North Atlantic Smaller Companies Investment Trust plc

Annual Report

for the year ended 31 January 2016

contents

Company Registered Number:
1091347

Cover Image:
Detail of "Defeat of the Spanish Armada", 8 August 1588,

objective of the company and financial highlights

The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean.

	31 January 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	688.0	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.

strategic report – corporate summary

introduction	North Atlantic Smaller Companies Investment Trust plc ("NASCIT") is an investment trust whose shares are listed on the London Stock Exchange.
objective and investment strategy	The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. The Company invests in both listed and unlisted companies.
company's business	The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and its business is that of an investment trust. The business of the Company's wholly owned subsidiary, Consolidated Venture Finance Limited ("CVF"), is an investment dealing and holding company.
risk	Investment in small companies is generally perceived to carry a greater risk than investment in large companies. This is reasonable when comparing individual companies, but is much less so when comparing the volatility of returns from a diversified portfolio of companies. The Board believe that the Company's portfolio is diversified although considerably less liquid than a portfolio of large-cap listed equities. The Company has the ability to utilise gearing in the form of term loan facilities, although no facility currently exists. Gearing has the effect of accentuating market falls and gains. The Company outsources all of its main operational activities to recognised third party providers.
AIFMD	The Company was approved as a small registered UK Alternative Investment Fund Manager with effect from 26 August 2014 under the Alternative Investment Fund Managers Regulations 2013. This means that the Company is internally managed. For further information see page 19.
company secretary	The Company Secretary is Derringtons Limited, Hyde Park House, 5 Manfred Road, London SW15 2RS.
website	www.harwoodcapital.co.uk

Peregrine D E M Moncreiffe [1,2,3] Non-Executive Chairman. Appointed on 17 November 2008 (having previously been a Director of the Company from 1993 – 2006). He has over the years worked in London, New York and the Far East, with Credit Suisse First Boston, Lehman Brothers and Buchanan Partners. He is a non-executive director of EnergyO Solutions Russia AB.

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

Kristian Siem (Norwegian) [1,2,3] Non-Executive Director. Appointed April 2001. He is chairman of Siem Industries Inc., an industrial company which includes offshore oil and gas subsea construction and services vessels, and marine transportation worldwide. He is chairman of Subsea 7 SA and is also a director of a number of companies in Europe and overseas.

The Lord Howard of Rising [1,2,3] Non-Executive Director. Appointed on 26 November 2015. He is a member of the House of Lords and a District Councillor for the Borough Council of Kings Lynn & West Norfolk, as well as being a landowner and farmer and Chairman of Wicksteed Leisure Limited. He was formerly a director of the The Keep Trust and Fortress Trust.

Enrique Foster Gittes (USA) [1,2,3] Non-Executive Director. Appointed July 1992 and served as the Company's Chairman from July 1998 to June 2009. He is an American lawyer who was president of Hambro America in New York until 1983, responsible for venture capital investment and subsequently chairman of European Home Products PLC until 1988 and a director of Scholl PLC until 1994. He was a founder and a director of Denison International PLC until 1999 and is currently president of Bodega Foster SA, Mendoza, Argentina.

[1] Independent

[2] Member of the Audit Committee

[3] Member of the Remuneration Committee

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 attached 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

strategic report – 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 unquoted investments can be found on pages 8 to 13. 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

strategic report – sector analysis of investments at fair value

as at 31 January

equities, convertible securities & loan stocks as a % of total portfolio valuation	United States 31 January 2016 %	United Kingdom 31 January 2016 %	Total 31 January 2016 %	Total 31 January 2015 %
Investment Companies	**0.4**	**22.6**	**23.0**	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**	**100.0**	
total at 31 January 2015	40.5	59.5		100.0

strategic report – twenty largest investments
as at 31 January

equities (including convertibles, loan stocks and related financing)		At fair value £'000
MJ Gleeson Group plc	UK Listed	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		198,400
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		245,643
Aggregate of other investments at fair value		21,869
		267,512
US Treasury Bills		100,326
Total		367,838

* incorporated in Guernsey.

All investments are valued at fair value.

strategic report – unlisted investments profile
as at 31 January

	2016 At fair value £'000	Total assets %
Trident Private Equity Fund III LP (UK) *Cost: £nil* The Company's £25 million investment is now fully drawn down and the investment has now been returned in full.	23,487	5.9
Team Rock Limited (UK) *Cost: £13,599,000* Team Rock is a leading multi-media rock music business offering print, radio and digital content to rock fans globally. It acquired the leading magazine titles, "Classic Rock" and "Metal Hammer" in April 2013, and has since established an ambitious online membership programme, supplemented by gaming, events and advertising. Building the multi-media platform and generating new revenue streams has cost more and taken longer than expected, however the business is successfully growing membership numbers and forming revenue-generating business partnerships with major music industry players. During the year NASCIT invested further funds in the form of loans, which together with interest at 10% were converted to equity in a financing round which included a new third party investor.	13,599	3.4
Industrial Properties Limited (UK) *Cost: £11,473,000* Rental income has increased slightly throughout the year due to new lettings. Good progress has been made with Asset Management initiatives identified at purchase to secure longer term income and value. Surplus rental income was used to make an interim repayment of shareholder loans in Q1 2016 in line with business plan.	11,473	2.9
Performance Chemicals Company (US) *Cost: £3,688,000* The company provides chemicals to the oil and gas industry which are used either to maintain oil and gas production or to assist in the process of fracking. Although operating results have declined, the company remains substantially profitable and has no debt. Recent initiatives could add significant value to the business despite the low oil price.	9,080	2.3
Carried forward	**57,639**	

