

North Atlantic Smaller Companies Investment Trust plc

Annual Report for the year ended 31 January 2016

NASCIT is pleased to announce its results for the year ended 31 January 2016.

The preliminary financial information, which comprises the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets and the Consolidated and Company Statement of Cash Flows together with the related explanatory notes has been prepared on the basis of the accounting policies as set out in the audited financial statements for the year ended 31 January 2016 and International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board as adopted for use in the EU ("IFRS").

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 January 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Highlights

	31 January 2016	% change	31 January 2015	restated# 31 January 2014	31 January 2013#	31 January 2012
revenue						
Gross income (£'000)	3,175	72.6	1,840	3,344	5,474	6,432
Net Revenue after tax attributable to shareholders of the parent (£'000)	(890)	59.2	(2,182)	(355)	(494)	14
Basic per Ord Share: – Revenue	(6.13)p	57.9	(14.55)p	(2.29)p	(3.46)p	0.10p
– Capital	490.70p	92.5	254.88p	369.44p	324.45p	(79.00)p
assets						
Total assets less current liabilities (£'000)	396,961	20.7	328,904	318,557	295,417	250,490
Net asset value ("NAV") per 5p Ordinary Share:*						
Basic	2,749p	21.5	2,262p	2,006p	1,822p	–
Diluted	2,746p	21.6	2,259p	1,991p	1,639p	–
Basic adjusted†	2,776p	20.7	2,300p	2,054p	1,865p	1,570p
Diluted adjusted†	2,773p	20.7	2,297p	2,037p	1,677p	1,395p
Mid-market price of the 5p Ordinary Shares	2,280.0p	23.6	1,845.0p	1,600.0p	1,316.0p	1,035.0p
discount to diluted net asset value	17.0%		18.3%	19.6%	19.7%	–
discount to diluted adjusted net asset value	17.8%		19.7%	21.5%	21.5%	25.8%
indices and exchange rates at 31 January						
Standard & Poor's 500 Composite Index	1,940.2	(2.7)	1,995.0	1,782.6	1,498.1	1,312.4
Russell 2000 Index	1,035.4	(11.2)	1,165.4	1,130.9	902.1	792.8
US Dollar/Sterling exchange rate	1.4185	(5.6)	1.5019	1.6435	1.5855	1.5781
Standard & Poor's 500 Composite Index – Sterling adjusted	1,362.2	2.8	1,324.7	1,084.4	944.8	832.8
Russell 2000 – Sterling adjusted	726.9	(6.1)	773.8	688	568.9	503.1
FTSE All-Share Index	3,335.9	(7.9)	3,621.8	3,496.5	3,287.4	2,932.9

* Includes current period revenue.

The amounts for 31 January 2014 have been restated due to the adoption of IFRS 10. 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.

chairman's statement

It is with great sadness that we report that our friend and colleague, Charles Irby, passed away last year. Charles was an outstanding Board member and he will be very much missed.

I am pleased to welcome Greville Howard to our Board who brings both investment company and operating experience.

During the period under review, the fully diluted net asset value rose by 21.6% to an all time record of 2,746p per share. This compares with a rise in the sterling adjusted Standard & Poor Composite Index of 2.8%. The FTSE Small Cap Index, to which the Company has greater exposure, fell by 1.3% over the same period.

The revenue account showed a loss after tax attributable to shareholders of £890,000 (2015: £2,182,000). In accordance with the Company's longstanding policy, the Directors do not recommend the payment of a dividend (2015: nil).

During the year under review, the Company purchased 100,000 Ordinary Shares at a cost of £2,195,000 for cancellation. This benefitted all shareholders as the stock was acquired at a favourable discount to the net asset value. In order to continue this policy, shareholders should support Resolution 12 as set out in the Notice of Annual General Meeting.

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

Equity markets are currently experiencing a period of major uncertainty. The decline in the oil price has not only had a deleterious effect on the major energy producers, but their capital expenditure cuts have had a negative effect on overall economic activity worldwide. A similar contraction has been experienced in the mining sector. These resource industries have accounted for more than 12% of global market dividends and other returns of capital in recent years. The current level of aggregate cash returns to equity investors is therefore unlikely to be sustainable, creating downside market risk. The US high yield market is facing considerable disruption with principal repayment risk now threatening a significant number of issues particularly in the resource sector.

The Federal Reserve's ambivalence on interest rates underpins the volatility in equity markets and keeps a lid on share prices. The monetization of debt is not likely to provide a lasting solution to the problems of unserviceable liabilities that triggered the 2007 financial crisis. Any substantial pick-up in real economic demand will drain liquidity from financial assets while economic stagnation will probably generate continued but increasingly ineffectual central bank liquidity injections. In either circumstance equity prices will face headwinds. If it were to happen, Brexit would have little impact on our investments which are not substantially dependent on unfettered access to heavily regulated European markets.

Fortunately, value is now returning to smaller companies and I am optimistic that our Manager will find opportunities arising out of the current situation and will continue to build shareholder value.

Peregrine Moncreiffe

Chairman

12 May 2016

investment manager's report

quoted portfolio

United Kingdom:

The portfolio benefitted from the excellent performance of MJ Gleeson Group which rose by 64% during the year. Oryx also significantly out performed its target index with the net asset value rising by 26%. Innovation Group, Nationwide Accident Repair Services and Essenden were taken over although the impact was partially offset by the weakness in Goals Soccer Centres following disappointing trading figures. New investments in OMG and Source Bioscience performed well.

United States:

The portfolio had a mixed performance with the IPO and subsequent takeover bid of Avenue Financial and the takeover of Trust Atlantic Financial being partially offset by weakness in Ambac Financial Group following the potential bankruptcy of Puerto Rico.

unquoted portfolio

United Kingdom:

A description of the unquote investments can be found in the Annual Report. There was considerable activity in the portfolio during the period. Industrial Properties repaid approximately £2.5 million of the debt, Hampton Trust is in the process of liquidation. Trident Private Equity II ("TPE II") was liquidated having achieved exceptional performance and Trident Private Equity III ("TPE III") has now returned in excess of the Company's investment. This indicates that this investment will also achieve exceptional returns for the Company.

Team Rock was refinanced during the period supported by third party funding. Finally, Indoor Bowling was taken private since when operating results have been very significantly above business plan.

