

North Atlantic Smaller Companies Investment Trust plc



**Annual Report
for the year ended 31 January 2015**

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Company Registered Number:

1091347

Cover Image:

Scene in Plymouth Sound in August 1815

Sub-Title: The 'Bellerophon' with Napoleon Aboard at Plymouth (26 July – 4 August 1815)

This is the ship that transported Napoleon to England following his defeat at the battle of Waterloo.

© National Maritime Museum, Greenwich, London

The Company is a member of the Association of Investment Companies.

objective of the company and financial highlights

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.

	31 January 2015	% change	restated [#] 31 January 2014	31 January [#] 2013	31 January 2012	31 January 2011
revenue						
Gross income (£'000)	1,840	(45.0)	3,344	5,474	6,432	2,341
Net return after tax attributable to Shareholders of the Parent (£'000)	(2,182)	(514.6)	(355)	(494)	14	(849)
Basic return per Ordinary Share – revenue	(14.55)	(535.4)	(2.29)	(3.46)p	0.10p	(5.86)p
– capital	254.88p	(31.0)	369.44p	324.45p	(79.00)p	284.70p
assets						
Total assets less current liabilities (£'000)	328,904	3.2	318,557	295,417	250,490	259,916
Net asset value per 5p Ordinary Share*:						
Basic	2,262p	12.8	2,006p	1,822p	–	–
Diluted	2,259p	13.5	1,991p	1,639p	–	–
Basic adjusted†	2,300p	12.0	2,054p	1,865p	1,570p	1,664p
Diluted adjusted†	2,297p	12.8	2,037p	1,677p	1,395p	1,459p
Mid-market price of the 5p Ordinary Shares at 31 January	1,845.0p	15.3	1,600.0p	1,316.0p	1,035.0p	1,146.0p
discount to diluted net asset value	18.3%		19.6%	19.7%	–	–
discount to diluted adjusted net asset value	19.7%		21.5%	21.5%	25.8%	21.5%
indices and exchange rates						
Standard & Poor's 500 Composite Index	1,995.0	11.9	1,782.6	1,498.1	1,312.4	1,286.1
Russell 2000 Index	1,165.4	3.1	1,130.9	902.1	792.8	781.3
US Dollar/Sterling exchange rate	1.5019	(8.6)	1.6435	1.5855	1.5781	1.6018
Standard & Poor's 500 Composite – Sterling adjusted	1,324.7	22.2	1,084.4	944.8	832.8	803.1
Russell 2000 – Sterling adjusted	773.8	12.5	688.0	568.9	503.1	487.9
FTSE All-Share Index	3,621.8	3.6	3,496.5	3,287.4	2,932.9	3,044.3

* Includes current period revenue.

The amounts for 31 January 2014 have been restated due to the adoption of IFRS10. The Company is no longer required to consolidate investment entities, as detailed in note 1. For 31 January 2013, restated NAV figures are shown for comparative purposes.

† Adjusted to reflect Oryx International Growth Fund plc ("Oryx") under the equity method of accounting, which is how the Company previously accounted for its share of Oryx, prior to the adoption of IFRS 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 (“Hampton”), is a property investment company.
risk	<p>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.</p> <p>The Company has the ability to utilise gearing in the form of term loan facilities, although no facility currently exists. Gearing has the effect of accentuating market falls and gains.</p> <p>The Company outsources all of its main operational activities to recognised third party providers.</p>
AIC	The Company is a member of the Association of Investment Companies (“AIC”).
AIFMD	The Company was approved as a small registered UK Alternative Investment Fund Manager with effect from 26 August 2014 under the Alternative Investment Fund Managers Regulations 2013. This means that the Company is internally managed. For further information see page 18.
company secretary	The Company Secretary is Bonita Guntrip ACIS, 6 Stratton Street, Mayfair, London W1J 8LD.
website	www.harwoodcapital.co.uk

directors

Peregrine D E M Moncreiffe ¹²³ Non-Executive Chairman. Appointed on 17 November 2008 (having previously been a Director of the Company from 1993 – 2006). He has over the years worked in London, New York and the Far East, with Credit Suisse First Boston, Lehman Brothers and Buchanan Partners. He is a non-executive director of EnergyO Solutions Russia AB and Aurora Russia Limited. He was a director of Noventa Limited until 9 July 2009 and a director of NR Nordic and Russia Property Limited, which was listed on Euronext until it was wound up in November 2012.

Christopher H B Mills Chief Executive and Investment Manager. Appointed August 1984. He is currently a member and Chief Investment Officer of Harwood Capital LLP. In addition, he is a non-executive director of numerous UK companies which are either now or have in the past five years been publicly quoted, further details of which are included in note 15 of the financial statements.

Kristian Siem (Norwegian) ¹²³ Non-Executive Director. Appointed April 2001. He is chairman of Siem Industries Inc., an industrial company which includes offshore oil and gas sub-sea construction and services vessels, and marine transportation worldwide. He is also a director of various companies in Norway, Sweden, Denmark, Portugal and the Cayman Islands, including NKT Holdings A/S and Subsea 7 SA.

Charles L A Irby FCA ¹²³ Non-Executive Director and Chairman of the Audit Committee. Appointed December 2002. He is a non-executive director of Gabelli Value Plus+ Trust Plc, and was chairman of Aberdeen Asset Management PLC from 1999 to January 2009. He was also a director of QBE Insurance Group Limited from 2001 to 2013 and Great Portland Estates Plc from April 2004 to 3 July 2014. He was head of corporate finance of ING Barings from 1992 to 1999 and a managing director from 1995 to 1999. He was also a member of the Panel on Takeovers and Mergers from 1997 to 1998.

Enrique Foster Gittes (USA) ¹²³ Non-Executive Director. Appointed July 1992 and served as the Company's Chairman from July 1998 to June 2009. He is an American lawyer who was president of Hambro America in New York until 1983, responsible for venture capital investment and subsequently chairman of European Home Products PLC until 1988 and a director of Scholl PLC until 1994. He was a founder and a director of Denison International PLC until 1999 and is currently president of Bodega Foster SA, Mendoza, Argentina.

¹ Independent

² Member of the Audit Committee

³ Member of the Remuneration Committee

chairman's statement

During the period under review, the fully diluted net asset value rose by 13.5% as compared to a rise in the sterling-adjusted Standard and Poors Composite Index of 22.2%. This underperformance should be seen in the context of the fact that the Company's exposure to quoted US securities is minimal. The FTSE Small Cap, on the other hand, rose by only 2.9% during the year and is a more accurate guide given the current make up of the portfolio. The revenue account showed a loss after tax attributable to shareholders of £2,182,000 (2014: loss of £355,000 restated). In accordance with the Company's long standing policy, the Directors do not recommend the payment of a dividend (2014: nil).

During the year, the Company purchased 1,338,701 Ordinary Shares for cancellation at a cost of £22,767,000. This benefitted all long-term Shareholders as the stock was acquired at a favourable discount to the current net asset value.

A commentary on the performance of the different parts of the portfolio can be found in the Investment Manager's report.

The continuation of quantitative easing has meant that the equity prices of major corporations, particularly in the United States, remain stretched. Given the Company's emphasis on companies that are trading at a discount to their private market value, it has been difficult to identify new opportunities. This problem has been compounded by a lack of liquidity in smaller companies' shares which makes it difficult to acquire significant stakes at favourable prices.

The Investment Manager is however encouraging corporate activity in a number of the Company's investments and I am hopeful that the current financial year will continue to see a further increase in the Company's net asset value.

Peregrine Moncreiffe Chairman

14 May 2015

investment managers' report**quoted portfolio****United Kingdom**

Following the outstanding performance in 2014, MJ Gleeson Group shares fell modestly in the year under review despite reporting excellent and above forecast results.

The net asset value of Oryx rose by 7% thereby outperforming its relevant index.

Mecom Group performed well following a takeover bid and BBA Aviation Group and CVS Group were both sold having reached their targeted level.

The principal disappointment during the year was Coats Group (previous Guinness Peat Group) as the share price fell by approximately 30% following concerns over its pension liability.

United States

There is only one small investment in the United States quoted portfolio and this had no impact on the Company's performance during the year.

unquoted portfolio**United Kingdom**

The year under review has been exceptionally busy for the unquoted portfolio.

In property, Merchant Properties and Crendon were sold and Hampton Investment Properties partly liquidated, a process which is expected to be completed in the current year. One new property investment was made, Industrial Properties, where early indications look favourable.

In the rest of the UK unquoted portfolio, Trident Private Equity II continued to perform well and is currently in the course of liquidation whilst Forefront was sold at a good uplift to the 2014 valuation.

Finally, one new investment was made during the period, Viking Investments, which is described in greater detail with the other unquoted investments on page 10.

United States

The investment in SINAV was sold in early June 2014 at a Sterling profit of approximately 3.5 x cost. The Banks portfolio also performed well with Atlanta Bancorp being taken over early in the year and TrustAtlantic being taken over just prior to the year end. In the case of TrustAtlantic, the bid was worth nearly three times the January 2014 holding value.

No new investments were made in the United States during the year.

Finally, it is pleasing to note that the very substantial sums held in escrow following the sales of Orthoproducts and Bionostics were recovered in full.

Liquidity

The Company ended the year with £73 million held in cash or short-term Treasury Bills, most of which was held in US Dollars.

The Company is therefore well positioned to take advantage of opportunities if, as we anticipate, markets weaken from current levels.

Christopher Mills *Chief Executive & Investment Manager*

14 May 2015

sector analysis of investments at fair value

as at 31 January

	United States 31 January 2015 %	United Kingdom 31 January 2015 %	Total 31 January 2015 %	Total 31 January 2014 %
equities, convertible securities & loan stocks as a % of total portfolio valuation				
Investment Companies	–	21.2	21.2	21.1
Construction & Materials	–	11.3	11.3	13.5
Health Care, Equipment & Services	7.0	2.5	9.5	8.9
Real Estate	–	6.4	6.4	6.8
Travel & Leisure	–	6.0	6.0	4.4
General Financials	4.6	–	4.6	3.7
Support Services	1.1	3.0	4.1	3.6
Media	2.3	1.4	3.7	3.1
Software	–	3.2	3.2	–
General Industrials	2.7	–	2.7	1.2
Industrial Engineering	0.3	2.4	2.7	3.2
Financial Services	–	2.1	2.1	4.3
Manufacturing	1.3	–	1.3	1.3
Technology Hardware & Equipment	0.8	–	0.8	1.2
Oil & Gas Producers	–	–	–	2.4
Transport	–	–	–	1.8
General Retailers	–	–	–	1.4
	<u>20.1</u>	<u>59.5</u>	<u>79.6</u>	<u>81.9</u>
treasury bills	20.4	–	20.4	18.1
total at 31 January 2015	40.5	59.5	100.0	
total at 31 January 2014	34.0	66.0		100.0

twenty largest investments*as at 31 January*

equities (including convertibles, loan stocks and related financing)		At fair value £'000
MJ Gleeson Group plc	UK Listed	36,300
Oryx International Growth Fund Limited*	UK Listed	32,973
Trident Private Equity Fund III LP	UK Unquoted	30,385
Celsis AG	USA Unquoted	21,110
Industrial Properties Limited	UK Unquoted	14,000
Goals Soccer Centres plc	UK Quoted on AIM	10,750
Innovation Group PLC	UK Listed	10,238
Performance Chemical Company	USA Unquoted	8,576
Essenden plc	UK Quoted on AIM	8,374
Bioquell PLC†	UK Listed	8,075
ten largest investments		<hr/> 180,781
Nationwide Accident Repair Services Plc	UK Quoted on AIM	7,800
AssetCo plc	UK Quoted on AIM	7,553
Team Rock	UK Unquoted	7,278
Coats Group, Inc (previously Guinness Peat Group)**	UK Listed	6,669
Hampton Investment Properties Limited	UK Unquoted	6,547
Bionostics Holdings Limited†	UK Unquoted	4,140
Trust Atlantic Financial	USA Unquoted	4,058
GAJV Holdings Inc.	USA Unquoted	3,554
Viking Investments	UK Unquoted	3,500
Mecom Group plc	UK Listed	3,050
twenty largest investments		<hr/> 234,930
Aggregate of other investments at fair value		<hr/> 20,531
		<hr/> 255,461
US Treasury Bills		<hr/> 65,583
total value of investments and associates of the company		<hr/> <hr/> 321,044

* incorporated in Guernsey.

** incorporated in New Zealand.

† cash in escrow.