strategic report – unlisted investments profile
as at 31 January

	2016 At fair value £'000	Total assets %
Brought Forward	57,639	
Indoor Bowling Equity Limited (UK) *Cost: £6,599,000*	6,651	1.7
Indoor Bowling Equity was established to acquire Essenden in a public to private transaction in 2015. Indoor Bowling Equity is the second largest operator of indoor bowling and family entertainment centres in the UK, operating under the Tenpin brand. It currently has 36 sites offering ten-pin bowling games, bar and restaurant services, amusement and gaming arcade machines and other related leisure activities. Since taking the acquisition private in August a further six sites were acquired in December 2015. The business traded significantly ahead of expectations in 2015 and the current year has stated well. Further site acquisitions are under consideration.		
Harwood Private Equity IV L.P. (UK) *Cost: £4,800,000*	4,800	1.2
Harwood Private Equity IV L.P. ("HPE4") was established in June 2015 with committed capital of £152.5 million. The Company has made a £40 million commitment to HPE4, with £4.8 million drawn down so far. HPE4 continues the successful strategy of TPE II and TPE III, investing primarily in small and lower mid-market UK-based buyouts. HPE4 made its first investment in the second largest operator of tenpin bowling and family entertainment centres in the UK. Since the Company's year-end HPE4 has made its second investment, in a leading provider of outsourced insurance claims investigation services.		
Trust Atlantic Financial (US) *Cost: £629,000*	4,236	1.1
The company has been taken over and the shares sold post 31 January 2016.		
GAJV Holdings Inc. (formerly Glass America Inc.) (US) *Cost: £2,953,000*	3,763	0.9
GAJV is a provider of automotive glass replacement and repair services in North America. It merged its operating assets with those of the Gerber Glass division of Boyd Group Income Fund in June 2013. 2015 financial results materially exceeded the record prior year. A put with the merged operating entity is now exercisable and a call by the entity will become exercisable at the end of 2016. It is expected that one or the other will be exercised in the current financial year.		
Carried forward	**77,089**	

strategic report – unlisted investments profile
as at 31 January

	2016 At fair value £'000	Total assets %
Brought Forward	77,089	
US Bank Portfolio (US)* *Cost: £911,000* The banks made a significant return of capital during the year. The remaining banks are all trading profitably and would be worth more than the current value in the event of their acquisition. * The US Bank portfolio consists of First Atlantic, Mountain Commerce and Metropolitan Bank.	3,602	0.9
Viking Investments LP (UK) *Cost: £3,500,000* The company owns one of the largest chains of specialised homes caring for very long-term patients with severe mental illnesses. The business was acquired for around 8 times EBITDA and for less than the value of its freehold properties. Since acquisition, the company has performed in line with budget for its core business. Recent transactions in the industry indicate the investment will create value in the medium term.	3,500	0.9
Hampton Investment Properties Limited (UK) *Cost: £3,236,000* The company is in liquidation with two substantial capital repayments having been made in the last year. The liquidation process should be completed in the current year.	3,206	0.8
Telos Corporation (US) *Cost: £1,161,000* The company provides sophisticated software including cyber security for the US military. The company recovered from the problems of 2014 making a modest EBITDA contribution in 2015. Recent contract wins will significantly increase EBITDA over the next three years and the investment offers good upside from the current level.	2,607	0.7
Carried forward	**90,004**	

strategic report – unlisted investments profile

as at 31 January

	2016 At fair value £'000	Total assets %
Brought Forward	90,004	
B&G Equipment Company Inc (US) *Cost: £1,724,000* B&G is a leading manufacturer of specialist equipment and disposables for the control of insects and rodents used by professional pest control operators including Rentokil, Terminix and Orkin. The current product offering, built through four discrete acquisitions, reflects a now complete suite with distribution strengths in all target geographies of the globe. In 2015 B&G completed the acquisitions of Silvandersson, a European manufacturer of flying insect traps, and AgriSense, a UK manufacturer of crawling insect traps.	2,365	0.6
Global Options Services Inc (US) *Cost: £1,964,000* The company is one of the world's largest surveillance businesses working with large insurance companies to mitigate fraud. This holding has been sold at valuation post 31 January 2016.	2,023	0.5
Progeny Inc (US) *Cost: £1,000* The company runs African American funeral homes in Louisiana USA, and is currently in the process of being sold.	1,128	0.3
Carried forward	**95,520**	
Other unlisted investments at fair value	**3,983**	
Total value of unlisted investments at fair value**	**99,503**	

** Includes unlisted loan notes in these companies with a total value of £20,891,000.

strategic report – unlisted investments profile (AIM Quoted)

as at 31 January

	2016 At fair value £'000	Total assets %
AssetCo plc *Cost: £10,162,000*	10,664	2.7
AssetCo is an international Fire and Rescue business. The company's major contract, which was extended last year, is in Abu Dhabi. Recently, trading has been good and the company has substantial cash balances, no debt and very substantial claims against third parties which it is actively pursuing for previous negligence. The claim on losses for the periods against one of the former third parties amounts to £38 million plus interest and costs to date of £4.3 million as of December 2015.		
Goals Soccer Centres plc *Cost: £10,954,000*	8,395	2.1
Goals is a leading operator of a 5-a-side soccer centres across the United Kingdom. It operates 45 centres across the UK, and last year opened three new centres: Manchester, Doncaster and Newcastle giving Goals a centre and presence in all the major cities of the UK. It currently has one 5-a-side centre in Los Angeles, United States which has proved to be good business, and is further developing the pipeline with a completion on a second site by the second half of this year and heads of terms and legal work progressing on a further three US sites. The summer of 2015 was a challenging period for Goals with like for like sales over the summer period declining by 10%. This was put down to a number of factors including an increase in both casual and league teams cancelling over the holiday period, as players took advantage of the strong pound and poor weather conditions. This year the business will have an overhaul focusing on the successful expansion of the United States and increasing UK sales through an improving Goals Soccer website and mobile app. The company generates substantial free cash flow.		
OMG plc *Cost: £4,459,000*	6,694	1.7
The group has two principle operating divisions, Vicon and Yotta. Vicon operates as a technology service business providing image capture products and services for the entertainment, life sciences and engineering industries. Yotta provides software systems for local authorities to help improve the management and make informed decisions on infrastructure assets and is increasingly becoming a key component of the business as it looks to expand its software business into new geographies after successful trials in Holland and Australia. OMG Life, another division has been refocused on licensing IP model which has reduced the cost basis considerably allowing the profits of Yotta and Vicon to come to the forefront.		
Carried Forward	25,753	

strategic report – unlisted investments profile (AIM Quoted)

as at 31 January

	2016 At fair value £'000	Total assets %
Brought Forward	25,753	
Hayward Tyler Group Plc *Cost: £4,014,000*	4,225	1.1
Hayward Tyler is a world leader in boiler circulation pumps and is engaged in the manufacturing, design, engineer and service of fluid filled electric motors and pumps for the energy sector. The company has a market leading reputation and is an established player in the Original Equipment and the Aftermarket segments. The company is currently undertaking a major refurbishment of its UK factory headquarters based in Luton establishing a leading Centre of Excellence for specialist motor manufacturing, completion was due to be finished by December 2015 and the ready to be commissioned by June 2016. This will reduce working capital and net costs whilst increasing the capacity of the facility and the future capability to be able to compete for substantial nuclear contracts that should become available over the next few years. The outlook for the business over the medium term looks highly favourable with profits capable of rising to £8 million – £8.5 million (EBITDA £9.25 million – £9.75 million) by March 2018 as the benefits of the new plant become apparent. The group also announced the acquisition of Peter Brotherhood a UK-based engineering business that specialises in steam turbines, combined heat and power units for the marine, gas and oil markets as well as reciprocating gas compressors. The group believes that it can take a good business which has been underperforming and transform the operating performance, to enhance future earnings through operating synergies.		
Total value of AIM quoted investments at bid value	29,978	

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 on pages 8 to 13. The top twenty largest investments by current valuation are listed on page 7.

