North Atlantic Smaller Companies Investment Trust plc ("NASCIT")
Annual Financial Report for the year ended 31 January 2013

NASCIT is pleased to announce its audited results for the year ended 31 January 2013

		31 January 2013	% change	31 January 2012	31 January 2011	31 January 2010	31 January 2009
revenue							
Gross income (£'000)		**5,474**	(14.9)	6,432	2,341	3,525	4,285
Net return after tax attributable to Shareholders of the Parent (£'000)		**(494)**	(3,628.6)	14	(849)	443	538
Basic return per Ordinary Share	revenue	**(3.46)p**	(3,560.0)	0.10p	(5.86)p	2.99p	3.64p
	capital	**324.45p**	510.7	(79.00)p	284.70p	289.45p	(372.41)p
assets							
Total assets less current liabilities (£'000)		**295,417**	17.9	250,490	259,916	219,613	178,284
Net asset value per 5p Ordinary Share:							
	Basic	**1,865p**	18.8	1,570p	1,664p	1,480p	1,204p
	Diluted	**1,677p**	20.2	1,395p	1,459p	1,169p	944p
Mid-market price of the 5p Ordinary Shares at 31 January		**1,316.0p**	27.1	1,035.0p	1,146.0p	814.0p	618.5p
discount to diluted net asset value		**21.5%**		25.8%	21.5%	30.4%	34.5%

	31 January 2013	% change	31 January 2012	31 January 2011	31 January 2010	31 January 2009
Indices and exchange rates						
Standard & Poor's 500 Composite Index	**1,498.1**	14.1	1312.4	1,286.1	1,073.9	825.9
Russell 2000 Index	**902.1**	13.8	792.8	781.3	602.0	443.5
US Dollar/Sterling exchange rate	**1.5855**	0.5	1.5781	1.6018	1.6024	1.4417
Standard & Poor's 500 Composite – Sterling adjusted	**944.8**	13.4	832.8	803.1	671.8	568.0
Russell 2000 – Sterling adjusted	**568.9**	13.1	503.1	487.9	376.6	305.1
FTSE All-Share Index	**3,287.4**	12.1	2,932.9	3,044.3	2,660.5	2,078.9

Corporate summary

Introduction
North Atlantic Smaller Companies Investment Trust plc ("NASCIT") is an investment trust whose shares are listed on the London Stock Exchange.

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

company's business
The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and its business is that of an investment trust. The business of the Company's wholly owned subsidiary, Consolidated Venture Finance Limited, is an investment dealing and holding company and its other subsidiary, Hampton Investment Properties Limited, is a property investment company.

risk
Investment in small companies is generally perceived to carry a greater risk than investment in large companies. This is reasonable when comparing individual companies, but is much less so when comparing the volatility of returns from a diversified portfolio of companies. The Board believe that the Company's portfolio is diversified although considerably less liquid than a portfolio of large-cap listed equities.

The Company has the ability to utilise gearing in the form of term loan facilities. Gearing has the effect of accentuating market falls and gains. Details of the Company's debt are shown in note 11 to the financial statements.

The Company outsources all of its main operational activities to recognised third party providers.

AIC
The Company is a member of the Association of Investment Companies ("AIC").

joint managers
The Joint Managers are Christopher Mills through Growth Financial Services Limited ("GFS") and Harwood Capital LLP. During the year, GFS was acquired by Harwood Capital Management Limited which is wholly owned by Christopher Mills.

company secretary
The Company Secretary is Bonita Guntrip ACIS, 6 Stratton Street, Mayfair, London W1J 8LD.

website
www.harwoodcapital.co.uk

Chairman's statement

The Company's fully diluted net asset value rose by 20.2% during the period under review, outperforming the Sterling adjusted Standard & Poor's Composite Index which rose by 13.4%.

The revenue account showed a loss after tax attributable to Shareholders of the Company of £494,000 (2012: profit of £14,000). Consistent with the Company's long standing policy, the Directors are not recommending the payment of a dividend (2012: nil).