All investments are valued at fair value.

unlisted investments profile

as at 31 January

	2015	
	At fair value	Total assets
	£'000	%
<p>Trident Private Equity Fund III LP (UK) <i>Cost: £14,654,000</i></p> <p>The Company's £25 million investment is now fully drawn down and approximately £10 million has now been returned in cash.</p>	30,385	9.2
<p>Celsis AG (US) <i>Cost: £623,000</i></p> <p>The company is the world's dominant manufacturer of equipment and reagents which enable clients to rapidly detect pathogens in liquids. The company is profitable, debt is less than one time EBITDA and profits continue to rise. It is likely that investment liquidity will be sought in financial year 2016.</p>	21,110	6.4
<p>Industrial Properties Limited (UK) <i>Cost: £14,000,000</i></p> <p>This is a portfolio of twenty assets which were acquired off market at a price of circa £63 million. The assets within the portfolio offer a diverse spread in discrete and established regional locations such as Bristol, Manchester, Sheffield and Nottingham. The top 6 assets comprise circa 60% of the total value, with the top ten assets making up over 80%. There is a weighting to core industrial and distribution albeit that this is blended by longer term office income and dominant retail offerings. The mixed-use nature of the portfolio means that there exist certain identified proactive asset management angles in the medium term to add value. The portfolio provides an attractive blended net initial yield of circa 8% off an annual income of around £5.3 million with a Weighted Average Unexpired Lease Term of over 8.63 years.</p>	14,000	4.3
<p>US Bank Portfolio (US) <i>Cost: £2,698,000</i></p> <p>During the year, Atlanta Bancorp, which was valued at nothing, was taken over for approximately £600,000, whilst the bid for TrustAtlantic resulted in a 3 times uplift in valuation. Since the end of January, Avenue Bank has gone public and trades at approximately a 25% premium to the January 2014 valuation.</p> <p>The remaining three banks remain unquoted and are all profitable. As investor liquidity is achieved, we would anticipate further uplifts in valuation.</p>	11,348	3.4
Carried forward	76,843	

unlisted investments profile

as at 31 January

	2015	
	At fair value	Total assets
	£'000	%
Brought Forward	76,843	
Performance Chemical Company (US) Cost: £3,688,000	8,576	2.6
<p>The company provides chemicals to the oil and gas industry which are used either to maintain oil and gas production, or to assist in the process of fracking. Despite the weakness in the oil price, the company continues to perform well as its operations, which are primarily based in West Texas, are to some extent insulated from the current industry difficulties.</p> <p>The company has no net debt and is currently expanding its operations into Louisiana and South Texas through the recruitment of new teams.</p>		
Team Rock (UK) Cost: £7,278,000	7,278	2.2
<p>Team Rock is a leading multi-media rock music business offering print, radio and digital content to fans globally. It acquired the leading magazine titles, "Classic Rock" and "Metal Hammer" from Future PLC in April 2013 and has since established a UK nationwide digital radio station for syndication to an international market. It is currently rolling out an ambitious online and digital strategy. Revenues from "traditional media" (magazines and radio) have performed worse than expected since the investment was made, however the business has had success in developing relationships and winning business from major music industry players. The roll out of the online and digital plan is also at an advanced stage of development. The company is in discussions with new investors to further strengthen the business and expand the unique website (www.teamrock.com) which has now been developed.</p> <p>NB The Company has entered into three Facility Agreements to provide loans to Team Rock Limited. The facilities that are the subject of the first two Agreements have been fully drawn down, whilst the third agrees that the Company will loan funds to Team Rock as and when required up to an agreed amount. As at 31 January 2015, the total loans provided to Team Rock Limited totalled £4,650,000. Since year-end, a further £800,000 loan has been made. Loans made under the Facility Agreements accrue interest day to day at a rate of 10% per annum and the loans are repayable on demand.</p>		
Hampton Investment Properties Limited (UK) Cost: £4,790,000	6,547	2.0
<p>The company is in liquidation with a substantial capital repayment having been made in the last year. The liquidation process should be completed in financial year 2016.</p>		
Carried forward	99,244	

unlisted investments profile

as at 31 January

	2015	
	At fair value	Total assets
	£'000	%
Brought Forward	99,244	
GAJV Holdings Inc. (formerly Glass America LLC) (US) Cost: £2,953,000	3,554	1.1
GAJV is a provider of automotive glass replacement and repair services in North America. It merged its operating assets with those of the Gerber Glass Division of Boyd Group Income Fund in June 2013. Substantial progress has been made in eliminating headcount and service location redundancies and the company achieved record results in 2014. There are put and call arrangements with the merged operating entity which are likely to be exercised next year.		
Viking Investments (UK) Cost: £3,500,000	3,500	1.1
The company owns one of the largest chains of specialised homes caring for very long-term patients with severe mental illnesses. The business was acquired for around 8 times EBITDA and for less than the value of its freehold properties. Since acquisition, the company has performed in line with budget for its core business, although its acquisition pipeline has failed to deliver in line with expectations so far.		
Telos Corporation (US) Cost: £1,161,000	2,568	0.8
The company had a difficult year in 2014 as "sequestration" reduced defence expenditure and a competitive challenge on a major contract severely impacted margins. These problems are now largely behind the company and new contract wins means that Telos expects to return to very significant profitability over the next two years. However, it was deemed prudent to write down the value of the equity to reflect the disappointing performance during 2014.		
Global Options (US) Cost: £1,964,000	2,011	0.6
The company is one of the world's largest surveillance businesses working with large insurance companies to mitigate fraud. Whilst the United States business has been slow, new contracts with major international insurers could significantly improve profitability over the next two years. An unsolicited offer for the business was made in 2014 but, although higher than our valuation, was not at a level which was deemed attractive.		
Carried forward	110,877	

unlisted investments profile

as at 31 January

	2015	
	At fair value	Total assets
	£'000	%
Brought Forward	110,877	
Progeny (US) Cost: £nil	1,332	0.4
<p>The company runs African American funeral homes in Louisiana, USA. The company has been up for sale for the past 18 months and recently signed a letter of intent from a potential buyer.</p>		
Trident Private Equity Fund II LP (Cayman Islands) Cost: £nil*	1,040	0.3
<p>During the year, one of the Fund's investments was sold at a good premium to cost and holding value, all of the escrow accounts were returned without deductions and the final investment in the portfolio, which is quoted, is being distributed in specie. The Fund will therefore be successfully liquidated by the end of June 2015 having delivered an IRR in excess of 40%.</p>		
<p>* £15m received in distributions since holding this investment has been allocated against the original cost. Amounts received above original cost are treated as realised gains.</p>		
B&G Equipment (US) Cost: £685,000	932	0.3
<p>B&G provides specialised equipment for the professional pest control companies. In the United States, this consists of products to control rodents and predominantly ground-based insects. During the year, the company acquired Curtis which has given B&G a strong position in the mosquito control segment. B&G had an excellent year in 2014 and together with further small acquisitions hopes to continue progress into 2015.</p>		
Carried forward	<u>114,181</u>	
Other unlisted investments at fair value	<u>4,744</u>	
Total value of unlisted investments at fair value**	<u><u>118,925</u></u>	

** Includes unlisted loan notes in these companies with a total value of £18,865,000.

unlisted investments profile (AIM Quoted)

as at 31 January

	2015	
	At fair value	Total assets
	£'000	%
Goals Soccer Centres plc <i>Cost: £7,489,000</i>	10,750	3.3
Goals is a successful and established operator of 5-a-side soccer centres across the UK. It now operates 45 centres across the United Kingdom and recently opened new centres include Manchester, Doncaster and Newcastle. The business employs over 800 staff and has established a well-progressed pipeline of sites to continue its rollout. It currently has one 5-a-side centre in Los Angeles, United States, which is performing exceptionally well with sales up 13% at the year end. They are actively looking for a second site in Los Angeles and are working closely with the school districts and local councils to achieve this. The results for the year ended 31 December 2014 were in line with expectations and the company is confident that it will start to see the delivery of growth in 2015 and make further progress during the remainder of the year.		
Essenden plc <i>Cost: £3,656,000</i>	8,374	2.5
The company is the second largest tenpin bowling business in the United Kingdom. Nick Basing and his management team have been highly successful in restoring the health of the business so that all bank debt has been repaid and the company now has modest cash balances. Trading in 2013 was better than expected and the current year has started well. Harwood Capital LLP is currently in negotiations to acquire the business.		
Nationwide Accident Repair Services Plc <i>Cost: £2,582,000</i>	7,800	2.4
Nationwide provides automotive crash repair and accident administration services to the UK insurance industry. With a national network of accident repair centres located across England, Scotland and Wales employing over 2,200 people, it is the largest dedicated provider of accident repair services in the UK. The company received a takeover bid in April 2015, valuing our holding at £10m.		
AssetCo plc <i>Cost: £8,550,000</i>	7,553	2.3
AssetCo is an international Fire and Rescue business. The company's major contract which was extended last year is in Abu Dhabi. Recently, trading has been good and the company has substantial cash balances, no debt and very substantial claims against third parties which it is pursuing.		
Carried Forward	<hr/> 34,477	

unlisted investments profile (AIM Quoted)

as at 31 January

	2015	
	At fair value	Total assets
	£'000	%
Brought forward	34,477	
Journey Group plc <i>Cost: £1,220,000</i>	1,228	0.4
<p>The company provides catering services to the airline industry. The company is profitable and has significant cash balances relative to its market capitalisation.</p>		
OMG Group plc <i>Cost: £652,000</i>	760	0.2
<p>The group's operates as a component of a technology service business providing image understanding products and services for the entertainment, defence, life sciences and engineering industries. The company has three core operating divisions: Vicon, 2d3 Sensing and Yotta. OMG Life, another division, has been refocused on a licensing IP model which will remove sufficient risk and reduce their cost basis considerably to allow the other, more profitable, businesses to become more evident to the market. The results for the year ended 30 September 2014 show revenue and profits ahead of expectations. This year will start to see the company's core market strengths emerging with Vicon, 2d3 Sensing and Yotta all looking to perform above last year's expectations, with OMG Life now being less of a financial burden on the group's resources moving forward. Since the year end, the company has disposed of its division, 2d3 Sensing for \$25 million.</p>		
Total value of AIM quoted investments at bid value	36,465	

strategic report

	<p>The Directors present the strategic report of the Company for the year ended 31 January 2015.</p>
principal activity	<p>The Company carries on business as an investment trust and its principal activity is portfolio investment.</p>
objective	<p>The Company's objective is to provide capital appreciation to its Shareholders through investing in a portfolio of smaller companies which are based primarily in countries bordering the North Atlantic Ocean.</p>
strategy	<p>In order to achieve the Company's investment objective, the Manager uses a stock specific approach in managing the Company's portfolio, selecting investments that he believes will increase in value over a period of time, whether that be due to issues in the management of the businesses which he believes can be improved by Shareholder engagement and involvement or simply due to the fact that the stock is undervalued and he can see potential for improvement in value over the long term. The Company may invest in both listed and unquoted companies. At present, the investments in the portfolio are principally in companies which are located either in the United Kingdom or the United States of America. Typically the investment portfolio will comprise between 40 and 50 securities.</p>
investment policy	<p>While pursuing the Company's objective, the Manager must adhere to the following:</p> <ol style="list-style-type: none"> 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 may invest on both sides of the Atlantic, with the weighting varying from time to time; 4 The Company may invest in unquoted securities as and when opportunities arise and again the weighting will vary from time to time.
investment approach	<p>The Company invests in a diversified range of companies, both quoted and unquoted, on both sides of the Atlantic in accordance with its objective and investment policy.</p> <p>Christopher Mills, the Company's Chief Executive and Investment Manager, is responsible for the construction of the portfolio and details of the principal investments are set out on pages 8 to 13. The top twenty largest investments by current valuation are listed on page 7.</p> <p>When analysing a potential investment, the Manager 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 cash flow. The Manager will consider the balance of listed and unlisted securities in the portfolio when deciding whether to invest in an unquoted stock as he is aware that the level of risk in unquoted securities may be considered higher.</p> <p>In respect of the unquoted portfolio, regular contact is maintained with the management of prospective and existing investments and rigorous financial and business analysis of these companies is undertaken. It is recognised that different types of business perform better than others depending on economic cycles and market conditions and this is taken into consideration when the Manager selects investments and is therefore reflected within the range of investments in the portfolio. The Company attempts to minimise its risk by investing in a diversified spread of investments whether that spread be geographical, industry type or listed or unlisted companies.</p>

strategic report

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 14 to the financial statements on pages 67 to 76.

performance

At 31 January 2015, the diluted net asset value ("NAV") per share was 2,259p (31 January 2014: 1,991p restated), an increase of 13.5% during the year, compared to an increase of 22.2% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted).

The Board feel that a more accurate comparison, given the fact that the current portfolio has limited exposure to quoted US securities, is the rise in the FTSE Small Cap over the period of only 2.9%.

Net assets attributable to equity holders at 31 January 2015 amounted to £328,904,000 compared with £318,557,000 (restated) at 31 January 2014.

results and dividends

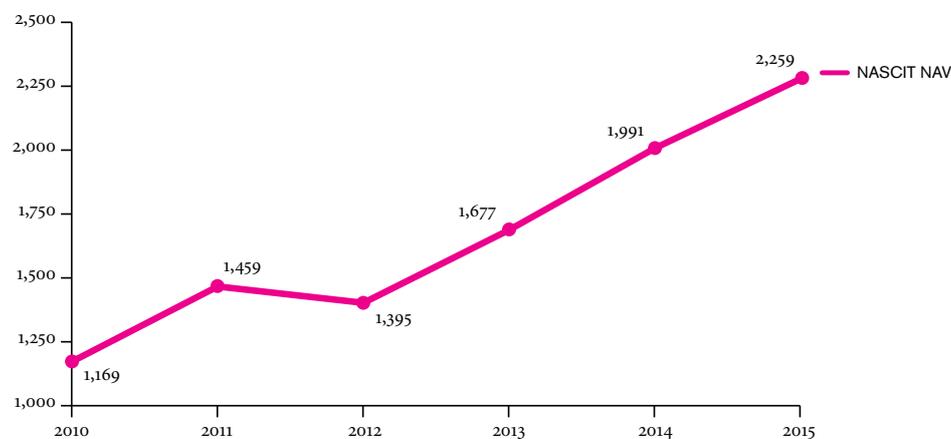
The total net return after taxation for the financial year ended 31 January 2015 amounted to £36,040,000 (2014: £57,007,000 restated). The Board does not propose a final dividend (2014: nil).

key performance indicators

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

- (i) **Net asset value per Ordinary Share:** the following chart illustrates the movement in the fully diluted net asset value per Ordinary Share over the past five years:

net asset value in pence

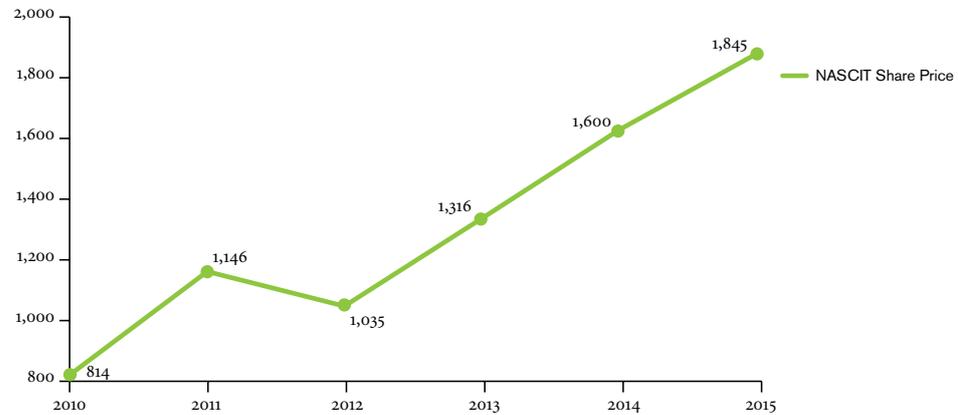


Due to the adoption of IFRS 10, the net asset value figure for 2014 has been restated. Previous years remain unchanged.

strategic report

(ii) **Share price return:** the following chart illustrates the movement in the share price per Ordinary Share over the past five years:

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 (Sterling adjusted), the Company's benchmarks. A graph comparing performance can be found in the Directors' Remuneration Report on page 36.

principal risks and uncertainties

The key risks faced by the Company are set out below. The Board regularly reviews these and agrees policies for managing these risks.

