

Harwood Capital LLP
(formerly known as North Atlantic Value LLP)

Annual Report and Financial Statements

31 March 2012

Harwood Capital LLP
(formerly known as North Atlantic Value LLP)

Designated Members

Harwood Capital Management Limited
Jeremy James Brade

Members

J D Agnew
J J Brade
F E Foster
M H Hayes
C H B Mills
S Jones
T Sturm

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Bank of Scotland
38 Threadneedle Street
London EC2P 2EH

Solicitors

Bircham Dyson Bell
50 Broadway
Westminster
London SW1H 0BL

Registered Office

Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

Harwood Capital LLP
(formerly known as North Atlantic Value LLP)

Registered No. OC304213

Members' report

The Designated Members present their report and audited financial statements for the year ended 31 March 2012.

Results

The profit for the year amounted to £3,854,090 (2011 – profit of £5,630,837).

Principal activities and review of the business

The principal activity of the LLP is to provide investment management and advisory services to active value and private equity clients. The LLP is authorised and regulated by the Financial Services Authority.

During the year, on 29 September 2011, Harwood Capital LLP was demerged from the J O Hambro Capital Management group of companies. This occurred during a reorganisation of the J O Hambro Capital Management group prior to the purchase of the entire issued ordinary share capital of J O Hambro Capital Management Limited by BTIM UK Limited (a subsidiary of BT Investment Management Limited).

There is a Transitional Services Agreement dated 26 October 2011, in place whereby J O Hambro Capital Management Limited has undertaken to provide certain services to the LLP for a period of twelve months.

Additionally, the LLP has entered into an Administration Services Agreement with James Hambro & Partners LLP ('JH&P') whereby JH&P will provide administration services to the private clients of the LLP.

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business above. The financial position of the LLP, its cash flows and liquidity position are reflected on the balance sheet. In addition, the LLP's Pillar 3 disclosures, which are available at www.harwoodcapital.co.uk, describe the LLP's risk management objectives and policies, its capital resources and its approach to assessing the adequacy of its internal capital to support current and future activities.

The LLP has considerable financial resources and ongoing investment management contracts in relation to the funds it manages. As a consequence, the Designated Members believe that the LLP is well placed to manage its business risks successfully. The Designated Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Members' profit allocation

Any profits are shared among the members as set out in the Limited Liability Partnership Agreement dated 30 April 2003 as amended by the Amended and Restated Limited Liability Partnership Agreement dated 14 October 2003 and the Deeds of Amendment dated 28 September 2011 and 29 September 2011 respectively (the 'Limited Liability Partnership Agreement').

Policy for members' drawings, subscriptions and repayments of members' capital

The policies for members' drawings, subscriptions and repayment of members' capital are governed by the Limited Liability Partnership Agreement.

Information on the Group's Regulatory Capital disclosure can be found on our website at www.harwoodcapital.co.uk.

Members' report (continued)

Designated Members

The following were designated members during the year:

Jeremy James Brade (appointed 28 September 2011)
Harwood Capital Management Limited (appointed 29 September 2011)
J O Hambro Capital Management Limited (resigned 28 September 2011)
J O Hambro Capital Management Group Limited (resigned 28 September 2011)
J O Hambro Capital Management Holdings Limited (appointed 28 September 2011 and resigned 29 September 2011)

Members

The following were members during the year:

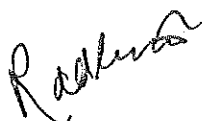
J D Agnew
J J Brade
F E Foster
M H Hayes (appointed 22 November 2011)
M D Hemsley (resigned 31 March 2012)
C H B Mills
T Sturm

Subsequent to year end S Jones became a member of the LLP on 18 April 2012.

Auditors

Ernst & Young LLP were appointed auditors to Harwood Capital LLP pursuant to the Limited Liability Partnership Agreement.