United States:

The investment in Celsis was sold at a significant premium to the January 2015 valuation following a successful auction of the business. The bank portfolio continues to add value to the Trust and we believe there is further upside potential as the remaining holdings are sold.

No new investments were made in the US during the year.

Liquidity:

The Company ended the year with £131 million held in cash or short term Treasury Bills, most of which was held in US Dollars.

We would expect cash levels to rise further as private equity investments held in TPE III are liquidated and further corporate action in the quoted portfolio adds value to the Company.

The Company is, I believe, well placed to take full opportunity from any downturn in equity values over the next twelve months.

Christopher Mills

Chief Executive & Investment Manager

12 May 2016

sector analysis of investments at fair value

as at 31 January

	United States	United Kingdom	Total	Total
	31 January 2016	31 January 2016	31 January 2016	31 January 2015
equities, convertible securities & loan				
stocks as a % of total portfolio valuation	%	%	%	%
Investment Companies	0.4	22.6	23	21.2
Construction & Materials	–	15.1	15.1	11.3
Health Care, Equipment & Services	0.6	5.2	5.8	9.5
Travel & Leisure	–	4.5	4.5	6.0
Real Estate	–	4.0	4.0	6.4
Media	–	3.7	3.7	3.7
General Financials	3.5	–	3.5	4.6
Industrial Engineering	0.6	2.9	3.5	2.7
Support Services	1.1	1.8	2.9	4.1
General Industrials (including Oil & Gas)	2.6	–	2.6	2.7
Financial Services	2.2	–	2.2	2.1
Technology Hardware & Equipment	0.8	1.1	1.9	0.8
Software	–	–	–	3.2
Manufacturing	–	–	–	1.3
	11.8	60.9	72.7	79.6
treasury bills	27.3	–	27.3	20.4
total at 31 January 2016	39.1	60.9	100	
total at 31 January 2015	40.5	59.5		100

twenty largest investments

as at 31 January

equities (including convertibles, loan stocks and related financing)		At fair value £'000
loan stocks and related financing)		
MJ Gleeson Group plc	UK Listed	55,373
Oryx International Growth Fund Limited*	UK Listed	44,414
Trident Private Equity Fund III LP	UK Unquoted	23,487
Bioquell PLC	UK Listed	13,775
Team Rock Limited	UK Unquoted	13,599
Industrial Properties Limited	UK Unquoted	11,473
AssetCo plc	UK Quoted on AIM	10,664
Performance Chemicals Company	US Unquoted	9,080
Goals Soccer Centres plc	UK Quoted on AIM	8,395
BBA Aviation plc	UK Listed	8,140
ten largest investments		<hr/> 198,400 <hr/>
OMG plc	UK Quoted on AIM	6,694
Indoor Bowling Equity Limited	UK Unquoted	6,651
Source Bioscience Plc	UK Listed	5,484
Harwood Private Equity IV LP	UK Unquoted	4,800
Trust Atlantic Financial	US Unquoted	4,236
Hayward Tyler Group Plc	UK Quoted on AIM	4,225
Ambac Financial Group Inc	US Listed	3,956
Avenue Financial Holdings Inc	US Listed	3,934
GAJV Holdings Inc.	US Unquoted	3,763
Viking Investments LP	UK Unquoted	3,500
twenty largest investments		<hr/> 245,643 <hr/>
Aggregate of other investments at fair value		21,869
		<hr/> 267,512 <hr/>
US Treasury Bills		100,326
Total		<hr/> 367,838 <hr/> <hr/>

* incorporated in Guernsey.

All investments are valued at fair value.

strategic report

The Directors present the strategic report of the Company for the year ended 31 January 2016.

principal activity

The Company carries on business as an investment trust and its principal activity is portfolio investment.

objective

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.

strategy

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.

investment policy

While pursuing the Company's objective, the Manager must adhere to the following:

1. The maximum investment limit is 15% of the Company's investments in any one company at the time of the investment;
2. Gearing is limited to a maximum of 30% of net assets;
3. The Company 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

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.

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 in the Annual Report. The top twenty largest investments by current valuation are listed above.

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.

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.

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.

performance

At 31 January 2016, the diluted NAV per share was 2,746p (2015: 2,259p), an increase of 21.6% during the year, compared to an increase of 2.8% 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 fall in the FTSE Small Cap over the year of 1.3%.

Net assets attributable to equity holders at 31 January 2016 amounted to £396,961,000 compared with £328,904,000 at 31 January 2015.

The ongoing charges relating to the Company are 1.1% (2015: 1.2%) based on total expenses, excluding finance costs and non-recurring items for the year and average monthly net assets.

results and dividends

The total net return after taxation for the financial year ended 31 January 2016 amounted to £70,348,000 (2015: £36,040,000). The Board does not propose a final dividend (2015: 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

(ii) Share price return

(iii) Performance against benchmark

The performance of the Company's share price is measured against the Standard & Poor's 500 Composite Index (Sterling adjusted) and the Russell 2000 Index (Sterling adjusted), the Company's benchmarks. A graph comparing performance can be found in the Directors' Remuneration Report of the Annual Report.

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 in the Directors' Remuneration Report illustrates the Company's performance against its benchmarks over the last seven years.
- 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 100,000 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.

viability statement

The Directors have assessed the viability of the Company over the three years to January 2019, taking account of the Company's position, its investment strategy, and the potential impact of the relevant principal risks and uncertainties detailed above. The Directors considered the potential downside scenarios and assessed the Company's past relative performance during periods of financial crises in making this assessment, taking into account the Company's ability to settle projected liabilities as they fall due. In particular, the Directors took comfort from the concentration of investments currently held in cash and liquid assets. The Company is currently holding a significant part of its investments in liquid Treasury Bills, and positive cash levels are expected to be maintained over the period. Cash balances have remained strong year on year, but could be varied if required by changes in market conditions. Based on this assessment, the Directors are confident that the Company's investment approach and portfolio management policies will ensure that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to January 2019. The Directors determined that a three year period to January 2019 is an appropriate period for which to provide this statement given the Company's long term investment objective, the simplicity of the business model, and the relatively low working capital requirements.

future prospects

The Directors are hopeful that some of the Company's investments will see corporate activity over the coming year and that the year ending 31 January 2017 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.