- **Performance risk** – the Board is responsible for deciding the investment strategy in order to fulfil the Company's objectives and for monitoring the performance of the Manager. An inappropriate investment strategy may result in under performance against the companies in the peer group or against the benchmark indices. The Board manages this risk by ensuring that the investments are appropriately diverse and by receiving reports from the Manager at every board meeting explaining his investment decisions and the composition and performance of the portfolio.
- **Market risk** – this category of risk includes currency risk, market price risk and interest rate risk. The fair value or future cash flows of a financial investment held by the Company may fluctuate because of changes in market prices. Also, the valuations of the investments in the portfolio may be subject to fluctuation due to exchange rates or general market prices. The Manager monitors these fluctuations and the markets on a daily basis; the performance of the investment portfolio against its benchmarks is also closely monitored by the Manager. The afore-mentioned graph on page 36 of the Directors' Remuneration Report illustrates the Company's performance against its benchmarks over the last six years.

strategic report

- Investments in unquoted stocks, by their nature, involve a higher degree of risk than investments in the listed market. The valuation of unlisted investments can include a significant element of estimation based on professional assumptions that is not always supported by prices from current market transactions. Recognised valuation techniques are used and recent arms' length transactions in the same or similar entities may be taken into account. Clearly the valuation of such investments is therefore a key uncertainty but the Board manages this risk by regularly reviewing the valuation principles applied by the Manager to ensure that they comply with the Company's accounting policies and with fair value principles. Harwood Capital LLP, a firm which is ultimately owned by Christopher Mills, the Company's Manager, and which provides services such as dealings administration and compliance to the Company, operates a Valuations and Pricing Committee which meets regularly throughout the year to review and agree the valuations of the investments in the portfolio for onward submission to the Board. The Company's independent auditors also attend these Committee meetings.
- 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 by cancelling shares that it repurchases. The Company repurchased a total of 1,338,701 Ordinary Shares for cancellation during the year.
- 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 Manager and Secretary.
- 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 or theft by employees of those third parties. The Board exercises monitoring through the Manager and Harwood Capital LLP over the financial position of its custodial banks.
- 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 counterparties being unable to meet their obligations. The financial position and performance of those investee companies are continually monitored by the Manager and actions are taken to protect the Company's investment if needed.

future prospects

The Directors are hopeful that some of the Company's investments will see some corporate activity over the coming year and that the year ending 31 January 2016 will see a further rise in the Company's net asset value.

social, community and human rights issues

As an investment trust with no employees, property or activities outside investment, the Company has no direct social or community responsibilities and the Board do not believe that the Company's business has an impact on the environment so no policies regarding social and community issues are in place. 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.

strategic report

The Company has no employees. The Directors of the Company and their biographies are set out on page 3. There are currently five Directors of the Company, four of whom are non-executive and they are all male. The Board is wholly supportive of boardroom diversity and when a board vacancy arises, the Nominations Committee will ensure that appointments are made on merit, whilst taking into consideration a variety of factors including relevant skills and experience, knowledge, ethnicity and gender.

greenhouse gas emissions

The Company has no physical assets, operations, premises or employees of its own. Consequently it has no greenhouse gas emissions to report. Hampton, a property investment and development company, in which the Company has a 71.4% holding, owns a portfolio of commercial properties which it leases out to third party tenants and the Company is required to report on this. It has not been practical to obtain this information as Hampton is not required to collate such information for its own reporting purposes thus the information is not readily available. Also, Hampton is in the process of liquidating its property portfolio. However the Board has communicated its views on environmental matters to Hampton's management team and requested that they strive to minimise any impact on the environment.

AIFMD

In last year's annual report, the Board stated the Company was in the process of appointing an AIFM and a depository. However, following discussion with several other parties it was agreed that the Company would seek to be entered onto the register of Small Registered UK Alternative Investment Fund Managers and the Financial Conduct Authority approved the Company's entry on this Register on 26 August 2014. This means that the Company is now an internally managed Company with Christopher Mills, making the investment decisions in his capacity as Chief Executive.

By Order of the Board

Bonita Guntrip ACIS

Company Secretary

14 May 2015

group report of the directors*for the year ended 31 January*

The Directors present their report to Shareholders and the financial statements for the year ended 31 January 2015. Certain information that is required to be disclosed in this report has been provided in other sections of this Annual Report and accordingly, these are incorporated into this report by reference.

taxation status

In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to maintain its status as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company has made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods starting on or after 1 February 2013 subject to the Company continuing to meet the eligibility conditions contained in Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements outlined in Chapter 3 of Part 2 of the Regulations.

share capital

The Company's issued share capital consisted of 14,542,035 Ordinary Shares of 5p nominal value each on 31 January 2015. Since the year end, no Ordinary Shares have been repurchased for cancellation. 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, the Company purchased 1,338,701 Ordinary Shares for cancellation.

share valuations

On 31 January 2015, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 1,845p and 2,259p respectively. The comparable figures at 31 January 2014 were 1,600.0p and 1,991p (restated) respectively. It should be noted that since the conversion of the outstanding units of Convertible Unsecured Loan Stock 2013, the only dilution on the net asset value is those share options that have been issued to the Chief Investment Officer and certain employees of the Joint Manager.

substantial shareholders

As at 31 January 2015, 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
Christopher Mills	3,564,000	24.51
CG Asset Management Limited	1,265,127	8.70
Rathbone Brothers Plc	760,228	5.23
Old Mutual Plc	728,124	5.01
Butterfield Trust (Bermuda) Limited	565,707	3.89

Since 31 January 2015, Harwood Holdco Limited, a company owned by Christopher Mills has acquired a further 10,000 Ordinary Shares of the Company as notified to the London Stock Exchange, taking his total holding to 3,574,000 Ordinary Shares.

group report of the directors*for the year ended 31 January***directors**

The biographical details for Directors currently in office are shown on page 3.

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 of the Company as at 31 January 2015 and 31 January 2014 were as follows:

	31 January 2015 5p Ordinary Shares	31 January 2014 5p Ordinary Shares
Peregrine Moncreiffe	393,130	393,130
Peregrine Moncreiffe (non-beneficial)	11,500	11,500
Christopher Mills*	3,564,000	3,506,849
Christopher Mills (non-beneficial)	319,500	310,500
Kristian Siem**	–	–
Charles Irby	25,000	25,000
Enrique Gittes	111,400	111,400

* Christopher Mills has acquired a further 10,000 Ordinary Shares since 31 January 2015 via his wholly-owned company, Harwood Holdco Limited, as notified to the London Stock Exchange during March and April 2015.

** Siem Capital International Limited, a company which is indirectly controlled by a trust of which Kristian Siem and his family are potential beneficiaries, is ultimately interested in 147,000 Ordinary Shares (2014: 147,000 Ordinary Shares).

Save as disclosed, there have been no changes to the above interests between 31 January 2015 and the date of this report.

Details of Directors' remuneration and interests in Share Options are described in the Directors' Remuneration Report on pages 32 to 36.

Save as disclosed below or in notes 3 and 15 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.

group report of the directors*for the year ended 31 January***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), Harwood Capital LLP provides 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 the Manager. 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 Manager, on the terms agreed, is in the best interests of Shareholders. Christopher 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 Harwood Capital LLP. The Company's performance over the last year is described in the Chairman's Statement on page 4.

related party transactions

Christopher Mills, the Chief Executive, is Chief Investment Officer and a member of Harwood Capital LLP. Christopher 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 Harwood Capital LLP. Christopher Mills is a director of Growth Financial Services Limited ("GFS"). GFS is a wholly-owned subsidiary of Harwood Capital Management Limited, which is the holding company of the Harwood group of companies and is, in turn, 100% owned by Christopher Mills. Harwood Capital Management Limited is also a Designated Member of Harwood Capital LLP.

Pursuant to the Secondment Services Agreement between the Company, GFS and Christopher Mills and the Management, Administration and Custody Agreement between the Company and Harwood Capital LLP, Christopher Mills is responsible for the day-to-day investment decisions. 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 15 on pages 76 and 77 and in the Directors' Remuneration Report on pages 32 to 36. The Investment Management Fees are disclosed in note 3 on page 54. Any Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report on pages 32 to 36 and note 3 of the financial statements on page 54.

group report of the directors*for the year ended 31 January*

Siem Kapital AS, an indirect wholly owned subsidiary of Siem Industries Inc, of which Kristian Siem is chairman, and Harwood Capital LLP had a joint venture agreement relating to SINAV Limited, the vehicle that acquired GTL Resources Plc last year. SINAV Limited was sold during the year under review.

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, in the absence of explicit instruction from the Board, is 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 is appropriate to adopt a voting policy and an investment policy with regard to social, ethical and environmental issues and concluded that it is 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 other than those highlighted in this annual report.

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 2015 had been paid (31 January 2014 – all supplier invoices paid).

auditors

A resolution to reappoint KPMG LLP 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 on page 19 and note 11;
- Details of the substantial shareholders in the Company are listed on page 19;
- The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 20;
- 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.

group report of the directors*for the year ended 31 January***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 10 – 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 10 will renew the authority to allot Shares of the Company on similar terms. If Resolution 10 is passed the Directors will have the authority to allot Shares up to the aggregate nominal amount of £242,367 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 11 – 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 11 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 £36,355 representing 727,101 Ordinary Shares of 5p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing Shareholders.

Resolution 12 – 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 12 seeks the authority of Shareholders to purchase a maximum of 1,454,203 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.

group report of the directors*for the year ended 31 January**Resolution 13 – 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 13 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

The above resolutions are contained in the Notice of Annual General Meeting on pages 79 and 80.

recommendation

The Board considers that resolutions 10 to 13 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 4,103,530 shares representing 28.22% of the voting rights of the Company.

By Order of the Board

Bonita Guntrip ACIS

Company Secretary

Registered Office:

6 Stratton Street

Mayfair

London

W1J 8LD

Registered No: 1091347

14 May 2015

statement of directors' responsibilities in respect of the annual report & financial statements*for the year ended 31 January*

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 show and explain the Company's transactions and 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.

The Directors are responsible for ensuring that the Annual Financial Report, taken as a whole, is fair, balanced and understandable.

**disclosure of information
to auditors**

With regard to the preparation of the Annual Report and Financial Statements for the year ended 31 January 2015, the Directors have confirmed to the Auditor that:

- so far as they are aware, there is no relevant audit information of which auditor is unaware; and
- they have taken the steps appropriate as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

A resolution to reappoint KPMG LLP as auditor of the Company will be proposed at the Annual General Meeting.

statement of directors' responsibilities in respect of the annual report & financial statements

for the year ended 31 January

**statement under the
UKLA disclosure and
transparency rules**

Each of the Directors, whose names and biographies are listed on page 3 confirm that, to the best of his knowledge:

- the Group and the Company's Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Group and Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Peregrine Moncreiffe

Chairman

14 May 2015

corporate governance*Statement of Compliance with the UK Corporate Governance Code***statement of compliance
with the uk corporate
governance code**

The Company's policy is to achieve best practice in its standards of business integrity in all of its activities. This includes a commitment to follow the highest standards of corporate governance wherever possible. This section of the Annual Report describes how the Company has complied with the applicable provisions of the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in September 2012 (the "Code"). The Board considers that it has complied with the provisions of the Code throughout the year with the exception that non-executive Directors are not appointed for a specific term and all of the Directors have served on the Board for more than nine years. However all Directors have been subject to performance evaluation and review during the year and are now subject to annual election.

Additionally, the Company is a member of the Association of Investment Companies ("AIC") and seeks to comply with the recommendations of the AIC's Code of Corporate Governance (the "AIC Code"). The AIC Code is available on the AIC's website: www.theaic.co.uk.

directors

Brief biographical details of the Directors in office are set out on page 3. The Board consists of five Directors, four of whom are non-executive (the Chairman – Peregrine Moncreiffe, Kristian Siem, Charles Irby and Enrique Gittes) and considered by the Board to be independent for the purposes of the Code despite their length of service. They are all free of any relationship that could materially interfere with the exercise of their independent judgement on issues concerning strategy, performance and standards of conduct. The Board considers that it has the appropriate balance of skills, experience, ages and length of service in the circumstances and values highly the experience of those Directors who have served on the Board for a longer period. The majority of the Board is therefore considered to be independent. Christopher Mills is the Company's Chief Executive and not independent.

The Board acts as the Nomination Committee and meets as and when necessary and to discharge its role in nominating a new Director to the Board and succession planning.