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.

strategic report

financial instruments

The financial instruments employed by the Company primarily comprise equity and loan stock investments, although it does hold cash and liquid instruments. Further details of the Company's risk management objectives and policies relating to the use of financial instruments can be found in note 14 to the financial statements on pages 66 to 74.

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 charges and non-recurring items for the year and average monthly net assets.

results and dividends

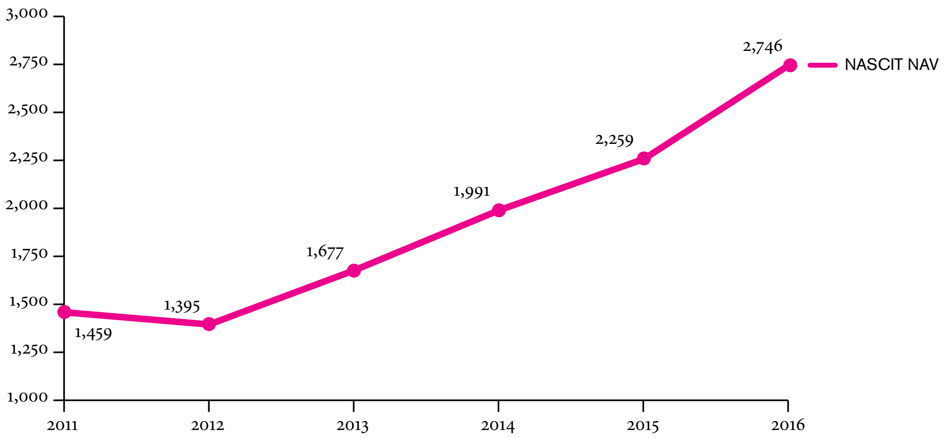
The total net return after taxation for the financial year ended 31 January 2016 amounted to £70,348,000 (2015: £36,040,000). The Board does not propose a final dividend (2015: nil).

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

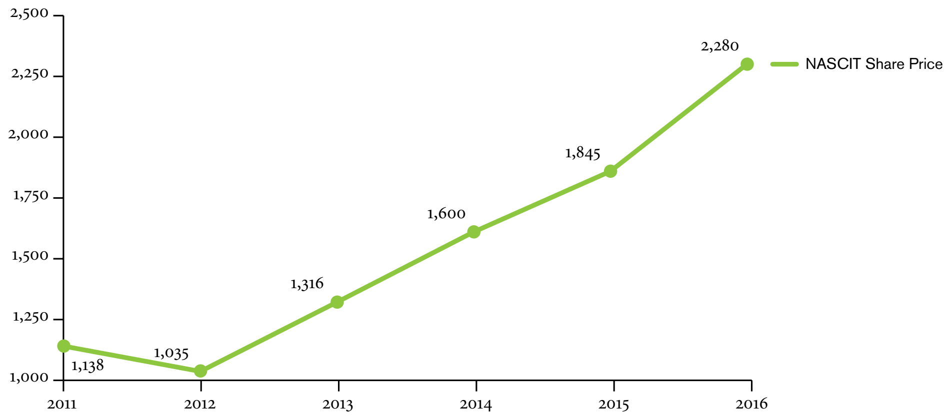
net asset value in pence



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

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

share price return



(iii) **Performance against benchmark**

The performance of the Company's share price is measured against the Standard & Poor's 500 Composite Index (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 on page 36.

principal risks and uncertainties

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

- Performance risk – the Board is responsible for deciding the investment strategy in order to fulfil the Company's objectives and for monitoring the performance of the Manager. An inappropriate investment strategy may result in under performance against the companies in the peer group or against the benchmark indices. The Board manages this risk by ensuring that the investments are appropriately diverse and by receiving reports from the Manager at every board meeting explaining his investment decisions and the composition and performance of the portfolio.
- Market risk – this category of risk includes currency risk, market price risk and interest rate risk. The fair value or future cash flows of a financial investment held by the Company may fluctuate because of changes in market prices. Also, the valuations of the investments in the portfolio may be subject to fluctuation due to exchange rates or general market prices. The Manager monitors these fluctuations and the markets on a daily basis; the performance of the investment portfolio against its benchmarks is also closely monitored by the Manager. The afore-mentioned graph on page 36 of the Directors' Remuneration Report illustrates the Company's performance against its benchmarks over the last 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 page 3. There are currently five Directors of the Company, four of whom are non-executive and they are all male. The Board is wholly supportive of boardroom diversity and when a board vacancy arises, the Nominations Committee will ensure that appointments are made on merit, whilst taking into consideration a variety of factors including relevant skills and experience, knowledge, ethnicity and gender.

greenhouse gas emissions

The Company has no physical assets, operations, premises or employees of its own. Consequently it has no greenhouse gas emissions to report. Hampton, a property investment and development company, in which the Company has a 71% 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

group report of the directors

for the year ended 31 January

directors

The biographical details for Directors currently in office are shown on page 3. 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 5p Ordinary Shares	31 January 2015 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 on pages 33 to 37.

Save as disclosed below or in notes 3 and 15 to the financial statements, no Director was party to or had any interest in any contract or arrangement with the Company at any time during the year.

group report of the directors
for the year ended 31 January

significant agreements

The Company is required to disclose details of any agreements that it considers to be essential to the business. Pursuant to the Management, Administration and Custody Agreement dated 7 January 1993, as amended by the Amendment and Restatement Agreement on 19 March 2002 novated in November 2003 to Harwood Capital LLP (previously North Atlantic Value LLP), Harwood Capital LLP provides administration services to the Company. This is considered by the Board to be a significant agreement.

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

As part of this review, the Board has given consideration to the experience, skills and commitment of the Chief Executive in addition to the personnel, services and resources provided by Harwood Capital LLP. The Company's performance over the last year is described in the Chairman's Statement on page 4.

related party transactions

Christopher Mills, the Chief Executive, is Chief Investment Officer and a member of Harwood Capital LLP. Christopher Mills makes day-to-day investment decisions for the Company in his capacity as its Chief Executive and this position is distinct from his position as Chief Investment Officer of Harwood Capital LLP. Christopher Mills is a director of Growth Financial Services Limited ("GFS"). GFS is a wholly-owned subsidiary of Harwood Capital Management Limited, which is the holding company of the Harwood group of companies and is, in turn, 100% owned by Christopher Mills. Harwood Capital Management Limited is also a Designated Member of Harwood Capital LLP.

