Hampton group of companies and a conversion of the loan stock, the Company's holding has decreased to 62.1% of the shares in issue. However, as there are no other preferential voting rights in existence, the Company is deemed to control Hampton Investment Properties Limited, which is the top company of the Hampton group as it now stands, due to its holding being over 50% of the voting rights.

The conversion of debt into equity increased the Company's holding from 6,100,000 to 119,524,490 ordinary shares representing a 62.1% majority holding. Other than the conversion of the CULS, no further consideration was transferred on the acquisition date. Subsequently, on 25 March 2011, the Company purchased an additional 11,573,281 ordinary shares for a net consideration of £1,221,000, increasing its majority holding to 68.1%.

The following table summarises the consideration paid for Hampton and the amounts of the assets acquired and liabilities recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Hampton. This note describes which line items of the comparative balances have been restated.

	31 January 2011
	£'000
consideration	
Equity instruments (6,100,000 ordinary shares of Hampton)	4,338
CULS conversion	4,236
Total consideration transferred	8,574
Fair value of the Company's interest in Hampton held before the business combination	4,298
	12,872

recognisable amounts of identifiable assets acquired and liabilities assumed

	31 January 2011
	£'000
Investment property	41,555
Motor vehicles and equipment	10
Work in progress – property under construction	1,170
Current financial assets	712
Cash at bank	456
Current financial liabilities	(4,597)
Bank loans	(18,578)
Total identifiable net assets	20,728

Non-controlling interest in Hampton	(7,856)
	12,872

The consolidation of Hampton has no impact on the profit and loss of the Group for the year ended 31 January 2011 as control was assumed on the last day of the financial year.

Had Hampton been consolidated from 1 February 2010 the consolidated statement of comprehensive income for the year ended 31 January 2011 would have included revenue of £10,625,000 and total profits of £ 9,646,000.

Included in the consolidated statement of comprehensive income since 31 January 2011, contributed by Hampton, is revenue of £3,393,000 and profits of £1,005,000.

There was no impact on the net assets of the Group at 31 January 2011 as the Company's investment in Hampton was valued by reference to its net asset value prior to this adjustment.

Both the pre-existing investment in ordinary shares and the CULS were held at fair value and therefore no gain arose on the settlement of the pre-existing holding.

11 trade and other receivables:

	Group 2012 £'000	Restated* Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Amounts owed by Subsidiary	**–**	–	**775**	9,232
Amounts due from brokers	**522**	–	**522**	–
Accrued income	**24**	242	**24**	242
Other debtors	**1,289**	3,288	**1,309**	2,425
	1,835	3,530	**2,630**	11,899

12 bank loans:

	Group 2012 £'000	Restated* Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
falling due in less than one year				
£9 million multi currency loan facility to 31 July 2011 amount drawn**	**–**	5,786	**–**	5,786
Short term loan***	**–**	498	**–**	–
	–	6,284	**–**	5,786

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited

** The loan expired on 31 July 2011, at which point in time it was repaid in full. The facility is no longer available.

*** The loan was repaid in full on 1 February 2011.

	Group 2012 £'000	Restated* Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
amounts falling due in more than one year				
Hampton Investment Property Limited bank loans**	21,869	18,080	–	–
	21,869	18,080	–	–

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited.

** The bank loan is a five year facility with RBS which commenced on 2 February 2011 and is secured over the investment property. The loan bears interest at the rate of LIBOR plus 2.76%. Previously the loan facility, which terminated on 1 February 2011, carried interest at the rate of LIBOR plus 2.3%.

13 trade and other payables

Restated*

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Amounts due to brokers	**–**	2	**–**	2
Other creditors and accruals	**1,072**	6,311	**235**	1,714
	1,072	6,313	**235**	1,716

* The amounts at 31 January 2011 have been restated to reflect the consolidation of the subsidiary undertaking, Hampton Investment Properties Limited

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

	2012 No. of units	2012 £'000	2011 No. of units	2011 £'000
group and company				
Balance at beginning of year	1,970,800	84	3,587,825	152
Converted during the year	(171,301)	(7)	(507,025)	(21)
Bought back in year	–	–	(1,110,000)	(47)
Balance at end of year	**1,799,499**	**77**	1,970,800	84

The CULS include an equity component as well as debt. As explained in note 1.(p), 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 2012, 171,301 (2011: 507,025) CULS units were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p.

No CULS units were purchased for cancellation during the year (2011: 1,110,000).

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 2012 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

	2012 Number	2012 £'000	2011 Number	2011 £'000
– issued and fully paid: Ordinary Shares of 5p:				
Balance at beginning of year	**14,057,252**	703	14,824,227	741
Conversion of CULS	**171,301**	9	507,025	26
New issue of shares	**–**	–	100,000	5
Cancellation of shares	**(115,000)**	(6)	(1,374,000)	(69)
Balance at end of year	**14,113,553**	706	14,057,252	703

During the year, 171,301 (2011: 507,025) CULS units were converted into Ordinary Shares of 5p as detailed in note 14.