The Board is a small Board and individual members have a wide range of qualifications and expertise to bring to any debate. The Board normally meets four times a year and at other times as necessary. Each non-executive Director has a signed letter of appointment to formalise the terms of his engagement as a non-executive Director. Copies of these letters are available for inspection at the Registered Office of the Company during normal business hours and will also be available for at least fifteen minutes prior to and during the Annual General Meeting. The contract for Christopher Mills' services as a Director is with GFS. The Articles of Association provide that newly appointed Directors are required to submit themselves for election by Shareholders at the General Meeting following their appointment and for all Directors to be re-elected at least once every three years. However, the Company has adopted the requirements of the UK Corporate Governance Code in relation to the annual re-election of directors and accordingly, all of the Directors will retire at the Annual General Meeting and being eligible, offer themselves up for re-election. The Board lays down guidelines within which the Chief Executive implements investment policy and has a Schedule of Matters reserved to it. The Chief Executive is responsible for managing the Company and its portfolio of assets on a discretionary basis.

corporate governance*Statement of Compliance with the UK Corporate Governance Code*

The Chairman and other members of the Board recommend that all of the Directors be re-elected. The Chairman has confirmed that all Directors have been subject to performance evaluation and following that evaluation, the Chairman confirms that their performance continues to be effective and that they continue to demonstrate commitment to their role and in his view responsibly fulfil their functions. The performance evaluation programme took the form of a questionnaire circulated to and completed by all Directors. The Chairman then discussed the results with the Board and the individual Directors as necessary and any requests for further training or action were complied with. The non-executive Directors evaluated the performance of the Chairman and can confirm that they are happy with his performance and with his leadership of the Board.

board meetings

The Board has a schedule of matters reserved to it and sets down matters which require prior approval of the Board. The Chief Executive carries out day-to-day activities pursuant to the terms of the management arrangements in place. These day-to-day activities relate to the management of the Company's investment portfolio within guidelines that have been set by the Board. These guidelines include, amongst other things, maximum exposure to any one investment and total exposure to unquoted investments. The management of the investment portfolio also includes the monitoring of the performance and activities of the investee companies in the portfolio and detailed research into any prospective investment. In addition to scheduled Board Meetings, the Board may carry out certain urgent matters not requiring debate by way of delegation to a Committee of the Board or by resolution in writing of all Directors.

attendance at board**meetings, audit and****remuneration committees**

	Total number in year 4 Board Meetings	Total number in year 2 Audit Committees	Total number in year 1 Remuneration Committee
Peregrine Moncreiffe	3	1	1
Christopher Mills	4	n/a	n/a
Kristian Siem	4	2	1
Charles Irby	4	2	1
Enrique Gittes	3	2	1

In addition, there has been a number of meetings of Committees of the Board during the year to deal with matters on an adhoc basis.

remuneration committee

All of the non-executive Directors comprise the Remuneration Committee. The Remuneration Committee reviews the remuneration paid to Harwood Capital LLP and GFS pursuant to the Management Agreements and the level of directors' remuneration. The remuneration of GFS is disclosed in the Directors' Remuneration Report on pages 32 to 36 and also in note 3 on page 54. The terms of reference of the Remuneration Committee are available from the Company Secretary.

corporate governance*Statement of Compliance with the UK Corporate Governance Code***audit committee**

The Board is supported by an Audit Committee which is Chaired by Charles Irby and comprises all of the non-executive Directors. The Audit Committee meets representatives of Harwood Capital LLP twice a year, who report on the proper conduct of business in accordance with the regulatory environment in which the Company operates. The Company's Auditors also attend the Committee at its request, at least once a year, and comment on their work procedures, the quality and effectiveness of the Company's accounting procedures and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include a review of the risk analysis, effectiveness of the internal control environment, accounting policies and the terms of appointment of the Auditors. The Committee monitors the performance of the Auditors on a regular basis (at least annually) and if satisfied, recommends their re-appointment to the Board. The Audit Committee is authorised to take such independent professional advice (including legal advice) and to secure the attendance of any external advisers with relevant expertise as it considers necessary. The Audit Committee is also responsible for the review of the Annual and Half-Yearly Reports, the nature and scope of the external audit, their findings and the provision of any non-audit services. The Audit Committee is satisfied that KPMG LLP, the Company's Auditor, is independent and that it has adequate policies and safeguards in place to ensure that its objectivity and independence is maintained. The Auditor does provide some non-audit services, primarily in the provision of taxation advice but the Committee is satisfied that its objectivity and independence is not impaired by the performance of these non audit services and believes that the appointment of a third party unfamiliar with the Company to carry out non audit services would be of no benefit to Shareholders since they would incur unnecessary additional expense. The Audit Committee receive each year a report from the Auditor as to any matters the Auditor considers bears on its independence and which requires disclosure to the Company.

The Committee's terms of reference are available from the Company Secretary. The Audit Committee met twice during the year to review the Half-Yearly and Annual financial statements and to review reports and hold discussions with the Chief Executive and Harwood Capital LLP. In carrying out its duties during this review, the Audit Committee has considered inter alia the annual budget, internal control reports, the risk management framework, the effectiveness of the external audit process, the independence and objectivity of the External Auditor, the Audit Plan, Audit Reports and Corporate Governance Report including the Code. The Audit Committee has considered the need to take out separate insurance cover for Christopher Mills. The Board is satisfied that all of the Committee's members have recent and relevant commercial and financial knowledge and experience to satisfy the Code, by virtue of their having held various executive and non-executive roles in investment management and business management. Additionally, Charles Irby (Chairman of the Committee) is a chartered accountant.

corporate governance*Statement of Compliance with the UK Corporate Governance Code***financial report and significant issues**

The Audit Committee met with the Auditor during the year to discuss the audit plan and strategy for the year and identify the significant issues to be dealt with in the review of the year end results. The principal issues identified for the review and those identified as presenting the greatest risks, were:

- the valuation of the investments in the portfolio; and
- the liquidity of the portfolio, and how this affects the valuation.

Listed investments are valued using stock exchange prices provided by third party financial data vendors. Unlisted investments are recognised on a fair value basis as set out in the statement of accounting policies on page 50 and are reviewed by Harwood Capital LLP's Valuations and Pricing Committee before being approved by the Board and being made available to the Auditor.

The Board receive reports from the Manager on the liquidity of the portfolio and the processes for monitoring portfolio liquidity are also examined. The Board then assesses the impact of the liquidity on the valuation of the portfolio.

These and other matters, identified as posing less of a risk, were considered and discussed with the Manager and the Auditor as part of the year end process.

The Company carries out its activities using the services of third party service providers; it has no staff of its own.

shareholder relations

The Company, through its Chief Executive, has regular contact with its Institutional Shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private Shareholders and encourages them to participate. The Annual General Meeting is attended by the Directors and the Chief Executive.

The Notice of the Annual General Meeting sets out the business of the meeting and can be found on pages 79 and 80. The special business is also explained more fully in the Explanatory Notes on pages 23 and 24. Separate resolutions are proposed for each substantive issue.

nominations committee

The Board is a small Board and fulfils the function of the Nominations Committee as a whole. The Nominations Committee considers the leadership needs and succession of the Board when making decisions on new appointments. Compatibility with each and every Director is considered a priority. The Board has considered its size during the year and considers that it is still a suitable size for the size of the Company and does not consider that there are any vacancies. The terms of reference of the Nominations Committee are available from the Company Secretary.

the company secretary

The Board has direct access to the advice and services of the Company Secretary, Bonita Guntrip ACIS, who is responsible for ensuring that the Board and Committee procedures are followed and that the applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports.

accountability and audit

The statement of going concern is given on page 22 and the Board's responsibilities with regard to the financial statements are set out on pages 25 and 26. The Independent Auditor's Report is on pages 37 to 39.

share capital

Shareholders' attention is drawn to the further information on page 22 which is disclosed in accordance with the Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 and rule 7.2.6 of the Disclosure and Transparency Rules.

corporate governance*Statement of Compliance with the UK Corporate Governance Code***internal control**

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has regularly reviewed the effectiveness of the system of internal control in place. The Board believes that the key risks identified and implementation of the system to monitor and manage those risks are appropriate to the Company's business as an investment trust. The ongoing risk assessment includes the monitoring of the financial, operational and compliance risks as well as an evaluation of the scope and quality of the system of internal control adopted by the third party service providers. The Board regularly reviews the delegated services to ensure their continued competitiveness and effectiveness. The system is designed to ensure regular communication of the results of monitoring by the third parties to the Board and the incidence of any significant control failings or weaknesses that have been identified and the extent to which they have resulted in unforeseen outcomes or contingences that may have a material impact on the Group's performance or operations. This review process was in place throughout the year under review and including the period to the date of the approval of the Annual Report. The Board believes that, although robust, the Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Any system can provide only reasonable and not absolute assurance against material misstatement or loss. The Company does not have an internal audit function as it uses third party service providers and does not employ any staff, nor does the Board consider it appropriate to do so.

Throughout the year ended 31 January 2015, the Company has complied with the Code, except as follows:

B.2.3 – This provision states that non-executive directors should be appointed for specific terms. Non-executive Directors are not appointed for specific terms but in compliance with Code provision D.1.5 their appointment is terminable on one month's notice. Furthermore, all Directors are now subject to annual election.

E.1.1 – This provision states that the Chairman should meet regularly with major Shareholders to discuss governance and strategy. This is not strictly complied with insofar as it is the Chief Executive who has regular contact with major Shareholders. However, any concerns raised by those substantial Shareholders are fed back to the Board and the Chairman is available to meet with major Shareholders at their request. Also, all Directors including the Chairman attend the Annual General Meeting and are available to communicate with Shareholders.

By Order of the Board

Bonita Guntrip ACIS

Company Secretary

Registered Office:

6 Stratton Street

Mayfair

London

W1J 8LD

Registered No: 1091347

14 May 2015

directors' remuneration report*for the year ended 31 January*

This Report has been prepared in accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 8. An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to a binding Shareholder vote at the forthcoming annual general meeting and at every third annual general meeting thereafter. The Directors' Remuneration Implementation Report will be put to an advisory Shareholder vote at this year's annual general meeting.

The law requires your Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 37 to 39.

role and composition

The Remuneration Committee consists of the Chairman, Peregrine Moncreiffe, Charles Irby, Enrique Gittes and Kristian Siem, being the Independent non-executive Directors. Christopher Mills, the Company's Chief Executive, is not a member of the Remuneration Committee and does not attend meetings of the Remuneration Committee.

The Remuneration Committee is responsible for determining all aspects of Directors' remuneration. No Director participates in discussions on his own remuneration. The Committee takes independent professional advice where it considers this is appropriate. No such advice has been received in the year.

The Remuneration Committee will normally meet at least once a year to consider its policy on Directors' Remuneration.

directors' interests (audited)

	31 January 2015 5p Ordinary Shares	31 January 2014 5p Ordinary Shares
Peregrine Moncreiffe	393,130	393,130
Peregrine Moncreiffe (non-beneficial)	11,500	11,500
Christopher Mills	3,564,000	3,506,849
Christopher Mills (non-beneficial)	319,500	310,500
Kristian Siem	–	–
Charles Irby	25,000	25,000
Enrique Gittes	111,400	111,400

policy on directors' remuneration

The Company's Articles of Association sets out the aggregate total of Directors' fees that can be paid during the year to £150,000. The Remuneration Committee's policy, subject to this overall limit, is to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in other investment trusts, the rate of inflation and the increasing amount of time that individual Directors must commit to the Company's affairs. The Committee is also concerned that the remuneration of the non-executive Directors should reflect the experience of those Directors and believes that the level of remuneration should be sufficient to attract and retain non-executive Directors to oversee the Company.

directors' remuneration report
for the year ended 31 January

The Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at meetings. Non-executive Directors are not eligible for bonuses, pension benefits, share options or any other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

These fees may be increased up to a total of no more than £150,000 per annum by resolution of the Board and this limit will apply until a new Directors' Remuneration Policy is approved by Shareholders.

The Directors' Remuneration Policy is the same in all material aspects as that implemented by the Board during the year under review and as summarised in last year's Directors' Remuneration Report. This policy is intended to take effect immediately upon its approval by Shareholders. The Board will consider, where raised, Shareholders' views on Directors' remuneration.

The Company has no employees and therefore has no policy on the remuneration of employees.

The performance graph on page 36 measures the Company's share price and net asset value performance against the Sterling adjusted Russell 2000, the Sterling adjusted Standard & Poor's 500 Composite Index and the FTSE All-Share Index. An explanation of the Company's performance is given in the Chairman's Statement and the Investment Manager's Report.

implementation report

The policy is to review Directors' fees from time to time, but reviews will not necessarily result in the level of Directors' fees changing. In the year under review, the Directors were paid at a rate of £25,000 per annum. The Chairman has elected not to receive a fee for his services. The current fees have applied since 1 July 2011.

The fees did not change during the year ended 31 January 2015.

	2015				2014			
	Fees & Salary £	Taxable Benefits £	Annual Incentives £	Total £	Fees & Salary £	Taxable Benefits £	Annual Incentives £	Total £
Executive								
Christopher Mills	25,000	–	1,305,000	1,330,000	25,000	–	2,710,000	2,735,000
Non-Executive								
Peregrine Moncreiffe*	–	–	–	–	–	–	–	–
Charles Irby	25,000	–	–	25,000	25,000	–	–	25,000
Enrique Gittes	25,000	–	–	25,000	25,000	–	–	25,000
Kristian Siem	25,000	–	–	25,000	25,000	–	–	25,000

* Peregrine Moncreiffe is not receiving a fee in respect of his services as the Chairman of the Company.

chief executive

The Chief Executive is responsible for the day-to-day investment decisions. He has no service contract with the Company; his appointment is pursuant to the Secondment Services Agreement dated 7 January 1993 between the Company, the Chief Executive and GFS. The Remuneration Committee has no plans to alter the remuneration structure for the Chief Executive. As stated in note 15 on pages 76 and 77, the Chief Executive is entitled to retain any fees received from investee companies in respect of his role as a non-executive director of these entities; such a role is considered to benefit Shareholders as it allows the Chief Executive to monitor the performance of the investee company more closely than would be possible under other circumstances.

directors' remuneration report

for the year ended 31 January

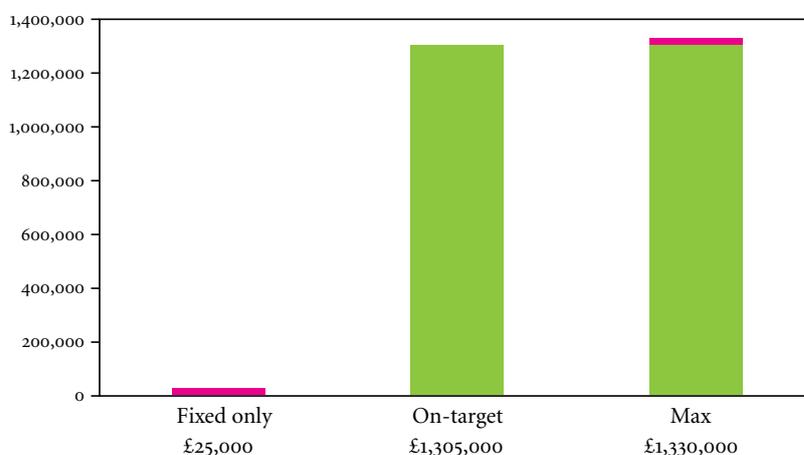
remuneration of chief executive (audited)	Year ended	Year ended
	31 January 2015	31 January 2014
	£	£
Director's fees	25,000	25,000
Investment Management and related fees	1,305,000	1,070,000
Performance fee	–	1,640,000
Total (excluding irrecoverable VAT)	1,330,000	2,735,000

The total fees of £1,330,000, in respect of Christopher Mills' services as a Director and Chief Executive are payable to GFS, as described on page 21. GFS receives, and is contractually entitled to receive, part of the Annual Fee payable to the GFS and Harwood Capital LLP in respect of the investment management activities of the Chief Executive pursuant to the Investment Management Agreements described on page 21 and note 3 on page 54 to the financial statements.

Christopher Mills is a director of GFS. GFS is a wholly owned subsidiary of Harwood Capital Management Limited, which is in turn wholly owned by Christopher Mills. Christopher Mills is also a member and the Chief Investment Officer of Harwood Capital LLP.