Pursuant to the Secondment Services Agreement between the Company, GFS and Christopher Mills and the Management, Administration and Custody Agreement between the Company and Harwood Capital LLP, Christopher Mills is responsible for the day-to-day investment decisions. The Secondment Services Agreement continues until terminated by the Company or GFS on not less than twelve months' notice. Details of the related party transactions and fees payable are disclosed in note 15 on pages 74 and 75 and in the Directors' Remuneration Report on pages 33 to 37. The Investment Management Fees are disclosed in note 3 on page 54. Any Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report on pages 33 to 37 and notes 3 and 4 of the financial statements on pages 54 and 55.

group report of the directors

for the year ended 31 January

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 on page 20 and note 11;
- Details of the substantial shareholders in the Company are listed on page 20;
- The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 21;
- Amendment of the Company's Articles of Association and powers to issue on a pre-emptive basis or buy back the Company's shares requires a special resolution to be passed by the Shareholders;
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid; no agreements between the Company and its Directors concerning compensation for loss of office; and no qualifying third party indemnities in place.

group report of the directors
for the year ended 31 January

explanatory notes for the special business at the annual general meeting

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

Resolution 10 – Ordinary Resolution – Renewal of Directors' authority to allot shares
The authority given to the Directors at the last Annual General Meeting to allot Shares expires at the conclusion of this year's meeting. Resolution 10 will renew the authority to allot Shares of the Company on similar terms. If Resolution 10 is passed the Directors will have the authority to allot Shares up to the aggregate nominal amount of £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.

group report of the directors
for the year ended 31 January

Resolution 13 – Special Resolution – Notice of general meetings
The authority given to Directors at last year's Annual General Meeting to call general meetings (other than an Annual General Meeting) on 14 days' notice will expire at the forthcoming Annual General Meeting. Resolution 13 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

The above resolutions are contained in the Notice of Annual General Meeting on pages 77 and 78.

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

for the year ended 31 January

statement under the UKLA disclosure and transparency rules

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

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

For and on behalf of the Board
Peregrine Moncreiffe
Chairman
12 May 2016

corporate governance

Statement of Compliance with the UK Corporate Governance Code

statement of compliance with the uk corporate governance code

The Company's policy is to achieve best practice in its standards of business integrity in all of its activities. This includes a commitment to follow the highest standards of corporate governance wherever possible. This section of the Annual Report describes how the Company has complied with the applicable provisions of the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in September 2014 (the "Code"). The Board considers that it has complied with the provisions of the Code throughout the year with the exception that non-executive Directors are not appointed for a specific term and all of the Directors have served on the Board for more than nine years with one exception. However all Directors have been subject to performance evaluation and review during the year and are now subject to annual election.

directors

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

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

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

corporate governance

Statement of Compliance with the UK Corporate Governance Code

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

board meetings

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

attendance at board meetings, audit and remuneration committees

	Total number in year 4 Board Meetings	Total number in year 2 Audit Committees	Total number in year 1 Remuneration Committee
Peregrine Moncreiffe	4	2	1
Christopher Mills	4	N/A	N/A
Kristian Siem	3	2	1
Charles Irby (deceased 15 September 2015)	4	2	1
Enrique Foster Gittes	3	2	1
Lord Howard of Rising (appointed 26 November 2015)	0	0	0

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

remuneration committee

All of the non-executive Directors comprise the Remuneration Committee. The Remuneration Committee reviews the remuneration paid to Harwood Capital LLP and GFS pursuant to the Management Agreements and the level of directors' remuneration. The remuneration of GFS is disclosed in the Directors' Remuneration Report on pages 33 to 37 and also in notes 3 and 4 on pages 54 and 55. The terms of reference of the Remuneration Committee are available from the Company Secretary.

corporate governance

Statement of Compliance with the UK Corporate Governance Code

audit committee

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

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

corporate governance

Statement of Compliance with the UK Corporate Governance Code

financial report and significant issues

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

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

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

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

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

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

shareholder relations

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

The Notice of the Annual General Meeting sets out the business of the meeting and can be found on pages 77 and 78. The special business is also explained more fully in the Explanatory Notes on pages 24 and 25. Separate resolutions are proposed for each substantive issue.

nominations committee

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

the company secretary

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

accountability and audit

The statement of going concern is given on page 23 and the Board's responsibilities with regard to the financial statements are set out on pages 26 and 27. The Independent Auditor's Report is on pages 38 to 41.

share capital

Shareholders' attention is drawn to the further information on page 23 which is disclosed in accordance with the Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 and rule 7.2.6 of the Disclosure and Transparency Rules.

corporate governance

Statement of Compliance with the UK Corporate Governance Code

internal control

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

Throughout the year ended 31 January 2016, the Company has complied with the Code, except as follows:

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

C.3.5 – This provision states that the audit committee should review arrangements by which staff of the company may raise concerns about the company in confidence. This has not been complied with as the Company has no staff.

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

By Order of the Board

Derringtons Limited
Company Secretary
Registered Office:
6 Stratton Street
Mayfair
London
W1J 8LD

Registered No: 1091347
12 May 2016

directors' remuneration report

for the year ended 31 January

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

The law requires your Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 38 to 41.

role and composition

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

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

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

directors' interests (audited)

	31 January 2016 5p Ordinary Shares	31 January 2015 5p Ordinary Shares
Peregrine Moncreiffe	**399,130**	393,130
Peregrine Moncreiffe (non-beneficial)	**11,500**	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	**–**	–

policy on directors' remuneration

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

directors' remuneration report
for the year ended 31 January

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

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

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

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

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

implementation report

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

The fees did not change during the year ended 31 January 2016.