The Company has no employees. The Directors of the Company and their biographies are set out on in the Annual Report. 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% 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

The Company is now authorised under the AIFMD as a Small Registered UK Alternative Investment Fund Manager. This means that for AIFMD purposes the Company is internally managed with Christopher Mills making the investment decisions in his capacity as Chief Executive.

By Order of the Board

Derringtons Limited

Company Secretary

12 May 2016

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 2016. 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 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 14,442,035 Ordinary Shares of 5p nominal value each on 31 January 2016. Since the year end, 3,515 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 100,000 Ordinary Shares for cancellation.

share valuations

On 31 January 2016, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 2,280p and 2,746p respectively. The comparable figures at 31 January 2015 were 1,845p and 2,259p 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 certain employees of the Joint Manager.

substantial shareholders

As at 31 January 2016, 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	3,619,000	25.06
CG Asset Management Limited	1,165,127	8.07
Rathbone Brothers Plc	828,734	5.74
Butterfield Trust (Bermuda) Limited	748,172	5.18
Old Mutual Plc	724,171	5.01

directors

The biographical details for Directors currently in office are shown in the Annual Report. During the year Charles Irby passed away on 15 September 2015 and Lord Howard of Rising was appointed on 26 November 2015.

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 2016 and 31 January 2015 were as follows:

	31 January 2016	31 January 2015
	5p Ordinary Shares	5p Ordinary Shares
Peregrine Moncreiffe	399,130	393,130
Peregrine Moncreiffe (non-beneficial)	11,580	11,500
Christopher Mills	3,619,000	3,564,000
Christopher Mills (non-beneficial)	352,740	319,500
Kristian Siem*	–	–
Enrique Foster Gittes	111,400	111,400
Lord Howard of Rising	–	–

* 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 (2015: 147,000 Ordinary Shares).

Save as disclosed, there have been no changes to the above interests between 31 January 2016 and the date of this report.

Details of Directors' remuneration are described in the Directors' Remuneration Report in the Annual Report.

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.

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 above.

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 and in the Directors' Remuneration Report of the Annual Report. The Investment Management Fees are disclosed in notes 3 and 4 of the Annual Report. Any Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report of the Annual Report and note 3 of the financial statements.

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 2016 had been paid (31 January 2015 – 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 in note 11;
- Details of the substantial shareholders in the Company are listed earlier in this report;
- The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed earlier in the this report;
- Amendment of the Company's Articles of Association and powers to issue on a pre-emptive basis or buy back the Company's shares requires a special resolution to be passed by the Shareholders;
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid; no agreements between the Company and its Directors concerning compensation for loss of office; and no qualifying third party indemnities in place.

explanatory notes for the special business at the annual general meeting

The following resolutions (if passed) would allow the Board to issue Shares without first offering them to existing Shareholders. Although the Directors have no current intention of exercising either of the authorities (if renewed) to allot Shares or disapply pre-emption rights, they reserve the right to allot Shares at any time.

Resolution 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 £240,700 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 £36,105 representing 722,101 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 1,083,153 Ordinary Shares representing 7.5% of the current issued share capital. The Directors intend to exercise this authority only when, in the light of market conditions prevailing at the time and taking into account investment opportunities, appropriate gearing levels and the overall financial position, they believe that the effect of such purchases will be to increase the underlying value per Ordinary Share having regard to the interests of Shareholders generally. Shares will not be bought at a price of less than 5 pence each being the nominal value of each share nor more than 5% above the average middle market quotation of the shares over the preceding five business days nor will they be purchased during periods when the Company would be prohibited from making such purchases. Purchases will be made within guidelines set by the Board and using available reserves. Ordinary Shares purchased will be cancelled and the number of shares in issue reduced accordingly.

Resolution 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 in the Annual Report.

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 4,129,530 shares representing 28.59% of the voting rights of the Company.

By Order of the Board

Derringtons Limited

Company Secretary

Registered Office:

6 Stratton Street

Mayfair

London

W1J 8LD

Registered No: 1091347

12 May 2016

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 2016, 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 under the UKLA disclosure and transparency rules

Each of the Directors, whose names and biographies are listed in the Annual Report 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

12 May 2016

consolidated statement of comprehensive income
for the year ended 31 January

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Income	2	3,175	–	3,175	1,840	–	1,840
Net gains on investments at fair value	8	–	73,165	73,165	–	37,873	37,873
Currency exchange gains	8	–	149	149	–	270	270
total income		3,175	73,314	76,489	1,840	38,143	39,983
Expenses							
Investment management fee	3	(3,344)	(2,076)	(5,420)	(3,263)	79	(3,184)
Other expenses	4	(702)	–	(702)	(574)	–	(574)
Share based remuneration	5	(7)	–	(7)	(173)	–	(173)
return before finance costs and taxation		(878)	71,238	70,360	(2,170)	38,222	36,052
Finance costs		–	–	–	–	–	–
return before taxation		(878)	71,238	70,360	(2,170)	38,222	36,052
Taxation	6	(12)	–	(12)	(12)	–	(12)
return for the year		(890)	71,238	70,348	(2,182)	38,222	36,040
basic earnings per ordinary share	7	(6.13)	490.70	484.57	(14.55)	254.88	240.33
diluted earnings per ordinary share	7	(6.13)	490.70	484.57	(14.55)	254.88	240.33

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 below.

The notes form part of these financial statements.

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

group	Share capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
2016							
31 January 2015	727	293	1,301	333,262	143	(6,822)	328,904
Total comprehensive income for the year	–	–	–	71,238	–	(890)	70,348
Share option discharge	–	(16)	–	(87)	–	–	(103)
Transfer between reserves	–	(229)	–	229	–	–	–
Shares purchased for cancellation	(5)	–	–	(2,195)	5	–	(2,195)
Share options expenses	–	7	–	–	–	–	7
31 January 2016	722	55	1,301	402,447	148	(7,712)	396,961
	Share capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
2015							
31 January 2014	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

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

The notes form part of these financial statements.