By order of the Designated Members



Chief Operating Officer
Partnership No. OC 304213

Registered Office:

Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

26th July 2012

Statement of members' responsibilities

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the relevant legislation the members 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 LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Designated Members are responsible for the maintenance and integrity of the financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARWOOD CAPITAL LLP (FORMERLY KNOWN AS NORTH ATLANTIC VALUE LLP)

We have audited the financial statements of Harwood Capital LLP for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the partnership, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partnership those matters we are required to state to them in an auditor's 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 partnership, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 4, the members 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the members' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

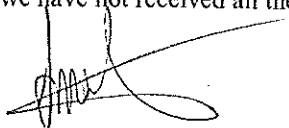
- give a true and fair view of the state of the qualifying partnership's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARWOOD CAPITAL LLP (FORMERLY KNOWN AS NORTH ATLANTIC VALUE LLP)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Amarjit Singh (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

26 July 2012

Profit and loss account

for the year ended 31 March 2012

	Notes	2012 £	2011 £
Income			
Management fees	2		
Performance fees		4,880,883	5,653,515
		<u>273,156</u>	<u>160,889</u>
Administrative expenses		5,154,039	5,814,404
		<u>(1,317,500)</u>	<u>(182,894)</u>
Operating profit			
Rental income		3,836,539	5,631,510
Net interest received		25,000	–
Foreign exchange loss		3,197	(130)
		<u>(10,646)</u>	<u>(543)</u>
Profit for the financial year available for division among members	9	<u><u>3,854,090</u></u>	<u><u>5,630,837</u></u>

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 March 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £3,854,090 in the year ended 31 March 2012 (2011 – profit of £5,630,837).

Harwood Capital LLP
(formerly known as North Atlantic Value LLP)

Balance sheet

at 31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	5	1	1
Current assets			
Debtors	7	1,312,105	2,128,632
Cash		1,255,946	32,331
		<u>2,568,051</u>	<u>2,160,963</u>
Current liabilities			
Creditors: amounts falling due within one year	8	660,052	254,964
Net current		<u>1,908,000</u>	<u>1,905,999</u>
Total assets less current liabilities		<u>1,908,000</u>	<u>1,906,000</u>
Members' other interests			
Members' capital	9	4,908,000	4,906,000
Other reserves	9	(3,000,000)	(3,000,000)
		<u>1,908,000</u>	<u>1,906,000</u>
Memorandum of members' total interests			
Loans and other debts due to members	9	161,209	32,284
Members' other interests	9	1,908,000	1,906,000
Members' total interests	9	<u>2,069,209</u>	<u>1,938,284</u>

These financial statements were approved by the members on 26th July 2012 and signed on behalf of the Designated Members by:



Ryan Corton

Chief Operating Officer

Notes to the financial statements

at 31 March 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships'.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

Allocation of profits

Profits are allocated in accordance with the partnership agreement, and are recognised when formally approved by the Designated Members.

2. Income

Income, which is stated net of value added tax and rebates represents fees receivable for investment management and advisory services provided during the year and arising from continuing activities in the UK. Management and advisory fees are recognised on an accruals basis and performance fees are recognised when earned.

3. Auditors' remuneration

The remuneration of the auditors amounted to £16,000 (2011 –£16,000).

4. Staff costs

	£
Wages and salaries	378,473
Social security costs	46,890
Pension	16,225
	<u>441,588</u>

The average number of employees during the period was 9. No staff costs were incurred in 2011 as all expenses were paid by another group entity.

Notes to the financial statements

at 31 March 2012

5. Members' remuneration

	2012	2011
	No.	No.
Number of members	<u>8</u>	<u>8</u>
	2012	2011
	£	£
Average profit per member	<u>481,761</u>	<u>703,855</u>
Profit attributable to the member with the largest entitlement	<u>2,296,277</u>	<u>5,469,948</u>

The highest paid member during the year was J O Hambro Capital Management Limited.

The share of the profit that has been allocated for the year to 31 March 2012 was £3,854,090 (2011 – £5,630,837).

6. Fixed asset investments

	2012	2011
	£	£
Share in subsidiary undertaking	<u>1</u>	<u>1</u>

The undertaking in which the LLP's direct interest is more than 20% is set out below, together with its most recent audited net assets and results. All interests are in ordinary shares and are all held directly.