No new purchases of our own Ordinary shares for cancellation were made during this year, although a resumption of share buy backs is likely if there are disposals of some of the major unquoted holdings this year. A commentary on the performance of various parts of the portfolio can be found in the Investment Managers Report.

The rise in the stock market over the course of the last year has made it harder to find investments trading at significant discounts to the underlying value of their businesses. The problem is compounded by weak final demand in the United States and Europe.

Corporate profits growth now appears to be slowing as operating margins have now reached abnormally high levels and cannot be increased much further. The banking sector continues to recover in the United States while there is clear evidence that problems will persist in Europe for some years. Increased capital requirements, overpaid incompetent management and weak balance sheets have predictably constrained bank lending which has had a negative impact on consumer confidence and corporate investment.

Central banks continue to offset the fiscal and lending squeeze through further rounds of quantitative easing but fears over possible inflationary consequences and QE exit strategies are already putting upward pressure on long-term bond yields. Several of the major investments in the unquoted portfolio were revalued during the year on the basis of third party independent advice. It is expected that a number of these will be sold in the current year at prices in excess of the January 2013 valuation.

I am therefore hopeful that the current year will see a further advance to the Company's net asset value.

The Hon. Peregrine Moncreiffe *Chairman*

14 May 2013

Investment Managers' report

quoted portfolio

United States
No major new investments were made during the year whilst Interxion was sold and Seracare taken over.

United Kingdom
It is pleasing to note that Oryx International Growth Fund had a good year rising by just over 25%. Other investments that performed well include RPC, CVS Group and MJ Gleeson. Two new investments were made, Bioquell and Mecom, both of which have the potential to assist performance in the current year.
Finally, Guinness Peat Group's, performance was disappointing last year but made a good recovery and is expected to rise further as plans to liquidate the majority of the group and float Coats are completed.

unquoted portfolio

United Kingdom
No new investments were made during the period although a number are currently under consideration. AssetCo which caused significant problems in 2012, was refinanced and the Company's holding was converted into quoted shares in the Plc. The business is now negotiating the renewal of its contracts in Abu Dhabi whilst the Plc believes it has a very substantial claim for damages which it intends to pursue. Letchworth was sold during the year for a good profit. Forefront returned further cash to the Company and was written up reflecting a third party offer for a minority interest in the company. Trident Private Equity II is in the process of being liquidated at a good profit and Trident Private Equity III (TPE III) continues to make good progress.
Orthoproducts made good progress in securing long term contracts and is now in discussions with a number of interested parties who wish to acquire the company.

United Kingdom Property
Hampton Investment Properties was modestly written down during the year as yields continue to rise on industrial property leases. There are, however, signs this trend may be reversing and a number of properties are in negotiations to be sold above the 31 January 2013 valuation.
Merchant Properties had a good year assisted by rising rents as the portfolio reached its five year anniversary. The investors in the Fund are currently considering various alternatives and it is likely that the underlying investments will in part or whole be sold in the current year.

United States
No direct new investment was made during the year but TPE III acquired Utitec, a leading manufacturer of high precision parts, primarily for the medical industry. Since acquisition, the company has won a major new contract which will ultimately add a further 25% to sales.
Celsis continues to perform extremely well and currently has no net debt. A division of Celsis is currently for sale and should this prove successful the company will redeem all of our preference shares and still be left with the most profitable part of the business.
Bionostics had a reasonably good year and is also currently in discussions with a number of parties who are interested in acquring the business.
SINAV suffered from the very poor corn crop that significantly compressed profit margins. Notwithstanding this, the Group has remained EBITDA positive and cash flow positive. Furthermore, there are some signs that industry margins are recovering.
The regional bank portfolio also had a good year with all the banks now trading profitably and that trend is expected to continue into the current year.
Global Options continues to trade broadly in line with plan but is in discussions with a number of new clients which could add meaningfully to revenue and profits over the next two years.
Finally, Telos continues to perform well and in excess of budget. The investment was written up during the year but this revised valuation may be conservative in the case of a trade sale or IPO.

conclusion
Liquidity was increased during the year as investments were sold into rising prices. Further cash will be received if a number of trade sales are completed as anticipated. I am optimistic that we can continue the progress of the last year.