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

	Share capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
company							
2016							
31 January 2015	727	293	1,301	332,909	143	(6,469)	328,904
Total comprehensive income for the year	–	–	–	71,238	–	(890)	70,348
Share option discharge	–	(16)	–	(87)	–	–	(103)
Transfer between reserves	–	(229)	–	229	–	–	–
Shares purchased for cancellation	(5)	–	–	(2,195)	5	–	(2,195)
Share options expenses	–	7	–	–	–	–	7
31 January 2016	722	55	1,301	402,094	148	(7,359)	396,961
2015							
31 January 2014	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

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

The notes form part of these financial statements.

consolidated and company balance sheets
for the year ended 31 January

		Group	Group	Company	Company
		31 January	31 January	31 January	31 January
		2016	2015	2016	2015
	Notes	£'000	£'000	£'000	£'000
non current assets					
Investments at fair value through profit or loss	8	<u>367,838</u>	<u>321,044</u>	<u>367,838</u>	<u>321,044</u>
		367,838	321,044	367,838	321,044
current assets					
Trade and other receivables	9	1,038	562	1,038	562
Cash and cash equivalents		<u>30,839</u>	<u>7,598</u>	<u>30,839</u>	<u>7,598</u>
		<u>31,877</u>	<u>8,160</u>	<u>31,877</u>	<u>8,160</u>
total assets		<u>399,715</u>	<u>329,204</u>	<u>399,715</u>	<u>329,204</u>
current liabilities					
Trade and other payables	10	<u>(2,754)</u>	<u>(300)</u>	<u>(2,754)</u>	<u>(300)</u>
total liabilities		<u>(2,754)</u>	<u>(300)</u>	<u>(2,754)</u>	<u>(300)</u>
total assets less current liabilities		<u>396,961</u>	<u>328,904</u>	<u>396,961</u>	<u>328,904</u>
net assets		<u>396,961</u>	<u>328,904</u>	<u>396,961</u>	<u>328,904</u>
represented by:					
Share capital	11	722	727	722	727
Share options reserve		55	293	55	293
Share premium account		1,301	1,301	1,301	1,301
Capital reserve		402,447	333,262	402,094	332,909
Capital redemption reserve		148	143	148	143
Revenue reserve		<u>(7,712)</u>	<u>(6,822)</u>	<u>(7,359)</u>	<u>(6,469)</u>
total equity attributable to equity holders of the company		<u>396,961</u>	<u>328,904</u>	<u>396,961</u>	<u>328,904</u>
net asset value per ordinary share:					
Basic	7	2,749p	2,262p		
Diluted	7	2,746p	2,259p		

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

The notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 12 May 2016 and signed on its behalf by:

Peregrine Moncreiffe, *Chairman*

Company Registered Number:
1091347

consolidated cash flow statement
for the year ended 31 January

group		2016	2015
	Notes	£'000	£'000
cash flows from operating activities			
Investment income received		1,750	1,658
Bank deposit interest received		–	37
Other income		562	215
Investment Manager's fees paid		(3,394)	(5,058)
Other cash payments		(687)	(3,633)
		<hr/>	<hr/>
cash expended for operations	12	(1,769)	(6,781)
Taxation paid		(12)	(12)
		<hr/>	<hr/>
net cash outflow from operating activities		(1,781)	(6,793)
		<hr/>	<hr/>
cash flows from investing activities			
Purchases of investments		(370,401)	(309,650)
Sales of investments		397,598	319,054
		<hr/>	<hr/>
net cash inflow from investing activities		27,197	9,404
		<hr/>	<hr/>
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation		(2,195)	(22,769)
		<hr/>	<hr/>
net cash outflow from financing activities		(2,195)	(22,769)
		<hr/>	<hr/>
increase/(decrease) in cash and cash equivalents for the year		23,221	(20,158)
		<hr/>	<hr/>
cash and cash equivalents at the start of the year		7,598	27,511
Revaluation of foreign currency balances		20	245
		<hr/>	<hr/>
cash and cash equivalents at the end of the year	13	30,839	7,598
		<hr/> <hr/>	<hr/> <hr/>

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

The notes form part of these financial statements.

company cash flow statement
for the year ended 31 January

company	Notes	2016	restated* 2015
		£'000	£'000
cash flows from operating activities			
Investment income received		1,750	1,658
Other income		562	215
Investment Manager's fees paid		(3,394)	(5,058)
Other cash payments		(687)	(3,633)
		<hr/>	<hr/>
cash expended for operations	12	(1,769)	(6,818)
Taxation paid		(12)	(12)
		<hr/>	<hr/>
net cash outflow from operating activities		(1,781)	(6,830)
		<hr/>	<hr/>
cash flows from investing activities			
Purchases of investments		(370,401)	(309,650)
Sales of investments		397,598	319,054
		<hr/>	<hr/>
net cash inflow from investing activities		27,197	9,404
		<hr/>	<hr/>
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation		(2,195)	(22,769)
Short term loans net advanced from subsidiary		–	20,897
		<hr/>	<hr/>
net cash outflow from financing activities		(2,195)	(1,872)
		<hr/>	<hr/>
increase in cash and cash equivalents for the year		23,221	702
		<hr/>	<hr/>
cash and cash equivalents at the start of the year		7,598	6,651
Revaluation of foreign currency balances		20	245
		<hr/>	<hr/>
cash and cash equivalents at the end of the year	13	30,839	7,598
		<hr/> <hr/>	<hr/> <hr/>

* restated to conform with current year presentation

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

The notes form part of these financial statements.

notes to the financial statements

1 accounting policies

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 2016 comprises the results of the Company and its subsidiary – CVF (together referred to as the “Group”).

During the year, the Company has not adopted any new IFRS’s.

Adjustment for Oryx

On adoption of IFRS 10 during the year ended 31 January 2015, the Company 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.

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

	31 January 2016 £’000	31 January 2015 £’000
Total equity attributable to equity holders of the Company as per Group Balance sheet.	396,961	328,904
Increase in net assets if equity accounted*	3,980	5,543
Adjusted net assets	400,941	334,447
Net asset value per share – Basic	2,749p	2,262p
– Diluted	2,746p	2,259p
Net asset value per share adjusted – Basic	2,776p	2,300p
– Diluted	2,773p	2,297p

* 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 2016 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 9	Financial Instruments	July 2014	1 January 2018*
Amendments to IFRSs			
IFRS 10, IFRS 12	Investment Entities	December 2014	1 January 2016*

* not yet endorsed by the EU.