Since 31 January 2012, a total of nil 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 14,113,553 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 2011 Executive Share Option Scheme totalling 430,000 (2011: 20,000 Options under the 2002 Executive Share Option Scheme) 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 from operations

Group 2012	Group 2011	Company 2012	Company 2011

	£'000	£'000	£'000	£'000
Total (losses)/gains from ordinary activities before finance costs and taxation	**(9,958)**	40,607	**(11,077)**	40,607
Losses/(gains) on investments	**11,305**	(37,849)	**10,439**	(42,468)
Share of net return of associate	**(71)**	(4,619)	**–**	–
Share based remuneration	**191**	–	**191**	–
Provision for Subsidiary	**–**	–	**(43)**	530
Depreciation	**(5)**	–	**–**	–
Dividends and interest reinvested	**(93)**	(649)	**(93)**	(649)
Decrease/(increase) in debtors and accrued income	**1,845**	(1,324)	**1,113**	(1,324)
Changes relating to investments of dealing Subsidiary	**581**	530	**–**	–
(Decrease)/increase in creditors and accruals	**(5,208)**	158	**(1,448)**	158
Cash expended from operations	**(1,413)**	(3,146)	**(918)**	(3,146)

17 analysis of net cash and net debt

net cash	Restated At 1 February 2011 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2012 £'000**
Group				
Cash and cash equivalents	30,799	(8,859)	260	**22,200**
Company				
Cash and cash equivalents	21,812	(1,148)	260	**20,924**

net debt	Restated At 1 February 2012 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2012 £'000**
Group				
Loans falling due in less than one year	6,284	(6,458)	174	**–**
Loans falling due in more than one year	18,080	3,789	–	**21,869**
	24,364	(2,669)	174	**21,869**
Company				
Loans falling due in less than one year	5,786	(5,960)	174	**–**

18 financial instruments and risk profile

During the year, the Board has undertaken a review of the risks facing the Company. An explanation of the Group's financial risk management objectives, policies and strategy can be found in the Group Report of the Directors above.

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 2011. 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 2012, the Group had no open forward currency contracts (2011: 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 2012			31 January 2011		
	Overseas investments £'000	**Net monetary assets £'000**	**Total currency exposure £'000**	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
US Dollar	**60,023**	**13,086**	**73,109**	74,502	16,703	91,205
New Zealand Dollar	**11,521**	**–**	**11,521**	–	–	–
Euro	**995**	**–**	**995**	685	(5,794)	(5,109)
	72,539	**13,086**	**85,625**	75,187	10,909	86,096

Sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at each balance sheet date. If Sterling had moved by 10% against all currencies, with all other variables constant, net assets would have moved by the amounts show below. The analysis is shown on the same basis for 2011.

	31 January 2012		31 January 2011	
	10% weakening £'000	**10% Strengthening £'000**	10% weakening £'000	10% strengthening £'000
US Dollar	**8,123**	**(6,646)**	10,134	(8,291)
NZ Dollar	**1,280**	**(1,047)**	–	–
Euro	**111**	**(90)**	(567)	464
	9,514	**(7,783)**	9,567	(7,827)

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.

term bank loans
The Company had a multi-currency loan Revolving Credit Facility of up to £9 million which expired on 31 July 2011. All loan drawdowns were repaid in full on maturity. The facility was not renewed.

The subsidiary undertaking, Hampton Investment Properties Limited, has a five year term loan with RBS which is secured over its investment property. The loan bears interest at the rate of LIBOR plus 2.76% and is repayable on 2 February 2016.

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 as set 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 2012 on its quoted and unquoted investments and options on investments was as follows:

	2012 Group £'000	Restated 2011 Group £'000	**2012 Company £'000**	2011 Company £'000
Financial assets at fair value through profit or loss				
– Non current investments at fair value through profit or loss	**163,174**	174,575	**198,317**	207,771
– Non current investment property	**41,654**	41,155	**–**	–
Financial assets at fair value through profit or loss and held for trading				
– Current asset investments	**1,093**	550	**–**	–

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.

	2012		2011	
	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	**20,487**	**(20,487)**	21,614	(21,614)

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

The Group invests in equities and other investments that are readily realisable. It invests in property through the subsidiary Hampton Investment Properties Limited. As at 31 January 2012, the Group has a five year loan facility with RBS.