Christopher H B Mills *Chief Executive & Investment Manager*
14 *May* 2013

Sector analysis of investments at fair value

equities, convertible securities & loan stocks as a % of total portfolio valuation	United States 31 January 2013 %	United Kingdom 31 January 2013 %	Europe 31 January 2013 %	Total 31 January 2013 %	Total 31 January 2012 %
Investment Companies	–	19.7	–	19.7	20.0
Manufacturing	9.0	–	–	9.0	11.0
Real Estate	–	7.7	0.4	8.1	9.4
General Industrials	0.8	3.3	–	4.1	7.3
Health Care, Equipment & Services	8.4	7.0	–	15.4	9.8
Support Services	1.3	2.5	–	3.8	4.6
Transport	–	3.4	–	3.4	5.6
General Financials	4.4	–	–	4.4	5.1
Media	–	1.8	–	1.8	–
Industrial Engineering	–	3.5	–	3.5	3.1
Construction & Materials	–	8.2	–	8.2	5.8
Technology Hardware & Equipment	1.6	–	–	1.6	6.5
Travel & Leisure	–	1.3	–	1.3	0.8
Oil & Gas Producers	2.0	–	–	2.0	2.1
General Retailers	–	3.3	–	3.3	3.1
Financial Services	–	4.9	–	4.9	5.8
	27.5	66.6	0.4	94.5	100.0
treasury bills	**5.5**	**–**	**–**	**5.5**	**–**
total at 31 January 2013	**33.0**	**66.6**	**0.4**	**100.0**	
total at 31 January 2012	**30.1**	**69.4**	**0.5**		**100.0**

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

Twenty largest investments

as at 31 January 2013

equities (including convertibles, loan stocks and related financing)		At fair value £'000
Oryx International Growth Fund Limited*†	UK Listed	25,654
Bionostics Holdings Limited	UK Unquoted	23,150
Gleeson (MJ) Group	UK Listed	19,646
Trident Private Equity Fund III LP	UK Unquoted	18,576
Celsis AG	USA Unquoted	15,638
Hampton Investment Properties Limited ††	UK Unquoted	14,093
Guinness Peat Group**	UK Listed	12,721
Bioquell	UK Listed	9,900
AssetCo PLC	UK Listed	9,056
BBA Aviation Group	UK Listed	8,880
ten largest investments		157,314
RPC Group PLC	UK Listed	8,600
CVS Group PLC	UK Listed	8,538
Orthoproducts Limited	UK Unquoted	8,250
Nationwide Accident Repair Services PLC	UK Quoted on AIM	6,550
Trident Private Equity Fund II LP	Cayman Islands Unquoted	6,513
Merchant Properties Unit Trust	UK Unquoted	5,865
Nastor Investments Limited	USA Unquoted	5,125
Mecom Group	UK Listed	4,600
Telos Corporation	USA Unquoted	4,217

Essenden PLC	UK Listed	3,543
twenty largest investments		219,115
Aggregate of other investments at fair value		25,439
		244,554
USA Treasury Bills		14,190
total value of investments and associates of the company		**258,744**

*incorporated in Guernsey.

**incorporated in New Zealand.

†Oryx is accounted for in the Group accounts as an Associate under the equity method of accounting. The valuation shown above is the Group's share of Oryx's net assets.

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

All other investments are valued at fair value.

Group report of the Directors

The Directors present their report to Shareholders (incorporating the Business Review) and the financial statements for the year ended 31 January 2013. 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.