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

The Company will only adopt standards at the beginning of its financial year, therefore any standards or interpretations with an effective date after 1 February 2015 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 issued in November 2014, 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 (Consolidated and Separate Financial Statements), 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, CVF drawn up to 31 January 2016.

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 £70,348,000 (2015: £35,908,000).

d) 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 above.

e) 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 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 SETS stocks, which are

valued using latest trade price, which is equivalent to the fair value, being representational of any sale price that the Company would achieve.

(ii) unquoted at directors' estimate of fair value

Unquoted investments are valued in accordance with the International Private Equity and Venture Capital Valuation ("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 2016, is a loss of £17,355,000 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.

f) 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.

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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and therefore, the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis.

In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most effect on the amounts recognised in the financial statements surround the investments at fair value through profit or loss in note 8.

In order to value the unlisted investments, there are a number of valuation techniques that can be used. Judgement is used to determine the best methodology to obtain the most accurate valuation. These types of valuation technique are mentioned earlier in this note, disclosed as part of the 'other price risk profile' in note 14.

2 income

	Group	Group	Company	Company
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
income from investments				
Dividend income	1,821	1,590	1,821	1,590
Unfranked investment income				
– interest	71	76	71	76
– interest reinvested	721	–	721	–
	2,613	1,666	2,613	1,666
other income				
Interest receivable	562	173	562	138
Net dealing gains from Subsidiary trading	–	1	–	–
	562	174	562	138
Total income	3,175	1,840	3,175	1,804
total income comprises				
Dividends	1,821	1,590	1,821	1,590
Interest	1,354	249	1,354	214
Other income#	–	1	–	–
	3,175	1,840	3,175	1,804
income from investments				
Listed UK	1,675	1,590	1,675	1,590
Other listed	146	13	146	13
Other unlisted	792	63	792	63

2,613	1,666	2,613	1,666
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Includes net dealing gains from Subsidiary trading.

3 investment management fee

- (i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors above and the Directors' Remuneration Report, 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 above in 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 was also paid an investment management related fee of £125,000 per annum (see note 4), until 30 June 2015. This investment management related fee, was replaced on 1 July 2015, with an administration fee payable to the Company's administrators, of approximately £210,000 per annum.

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

	Group and Company			Group and Company		
	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Annual fee	3,344	–	3,344	3,263	–	3,263
Performance Fee	–	2,016	2,016	–	–	–
Irrecoverable VAT thereon	–	60	60	–	(79)*	(79)
	3,344	2,076	5,420	3,263	(79)	3,184

* Adjustment to 2015 VAT based on actual amount of VAT recovered in VAT return.

At 31 January 2016, £167,000 was payable to Harwood Capital LLP in respect of outstanding management fees (2015: £163,000). At 31 January 2016, £2,016,000 plus VAT was payable to GFS in respect of outstanding performance fees (2015: £nil).

4 other expenses

	Group	Group	Company	Company
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Auditor's remuneration (see below)	49	73	49	73
Directors' fees (see page 6)	96	100	96	100
Investment management related fee (see note 3)	52	125	52	125
Administration fee (see note 3)	122	–	122	–
Other expenses	383	276	383	276
	702	574	702	574

	Group	Group	Company	Company
	2016	2015†	2016	2015†
	£'000	£'000	£'000	£'000
auditors' remuneration				
Fees payable to Auditor for audit	43	52	43	52
Other services relating to taxation	6	21	6	21
	49	73	49	73

† fees for 2015 include additional amounts regarding the audit of the adoption of IFRS 10.

	Group	Group	Company	Company
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
directors remuneration				
a) Directors Fees				
Kristian Siem	25	25	25	25
Charles Irby	17	25	17	25
Enrique Foster Gittes	25	25	25	25
Lord Howard of Rising	4	–	4	–
Christopher Mills	25	25	25	25
	96	100	96	100
b) Discharge of options†				
Christopher Mills	–	3,099	–	3,099
c) Performance fee (net of VAT)	2,016	–	2,016	–
Investment management and related fees	1,338	1,305	1,338	1,305
	3,450	4,504	3,450	4,504

† prior year adjustment with respect to inclusion of discharge of options disclosure.

The Companies Act requires disclosure of gains made by a Director upon the discharge or exercise of options. Such gains arose during the comparative period, but were omitted from disclosure. These amounts are now included.

This inclusion has no effect on net assets or profit, and solely affects the disclosure above.

5 share based remuneration

	Group and Company			Group and Company		
	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Accounting charge for the year	7	–	7	173	–	173
	7	–	7	173	–	173

A list of the Options in issue are shown below;

No. of options at	Year of	Discharged during	Grant of	Price	No. of Options at
1 February 2015	grant	the year	options during		31 January 2016
			the year		
10,000	2011	–	–	1,467.71	10,000
30,000	2012	10,000	–	1,396.24	20,000

Further details of Options are disclosed in note 11.

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.

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). An eligible employee of Harwood Capital LLP discharged 10,000 of these options on 31 May 2015, resulting in a payment of £103,000.

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
	14 July 2011	09 July 2012
Award date		
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 [^]	1,097.0p	1,045.0p

[^] 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 30,000 options in issue with an estimated fair value at the date of grant of £56,000.

6 taxation

	Group	Group	Company	Company
	2016	2015	2016	2015
	Total	Total	Total	Total
	£'000	£'000	£'000	£'000
Withholding tax	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
	12	12	12	12

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 21% to 31 March 2015 and 20% from 1 April 2015. The differences are explained below.