The Performance Fee is a contractual entitlement pursuant to the Secondment Services Agreement dated 7 January 1993 as amended and is paid to GFS. Calculation of the Performance Fee includes Oryx at the adjusted price (using equity accounting methods).

No pension or other benefits are paid to the Chief Executive.



The fixed element represents the director's fee of £25,000 per annum.

Included within the 'On-target' and 'Maximum' bars are the investment management fee (2015: 1,305,000) and performance fee (2015: nil) that are payable to GFS and Harwood Capital LLP for the year ended 31 January 2015. Christopher Mills is deemed to have received these fees due to the fact that he is a director of and the ultimate beneficial owner of GFS and a Member of Harwood Capital LLP. These amounts are included in the 'On Target' bar as the fees were only payable if performance related hurdles were met. There are no long term incentive plans in place so the maximum that Christopher Mills could have earned during the year is the total amount of the investment management fee and the performance fee.

directors' remuneration report*for the year ended 31 January***single total figure of remuneration for each director (audited)**

The Directors who served during the years ended 31 January 2015 and 31 January 2014 received the following emoluments:

	Total Fees £ 31 January 2015	Total Fees £ 31 January 2014
Peregrine Moncreiffe	nil	nil
Kristian Siem	25,000	25,000
Charles Irby	25,000	25,000
Enrique Gittes	25,000	25,000
Christopher Mills	1,330,000	2,735,000
Total	1,405,000	2,810,000

No Directors receive any benefits in kind.

The Directors are aware that it is a statutory requirement that this report provides Shareholders and other interested parties with an analysis of Directors' Remuneration against the remuneration of employees or the amount of distributions to Shareholders. However, the Company has no employees and has a long-standing policy of not paying dividends so it is not possible to provide any such analysis. The Directors also do not consider that such a comparison would be a meaningful measure of the Company's overall performance.

service contracts

No Director has a service contract. The contract for the Chief Executive's services and the carrying on day-to-day investment decisions is with GFS and contained in the Secondment Services Agreement between GFS and the Company as noted in the paragraph describing the Chief Executive's activities.

interests in options (audited)

Chief Executive	No. of options at 1 February 2014	Year of Grant	Price	Exercised during the year	Grant of options during the year	Price	No. of options at 31 January 2015
Christopher Mills	420,000	2011	1,467.71p	420,000	–	–	nil

The above options were granted for nil consideration to Christopher Mills on 14 July 2011 under the 2011 Share Option Scheme which was approved by Shareholders at the Annual General Meeting held on 30 June 2011. The 2011 Executive Share Option Scheme ("the Scheme") is an unapproved scheme. Options will normally be exercisable between three and ten years from the date of grant. Options granted under the Scheme may only be exercisable if the fully diluted net asset value of the Company (ignoring dilution on the exercise of Share Options) has grown at a compound rate of 5% per annum over a period of at least three years following the grant of options and has grown by a percentage at least equal to 60% of the percentage increase in the sterling adjusted Standard & Poor's 500 Composite Index in the three year period between the date of grant and the third anniversary of the date of the grant of Options. In accordance with the rules of the Scheme, on 27 October 2014, Christopher Mills gave notice to the Remuneration Committee that he wished to exercise all 420,000 Options. The Committee agreed that instead of issuing Ordinary Shares to him upon the exercise of the options, it would pay him a cash sum equal to the amount by which the fully diluted net asset value exceeded the exercise price, at the time of exercise. Mr Mills used these cash proceeds to purchase 60,000 Ordinary Shares as announced to the market on 28 October 2014.

directors' remuneration report*for the year ended 31 January*

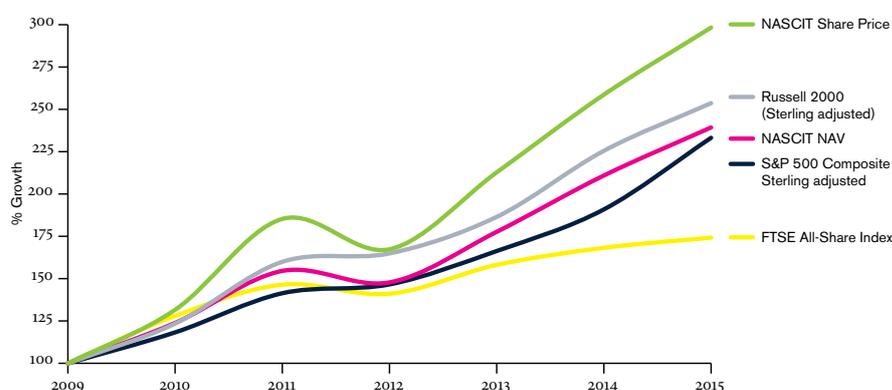
At the date of this report there was a further 40,000 options in issue, 10,000 of which were granted on 14 July 2011 and the remaining 30,000 options which were granted on 9 July 2012, all to employees of Harwood Capital LLP (i.e. not Christopher Mills). The exercise price of the first 10,000 options is 1,467.71p and the remaining 30,000 options in issue have an exercise price of 1,396.24p. The same performance criteria as explained above apply.

The highest and lowest mid-market price of the Company's Ordinary Shares during the year was 1,862p and 1,594p respectively. The mid-market price of the Company's Ordinary Shares at 31 January 2015 was 1,845p.

company's performance

The following graph compares over a six year period the total Shareholder return on the Company's Shares with a hypothetical holding of Shares of the same kinds and number as those by reference to which a broad equity market index is calculated.

Graph showing total Shareholder return over 6 years as compared to total Shareholder return of a broad equity market index over the last 6 years. (Source: Financial Data/Datastream)



Due to the adoption of IFRS 10, the net asset value figures for 2014 have been restated. Previous years remain unchanged.

The equity market indexes chosen are the Sterling adjusted Russell 2000 and the Sterling adjusted Standard & Poor's 500 Composite Index. After consultation with major Shareholders, 60% of this latter index was selected as the additional equity index-related benchmark to supplement the absolute 5% per annum growth rate hurdle for the 2002 Executive Option Scheme. The FTSE All-Share Index is also included for comparative purposes as the portfolio currently consists principally of UK incorporated companies as well as US companies.

This Report was approved by the Board on 14 May 2015 and signed by Peregrine Moncreiffe, Chairman.

On behalf of the Board

Peregrine Moncreiffe

Chairman

14 May 2015

independent auditor's report

to the members of north atlantic smaller companies investment trust plc only

Opinions and conclusions arising from our audit**our opinion on the financial statements is unmodified**

We have audited the financial statements of North Atlantic Smaller Companies Investment Trust plc for the year ended 31 January 2015 set out on pages 40 to 77. 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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of Unlisted Investments (equities and loan stock) (£118.9 million)

Refer to page 29 (Audit Committee section of the Corporate Governance Report), page 50 (accounting policy) and pages 59 to 64 (financial disclosures).

The risk – 36% of the Group's total assets (by value) is held in investments where no quoted market price is available. Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples, and net assets. There is a significant risk over the valuation of these investments and this is the key judgemental area that our audit focused on.

Our response – Our procedures included, among others:

- enquiry of the Investment Manager to document and assess the design and implementation of the investment valuation processes and controls in place;
- attendance at key valuation meetings with the Directors and investment manager to assess their discussion and review of the investment valuations;
- assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and consider whether they are indicative of bias or error in the Group's approach to valuations;

independent auditor's report*to the members of north atlantic smaller companies investment trust plc*

- challenging the Investment Manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we focused on the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Where a recent transaction had been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- attending the year end audit committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £6.7 million, determined with reference to a benchmark of Group Total Assets (of which it represents 2%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £330,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group comprises two reporting components, the most significant of which is the Parent Company. The Group audit team performed an audit of the Parent Company using the materiality levels set out above. This covered 98% of total Group revenue, 98% of Group loss before tax, and 100% of total Group assets. For the remaining component, we performed analysis at Group level to re-examine our assessment that there were no significant risks of material misstatements within this component.

our opinion on other matters prescribed by the companies act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance statement set out on pages 27 to 31 describe with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

we have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

independent auditor's report

to the members of north atlantic smaller companies investment trust plc

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Corporate Governance section of the annual report does not appropriately address matters communicated by us to the audit committee.

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, set out on page 22, in relation to going concern; and
- the part of the Corporate Governance statement on page 27 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

scope and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on pages 25 and 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Group's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Peter Lomax (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

100 Temple Street

Bristol

BS1 6AG

14 May 2015

consolidated statement of comprehensive income
for the year ended 31 January

	Notes	2015			restated*		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	1,840	–	1,840	3,344	–	3,344
Net gains on investments at fair value	8	–	37,873	37,873	–	59,121	59,121
Currency exchange gains	8	–	270	270	–	2	2
total income		1,840	38,143	39,983	3,344	59,123	62,467
Expenses							
Investment management fee	3	(3,263)	79	(3,184)	(2,675)	(1,761)	(4,436)
Other expenses	4	(574)	–	(574)	(649)	–	(649)
Share based remuneration	5	(173)	–	(173)	(363)	–	(363)
return before finance costs and taxation		(2,170)	38,222	36,052	(343)	57,362	57,019
Finance costs		–	–	–	–	–	–
return before taxation		(2,170)	38,222	36,052	(343)	57,362	57,019
Taxation	6	(12)	–	(12)	(12)	–	(12)
return for the year		(2,182)	38,222	36,040	(355)	57,362	57,007
basic earnings per ordinary share	7	(14.55)	254.88	240.33	(2.29)	369.44	367.15
diluted earnings per ordinary share	7	(14.55)	254.88	240.33	(2.23)	360.54	358.31

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

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 (“IAS”) 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 (“SORP”) issued by the AIC.

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

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

consolidated statement of changes in equity
for the year ended 31 January

group	Share	CULS	Share	Share	Capital	Capital	Revenue	Total
	capital	reserve	options	premium	reserve	redemption	reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2015								
31 January 2014 (restated*)	794	–	1,138	1,301	319,888	76	(4,640)	318,557
Total comprehensive income for the year	–	–	–	–	38,222	–	(2,182)	36,040
Share option discharge	–	–	(1,018)	–	(2,081)	–	–	(3,099)
Shares purchased for cancellation	(67)	–	–	–	(22,767)	67	–	(22,767)
Share options expenses	–	–	173	–	–	–	–	173
31 January 2015	727	–	293	1,301	333,262	143	(6,822)	328,904
	Share	CULS	Share	Share	Capital	Capital	Revenue	Total
	capital	reserve	options	premium	reserve	redemption	reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2014								
31 January 2013 (restated*)	718	12	775	1,301	263,037	74	(4,285)	261,632
Total comprehensive income for the year	–	–	–	–	57,362	–	(355)	57,007
Arising on conversion of CULS	78	(12)	–	–	–	–	–	66
Shares purchased for cancellation	(2)	–	–	–	(511)	2	–	(511)
Share options expenses	–	–	363	–	–	–	–	363
31 January 2014	794	–	1,138	1,301	319,888	76	(4,640)	318,557

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

company statement of changes in equity
for the year ended 31 January

company	Share	CULS	Share	Share	Capital	Revenue	Total	
	capital	reserve	options	premium	reserve	redemption		reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
2015								
31 January 2014 (restated*)	794	–	1,138	1,301	319,667	76	(4,287)	318,689
Total comprehensive income for the year	–	–	–	–	38,090	–	(2,182)	35,908
Share option discharge	–	–	(1,018)	–	(2,081)	–	–	(3,099)
Shares purchased for cancellation	(67)	–	–	–	(22,767)	67	–	(22,767)
Share options expenses	–	–	173	–	–	–	–	173
31 January 2015	727	–	293	1,301	332,909	143	(6,469)	328,904
2014								
31 January 2013 (restated*)	718	12	775	1,301	262,315	74	(3,932)	261,263
Total comprehensive income for the year	–	–	–	–	57,863	–	(355)	57,508
Arising on conversion of CULS	78	(12)	–	–	–	–	–	66
Shares purchased for cancellation	(2)	–	–	–	(511)	2	–	(511)
Share options expenses	–	–	363	–	–	–	–	363
31 January 2014	794	–	1,138	1,301	319,667	76	(4,287)	318,689

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

consolidated and company balance sheets

as at 31 January

			restated*		restated*
		Group	Group	Company	Company
		31 January	31 January	31 January	31 January
		2015	2014	2015	2014
Notes		£'000	£'000	£'000	£'000
non current assets					
Investments at fair value through profit or loss	8	321,044	292,622	321,044	292,754
		<u>321,044</u>	<u>292,622</u>	<u>321,044</u>	<u>292,754</u>
current assets					
Trade and other receivables	9	562	670	562	21,530
Cash and cash equivalents		7,598	27,511	7,598	6,651
		<u>8,160</u>	<u>28,181</u>	<u>8,160</u>	<u>28,181</u>
total assets		<u>329,204</u>	<u>320,803</u>	<u>329,204</u>	<u>320,935</u>
current liabilities					
Trade and other payables	10	(300)	(2,246)	(300)	(2,246)
total liabilities		<u>(300)</u>	<u>(2,246)</u>	<u>(300)</u>	<u>(2,246)</u>
total assets less current liabilities		<u>328,904</u>	<u>318,557</u>	<u>328,904</u>	<u>318,689</u>
net assets		<u>328,904</u>	<u>318,557</u>	<u>328,904</u>	<u>318,689</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

consolidated and company balance sheets

as at 31 January

		restated*		restated*	
		Group	Group	Company	Company
		31 January	31 January	31 January	31 January
		2015	2014	2015	2014
Notes		£'000	£'000	£'000	£'000
represented by:					
Share capital	11	727	794	727	794
Share options reserve		293	1,138	293	1,138
Share premium account		1,301	1,301	1,301	1,301
Capital reserve		333,262	319,888	332,909	319,667
Capital redemption reserve		143	76	143	76
Revenue reserve		(6,822)	(4,640)	(6,469)	(4,287)
total equity attributable to equity holders of the company		328,904	318,557	328,904	318,689
net asset value per ordinary share:					
Basic	7	2,262p	2,006p		
Diluted	7	2,259p	1,991p		

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities as explained in the Accounting Policies (note 1).