Business review

At 31 January 2013, the diluted net asset value ("NAV") per share was 1,677p (31 January 2012: 1,395p), an increase of 20.2% during the year, compared to an increase of 13.4% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted).

A review of the performance of the Company's business during the year (as required by section 417 of the Companies Act 2006) is included in the Chairman's Statement and Investment Managers' Report, incorporated into this report by reference. The Company has had a good year, significantly outperforming its benchmark and several of the investments in the unquoted portfolio are up for sale so the Directors are hopeful that these transactions will complete shortly.

The Company has no employees and accordingly this business review does not contain any information regarding employees. As an investment trust, the Board do not believe that the Company's business has an impact on the environment and has not put into place any policies regarding social and community issues. The Board does not believe that this will change in the near future but, if it were to do so, they would immediately review these matters.

Results and dividends

The total net return after taxation for the financial year ended 31 January 2013 amounted to £45,512,000 (2012: loss after taxation £10,952,000). The Board does not propose a final dividend (2012: nil).

Investment policy

The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. In order to achieve this objective, the Investment Manager must adhere to the following:

1. The maximum investment limit is 15% of the Company's investments in any one company at the time of the investment.
2. Gearing is limited to a maximum of 30% of net assets.
3. The Company invests on both sides of the Atlantic, with the weighting varying from time to time.
4. The Company will invest in unquoted securities as and when opportunities arise.

Investment approach

The Company invests in a diversified range of companies, both quoted and unquoted, on both sides of the Atlantic in accordance with the above Investment Policy.

Christopher Mills, the Company's Chief Executive and Investment Manager, is responsible for the construction of the portfolio and details of the principal investments are set out in the Annual Report. The top twenty largest investments are listed above.

When analysing a potential investment, the Managers will employ a number of valuation techniques depending on their relevance to the particular investment. A key consideration when deciding on a potential investment would be the sustainability and growth of long term cashflow.

In respect of the unquoted portfolio, regular contact is maintained with the management of prospective and existing investments, as well as rigorous financial and business analysis of these companies. It is recognised that different types of business perform better than others depending on economic cycles and market conditions and this is reflected within the range of investments in the portfolio.

The Company's activities have not changed in the year ended 31 January 2013 and the Directors anticipate that the Company will continue to operate on the same basis during the current financial year.

Financial instruments
The financial instruments employed by the Company primarily comprise equity and loan stock investments, although it does hold cash and liquid instruments. Further details of the Company's risk management objectives and policies relating to the use of financial instruments can be found in note 17 to the financial statements.

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

(i) net asset value per ordinary share.

(ii) share price return.

(iii) performance against benchmark.

Future prospects
The Directors believe that the year ending 31 January 2014 will see further progress, especially from the unquoted portfolio where several of the investee companies are up for sale. While some of these remain uncertain, if all of these were to complete, it would have a significant positive impact on the Company's net asset value and liquidity.

Taxation status
In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to maintain its status as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company has obtained written approval as an investment trust from HM Revenue and customs for all accounting periods up to the year ended 31 January 2012 and has made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods starting on or after 1 February 2012 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 consists of 14,359,107 Ordinary Shares of 5p nominal value each. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

As at 31 January 2013, the Company had 1,554,927 units of Convertible Unsecured Loan Stock ("CULS") 2013 of 5p nominal value in issue. The final conversion opportunity for the CULS was on 30 April 2013 and the final conversion notice was posted to the Loan Stock holders on 22 March 2013 reminding them of their Conversion Rights and advising them of the procedure if they chose not to convert. 1,396,825 units of CULS were converted on 30 April 2013 by the stock holders. The remaining units are now in the hands of the Trustee, who has until 28 May 2013 to decide whether or not to convert them. The Company's issued share capital as at the date of this report consists of 15,755,932 Ordinary Shares of 5p nominal value each.

During the year, on 30 June 2012, 245,554 CULS units were converted into Ordinary shares of 5p each at the rate of one 5p Ordinary share for every units of 5p. No CULS were purchased for cancellation during the year.