	2016				2015			
	Fees & Salary £	**Taxable Benefits £**	**Annual Incentives £**	**Total £**	Fees & Salary £	Taxable Benefits £	Annual Incentives £	Total £
Executive								
Christopher Mills	**25,000**	**–**	**3,354,000**	**3,379,000**	25,000	–	1,305,000	1,330,000
Non-Executive								
Peregrine Moncreiffe*	**–**	**–**	**–**	**–**	–	–	–	–
Charles Irby**	**16,667**	**–**	**–**	**16,667**	25,000	–	–	25,000
Enrique Foster Gittes	**25,000**	**–**	**–**	**25,000**	25,000	–	–	25,000
Kristian Siem	**25,000**	**–**	**–**	**25,000**	25,000	–	–	25,000
Lord Howard of Rising***	**4,514**	**–**	**–**	**4,514**	–	–	–	–

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

** Deceased 15 September 2015.

*** Appointed 26 November 2015.

chief executive

The Chief Executive is responsible for the day-to-day investment decisions. He has no service contract with the Company; his appointment is pursuant to the Secondment Services Agreement dated 7 January 1993 between the Company, the Chief Executive and GFS. The Remuneration Committee has no plans to alter the remuneration structure for the Chief Executive. As stated in note 15 on pages 74 and 75, the Chief Executive is entitled to retain any fees received from investee companies in respect of his role as a non-executive director of these entities; such a role is considered to benefit Shareholders as it allows the Chief Executive to monitor the performance of the investee company more closely than would be possible under other circumstances.

directors' remuneration report
for the year ended 31 January

remuneration of chief executive (audited)

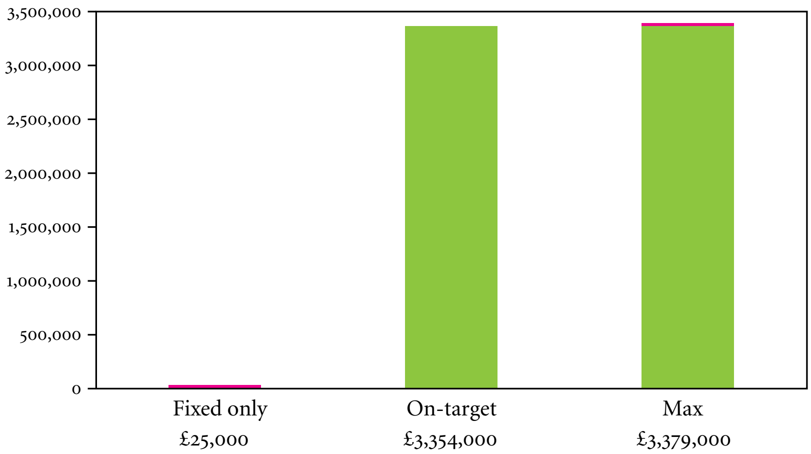
	Year ended 31 January 2016 £	Year ended 31 January 2015 £
Director's fees	**25,000**	25,000
Investment Management and related fees	**1,338,000**	1,305,000
Performance fee	**2,016,000**	–
Total (excluding irrecoverable VAT)	**3,379,000**	1,330,000

The total fees of £3,379,000, in respect of Christopher Mills' services as a Director and Chief Executive are payable to GFS, as described on page 22. GFS receives, and is contractually entitled to receive, part of the Annual Fee payable to the GFS and Harwood Capital LLP in respect of the investment management activities of the Chief Executive pursuant to the Investment Management Agreements described on page 22 and notes 3 and 4 on pages 54 and 55 to the financial statements.

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

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

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



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

Included within the 'On-target' and 'Maximum' bars are the investment management fee (2016: £1,338,000) and performance fee (2016: £2,016,000) that are payable to GFS and Harwood Capital LLP for the year ended 31 January 2016. Christopher Mills is deemed to have received these fees due to the fact that he is a director of and the ultimate beneficial owner of GFS and a Member of Harwood Capital LLP. These amounts are included in the 'On Target' bar as the fees were only payable if performance related hurdles were met. There are no long term incentive plans in place so the maximum that Christopher Mills could have earned during the year is the total amount of the investment management fee and the performance fee.

directors' remuneration report

for the year ended 31 January

single total figure of remuneration for each director (audited)

The Directors who served during the years ended 31 January 2016 and 31 January 2015 received the following emoluments:

	Total Fees £ 31 January 2016	Total Fees £ 31 January 2015
Peregrine Moncreiffe	**nil**	nil
Kristian Siem	**25,000**	25,000
Charles Irby	**16,667**	25,000
Enrique Gittes	**25,000**	25,000
Lord Howard of Rising	**4,514**	–
Christopher Mills	**3,379,000**	1,330,000
Total	**3,450,181**	1,405,000

No Directors receive any benefits in kind.

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

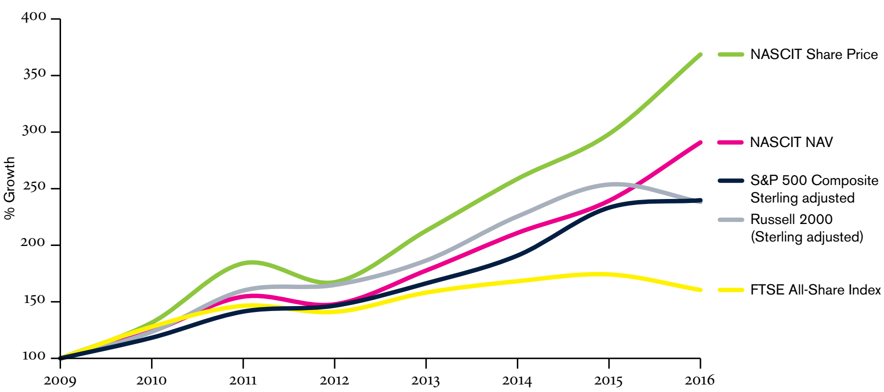
service contracts

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

company's performance

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

Graph showing total Shareholder return over 7 years as compared to total Shareholder return of a broad equity market index over the last 7 years. (Source: Financial Data/Datastream)



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

directors' remuneration report
for the year ended 31 January

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

This Report was approved by the Board on 12 May 2016 and signed by Peregrine Moncreiffe, Chairman.

On behalf of the Board
Peregrine Moncreiffe
Chairman
12 May 2016

independent auditor's report

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

Opinions and conclusions arising from our audit

our opinion on the financial statements is unmodified

We have audited the financial statements of North Atlantic Smaller Companies Investment Trust plc for the year ended 31 January 2016 set out on pages 42 to 75. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2015):

Valuation of unlisted investments (equities and loan stock) £99.5m (2015: £118.9m)

Refer to page 30 (Audit Committee section of the Corporate Governance Report), page 50 (accounting policy) and pages 59 to 64 (financial disclosures).

The risk – 25% of the Group's total assets (by value) is held in investments where no quoted market price is available. Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples, and net assets. There is a significant risk over the valuation of these investments and this is the key judgmental area that our audit focused on.

Our response – Our procedures included:

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

independent auditor's report

to the members of north atlantic smaller companies investment trust plc

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

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

The materiality for the financial statements as a whole was set at £3.7 million (2015: £6.7 million), determined with reference to a benchmark of the Group Total assets of which it represents 1% (2015: 2%), reflecting industry consensus levels.