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

These financial statements were approved by the Board of Directors on 14 May 2015 and signed on its behalf by:

Peregrine Moncreiffe, *Chairman*

Company Registered Number:

1091347

consolidated cash flow statement*for the year ended 31 January*

group	Notes	restated*	
		2015 £'000	2014 £'000
cash flows from operating activities			
Investment income received		1,658	1,710
Bank deposit interest received		37	9
Other income		215	1,351
Sale of investments by dealing Subsidiary		–	742
Investment Manager's fees paid		(5,058)	(4,166)
Other cash payments		(3,633)	(218)
cash expended for operations	12	(6,781)	(572)
Taxation paid		(12)	(12)
net cash outflow from operating activities		(6,793)	(584)
cash flows from investing activities			
Purchases of investments		(309,650)	(217,127)
Sales of investments		319,054	237,286
net cash inflow from investing activities		9,404	20,159
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation		(22,769)	(509)
net cash outflow from financing activities		(22,769)	(509)
(decrease)/increase in cash and cash equivalents for the year		(20,158)	19,066
cash and cash equivalents at the start of the year			
Revaluation of foreign currency balances		27,511	8,343
		245	102
cash and cash equivalents at the end of the year	13	<u>7,598</u>	<u>27,511</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities as explained in the Accounting Policies (note 1).

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

company cash flow statement*for the year ended 31 January*

		restated*	
		2015	2014
company	Notes	£'000	£'000
cash flows from operating activities			
Investment income received		1,658	1,695
Bank deposit interest received		–	9
Other income		215	1,351
Investment Manager's fees paid		(5,058)	(4,166)
Other cash payments		(3,633)	(218)
		<u> </u>	<u> </u>
cash expended from operations	12	(6,818)	(1,329)
Taxation paid		(12)	(12)
		<u> </u>	<u> </u>
net cash outflow from operating activities		<u>(6,830)</u>	<u>(1,341)</u>
cash flows from investing activities			
Purchases of investments		(309,650)	(217,127)
Sales of investments		319,054	237,286
		<u> </u>	<u> </u>
net cash inflow from investing activities		<u>9,404</u>	<u>20,159</u>
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation		20,897	(18,727)
Short-term loans net advanced to subsidiary		(22,769)	(509)
		<u> </u>	<u> </u>
net cash outflow from financing activities		<u>(1,872)</u>	<u>(19,236)</u>
increase/(decrease) in cash and cash equivalents for the year		<u>702</u>	<u>(418)</u>
cash and cash equivalents at the start of the year		6,651	6,964
Revaluation of foreign currency balances		245	105
		<u> </u>	<u> </u>
cash and cash equivalents at the end of the year	13	<u>7,598</u>	<u>6,651</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

The financial statements have been prepared in accordance with the accounting policies on pages 47 to 52.

The notes on pages 47 to 77 form part of these financial statements.

notes to the financial statements**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 2015 comprises the results of the Company and its subsidiary – Consolidated Venture Finance Limited (together referred to as the “Group”).

During the year, the Company has adopted the following new IFRS’s.

IFRS 12 Disclosure of interests in other entities

This includes the disclosure requirements for all forms of interests in other entities including other joint arrangements, associates, structures entities and other off balance sheet vehicles.

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

IFRS 10 Consolidation of financial statements

Upon adoption of IFRS 10, the Board has concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; it has ownership interests in the form of equity and similar interests; it has more than one investor and its investors are not related parties.

Therefore, all investments are recognised at fair value through profit or loss. The adoption of IFRS 10 has changed the treatment for the Company’s investment in Hampton, which was previously consolidated, and Oryx which, under IAS 28, was previously held as an associate using the equity method of accounting.

Hampton is now included at fair value of the Company’s stake, which is materially the same as the value using the consolidation method.

Under the transitional provisions of IFRS 10, this change in accounting policy is required to be accounted for retrospectively and therefore the relevant comparative figures have been restated.

The most material impacts of the adoption of IFRS 10 on the consolidated income statement are to reduce income by £2,409,000, other expenses by £1,021,000, finance costs by £800,000, and to remove net losses on investment property of £541,000, and share of net return of associate of £10,375,000. Net gains on investments at fair value increased by £8,914,000. The overall impact was to reduce the return on the year by £1,508,000. On the consolidated balance sheet, the most significant impacts were to eliminate investment property of £33,731,000, investments accounted for using the equity method of £36,029,000, investments held by subsidiaries of £2,000,000, property under construction of £1,170,000, and bank loans of £16,908,000. Investments at fair value through profit and loss increased by £42,714,000. Net assets decreased by £14,297,000. The remaining impact on the balance sheet was to remove certain net assets of a subsidiary, which included £804,000 of cash. On the cash flow statement, the main impact was to remove rental income of £2,409,000, other cash payments of £1,675,000, bank interest of £800,000, repayment of fixed term borrowings of £4,088,000. In addition, purchases of investments is lower by £1,853,000, and sales of investments is lower by £5,691,000.

Adjustment for Oryx

On adoption of IFRS 10, the Company has changed its method of accounting for its investment in Oryx. It was previously priced using equity accounting to account for the Company’s share of Oryx’s net assets. It is now valued using fair value, derived from the share price which is materially different to the value derived from equity accounting.

notes to the financial statements

1 accounting policies continued

The below table shows the effect on the net assets of the change in method.

	31 January 2015 £'000	Restated 31 January 2014 £'000	Restated 31 January 2013 £'000
Total equity attributable to equity holders of the Company as per Group Balance sheet.	328,904	318,557	261,632
Increase in net assets if equity accounted*	5,543	7,604	6,111
Adjusted net assets	<u>334,447</u>	<u>326,161</u>	<u>267,743</u>
Net asset value – Basic	2,262p	2,006p	1,822p
– Diluted	2,259p	1,991p	1,639p
Net asset value adjusted – Basic	2,300p	2,054p	1,865p
– Diluted	2,297p	2,037p	1,677p

* increase in net gains on investments at fair value/increase in value of investments at fair value through profit or loss.

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 2015 and have therefore not been applied in preparing these financial statements.

New/Revised IFRSs	Issued	Effective date for annual periods beginning on or after
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 2017 (mandatory application date amended November 2013)
IFRS 9 Financial Instruments — Accounting for financial liabilities and derecognition	Original issue October 2010	1 January 2017 (mandatory application date amended November 2013)

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

notes to the financial statements**1 accounting policies** continued

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 2014 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 IFRSs 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 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

Under IAS 27 a subsidiary is defined as an entity which is controlled by another entity. Therefore, the Group financial statements consolidate the financial statements of the Company and its wholly owned Subsidiary undertaking, Consolidated Venture Finance Limited drawn up to 31 January 2015.

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

In accordance with the exemptions given by S408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's profit for the financial year dealt with in the accounts of the Group is £35,908,000 (2014: £57,508,000 restated).

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 is an associate as it is considered to be a long term holding of the Company.

Under IFRS 10, Oryx is included in the accounts at fair value see page 63 for further details.

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. A geographical analysis of the portfolio is shown on page 6.

notes to the financial statements

1 accounting policies continued

f) investments

All non current investments held by the Group, 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 and Treasury Bills 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.

(ii) unquoted at directors' estimate of fair value

Unquoted investments are valued in accordance with the IPEV 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 2015, is a gain of £16,987,000 relative to the movement in the fair value of the unlisted investments valued using valuation techniques.

(iii) 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 1f)(i) and 1f)(ii) above for quoted and unquoted holdings respectively.

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

g) foreign currency

The currency of the primary economic environment in which the Company operates (the "functional currency") is pounds 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.

notes to the financial statements**1 accounting policies** continued**g) foreign currency** continued

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.

h) 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.

i) 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.

j) expenses

All expenses including finance costs, 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.

k) 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.

l) 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.

notes to the financial statements

1 accounting policies continued

m) 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.

n) 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.

o) share capital and reserves

Share Capital represents the nominal value of equity shares.

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.

notes to the financial statements

2 income

	Group	restated* Group	Company	Company
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
income from investments				
Dividend income	1,590	1,620	1,590	1,605
Unfranked investment income				
– interest	76	63	76	63
– interest reinvested	–	58	–	58
	<u>1,666</u>	<u>1,741</u>	<u>1,666</u>	<u>1,726</u>
other income				
Interest receivable	173	1,362	138	1,360
Net dealing gains from Subsidiary trading	1	241	–	–
Net return from Subsidiary	–	–	–	257
	<u>174</u>	<u>1,603</u>	<u>138</u>	<u>1,617</u>
Total income	<u>1,840</u>	<u>3,344</u>	<u>1,804</u>	<u>3,343</u>
total income comprises				
Dividends	1,590	1,620	1,590	1,605
Interest	249	1,483	214	1,481
Other income [#]	1	241	–	257
	<u>1,840</u>	<u>3,344</u>	<u>1,804</u>	<u>3,343</u>
income from investments				
Listed UK	1,590	1,620	1,590	1,605
Other listed	13	20	13	20
Other unlisted	63	101	63	101
	<u>1,666</u>	<u>1,741</u>	<u>1,666</u>	<u>1,726</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

[#] Includes net dealing gains from Subsidiary trading.

notes to the financial statements

3 investment management fee

- (i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors on page 21 and the Directors' Remuneration Report on page 34, GFS provides the services of Christopher Mills as Chief Executive of the Company, who is responsible for day-to-day investment decisions. Christopher Mills is 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 on page 21 of the Group Report of the Directors, 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 15, no formal arrangements exist to avoid double charging on investments managed or advised by the Chief Executive or Harwood Capital LLP.
- (iii) The Performance Fee, calculated annually to 31 January, is only payable if the investment portfolio, including Oryx at the adjusted price, 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 an investment management related fee of £125,000 per annum (see note 4).

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

	Group and Company			Group and Company		
	2015			2014		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Annual fee	3,263	–	3,263	2,675	–	2,675
Performance Fee	–	–	–	–	1,641	1,641
Irrecoverable VAT thereon	–	(79)*	(79)	–	120	120
	<u>3,263</u>	<u>(79)</u>	<u>3,184</u>	<u>2,675</u>	<u>1,761</u>	<u>4,436</u>

* Adjustment to previous year based on actual amount of VAT recovered in VAT return.

At 31 January 2015, £163,000 was payable to Harwood Capital LLP in respect of outstanding management fees (2014: £134,000). At 31 January 2015, £nil plus VAT was payable to GFS in respect of outstanding performance fees (2014: £1,641,000 plus VAT).

notes to the financial statements

4 other expenses

	Group		Company	
	restated*			
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Auditor's remuneration (see below)	73	55	73	55
Directors' fees (see pages 35)	100	100	100	100
Investment management related fee (see note 3)	125	125	125	125
Other expenses	276	369	276	369
	<u>574</u>	<u>649</u>	<u>574</u>	<u>649</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

	Group		Company	
	restated*			
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
auditors' remuneration				
Fees payable to Auditor for audit	52	42	52	42
Other services relating to taxation	21	13	21	13
	<u>73</u>	<u>55</u>	<u>73</u>	<u>55</u>

5 share based remuneration

	Group and Company			Group and Company		
	2015			2014		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Accounting charge for the year	173	–	173	363	–	363
	<u>173</u>	<u>–</u>	<u>173</u>	<u>363</u>	<u>–</u>	<u>363</u>

A list of the Options in issue are shown below;

No. of options at 1 February 2014	Year of grant	Exercised during the year	Grant of options during the year	Price	No. of Options at 31 January 2015
430,000	2011	420,000	–	1,467.71	10,000
30,000	2012	–	–	1,396.24	30,000

Further details of Options are disclosed on pages 35 and 36 and in note 11 on page 65.

On 14 July 2011, Christopher 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 an eligible employee of Harwood Capital LLP. These options are exercisable providing the necessary performance requirements are met between 14 July 2014 and 14 July 2021. Christopher Mills discharged these options (420,000) on 23 October 2014, resulting in a payment of £3,099,000.

notes to the financial statements

5 share based remuneration continued

On 9 July 2012, a further 30,000 options were granted to other eligible employees of Harwood Capital LLP at an exercise price of 1,396.24p. These options are exercisable (providing the necessary performance requirements are met between 9 July 2015 and 9 July 2022).

The fair value of the share options is estimated at the respective grant date using a binominal lattice. The Board commissioned an independent third party to calculate the fair value of the share options under IFRS 2. The assumptions used in calculating the fair value are included in the table below:

	2011 options	2012 options
Award date	14 July 2011	9 July 2012
Exercise price	1,467.71p	1,396.24p
Assumptions:	per annum	per annum
Future share price volatility	25.0%	20.0%
Future dividend yield	0.0%	0.0%
Future risk-free interest rate	1.2%	0.3%
Minimum gain threshold	33.0%	33.0%
Proportion of options exercised given minimum gain achieved	50.0%	50.0%
Share price [^]	1,097.00p	1,045.00p

[^] Share price is the closing mid-market price on the day before the date of grant.

Based on the above assumptions:

- the fair value of the 2011 options has been calculated as 22.1% of the face value of the awards (based on the share price of 1,097.00p) giving a total fair value of £1,042,000.
- the fair value of the 2012 options has been calculated as 15.0% of the face value of the awards (based on the share price of 1,045.00p) giving a total fair value of £47,000.

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.

At the date of this report there were a total of 40,000 options in issue with an estimated fair value at the date of grant of £71,000.

6 taxation on ordinary activities

	Group	Group	Company	Company
	2015	2014	2015	2014
	Total	Total	Total	Total
	£'000	£'000	£'000	£'000
Withholding tax	12	12	12	12
	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

notes to the financial statements

6 taxation on ordinary activities continued

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 23% to 31 March 2014 and 21% from 1 April 2014. The differences are explained below.

	Group 2015 Total £'000	restated*	Company 2015 Total £'000	restated*
		Group 2014 Total £'000		Company 2014 Total £'000
Total return on ordinary activities before taxation	<u>36,052</u>	<u>57,019</u>	<u>35,920</u>	<u>57,520</u>
Theoretical tax at UK Corporation tax rate of 21.333% (2014: 23.167%)	7,691	13,210	7,663	13,326
Effects of:				
Non taxable capital return	(8,154)	(13,289)	(8,126)	(13,405)
UK dividends which are not taxable	(322)	(357)	(322)	(357)
Withholding tax	12	12	12	12
Increase in tax losses, disallowable expenses and offshore income gains	<u>785</u>	<u>436</u>	<u>785</u>	<u>436</u>
Actual current tax charge	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

Factors that may affect future tax charges:

As at 31 January 2015, the Group has tax losses of £48,635,000 (31 January 2014: £45,863,000) that are available to offset future taxable revenue, comprising excess management expenses of £36,888,000, a non-trade loan relationship deficit of £9,913,000 and a trade loss of £1,834,000 (31 January 2014: excess management expenses of £35,347,000, a non-trade loan relationship deficit of £8,646,000 and a trade loss of £1,870,000). A deferred tax asset has not been recognised in respect of those losses as the Group is not expected to generate taxable income in the future in excess of the deductible expenses of future periods and, accordingly, it is unlikely that the Group will be able to reduce future tax liabilities through the use of those losses.