Share valuations
On 31 January 2013, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 1,316.0p and 1,677.0p respectively. The comparable figures at 31 January 2012 were 1,035.0p and 1,395.0p respectively.

Substantial shareholders
As at 31 January 2013, the following interests in the Ordinary Shares of the Company which exceed 3% of the issued share capital had been notified to the Company:

	Number of Ordinary Shares	% of issued share capital

C H B Mills	3,427,349	23.87
CG Asset Management Limited	1,208,627	8.42
Henderson Global Investors Limited	758,324	5.28
Findlay Park US Smaller Companies Fund Plc	595,000	4.14
J O Hambro Investment Management Limited	443,567	3.09

Since 31 January 2013, Harwood Holdco Limited, a company owned by Mr C H B Mills, has acquired a further 36,767 Ordinary shares of the Company as notified to the London Stock Exchange, taking his total holding to 3,464,116 Ordinary shares.

Directors
The biographical details for Directors currently in office are shown in the Annual Report.

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 has adopted the requirements of the UK Corporate Governance Code in relation to the annual re-election of directors. Therefore, in accordance with provision B.7.1 of the UK Corporate Governance Code, all of the Directors will retire at the Annual General Meeting and being eligible, offer themselves up for re-election.

The Chairman and other members of the Board recommend that the Directors retiring be re-elected. The Chairman has confirmed that all Directors retiring have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and in his view continue to responsibly fulfil their functions. The rest of the Board have evaluated the performance of the Chairman and have confirmed that they are satisfied that his performance remains effective and that he has demonstrated commitment to his role and they therefore recommend his re-election at the forthcoming Annual General Meeting. The Chairman has confirmed that he has no other significant commitments that would impact on his role as Chairman of the Company.

Directors' interests
The interests of the Directors as notified to the Company (beneficial unless otherwise stated) in the Ordinary Shares and Convertible Unsecured Loan Stock ("CULS") 2013 of the Company as at 31 January 2013 and 31 January 2012 were as follows:

	31 January 2013		31 January 2012	
	5p Ordinary Shares	**Units of CULS**	5p Ordinary Shares	Units of CULS
P D E M Moncreiffe*	**303,130**	**90,000**	303,130	90,000
P D E M Moncreiffe (non-beneficial)	**455**	**–**	–	–
C H B Mills**	**3,427,349**	**–**	3,238,447	–
C H B Mills (non-beneficial)	**306,000**	**–**	200,000	–
K Siem***	**–**	**–**	–	–
C L A Irby	**25,000**	**–**	25,000	–
E F Gittes	**111,400**	**–**	100,000	–

* P D E M Moncreiffe's wife is a beneficiary of a trust which holds 6,500 units of CULS.

** C H B Mills has acquired a further 36,767 Ordinary Shares since 31 January 2013 via his wholly-owned company, Harwood Holdco Limited, as notified to the London Stock Exchange during February 2013.

*** Siem Capital International Limited, a company which is indirectly controlled by a trust of which Mr Siem and his family are potential beneficiaries, is ultimately interested in 145,000 Ordinary Shares and 2,000 units of CULS (2012: 145,000 Ordinary Shares and 2,000 units of CULS).

Details of Directors' remuneration and interests in Share Options are described in the Directors' Remuneration Report in the Annual Report.

Save as disclosed, there have been no changes to the above interests between 31 January 2013 and the date of this report.

Risk profile
During the year, the Board has reviewed the key risks that could affect the Company. The major financial risks associated with the Company are detailed in note 17 to the Financial Statements. Other risks that could affect the Company include:

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

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

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

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

(v) Credit risk/Counterparty risk: the Company holds preference shares in some investee companies and provides other forms of debt or loan guarantees where deemed necessary. There is a risk of those 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.

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

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

As part of this review, the Board has given consideration to the experience, skills and commitment of the Chief Executive in addition to the personnel, services and resources provided by Harwood Capital LLP, the Joint Manager. The Company's performance over the last year is described in the Chairman's Statement above. The Board considers that the arrangements between the Chief Executive and the Joint Managers continue to work well.