	Group	Group	Company	Company
	2016	2015	2016	2015
	Total	Total	Total	Total
	£'000	£'000	£'000	£'000
Total return on ordinary activities before taxation	<u>70,360</u>	<u>36,052</u>	<u>70,360</u>	<u>35,920</u>
Theoretical tax at UK Corporation tax rate of 20.167% (2015: 21.333%)	14,189	7,691	14,189	7,663
Effects of:				
Non taxable capital return	(14,785)	(8,154)	(14,785)	(8,126)
UK dividends which are not taxable	(338)	(322)	(338)	(322)
Withholding tax	12	12	12	12
Increase in tax losses, disallowable expenses and offshore income gains	<u>934</u>	<u>785</u>	<u>934</u>	<u>785</u>
Actual current tax charge	12	12	12	12

Factors that may affect future tax charges:

As at 31 January 2016, the Group has tax losses of £52,596,000 (2015: £48,635,000) that are available to offset future taxable revenue, comprising excess management expenses of £40,599,000, a non-trade loan relationship

deficit of £10,127,000 and a trade loss of £1,870,000 (2015: 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). 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 £50,726,000 (2015: £46,974,000) that are available to offset future taxable revenue, comprising excess management expenses of £40,599,000, a non-trade loan relationship deficit of £10,127,000 and a trade loss of £nil (2015: excess management expenses of £37,061,000, a non-trade loan relationship deficit of £9,913,000 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.

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
2016									
Basic return per Share Share options*	(890)	14,517,651	(6.13)	71,238	14,517,651	490.70	70,348	14,517,651	484.57
	–	–		–	–		–	–	
Diluted return per Share	(890)	14,517,651	(6.13)	71,238	14,517,651	490.70	70,348	14,517,651	484.57
2015									
Basic return per Share Share options*	(2,182)	14,996,362	(14.55)	38,222	14,996,362	254.88	36,040	14,996,362	240.33
	–	–		–	–		–	–	
Diluted return per Share	(2,182)	14,996,362	(14.55)	38,222	14,996,362	254.88	36,040	14,996,362	240.33

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

* 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.

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
2016				
Ordinary Shares	– Basic	396,961	14,442,035	2,749p
	– Diluted	397,387	14,472,035	2,746p
		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

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 30,000 (2015: 40,000) Share Options were exercised at the prevailing exercise prices, giving a total of 14,472,035 issued Ordinary Shares (2015: 14,582,035).

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.

8 investments at fair value through profit or loss

a) Investments at fair value through profit or loss

	Group	Group	Company	Company
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Quoted at fair value:				
United Kingdom	157,164	128,581	157,164	128,581
Overseas	10,845	7,955	10,845	7,955
Total quoted investments	168,009	136,536	168,009	136,536
Treasury bills at fair value	100,326	65,583	100,326	65,583
Unlisted and loan stock at fair value	99,503	118,925	99,503	118,925
Investments at fair value through profit or loss	367,838	321,044	367,838	321,044

	Listed	AIM	Unlisted	Loan	Treasury	Total
	equities	quoted	equities	stocks	Bills	
	£'000	£'000	£'000	£'000	£'000	£'000
group – 2016						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2015	67,488	24,149	46,579	18,844	64,472	221,532
Opening unrealised appreciation	32,583	12,316	53,481	21	1,111	99,512
opening valuation as at 1 February 2015	100,071	36,465	100,060	18,865	65,583	321,044

Movements in year:

Transfer	1,159	–	(1,159)	–	–	–
Purchases at cost	25,218	15,098	16,778	19,543	311,946	388,583
Sales – proceeds	(36,437)	(24,450)	(52,558)	(17,825)	(283,684)	(414,954)
– realised gains/(losses) on sales	5,410	14,793	32,846	(24)	854	53,879
Increase/(decrease) in appreciation on assets held	42,610	(11,928)	(17,355)	332	5,627	19,286

closing valuation as at 31 January 2016	138,031	29,978	78,612	20,891	100,326	367,838
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Closing bookcost as at 31 January 2016	62,838	29,590	42,486	20,538	93,588	249,040
Closing unrealised appreciation	75,193	388	36,126	353	6,738	118,798

138,031	29,978	78,612	20,891	100,326	367,838
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	Listed	AIM	Unlisted	Loan	Treasury	
	equities	quoted	equities	stocks	Bills	Total
	£'000	£'000	£'000	£'000	£'000	£'000

company – 2016

analysis of investment portfolio movements

Opening bookcost as at 1 February 2015	67,488	24,149	46,621	18,844	64,472	221,574
Opening unrealised appreciation	32,583	12,316	53,439	21	1,111	99,470

opening valuation as at 1 February 2015	100,071	36,465	100,060	18,865	65,583	321,044
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Movements in year:

Transfer	1,159	–	(1,159)	–	–	–
Purchases at cost	25,218	15,098	16,778	19,543	311,946	388,583
Sales – proceeds	(36,437)	(24,450)	(52,558)	(17,825)	(283,684)	(414,954)
– realised gains/(losses) on sales	5,410	14,793	32,846	(24)	854	53,879
Increase/(decrease) in appreciation on assets held	42,610	(11,928)	(17,355)	332	5,627	19,286

closing valuation as at 31 January 2016	138,031	29,978	78,612	20,891	100,326	367,838
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Closing bookcost as at 31 January 2016	62,838	29,590	42,528	20,538	93,588	249,082
Closing unrealised appreciation	75,193	388	36,084	353	6,738	118,756

analysis of investment portfolio movements	138,031	29,978	78,612	20,891	100,326	367,838
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	Listed	AIM	Unlisted	Loan	Treasury	
	equities	quoted	equities	stocks	Bills	Total
	£'000	£'000	£'000	£'000	£'000	£'000

group – 2015

analysis of investment portfolio movements

Opening bookcost as at 1 February 2014	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	106,492	30,236	97,959	3,481	54,454	292,622
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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

	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
company – 2015						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2014	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	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

				Group		Group
				2016		2015
				£'000		£'000
analysis of capital gains and losses						
Gains on sales				53,879		24,543

Unrealised gains	19,286	13,330
gains on investments at fair value	73,165	37,873
	2016	2015
	£'000	£'000
Exchange gains on capital items	121	15
Exchange gains on escrow	8	10
Exchange gains on capital items and currency	20	245
exchange gains	149	270
	2016	2015
	£'000	£'000
portfolio analysis		
Equity shares	228,385	229,476
Convertible preference securities	18,236	7,120
Fixed interest securities	20,891	18,865
Treasury Bills	100,326	65,583
	367,838	321,044

b) subsidiary undertakings

At 31 January 2016 the Company has the following Subsidiary:

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

This subsidiary was active during the year.