In addition, we applied materiality of £110,000 (2015: nil) to certain income statement accounts primarily income, investment management fee and other expenses for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £180,000 (2015: £330,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group comprises two (2015: two) reporting components, the most significant of which is the Parent Company. The Group audit team performed an audit of the Parent Company using the materiality levels set out above. This covered 100% of total Group revenue, 100% of Group return before tax, and 100% of total Group assets (2015: 98%, 98% and 100% respectively). For the remaining component, we performed analysis at Group level to re-examine our assessment that there were no significant risks of material misstatements within this component.

our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 28 to 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

independent auditor's report

to the members of north atlantic smaller companies investment trust plc

we have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Strategic Report on pages 2 to 19, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the 3 years to 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 18 and 23, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 28 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

independent auditor's report

to the members of north atlantic smaller companies investment trust plc

scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on pages 26 and 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
12 May 2016

consolidated statement of comprehensive income

for the year ended 31 January

		2016			2015		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'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 on pages 48 to 53.

The notes on pages 48 to 75 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 on pages 48 to 53.

The notes on pages 48 to 75 form part of these financial statements.

company statement of changes in equity

for the year ended 31 January

company	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**	**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**

	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	319,667	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 on pages 48 to 53.

The notes on pages 48 to 75 form part of these financial statements.

consolidated and company balance sheets
as at 31 January

	Notes	Group 31 January 2016 £'000	Group 31 January 2015 £'000	Company 31 January 2016 £'000	Company 31 January 2015 £'000
non current assets					
Investments at fair value through profit or loss	8	**367,838**	321,044	**367,838**	321,044
		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		**30,839**	7,598	**30,839**	7,598
		31,877	8,160	**31,877**	8,160
total assets		**399,715**	329,204	**399,715**	329,204
current liabilities					
Trade and other payables	10	**(2,754)**	(300)	**(2,754)**	(300)
total liabilities		**(2,754)**	(300)	**(2,754)**	(300)
total assets less current liabilities		**396,961**	328,904	**396,961**	328,904
net assets		**396,961**	328,904	**396,961**	328,904
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		**(7,712)**	(6,822)	**(7,359)**	(6,469)
total equity attributable to equity holders of the company		**396,961**	328,904	**396,961**	328,904
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 on pages 48 to 53.

The notes on pages 48 to 75 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	Notes	2016 £'000	2015 £'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)
cash expended for operations	12	**(1,769)**	(6,781)
Taxation paid		**(12)**	(12)
net cash outflow from operating activities		**(1,781)**	(6,793)
cash flows from investing activities			
Purchases of investments		**(370,401)**	(309,650)
Sales of investments		**397,598**	319,054
net cash inflow from investing activities		**27,197**	9,404
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation		**(2,195)**	(22,769)
net cash outflow from financing activities		**(2,195)**	(22,769)
increase/(decrease) in cash and cash equivalents for the year		**23,221**	(20,158)
cash and cash equivalents at the start of the year		**7,598**	27,511
Revaluation of foreign currency balances		**20**	245
cash and cash equivalents at the end of the year	13	**30,839**	7,598

The financial statements have been prepared in accordance with the accounting policies on pages 48 to 53.

The notes on pages 48 to 75 form part of these financial statements.

company cash flow statement

for the year ended 31 January

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

* restated to conform with current year presentation.

The financial statements have been prepared in accordance with the accounting policies on pages 48 to 53.

The notes on pages 48 to 75 form part of these 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	31 January 2015
	£'000	£'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.

1 accounting policies continued

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 on page 6.

1 accounting policies continued

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.

1 accounting policies continued

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.

1 accounting policies continued

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.

notes to the financial statements

1 accounting policies continued

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 2016 £'000	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'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

Includes net dealing gains from Subsidiary trading.

notes to the financial statements

3 investment management fee

(i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors on page 22 and the Directors' Remuneration Report on page 35, GFS provides the services of Christopher Mills as Chief Executive of the Company, who is responsible for day-to-day investment decisions. Christopher Mills is a director of GFS. GFS is entitled to receive part of the investment management and related fees payable to GFS and Harwood Capital LLP as may be agreed between them from time to time.

(ii) Pursuant to the terms of the Management, Administration and Custody Agreement, described on page 22 of the Group Report of the Directors, Harwood Capital LLP is entitled to receive a fee (the Annual Fee) in respect of each financial period equal to the difference between (a) 1% of Shareholders' Funds (as defined) on 31 January each year and (b) the amount payable to GFS referred to in note 3(i) above. This fee is payable quarterly in advance.

As set out in note 15, no formal arrangements exist to avoid double charging on investments managed or advised by the Chief Executive or Harwood Capital LLP.

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

(iv) In addition to the management fees disclosed in note 3(ii) above, Harwood Capital LLP 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 2016			Group and Company 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'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).

notes to the financial statements

4 other expenses

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Auditor's remuneration (see below)	**49**	73	**49**	73
Directors' fees (see page 34 and below)	**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

auditors' remuneration

	Group 2016 £'000	Group 2015† £'000	Company 2016 £'000	Company 2015† £'000
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.

directors remuneration

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
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 2016			Group and Company 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'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 1 February 2015	**Year of grant**	**Discharged during the year**	**Grant of options during the year**	**Price**	**No. of Options at 31 January 2016**
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 page 65.

On 14 July 2011, Christopher Mills was granted 420,000 share options under the NASCIT 2011 Executive Share Option Scheme at an exercise price of 1,467.71p per share. A further 10,000 options were granted to an eligible employee of Harwood Capital LLP. These options are exercisable providing the necessary performance requirements are met between 14 July 2014 and 14 July 2021. Christopher Mills discharged these options (420,000) on 23 October 2014, resulting in a payment of £3,099,000.

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

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

5 share based remuneration continued

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 2016 Total £'000	Group 2015 Total £'000	**Company 2016 Total £'000**	Company 2015 Total £'000
Withholding tax	**12**	12	**12**	12
	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 2016 Total £'000	Group 2015 Total £'000	**Company 2016 Total £'000**	Company 2015 Total £'000
Total return on ordinary activities before taxation	**70,360**	36,052	**70,360**	35,920
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	**934**	785	**934**	785
Actual current tax charge	**12**	12	**12**	12

6 taxation continued

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 Net return £'000	Revenue Ordinary Shares	Revenue Per Share pence	Capital Net return £'000	Capital Ordinary Shares	Capital Per Share pence	Total Net return £'000	Total Ordinary Shares	Total Per Share pence
2016									
Basic return per Share	**(890)**	**14,517,651**	**(6.13)**	**71,238**	**14,517,651**	**490.70**	**70,348**	**14,517,651**	**484.57**
Share options*	–	–		–	–		–	–	
Diluted return per Share	**(890)**	**14,517,651**	**(6.13)**	**71,238**	**14,517,651**	**490.70**	**70,348**	**14,517,651**	**484.57**

	Revenue Net return £'000	Revenue Ordinary Shares	Revenue Per Share pence	Capital Net return £'000	Capital Ordinary Shares	Capital Per Share pence	Total Net return £'000	Total Ordinary Shares	Total Per Share pence
2015									
Basic return per Share	(2,182)	14,996,362	(14.55)	38,222	14,996,362	254.88	36,040	14,996,362	240.33
Share options*	–	–		–	–		–	–	
Diluted return per Share	(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.