Of the Group tax losses, the Company has tax losses of £46,974,000 (31 January 2014: £43,993,000) that are available to offset future taxable revenue, comprising excess management expenses of £37,061,000, a non-trade loan relationship deficit of £9,913,000 and a trade loss of £nil (31 January 2014: excess management expenses of £35,347,000, a non-trade loan relationship deficit of £8,646,000 and a trade loss of £nil). A deferred tax asset has not been recognised in respect of those losses as the Company is not expected to generate taxable income in the future in excess of the deductible expenses of future periods and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of those losses.

notes to the financial statements

6 taxation on ordinary activities continued

The Company is exempt from corporation tax on capital gains provided it maintains its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. Due to the Company's intention to continue to meet the conditions required to maintain its investment trust status, it has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

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

a) 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
2015									
Basic return per Share	(2,182)	14,996,362	(14.55)	38,222	14,996,362	254.88	36,040	14,996,362	240.33
Share options**	–	–		–	–		–	–	
Diluted return per Share	<u>(2,182)</u>	<u>14,996,362</u>	<u>(14.55)</u>	<u>38,222</u>	<u>14,996,362</u>	<u>254.88</u>	<u>36,040</u>	<u>14,996,362</u>	<u>240.33</u>
2014									
	*Net return restated £'000	Revenue Ordinary Shares	Per Share pence	*Net return restated £'000	Capital Ordinary Shares	Per Share pence	*Net return restated £'000	Total Ordinary Shares	Per Share pence
Basic return per Share	(355)	15,526,665	(2.29)	57,362	15,526,665	369.44	57,007	15,526,665	367.15
Share options**	–	1,416		–	1,416		–	1,416	
CULS***	–	381,817		–	381,817		–	381,817	
Diluted return per Share	<u>(355)</u>	<u>15,909,898</u>	<u>(2.23)</u>	<u>57,362</u>	<u>15,909,898</u>	<u>360.54</u>	<u>57,007</u>	<u>15,909,898</u>	<u>358.31</u>

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. Restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

** Excess of total number of potential shares on Option Conversion over the number that could be issued at the average market price, as calculated in accordance with IAS 33: Earnings per share.

*** 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.

notes to the financial statements

7 return per ordinary share and net asset value per ordinary share continued

b) 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 assets	Number of	Net asset
		£'000	Ordinary Shares	value per Share
2015				
Ordinary Shares	– Basic	328,904	14,542,035	2,262p
	– Diluted	329,470	14,582,035	2,259p
		restated*		restated
		Net assets	Number of	Net asset
		£'000	Ordinary Shares	value per Share
2014				
Ordinary Shares	– Basic	318,557	15,880,736	2,006p
	– Diluted	325,287	16,340,736	1,991p

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 40,000 (2014: 460,000) Share Options were exercised at the prevailing exercise prices, giving a total of 14,582,035 issued Ordinary Shares (2014: 16,340,736).

The Company has also reported an adjusted net asset value per share, in accordance with its previous method of valuing its investment in Oryx – see note 1 for further details.

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

8 investments

a) Investments at fair value through profit or loss

	Group	restated*	Company	restated*
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Quoted at fair value:				
United Kingdom	128,581	122,928	128,581	122,928
Overseas	7,955	13,800	7,955	13,800
Total quoted investments	136,536	136,728	136,536	136,728
Treasury bills at fair value	65,583	54,454	65,583	54,454
Unlisted and loan stock at fair value	118,925	101,440	118,925	101,572
Investments at fair value through profit or loss	321,044	292,622	321,044	292,754

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

8 investments continued

	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
group – 2015						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2014 restated*	66,776	19,104	61,465	4,731	54,364	206,440
Opening unrealised appreciation/(depreciation)	39,716	11,132	36,494	(1,250)	90	86,182
opening valuation as at 1 February 2014 restated*	106,492	30,236	97,959	3,481	54,454	292,622
Movements in year:						
Transfer	–	3,187	–	(3,187)	–	–
Purchases at cost	26,483	3,640	26,274	18,100	234,983	309,480
Sales – proceeds	(29,441)	(5,051)	(53,973)	(800)	(229,666)	(318,931)
– realised gains on sales	3,670	3,269	12,813	–	4,791	24,543
(Decrease)/increase in appreciation on assets held	(7,133)	1,184	16,987	1,271	1,021	13,330
closing valuation as at 31 January 2015	100,071	36,465	100,060	18,865	65,583	321,044
Closing bookcost as at 31 January 2015	67,488	24,149	46,579	18,844	64,472	221,532
Closing appreciation	32,583	12,316	53,481	21	1,111	99,512
	100,071	36,465	100,060	18,865	65,583	321,044
company – 2015						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2014 restated*	66,776	19,104	61,507	4,731	54,364	206,482
Opening unrealised appreciation/(depreciation)	39,716	11,132	36,584	(1,250)	90	86,272
opening valuation as at 1 February 2014 restated*	106,492	30,236	98,091	3,481	54,454	292,754
Movements in year:						
Transfer	–	3,187	–	(3,187)	–	–
Purchases at cost	26,483	3,640	26,274	18,100	234,983	309,480
Sales – proceeds	(29,441)	(5,051)	(53,973)	(800)	(229,666)	(318,931)
– realised gains on sales	3,670	3,269	12,813	–	4,791	24,543
Decrease/(increase) in appreciation on assets held	(7,133)	1,184	16,855	1,271	1,021	13,198
closing valuation as at 31 January 2015	100,071	36,465	100,060	18,865	65,583	321,044
Closing bookcost as at 31 January 2015	67,488	24,149	46,621	18,844	64,472	221,574
Closing appreciation	32,583	12,316	53,439	21	1,111	99,470
	100,071	36,465	100,060	18,865	65,583	321,044

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

8 investments continued

	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
group – 2014 restated*						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2013	79,972	11,550	71,701	11,091	14,041	188,355
Opening appreciation/(depreciation) on assets held	14,896	5,479	45,510	(1,386)	149	64,648
opening valuation as at 1 February 2013	94,868	17,029	117,211	9,705	14,190	253,003
Movements in year:						
Transfer	(5,008)	5,008	–	–	–	–
Purchases at cost	7,678	7,279	10,121	4,952	186,978	217,008
Sales – proceeds	(23,214)	(8,846)	(49,760)	(11,150)	(143,462)	(236,432)
– realised gains/(losses) on sales	7,348	4,113	29,403	(162)	(3,193)	37,509
Increase/(decrease) in appreciation on assets held	24,820	5,653	(9,016)	136	(59)	21,534
closing valuation as at 31 January 2014	106,492	30,236	97,959	3,481	54,454	292,622
Closing bookcost as at 31 January 2014	66,776	19,104	61,465	4,731	54,364	206,440
Closing appreciation/(depreciation) on assets held	39,716	11,132	36,494	(1,250)	90	86,182
	106,492	30,236	97,959	3,481	54,454	292,622
company – 2014 restated*						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2013	79,972	11,550	71,743	11,091	14,041	188,397
Opening appreciation/(depreciation) on assets held	14,896	5,479	45,098	(1,386)	149	64,236
opening valuation as at 1 February 2013	94,868	17,029	116,841	9,705	14,190	252,633
Movements in year:						
Transfer	(5,008)	5,008	–	–	–	–
Purchases at cost	7,678	7,279	10,121	4,952	186,978	217,008
Sales – proceeds	(23,214)	(8,846)	(49,760)	(11,150)	(143,462)	(236,432)
– realised gains/(losses) on sales	7,348	4,113	29,403	(162)	(3,193)	37,509
Increase/(decrease) in appreciation on assets held	24,820	5,653	(8,514)	136	(59)	22,036
closing valuation as at 31 January 2014	106,492	30,236	98,091	3,481	54,454	292,754
Closing bookcost as at 31 January 2014	66,776	19,104	61,507	4,731	54,364	206,482
Closing appreciation/(depreciation) on assets held	39,716	11,132	36,584	(1,250)	90	86,272
	106,492	30,236	98,091	3,481	54,454	292,754

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

8 investments continued

	Group 2015 £'000	restated* Group 2014 £'000
analysis of capital gains and losses		
Gains on sales	24,543	37,509
Unrealised gains	13,330	21,534
	<u>37,873</u>	<u>59,043</u>
Movement in valuation of escrow	–	78
	<u>37,873</u>	<u>59,121</u>
gains on investments at fair value		
	2015 £'000	restated* 2014 £'000
Exchange gains/(losses) on capital items	15	(20)
Exchange gains/(losses) on escrow	10	(84)
Exchange gains on capital items and currency	245	106
	<u>270</u>	<u>2</u>
exchange gains		
	2015 £'000	restated* 2014 £'000
portfolio analysis		
Equity shares	229,476	227,583
Convertible preference securities	7,120	7,104
Fixed interest securities	18,865	3,481
Treasury Bills	65,583	54,454
	<u>321,044</u>	<u>292,622</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

8 investments continued

b) subsidiary undertakings

At 31 January 2015 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	71.40%	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 £4,790,000. The subsidiary has not been consolidated, in these accounts, due to the adoption of IFRS 10, as explained in note 1.

c) associates

In the Group accounts Oryx is recognised as an Associate which, under IFRS 10, need not be equity accounted (i.e. valued using the Net Asset Value at 31 January 2015 of that Company). Oryx is a quoted investment company and has been valued at fair value of £38,516,000, using traded market price of 5.42p per share.

At the date of this report, the Company held 7,106,284 ordinary shares representing 42.71% of the total voting rights in Oryx.

The value of the investment in associate using the equity method would be as follows:

	2015	2014
	£'000	£'000
Opening share of net assets at 1 February	36,029	25,654
Share of profit for the year	2,487	10,375
Closing share of net assets at 31 January	<u>38,516</u>	<u>36,029</u>

The figures used to value the Group's holding in Oryx have been extracted from the company's 31 January 2015 management accounts.

The following financial information for Oryx has been extracted from its unaudited interim results for the six months ended 30 September 2014, being the latest available results and are presented for informational purposes only.

	£'000
Total assets	87,229
Liabilities	(674)
Net assets	86,555
Total revenue	(1,636)
Net profit/(loss) for the period	(1,889)

Oryx is traded on the London Stock Exchange. For information purposes, the value at bid price at 31 January 2015 was £32,334,000, based on the holding of 7,106,284 ordinary shares priced at 4.55p per share.

notes to the financial statements

8 investments continued

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 2015 %	31 January 2014 %
AssetCo PLC	– ordinary shares	21.7	21.7
Essenden PLC	– ordinary shares	25.7	21.4
Martley Limited (Jersey)	– ordinary shares	29.6	29.6
Nationwide Accident Repair Services PLC	– ordinary shares	23.2	23.2
Bioquell	– ordinary shares	22.3	20.5
Oryx International Growth Fund Limited (incorporated in Guernsey)	– ordinary shares	43.1	42.7
Performance Chemical Company (US)	– ordinary shares	53.1	65.4
Trident Private Equity Fund III LP	– ordinary shares	32.7	32.7
Global Options, Inc (US)	– ordinary shares	31.3	26.3

e) investments in US treasury bills

At 31 January 2015, the Group held US Treasury Bills with a market value of £65,583,000 (2014: £54,454,000).

f) transaction costs

During the year, the Group incurred total transaction costs of £222,000 (2014: £145,000) comprising £173,000 (2014: £99,000) and £49,000 (2014: £46,000) 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:

Security Name	Proceeds £'000	Bookcost £'000	Gain £'000	Carrying value at 31 January 2014 £'000
Hampton Investment Properties Ltd	7,081	5,178	1,903	7,491
SINAV (preference share)	6,305	2,498	3,807	2,454
Merchant Properties	5,959	4,570	1,389	6,014
Forefront	2,816	1,144	1,672	2,110
SINAV (ordinary share)	2,410	278	2,132	2,415
B&G Equipment (5% Bridge Finance)	2,141	2,094	47	–
Crendon Industrials	1,437	1,437	–	1,400

notes to the financial statements

9 trade and other receivables

	Group 2015 £'000	restated*		Company 2014 £'000
		Group	Company	
		2014 £'000	2015 £'000	
Amounts owed by Subsidiary	–	–	–	20,861
Accrued income	10	3	10	1
Other debtors	552	667	552	668
	<u>562</u>	<u>670</u>	<u>562</u>	<u>21,530</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

10 trade and other payables

	Group 2015 £'000	restated*		Company 2014 £'000
		Group	Company	
		2014 £'000	2015 £'000	
Other creditors and accruals	300	2,246	300	2,246
	<u>300</u>	<u>2,246</u>	<u>300</u>	<u>2,246</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

11 share capital

	2015	2015	2014	2014
	Number	£'000	Number	£'000
– issued and fully paid:				
Ordinary Shares of 5p:				
Balance at beginning of year	15,880,736	794	14,359,107	718
Conversion of CULS	–	–	1,554,927	78
Cancellation of shares	(1,338,701)	(67)	(33,298)	(2)
Balance at end of year	<u>14,542,035</u>	<u>727</u>	<u>15,880,736</u>	<u>794</u>

Since 31 January 2015, no 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 14,542,035 Ordinary Shares of 5p nominal value each.

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

There are Options totalling 40,000 (2014: 460,000) remaining, details of which are given on pages 35 and 36 in the Directors' Remuneration Report.

notes to the financial statements

12 reconciliation of total return from ordinary activities before finance costs and taxation to cash expended from operations

	restated*		restated*	
	Group	Group	Company	Company
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Total return from ordinary activities before finance costs and taxation	36,052	57,019	35,920	57,520
Gains on investments	(38,143)	(59,123)	(38,011)	(59,624)
Share options discharge	(3,099)	–	(3,099)	–
Share based remuneration	173	363	173	363
Provision for Subsidiary	–	–	(36)	(258)
Dividends and interest reinvested	78	(58)	78	(58)
Decrease in debtors and accrued income	120	326	118	326
(Decrease)/increase in creditors and accruals	(1,961)	400	(1,961)	402
Change relating to investments of dealing Subsidiary	(1)	501	–	–
Cash expended from operations	<u>(6,781)</u>	<u>(572)</u>	<u>(6,818)</u>	<u>(1,329)</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

13 analysis of net cash and net debt

net cash	restated*			At
	At	Cash	Exchange	At
	1 February	flow	movement	31 January
	2014	2014	2015	2015
	£'000	£'000	£'000	£'000
Group				
Cash and cash equivalents	<u>27,511</u>	<u>(20,158)</u>	<u>245</u>	<u>7,598</u>
Company				
Cash and cash equivalents	<u>6,651</u>	<u>702</u>	<u>245</u>	<u>7,598</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements**14 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 Strategic Report on pages 14 to 17.