<i>Company</i>	<i>Interest</i>	<i>Registered in</i>	<i>Activity</i>
North Atlantic Value GP III Limited	100%	England and Wales	Investment management
	<i>Capital and reserves</i>		<i>Post tax results</i>
	2012	2011	2012
	£	£	£
North Atlantic Value GP III Limited	<u>1</u>	<u>1</u>	<u>–</u>

7. Debtors

	2012	2011
	£	£
Trade debtors	692,128	1,470,651
Accrued income	174,103	657,981
Prepayments	297,894	–
Sundry debtors	147,980	–
	<u>1,312,105</u>	<u>2,128,632</u>

Notes to the financial statements

at 31 March 2012

8. Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	164,699	–
VAT	9,383	5,491
Sundry creditors	74,217	34,294
Accruals	197,766	–
PAYE	49,935	–
Pension	2,842	–
Amounts due to North Atlantic Value GP III Limited	1	1
Amounts due to J O Hambro Capital Management Limited	–	32,284
Amounts due to James Hambro & Partners LLP	–	182,894
Amounts due Harwood Capital Management Limited	161,209	–
	<u>660,052</u>	<u>254,964</u>

9. Reconciliation of members' total interests

Members' other interests

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total</i>	<i>Loans and other debts due to/(from) members</i>	<i>Total members' interests</i>
	£	£	£	£	£
Amounts due to members	–	–	–	32,284	–
Amounts due from members	–	–	–	–	–
Members' interests:					
At 1 April 2011	4,906,000	(3,000,000)	1,906,000	32,284	1,938,284
Profit for the financial year available for division among members	–	3,854,090	3,854,090	–	3,854,090
Members interest after profit for the year	4,906,000	854,090	5,760,090	32,284	5,792,374
Allocated profits	–	(3,854,090)	(3,854,090)	3,854,090	–
Members' distributions	–	–	–	(3,854,090)	(3,854,090)
Capital injected	2,000	–	2,000	–	2,000
Other movements	–	–	–	(32,284)	(32,284)
Amounts due to members	–	–	–	161,209	161,209
Amounts due from members	–	–	–	–	–
Members' interests:					
At 31 March 2012	<u>4,908,000</u>	<u>(3,000,000)</u>	<u>1,908,000</u>	<u>161,209</u>	<u>2,069,209</u>

Notes to the financial statements

at 31 March 2012

10. Statement of cash flows

The LLP has taken advantage of the reporting exemptions set out in FRS 1 (revised) 'Statement of cash flows' as over 90% of the LLP's voting rights are controlled within Harwood Capital Management Limited.

11. Related party transactions

CHB Mills

CHB Mills is a director and the sole shareholder of Harwood Capital Management Limited, one of the Designated Members of the LLP. He is also Chief Executive of and holds shares in North Atlantic Smaller Companies Investment Trust PLC (NASCIT) which is jointly managed by the LLP of which he is a member and its Chief Investment Officer.

He is interested in the contract for the provision of administration and management services to NASCIT. During the year the LLP received £1,494,396 (2011 – £1,450,612) from NASCIT and at year end the amount due from NASCIT was £385,268 (2011 – £371,075).

CHB Mills is a director and principal shareholder of Growth Financial Services Limited (GFS) which receives fees from NASCIT in respect of the provision of his services as Chief Executive. During the year GFS received fees for services provided to NASCIT of £1,240,876 (2011 – £2,086,770).

He is also a director of Oryx International Growth Fund Limited managed by the LLP and is also interested in respect of his directorships of companies in which NASCIT, Trident Private Equity Fund II LP and Trident Private Equity Fund III LP are invested and from which companies he may receive fees for his services and/or have shares and/or may have been granted share options.

Further details of Mr Mills' interests can be found in the published report and financial statements of the entities referred to.

JJ Brade

JJ Brade is a member of the LLP from which entity he may receive income. He is also a Director and one of the key management personnel of the parent of the entity. JJ Brade is a director of certain investee companies of funds managed or advised by the LLP and in the course of performing his responsibilities may receive fees for services or hold shares or options in those companies.

Messrs Hemsley, Agnew and Sturm are directors of certain investee companies of funds managed or advised by the LLP and in the course of performing their responsibilities may receive fees for services or hold shares or options in those companies.

The LLP has taken advantage of the reporting exemptions in Financial Reporting Standard 8 'Related Party Disclosures', as amended, not to disclose transactions with wholly-owned subsidiaries.

12. Ultimate parent undertaking and controlling party

The Designated Members are the immediate controlling parties.

The ultimate controlling party is Harwood Capital Management Limited which is registered in England and Wales. The financial statements of Harwood Capital Management Limited are held and are available at Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.