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

b) Consolidated net asset value per Ordinary Share:

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

2016		Net assets £'000	Number of Ordinary Shares	Net asset value per Share
Ordinary Shares	**– Basic**	**396,961**	**14,442,035**	**2,749p**
	– Diluted	**397,387**	**14,472,035**	**2,746p**

2015		Net assets £'000	Number of Ordinary Shares	Net asset value per Share
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 2016 £'000	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'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

8 investments at fair value through profit or loss continued

a) Investments at fair value through profit or loss continued

group – 2016	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements						
Opening bookcost as at 1 February 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**
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**

company – 2016	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements						
Opening bookcost as at 1 February 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**
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**
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
	138,031	**29,978**	**78,612**	**20,891**	**100,326**	**367,838**

8 investments at fair value through profit or loss continued

a) Investments at fair value through profit or loss continued

group – 2015	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements						
Opening bookcost as at 1 February 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**
Movements in year:						
Transfer	–	3,187	–	(3,187)	–	–
Purchases at cost	26,483	3,640	26,274	18,100	234,983	309,480
Sales – proceeds	(29,441)	(5,051)	(53,973)	(800)	(229,666)	(318,931)
– realised gains on sales	3,670	3,269	12,813	–	4,791	24,543
(Decrease)/increase in appreciation on assets held	(7,133)	1,184	16,987	1,271	1,021	13,330
closing valuation as at 31 January 2015	**100,071**	**36,465**	**100,060**	**18,865**	**65,583**	**321,044**
Closing bookcost as at 31 January 2015	67,488	24,149	46,579	18,844	64,472	221,532
Closing appreciation	32,583	12,316	53,481	21	1,111	99,512
	100,071	**36,465**	**100,060**	**18,865**	**65,583**	**321,044**

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

8 investments at fair value through profit or loss continued

a) Investments at fair value through profit or loss continued

	Group 2016 £'000	Group 2015 £'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 £'000	2015 £'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 £'000	2015 £'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.

8 investments at fair value through profit or loss continued

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 5JA	England and Wales	30 September 2015	£19,395,000	£4,013,000	28.6	21.7
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	100.0	100.0
Global Options, Inc 5955 TG Lee Boulevard, Suite 600, Orlando FL 32822 USA	US	31 March 2015	N/A*	N/A*	31.0	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 OBN	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.

8 investments at fair value through profit or loss continued

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:

Security Name	Proceeds £'000	Bookcost £'000	Gain £'000	Carrying value at 31 January 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

notes to the financial statements

11 share capital

	2016 Number	2016 £'000	2015 Number	2015 £'000
– issued and fully paid:				
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 on pages 56 and 57.

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

	Group 2016 £'000	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'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)	**–**	–
Cash expended from operations	**(1,769)**	(6,781)	**(1,769)**	(6,818)

13 analysis of net cash and net debt

net cash	At 1 February 2015 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2016 £'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 on pages 2 to 19.

The Group's financial instruments comprise its investment portfolio, cash balances, derivatives contracts, borrowing facilities, loan stock and trade receivables and trade payables that arise directly from its operations. Note 1 (on pages 48 to 53) 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.

14 financial instruments and risk profile continued

currency risk continued

Foreign currency exposure by currency of denomination:

group and company

	31 January 2016 Overseas investments £'000	31 January 2016 Net monetary assets £'000	31 January 2016 Total currency exposure £'000	31 January 2015 Overseas investments £'000	31 January 2015 Net monetary assets £'000	31 January 2015 Total currency exposure £'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 10% weakening £'000	31 January 2016 10% strengthening £'000	31 January 2015 10% weakening £'000	31 January 2015 10% strengthening £'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.

14 financial instruments and risk profile continued

other price risk

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

The Group's exposure to price risk comprises mainly movements in the value of the Group's investments. It should be noted that the prices of options tend to be more volatile than the prices of the underlying securities. As at the year-end, the spread of the Group's investment portfolio analysed by sector was as set out on page 6.

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

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

The Group's exposure to other changes in market prices at 31 January 2016 on its quoted and unquoted investments and options on investments was as follows:

	2016 Group £'000	2015 Group £'000	**2016 Company £'000**	2015 Company £'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.

14 financial instruments and risk profile continued

other price risk continued

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:

	Method of fair value valuation	2016 fair value GBP £'000	Resultant valuation after 10% increase in 2016 valuation GBP £'000	Resultant valuation after 10% decrease in 2016 valuation GBP £'000	2015 fair value GBP £'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.

14 financial instruments and risk profile continued

other price risk continued

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

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

14 financial instruments and risk profile continued

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 48 to 53.

– 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).

14 financial instruments and risk profile continued

fair value of financial assets and financial liabilities continued

- 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

14 financial instruments and risk profile continued

financial assets at fair value through profit or loss continued

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 £'000	Equity investments £'000	Fixed interest 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 £'000	2015 £'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	**0.0%**	**0.0%**

14 financial instruments and risk profile continued

capital management policies and procedures continued

The Board, with the assistance of the Manager monitor and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes account of the Manager's views on the market;
– the need to buy back equity Shares for cancellation, which takes account of the difference between the net asset value per share and the Share price (i.e. the level of share price discount or premium);
– the need for new issues of equity Shares; and
– the extent to which revenue in excess of that which is required to be distributed should be retained.

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

15 related party transactions

Harwood Capital LLP is regarded as a related party of the Company due to Christopher Mills, the Company's Chief Executive and Investment Manager being a member of Harwood Capital LLP 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 on pages 20 to 25.

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.