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

c) significant holdings

At the year-end, the Group and Company held 20% or over of the aggregate nominal value of voting equity (ordinary shares unless otherwise stated) of the following companies:

Company and address of principal business	Country of incorporation and registration	Year end	Capital and reserves	Revenue reserves for the last financial year	Company holding 31 January 2016 %	Company holding 31 January 2015 %
AssetCo PLC						
Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire NP25	England and Wales	30 September	£19,395,000	£4,013,000	28.6	21.7

5JA			2015				
Bioquell							
52 Royce Close, West Portway, Andover, Hampshire SP10 3TS	England and Wales	31 December 2015	£64,918,000	£637,000	22.3	22.3	
Consolidated Venture Finance Limited							
6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 January 2016	(£835,000)	£0	100	100	
Global Options, Inc							
5955 TG Lee Boulevard, Suite 600, Orlando FL 32822 USA	US	31 March 2015	N/A*	N/A*	31	31.3	
Hampton Investment Properties							
6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2015	£7,925,000	(£1,584,000)	70.8	70.8	
Martley Limited							
3rd Floor, Standard Bank House, 47-49 La Motte Street, St Helier, Jersey JE2 4SZ	Jersey	31 December 2015	N/A*	N/A*	29.6	29.6	
Oryx International Growth Fund Limited							
BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA	Guernsey	31 March 2015	£93,065,000	£5,761,000	46.8	43.1	
Performance Chemical Company							
9105 W Interstate 20 Midland TX 79706	US	30 September 2015	\$6,170,000	\$1,880,000	53.1	53.1	
Team Rock							
3 Stanley Boulevard, Hamilton International Park, High Blantyre, Glasgow, Scotland G72 0BN	England and Wales	31 March 2015	(£5,057,000)	(£8,820,000)	50.8	-	
Trident Private Equity Fund III LP							
6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2015	N/A*	N/A*	32.7	32.7	

* Where the Company holding is less than 50%, and the information is not publicly available, this information is not required to be disclosed.

Consolidated Venture Finance Limited has been consolidated into the Group financial statements. The remaining investments detailed above have not been consolidated into the Group financial statements due to the Company meeting the definition of an investment entity under IFRS 10 and therefore these investments are included at fair value through profit and loss.

d) investments in US treasury bills

At 31 January 2016, the Group held US Treasury Bills with a market value of £100,326,000 (2015: £65,583,000).

e) transaction costs

During the year, the Group incurred total transaction costs of £241,000 (2015: £222,000) comprising £161,000 (2015: £173,000) and £80,000 (2015: £49,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Consolidated Statement of Comprehensive Income.

f) material disposals and realisations of unlisted investments in the year:

**Carrying
value at
31 January**

Security Name	Proceeds £'000	Bookcost £'000	Gain £'000	2015 £'000
Trident Private Equity III	15,931	14,654	1,277	30,385
Hampton Investment Properties Ltd	1,699	1,554	145	2,124
Bionostics Holdings Limited†	4,044	–	4,044	4,140
Celsis AG	30,088	623	29,465	21,110
Industrial Properties	2,527	2,527	–	–

† cash in escrow.

9 trade and other receivables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Accrued income	151	10	151	10
Other debtors	887	552	887	552
	1,038	562	1,038	562

10 trade and other payables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Other creditors and accruals	2,754	300	2,754	300
	2,754	300	2,754	300

11 share capital

– issued and fully paid:	2016 Number	2016 £'000	2015 Number	2015 £'000
Ordinary Shares of 5p:				
Balance at beginning of year	14,542,035	727	15,880,736	794
Cancellation of shares	(100,000)	(5)	(1,338,701)	(67)
Balance at end of year	14,442,035	722	14,542,035	727

Since 31 January 2016, 3,515 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 14,442,035 Ordinary Shares of 5p nominal value each (due to the Shares purchased not yet being cancelled).

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

There are Options totalling 30,000 (2015: 40,000) remaining, details of which are given in note 5 above.

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

	Group	Group	Company	Company
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Return before finance costs and taxation	70,360	36,052	70,360	35,920
Gains on investments	(73,314)	(38,143)	(73,314)	(38,011)
Share options discharge	(103)	(3,099)	(103)	(3,099)
Share based remuneration	7	173	7	173
Provision for Subsidiary	-	-	-	(36)
Dividends and interest reinvested	(721)	78	(721)	78
(Increase)/decrease in debtors and accrued income	(470)	120	(470)	118
Increase/(decrease) in creditors and accruals	2,472	(1,961)	2,472	(1,961)
Change relating to investments of dealing Subsidiary	-	(1)	-	-
	(1,769)	(6,781)	(1,769)	(6,818)

13 analysis of net cash and net debt

	At			At
	1 February	Cash	Exchange	31 January
	2015	flow	movement	2016
net cash	£'000	£'000	£'000	£'000
Group				
Cash and cash equivalents	7,598	23,221	20	30,839
Company				
Cash and cash equivalents	7,598	23,221	20	30,839

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 above.

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

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

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

- (i) market price risk, including currency risk, interest rate risk and other price risk;
- (ii) liquidity risk; and
- (iii) credit risk

The Company Secretary in close co-operation with the Board of Directors and the 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 2015. 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 2016, the Group had no open forward currency contracts (2015: none).

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

Foreign currency exposure by currency of denomination:

group and company

	31 January 2016			31 January 2015		
	Overseas	Net monetary	Total currency	Overseas	Net monetary	Total currency
	investments	assets	exposure	investments	assets	exposure
	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	143,657	2,579	146,236	123,044	178	123,222
New Zealand Dollar	–	–	–	6,669	–	6,669
	143,657	2,579	146,236	129,713	178	129,891

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 2015.

31 January 2016		31 January 2015	
10%	10%	10%	10%

	weakening	strengthening	weakening	strengthening
	£'000	£'000	£'000	£'000
US Dollar	16,248	(13,294)	13,691	(11,202)
NZ Dollar	–	–	741	(606)
	16,248	(13,294)	14,432	(11,808)

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

interest rate risk

Interest rate movements may affect;

- the fair value of the investments in fixed interest rate securities (including unquoted loans);
- the level of income receivable on cash deposits;

The 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 above.

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 2016 on its quoted and unquoted investments and options on investments was as follows:

	2016	2015	2016	2015
	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	367,838	321,044	367,838	321,044

As mentioned in the accounting policies note, the Private equity investments have been valued following the IPEV Valuation Guidelines. The valuation incorporates all relevant factors that market participants would consider in setting a price.