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 (on pages 47 to 52) 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 Manager, 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 2014. The Manager assesses 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 Manager seeks, 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 2015, the Group had no open forward currency contracts (2014: none).

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

notes to the financial statements

14 financial instruments and risk profile continued

Foreign currency exposure by currency of denomination:

group and company

	31 January 2015			31 January 2014		
	Overseas	Net monetary	Total currency	Overseas	Net monetary	Total currency
	investments	assets	exposure	investments	assets	exposure
	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	123,044	178	123,222	99,488	1,199	100,687
New Zealand Dollar	6,669	–	6,669	12,795	–	12,795
Euro	–	–	–	–	1	1
	129,713	178	129,891	112,283	1,200	113,483

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 shown below. The analysis is shown on the same basis for 2014.

	31 January 2015		31 January 2014	
	10% weakening	10% strengthening	10% weakening	10% strengthening
	£'000	£'000	£'000	£'000
US Dollar	13,691	(11,202)	11,054	(9,044)
NZ Dollar	741	(606)	1,422	(1,163)
Euro	–	–	1	(1)
	14,432	(11,808)	12,477	(10,208)

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.

notes to the financial statements

14 financial instruments and risk profile continued

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 possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The 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.

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 out on page 6.

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 Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Manager's 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 2015 on its quoted and unquoted investments and options on investments was as follows:

	2015	restated*	2015	restated*
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
– Non current investments at fair value through profit or loss	<u>321,044</u>	<u>292,622</u>	<u>321,044</u>	<u>292,754</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

14 financial instruments and risk profile continued

other price risk continued

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 investments. 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.

	2015		restated* 2014	
	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
	£'000	£'000	£'000	£'000
Increase/(decrease) in net assets	<u>32,104</u>	<u>(32,104)</u>	<u>29,262</u>	<u>(29,262)</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

(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.

(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:

	2015		restated* 2014	
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
financial assets neither past due or impaired				
Fixed income securities	18,865	3,481	18,865	3,481
Preference shares	7,120	7,104	7,120	7,104
Treasury Bills	65,583	54,454	65,583	54,454
Accrued income and other debtors	562	670	562	670
Cash and cash equivalents	7,598	27,511	7,598	6,651
	<u>99,728</u>	<u>93,220</u>	<u>99,728</u>	<u>72,360</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

The maximum credit exposure of financial assets represents the carrying amount.

There are no financial assets that are past due or impaired.

notes to the financial statements

14 financial instruments and risk profile continued

(iii) credit risk continued

commitments giving rise to credit risk

There are no commitments giving rise to credit risk as at 31 January 2015.

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 2015		restated* 31 January 2014	
	Balance		Balance	
	Fair value £'000	Sheet value £'000	Fair value £'000	Sheet value £'000
financial assets				
Financial assets at fair value through profit or loss				
– Non current assets	321,044	321,044	292,622	292,622
Loans and receivables				
– Cash and cash equivalents	7,598	7,598	27,511	27,511
	<u>328,642</u>	<u>328,642</u>	<u>320,133</u>	<u>320,133</u>

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

There have been no financial liabilities in the financial year's ending 31 January 2015 and 31 January 2014.

notes to the financial statements

14 financial instruments and risk profile continued

fair value of financial assets and financial liabilities continued

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.
- Non current financial assets (non current and held for trading) – as set out in the accounting policies on pages 47 to 52.
- Cash and cash equivalents, bank overdraft and bank loans – at face value of the account.

The Company adopted the amendment to IFRS 13, 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). See note 1f) for details on how the value of level 3 investments are calculated.

The Company's main unobservable inputs are earnings multiples, recent transactions and net asset basis. The market value would be sensitive to movements in these unobservable inputs. Movements in these inputs, individually or in aggregate could have a significant effect on the market value. The effect of such a change or a reasonable possible alternative would be difficult to quantify as such data is not available.

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.

notes to the financial statements

14 financial instruments and risk profile continued

fair value of financial assets and financial liabilities continued

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data from 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 13 fair value hierarchy system:

financial assets at fair value through profit or loss

group

At 31 January 2015

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	236,596	126,681	1,480	108,435
Fixed interest investments	84,448	65,583	–	18,865
Total	321,044	192,264	1,480	127,300

At 31 January 2014

	restated* Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	234,687	135,078	1,650	97,959
Fixed interest investments	57,935	54,454	–	3,481
Total	292,622	189,532	1,650	101,440

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

14 financial instruments and risk profile continued

financial assets at fair value through profit or loss continued

company

At 31 January 2015

	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Equity investments	236,596	126,681	1,480	108,435
Fixed interest investments	84,448	65,583	–	18,865
Total	321,044	192,264	1,480	127,300

At 31 January 2014

	restated*	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Equity investments	234,687	135,078	1,650	97,959
Fixed interest investments	57,935	54,454	–	3,481
Total	292,622	189,532	1,650	101,440

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

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

level 3 financial assets at fair value through profit or loss

group

At 31 January 2015

	Total	Equity	Fixed
	£'000	investments	interest
	£'000	£'000	investments
			£'000
Opening Balance (as restated)	101,440	97,959	3,481
Purchases	44,374	26,274	18,100
Sales	(53,532)	(52,732)	(800)
Transfer	–	3,187	(3,187)
Total gains included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	12,813	12,813	–
– on assets held at the end of the year	22,205	20,934	1,271
Closing balance	127,300	108,435	18,865

notes to the financial statements

14 financial instruments and risk profile continued

level 3 financial assets at fair value through profit or loss continued

company

At 31 January 2015

	Total	Equity	Fixed
	£'000	investments	interest
	£'000	£'000	investments
			£'000
Opening Balance (as restated)	101,440	97,959	3,481
Purchases	44,374	26,274	18,100
Sales	(53,532)	(52,732)	(800)
Transfer	–	3,187	(3,187)
Total gains included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	12,813	12,813	–
– on assets held at the end of the year	22,205	20,934	1,271
Closing balance	127,300	108,435	18,865

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:

	2015	restated*
	£'000	2014
		£'000
Debt	–	–
Equity		
Equity share capital	727	794
Retained earnings and other reserves	328,177	317,763
	328,904	318,557
Debt as a % of net assets	0.0%	0.0%

* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1).

notes to the financial statements

14 financial instruments and risk profile continued

The Board, with the assistance of the Manager 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 Manager's 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.

15 related party transactions

Harwood Capital LLP, is regarded as a related party of the Company due to Christopher Mills, the Company's Chief Executive and Investment Manager being a member of Harwood Capital LLP and the ultimate beneficial owner. Harwood Capital LLP acts as Investment Manager or Investment Adviser of the following companies in which the Company has an investment and from which companies it receives fees or other incentives for its services:

	Services	Fees
Oryx International Growth Fund Limited	Investment Advisory	£1,082,000
Trident Private Equity II LP	Investment Advisory	£117,000

The General Partner's profit share in respect of Trident Private Equity III LP was £1.4 million.

The amounts payable to the Manager are disclosed in note 3. The relationships between the Company, its Directors and the Manager are disclosed in the Group Report of the Directors on pages 19 to 24.

Christopher Mills is Chief Executive Officer and a member of Harwood Capital LLP. He is also a director of Oryx International Growth Fund Limited. Growth Financial Services Limited is a wholly-owned subsidiary of Harwood Capital Management Limited, which is the holding company of the Harwood group of companies and is, in turn, 100% owned by Christopher Mills. Harwood Capital Management Limited is also a Designated Member of Harwood Capital LLP, the Manager of the Company.

As discussed previously on page 22, 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 had an investment in SINAV Limited, which was sold during the year under review.

notes to the financial statements**15 related party transactions** continued**disclosure of interests**

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, 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 £105,127 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 Harwood Capital LLP. Members and private clients of Harwood Capital LLP, and its associates (excluding Christopher Mills and his family) hold 42,943 shares in the Company (2014: 42,943).

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

Peregrine Moncreiffe is a director of Crendon Industrial, in which the Company had an interest during the year, but which was put into Members' Voluntary Liquidation during the year he received a fee of £5,000 per annum for his services as a director.

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

transactions with other companies in the group.

At 31 January 2015 amounts due from the Consolidated Venture Finance Limited ("CVF") were £nil (2014: £20,861,000).

Oryx is deemed a related party of the Company as it is an associate and accounted for as such. Hampton is deemed to be a related party of the Company as it is a subsidiary of the Company. There were no trading balances between the Company, Oryx and Hampton at the year end.

16 commitments and contingent liabilities

The Company has committed to invest up to £40 million in Harwood Private Equity IV when it is launched later in the year.

directors and advisers

Directors

Peregrine Moncreiffe (Chairman)
Christopher Mills (Chief Executive)
Kristian Siem
Charles Irby
Enrique Gittes

Manager

Harwood Capital LLP
(Authorised and regulated by the Financial Conduct Authority)
6 Stratton Street,
Mayfair
London W1J 8LD
Telephone: 020 7640 3203

Financial Adviser and Stockbroker

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Company Secretary & Registered Office

Bonita Guntrip ACIS
6 Stratton Street,
Mayfair
London W1J 8LD
Telephone: 020 7640 3203

Registrars

Capita Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

KPMG LLP
15 Canada Square
London E14 5GL

notice of annual general meeting

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of North Atlantic Smaller Companies Investment Trust PLC will be held on Tuesday 30 June 2015, at midday at 6 Stratton Street, Mayfair, London W1J 8LD for the following purposes:

ordinary business:

1. To receive and approve the Group Report of the Directors and the audited financial statements for the year ended 31 January 2015;
2. To approve the Directors' Remuneration Policy;
3. To approve the Directors' Remuneration Report;
4. To re-elect Enrique Gittes as a Director of the Company;
5. To re-elect Charles Irby as a Director of the Company;
6. To re-elect Christopher Mills as a Director of the Company;
7. To re-elect Peregrine Moncreiffe as a Director of the Company;
8. To re-elect Kristian Siem as a Director of the Company;
9. To appoint KPMG LLP as Auditor and authorise the Directors to determine its remuneration;

special business:

To consider the following resolutions of which resolutions 11, 12 and 13 will be proposed as special resolutions:

10. ordinary resolution – renewal of Directors' authority to allot Shares

THAT the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities for the purposes of Section 551 of the Companies Act 2006 ("the Act") up to an aggregate nominal amount of £242,367 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to Section 551 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

11. special resolution – renewal of Directors' authority for the disapplication of pre-emption rights

THAT, subject to and conditional upon the passing of resolution number 10 above, the Directors be empowered, pursuant to Section 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of Ordinary Shares where the equity securities respectively attributable to the interests of all the Ordinary Shareholders are proportionate (as nearly as may be) to the respective number of equity securities held by them subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body; and

notice of annual general meeting

- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £36,355; and shall expire at the conclusion of the Annual General Meeting of the Company after the date of the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

12. special resolution – authority to make market purchases of ordinary shares

THAT the Company be and is hereby generally and unconditionally authorised, in accordance with the Company's Articles of Association and section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 5p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

- (a) the maximum number of Ordinary Shares authorised to be purchased is 1,454,203;
 - (b) the minimum price which may be paid for an Ordinary Share is 5p (the nominal value) (exclusive of expenses (if any) payable by the Company);
 - (c) the maximum price which may be paid for an Ordinary Share purchased under this authority is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an Ordinary Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased and (ii) the amount stipulated by Article 5(i) of the Buy-back and Stabilisation Regulation 2003, (in each case exclusive of expenses (if any) payable by the Company); and
 - (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution except that the Company may before such expiry make a contract or contracts to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.
- 13. special resolution – notice required for general meetings**
- THAT a general meeting other than an Annual General Meeting may be called on no less than 14 clear days notice.

Dated this 14th day of May 2015

By order of the Board

Bonita Guntrip ACIS

Company Secretary

Registered Office:

6 Stratton Street

Mayfair

London

W1J 8LD

Registered No. 1091347

notice of annual general meeting

notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A Shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of Shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Capita Asset Services, PXSI, 34 Beckenham Road, Beckenham, BR3 4ZF no later than forty eight hours before the time fixed for the meeting.
3. The return of a completed proxy form will not prevent a Shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
5. The statement of the rights of the Shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6 p.m. on 28 June 2015 (or, in the event of any adjournment, 6 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 14 May 2015 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 14,542,035 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 May 2015 are 14,542,035.

notice of annual general meeting

8. Shareholders should note that it is possible that, pursuant to requests made by Shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the Shareholders who have requested any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if to do so would interfere unduly with the formal business of the AGM or involve the disclosure of confidential information, or it is not desirable in the interest of the Company or the good order of the AGM that the question be answered.
10. Copies of the letters of appointment of the non-executive Directors are available for inspection at the Company's registered office during normal business hours from the date of this document to the date of the AGM, and at the place of the AGM from at least 15 minutes prior to the meeting and until its conclusion.

shareholder information

financial calendar	Announcement of results and annual report	May
	Annual General Meeting	June
	Half-Yearly results and report	September
	Half-Yearly report posted	September
share price	The Company's share price can be found on:	
	SEAQ Ordinary Shares:	NAS
	Trustnet:	www.trustnet.ltd.uk
net asset value	The latest net asset value of the Company can be found on the Harwood Capital LLP website : www.harwoodcapital.co.uk	
share dealing	Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.	
	The Company's registrars are Capita Asset Services. In the event of any queries regarding your holding of shares, please contact the registrars on: 0871 664 0300, or by email on shareholderenquiries@capita.co.uk	
	Changes of name or address must be notified to the registrars in writing at:	
	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	



Scene in Plymouth Sound in August 1815

Sub-Title: The 'Bellerophon' with Napoleon Aboard at Plymouth (26 July – 4 August 1815)

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