(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:

Restated

	2012 Group £'000	2011 Group £'000	2012 Company £'000	2011 Company £'000
financial assets neither past due or impaired				
Fixed income securities	**2,751**	3,319	**2,751**	3,319
Preference shares	**22,200**	25,839	**22,200**	25,839
Treasury Bills	**–**	24,836	**–**	24,836
Accrued income and other debtors	**1,085**	1,341	**1,085**	1,190
Cash and cash equivalents	**22,200**	30,799	**20,924**	21,812
	48,236	86,134	**46,960**	76,996

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 2012.

fair value of financial assets and financial liabilities
The fair value for each class of financial assets and liabilities of the Group, 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 2012		Restated 31 January 2011	
financial assets	**Fair value £'000**	**Balance Sheet value £'000**	Fair value £'000	Balance Sheet value £'000
Financial assets at fair value through profit or loss				
– Non current assets	**163,174**	**163,174**	174,575	174,575
Financial assets at fair value through profit or loss and held for trading				
– Current asset investments	**1,093**	**1,093**	550	550
Loans and receivables				
– Cash and cash equivalents	**22,200**	**22,200**	30,799	30,799
	186,467	**186,467**	205,924	205,924

	31 January 2012		Restated 31 January 2011	
financial liabilities	**Fair value £'000**	**Balance Sheet value £'000**	Fair value £'000	Balance Sheet value £'000
Other financial liabilities				
– Multi-currency loan	**–**	**–**	(6,284)	(6,284)
– Hampton term loans	**(21,869)**	**(21,869)**	(18,080)	(18,080)
– CULS	**(77)**	**(77)**	(84)	(84)
	(21,946)	**(21,946)**	(24,448)	(24,448)

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 above.

– Cash and cash equivalents, bank overdraft and bank loans – 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

group

At 31 January 2012

	Total	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	160,423	75,205	–	85,218
Fixed interest investments	2,751	–	–	2,751
Total	**163,174**	**75,205**	**–**	**87,969**

group – restated
At 31 January 2011

	Total	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	146,420	47,445	–	98,975
Fixed interest investments	28,155	24,836	–	3,319
Total	**174,575**	**72,281**	**–**	**102,294**

financial assets at fair value through profit or loss

company

At 31 January 2012

	Total	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	195,566	95,600	–	99,966
Fixed interest investments	2,751	–	–	2,751
Total	**198,317**	**95,600**	**–**	**102,717**

At 31 January 2011

	Total	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	179,616	67,769	–	111,847
Fixed interest investments	28,155	24,836	–	3,319
Total	**207,771**	**92,605**	**–**	**115,166**

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

level 3 financial assets at fair value through profit or loss

group

At 31 January 2012

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening Balance	102,294	98,975	3,319
Purchases	9,620	8,819	801
Sales	(14,089)	(13,644)	(445)
Transfers from Level 3*	(6,500)	(6,500)	–
Total gains or (losses) included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	1,576	1,576	–
– on assets held at the end of the year	(4,932)	(4,008)	(924)
Closing balance	**87,969**	**85,218**	**2,751**

*Transfers from Level 3 relate to holdings that were unlisted in the prior year but became listed (in Level 1) during the year to 31 January 2012.

level 3 financial assets at fair value through profit or loss

company

At 31 January 2012

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening Balance	115,166	111,847	3,319
Purchases	10,816	10,015	801
Sales	(14,089)	(13,644)	(445)
Transfers from Level 3*	(6,500)	(6,500)	–
Total gains or losses included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	1,576	1,576	–
– on assets held at the end of the year	(4,252)	(3,328)	(924)
Closing balance	**102,717**	**99,966**	**2,751**

*Transfers from Level 3 relate to holdings that were unlisted in the prior year but became listed (Level 1) during the year to 31 January 2012.

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:

	2012 £'000	2011 £'000
Debt		
Borrowings under the multi-currency loan facility	**–**	5,786
CULS	**77**	84
Equity		
Equity share capital	**706**	703
Retained earnings and other reserves	**220,853**	233,193
	221,636	239,766
Debt as a % of net assets	**0.00%**	2.50%

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.

19 related party transactions

The Joint Manager, Harwood Capital 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 3. The relationships between the Company, its Directors and the Joint Managers are disclosed in the Group Report of the Directors above.

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	£578,000
Trident Private Equity II LP	Investment Advisory	£581,000
Trident Private Equity III LP	Investment Advisory	£1,080,000

Christopher Mills is Chief Investment Officer and a member of Harwood Capital LLP.

As discussed previously, Kristian Siem is chairman of Siem Industries Inc. One of Siem Industries Inc's indirect wholly owned subsidiaries, Siem Kapital AS, entered into a joint venture agreement with Harwood Capital LLP to establish SINAV Limited specifically for the purpose of acquiring GTL Resources Plc. The Company has an investment in SINAV Limited.

disclosure of interests

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

Harwood Capital 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: Sunlink Health Systems Inc, Bionostics Holdings Limited, Hampton Investment Properties, Izodia PLC, Second London American Trust PLC (in members' voluntary liquidation), 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 £ 43,000 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 130,393 shares in the Company (2011: 142,493).

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

The Hon. P D E M 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.

transaction with other companies in the group.

At 31 January 2012 amounts due from the Consolidated Venture Finance Limited (CVF) were £ 928,000 (2011: £9,232,000). Amounts due from Hampton Investment Properties Limited were £480,000 (2011: £nil).

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. At 31 January 2012 the outstanding balance was USD15.06m.

(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 £11.0m has been drawn down to date.

Copies of the Annual Report for the year ended 31 January 2012 will shortly be available from the Company Secretary, Bonita Guntrip (ACIS), Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB and from the Company's website www.harwoodcapital.co.uk