Methods applied include cost of investment, net assets and valuation multiples. Any valuations in local currency are converted into sterling at the prevailing exchange rate on the valuation date.

Although the Manager believes that the estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values.

Subsequent adjustments in price are determined by the Manager's Valuation and Pricing Committee.

The table below shows how the most significant unlisted investments have been valued as at 31 January 2016 together with the impact of a 10% change in valuation:

		2016 fair value GBP	Resultant valuation after 10% increase in 2016 valuation GBP	Resultant valuation after 10% decrease in 2016 valuation GBP	2015 fair value GBP
	Method of fair value valuation	£'000	£'000	£'000	£'000
Trident Private Equity III LP (TPE III)	Net assets	23,487	25,836	21,138	30,385
Team Rock Limited	Cost	13,599	14,959	12,239	7,278
Industrial Properties Limited	Cost	11,473	12,620	10,326	14,000
Performance Chemicals Company Ordinary and Preferred	Valuation multiple	8,481	9,329	7,633	8,010
Indoor Bowling Equity	Cost	6,651	7,316	5,986	–
Harwood Private Equity IV LP	Net assets	4,800	5,280	4,320	–
GAJV Holdings Inc, Ordinary shares	Valuation multiple	259	285	233	245
GAJV Holdings Inc, Preferred	Cost	3,201	3,521	2,881	3,023
Viking Investments LP	Cost	3,500	3,850	3,150	3,500
Utitec Holdings	Cost	1,551	1,706	1,396	–
Performance Chemicals Company, Loan	Cost	599	659	539	566
		77,601	85,361	69,841	67,007

There were no changes in valuation techniques to those used for 31 January 2015.

The valuation techniques applied are based on the following assumptions:

For Harwood Private Equity Fund IV and TPE III, the valuation is based upon the latest reportable Net Asset Value.

For Performance Chemicals Units and GAJV, the valuations are based on comparable multiples (deemed an appropriate assumption in relation to the economic environment that the companies operate in).

performance chemicals

Performance Chemicals Company is an oil field service company located in the Permian Basin. Trading multiples in the Permian Basin, in general, are around 8-10 times EBITDA but have since softened. Valuation carried at 4.9 x EBITDA less net debt.

gajv

GAJV Holdings (formerly Glass America Inc GAJV) entered into a joint venture with the Gerber Glass Division of Boyd Group Income fund. The parties contributed their respective assets into Glass America LLC. The LLC is the second largest automotive glass replacement and repair company in North America. The valuation is based on a 7.9 x the LLC's 2015 EBITDA less net debt plus GAJV cash.

For all other significant unlisted investments, the valuation applied is the cost that the shares were acquired for. The difference in valuation between the years is attributable to exchange rate fluctuations. Management have performed other assessments, including multiples and nets assets and concluded that the fair value derived from those methods is not significantly different from costs.

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.

	2016		2015	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Increase/(decrease) in net assets	36,784	(36,784)	32,104	(32,104)

(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:

	2016 Group £'000	2015 Group £'000	2016 Company £'000	2015 Company £'000
financial assets neither past due or impaired				
Fixed income securities	20,891	18,865	20,891	18,865
Preference shares	18,236	7,120	18,236	7,120
Treasury Bills	100,326	65,583	100,326	65,583
Accrued income and other debtors	1,038	562	1,038	562
Cash and cash equivalents	30,839	7,598	30,839	7,598

171,330	99,728	171,330	99,728
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The maximum credit exposure of financial assets represents the carrying amount.
There are no financial assets that are past due or impaired.

commitments giving rise to credit risk

There are no commitments giving rise to credit risk as at 31 January 2016.

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 2016		31 January 2015	
	Balance		Balance	
	Fair value	Sheet value	Fair value	Sheet value
	£'000	£'000	£'000	£'000
financial assets				
Financial assets at fair value through profit or loss				
– Non current assets	367,838	367,838	321,044	321,044
Loans and receivables				
– Cash and cash equivalents	30,839	30,839	7,598	7,598
	398,677	398,677	328,642	328,642

There have been no financial liabilities in the financial year's ending 31 January 2016 and 31 January 2015.

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 • to •.
- 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.

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 1e) 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.

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 and company

At 31 January 2016

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	246,621	168,009	–	78,612
Fixed interest investments	121,217	100,326	–	20,891
Total	367,838	268,335	–	99,503

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

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

level 3 financial assets at fair value through profit or loss

group and company

At 31 January 2016

	Total	Equity	Fixed
	£'000	investments	interest
		£'000	investments
			£'000
Opening Balance	127,300	108,435	18,865
Purchases	36,321	16,778	19,543
Sales	(80,691)	(62,866)	(17,825)
Transfer	(1,159)	(1,159)	–
Total gains included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	39,473	39,497	(24)
– on assets held at the end of the year	(21,741)	(22,073)	332
Closing balance	99,503	78,612	20,891

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:

	2016	2015
	£'000	£'000
Debt	–	–
Equity		
Equity share capital	722	727
Retained earnings and other reserves	396,239	328,177
	396,961	328,904
Debt as a % of net assets	0.00%	0.00%

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 until 9 June 2015 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	£1,250,000
Trident Private Equity II LP	Investment Advisory	£44,000

The General Partner's profit share in respect of Trident Private Equity III LP was £1.15 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 above.

Christopher Mills is Chief Executive Officer and indirectly a member of Harwood Capital LLP. He is also a director of Oryx. 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, the Manager of the Company.

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, Hampton Investment Properties, Oryx, Progeny, Inc, Global Options, Celsis International Limited, MJ Gleeson PLC, AssetCo and B&G (Europe) Holdings Ltd. Employees of the Joint Manager may hold options over shares in investee companies. A total of £92,000 in directors fees from these companies was received by Christopher Mills during the year under review.

No formal arrangements exist to avoid double charging on investments held by the Company which are also managed or advised by Christopher Mills (Chief Executive) and/or Harwood Capital LLP. Members and private clients of Harwood Capital LLP, and its associates (excluding Christopher Mills and his family) hold 52,943 shares in the Company (2015: 52,943).

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

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 2016 amounts due from the CVF were £nil (2015: £nil).