15 related party transactions continued

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).

directors and advisers

Directors
Peregrine Moncreiffe (Chairman)
Christopher Mills (Chief Executive)
Kristian Siem
Lord Howard of Rising
Enrique Foster Gittes

Manager
Harwood Capital LLP
(*Authorised and regulated by the Financial Conduct Authority*)
6 Stratton Street,
Mayfair
London W1J 8LD
Telephone: 020 7640 3200

Financial Adviser and Stockbroker
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Registered Office
6 Stratton Street,
Mayfair
London W1J 8LD
Telephone: 020 7640 3200

Registrars
Capita Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors
KPMG LLP
15 Canada Square
London E14 5GL

Company Secretary
Derringtons Limited
Hyde Park House
5 Manfred Road
London SW15 2RS

notice of annual general meeting

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of North Atlantic Smaller Companies Investment Trust PLC will be held on Tuesday 28 June 2016, at midday at 6 Stratton Street, Mayfair, London W1J 8LD for the following purposes:

ordinary business:

1. To receive and approve the Group Report of the Directors and the audited financial statements for the year ended 31 January 2016;
2. To approve the Directors' Remuneration Policy;
3. To approve the Directors' Remuneration Report;
4. To re-elect Enrique Foster Gittes as a Director of the Company;
5. To elect Lord Howard of Rising as a Director of the Company;
6. To re-elect Christopher Mills as a Director of the Company;
7. To re-elect Peregrine Moncreiffe as a Director of the Company;
8. To re-elect Kristian Siem as a Director of the Company;
9. To appoint KPMG LLP as Auditor and authorise the Directors to determine its remuneration;

special business:

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

10. **ordinary resolution – renewal of Directors' authority to allot Shares**
THAT the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities for the purposes of Section 551 of the Companies Act 2006 ("the Act") up to an aggregate nominal amount of £240,700 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to Section 551 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

11. **special resolution – renewal of Directors' authority for the disapplication of pre-emption rights**
THAT, subject to and conditional upon the passing of resolution number 10 above, the Directors be empowered, pursuant to Section 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

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

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £36,101; and shall expire at the conclusion of the Annual General Meeting of the Company after the date of the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

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

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

(a) the maximum number of Ordinary Shares authorised to be purchased is 1,083,153;

(b) the minimum price which may be paid for an Ordinary Share is 5p (the nominal value) (exclusive of expenses (if any) payable by the Company);

(c) the maximum price which may be paid for an Ordinary Share purchased under this authority is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an Ordinary Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased and (ii) the amount stipulated by Article 5(i) of the Buy-back and Stabilisation Regulation 2003, (in each case exclusive of expenses (if any) payable by the Company); and

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution except that the Company may before such expiry make a contract or contracts to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

13. **special resolution – notice required for general meetings**

THAT a general meeting other than an Annual General Meeting may be called on no less than 14 clear days notice.

Dated this 12th day of May 2016
By order of the Board

Derringtons Limited
Company Secretary

Registered Office:
6 Stratton Street
Mayfair
London
W1J 8LD
Registered No. 1091347

notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A Shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of Shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Capita Asset Services, PXSI, 34 Beckenham Road, Beckenham, BR3 4ZF no later than forty eight hours before the time fixed for the meeting.

3. The return of a completed proxy form will not prevent a Shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

5. The statement of the rights of the Shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at close of business on 26 June 2016 (or, in the event of any adjournment, close of business on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. As at 11 May 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 14,442,035 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 May 2016 are 14,442,035.

8. Shareholders should note that it is possible that, pursuant to requests made by Shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the Shareholders who have requested any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if to do so would interfere unduly with the formal business of the AGM or involve the disclosure of confidential information, or it is not desirable in the interest of the Company or the good order of the AGM that the question be answered.

10. Copies of the letters of appointment of the non-executive Directors are available for inspection at the Company's registered office during normal business hours from the date of this document to the date of the AGM, and at the place of the AGM from at least 15 minutes prior to the meeting and until its conclusion.

shareholder information

financial calendar

Announcement of results and annual report	May
Annual General Meeting	June
Half-Yearly results and report	September
Half-Yearly report posted	September

share price

The Company's share price can be found on:

SEAQ Ordinary Shares:	NAS
Trustnet:	www.trustnet.ltd.uk

net asset value

The latest net asset value of the Company can be found on the Harwood Capital LLP website : www.harwoodcapital.co.uk

share dealing

Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.

The Company's registrars are Capita Asset Services. In the event of any queries regarding your holding of shares, please contact the registrars on: 0871 664 0300, or by email on shareholderenquiries@capita.co.uk

Changes of name or address must be notified to the registrars in writing at:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

notes

notes

notes

Front cover: Detail of “Defeat of the Spanish Armada”, 8 August 1588,
© National Maritime Museum, London: Philippe-Jacques de Loutherbourg

form of proxy

I/We, the undersigned, being (a) members(s) of the above-named Company,

Name(s) in full..

(BLOCK LETTERS PLEASE)

hereby appoint the Chairman of the Meeting or

.... (see note 3)

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 28 June 2016 and at any adjournment thereof, in the following manner:

		For*	Against*	Vote Withheld
1.	the resolution to receive and approve the Group Report of the Directors and the financial statements for the year ended 31 January 2016;			
2.	the resolution to approve the Directors' Remuneration Policy;			
3.	the resolution to approve the Directors' Remuneration Report;			
4.	the resolution to re-elect Enrique Foster Gittes as a Director of the Company;			
5.	the resolution to elect Lord Howard as a Director of the Company;			
6.	the resolution to re-elect Christopher Mills as a Director of the Company;			
7.	the resolution to re-elect Peregrine Moncreiffe as a Director of the Company;			
8.	the resolution to re-elect Kristian Siem as a Director of the Company;			
9.	the resolution to appoint KPMG LLP as Auditor and to authorise the Directors to determine its remuneration;			
10.	the ordinary resolution to renew the annual authority to allot Shares;			
11.	the special resolution to renew the disapplication of pre-emption rights;			
12.	the special resolution to seek authority to make market purchases of Ordinary Shares.			
13.	the special resolution to allow general meetings, other than Annual General Meetings, to be called on no less than 14 clear days notice.			

*PLEASE INDICATE BY MARKING 'X' IN THE APPROPRIATE SPACE HOW YOU WISH YOUR VOTE TO BE CAST. UNLESS SO INDICATED THE PROXY WILL VOTE OR ABSTAIN AS HE/SHE THINKS FIT.

As WITNESS my/our hand(s) this ....day of 2016

Signature ....

....

Notes:

1. If this form is returned without any indication as to how the person appointed as proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
2. This form of proxy, duly signed, and any power of attorney under which it is executed must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or an adjourned meeting.
3. A member may appoint one or more proxies of his own choice by deleting the reference to the Chairman and inserting the name of his proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney.
5. In the case of joint holders, this form may be signed by any one of the holders, but the names of all of them should be stated.