Related party transactions
Mr Mills, the Company's Chief Executive, is also Chief Executive Officer and a member of Harwood Capital LLP, Joint Manager to the Company. Mr Mills makes day-to-day investment decisions for the Company in his capacity as its Chief Executive and this position is distinct from his position as Chief Executive Officer of the Joint Manager. Mr Mills is a director of Growth Financial Services Limited ("GFS") which is a fully owned subsidiary of Harwood Capital Management Limited.

Pursuant to the Secondment Services Agreement between the Company, GFS and Mr Mills and the Management, Administration and Custody Agreement between the Company and Harwood Capital LLP, Mr Mills is responsible for the day-to-day investment decisions in conjunction with the Joint Manager, Harwood Capital LLP. The Secondment Services Agreement continues until terminated by the Company or GFS on not less than twelve months' notice. Details of the related party transactions and fees payable are disclosed in note 18 and in the Directors' Remuneration Report. The Investment Management Fees are disclosed in note 3. The Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report in the Annual Report and note 3 of the financial statements. Mr Mills sits on the board of a number of companies in which the Company has, or has had in the past, an investment. He may receive a fee or options for his services in this respect. Please see note 18 for further details.

Siem Kapital AS, an indirect wholly owned subsidiary of Siem Industries Inc, of which Mr Siem is Chairman, and Harwood Capital LLP have a joint venture agreement relating to SINAV Limited, the vehicle that acquired GTL Resources Plc last year. SINAV Limited continues to be jointly held by Harwood Capital LLP (on behalf of the Company and other funds managed by Harwood Capital LLP) and Siem Kapital AS.

With the exception of the matters referred to above, during the year no Director was materially interested in any contract of significance (as defined by the UK Listing Authority Listing Rules) entered into by the Company.

Institutional investors – use of voting rights
The Chief Executive and the Joint Manager, in the absence of explicit instruction from the Board, are empowered to exercise discretion in the use of the Company's voting rights in respect of investments and to then report to the Board, where appropriate, regarding decisions taken. The Board have considered whether it was appropriate to adopt a voting policy and an investment policy with regard to social, ethical and environmental issues and concluded that it was not appropriate to change the existing arrangements.

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

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

Creditors' payment policy
It is the Company's policy to settle investment transactions according to the settlement periods operating for the relevant markets. For other creditors, it is the Company's policy to pay amounts due to them as and when they become due. All supplier invoices received by 31 January 2013 had been paid (31 January 2012 – all supplier invoices paid).

Soft commission
The Joint Manager receives indirect benefits for certain investment services in the form of soft commission as a result of an agreement with a broker. The value of services supplied may depend upon a minimum threshold of commissions or a percentage of such commissions arising on dealings in securities for all clients including the Company. The practice of best execution is not compromised by this arrangement.

Auditors
A resolution to reappoint KPMG Audit Plc as the Company's auditor and to authorise the Board to determine its 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 in note 14;
- Details of the substantial shareholders in the Company are listed earlier in this report;
- The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed in the Corporate Governance Statement in the Annual Report;
- Amendment of the Company's Articles of Association and powers to issue on a pre-emptive basis or buy back the Company's shares requires a special resolution to be passed by the Shareholders;
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid; no agreements between the Company and its Directors concerning compensation for loss of office; and no qualifying third party indemnities in place.

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

Resolution 9 – Ordinary Resolution–Renewal of Directors' authority to allot shares
The authority given to the Directors at the last Annual General Meeting to allot Shares expires at the conclusion of this year's meeting. Resolution 9 will renew the authority to allot the Company's Shares on similar terms. If Resolution 9 is passed the Directors will have the authority to allot Shares up to the aggregate nominal amount of £262,599 representing one third of the current issued share capital. This authority will expire at the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this resolution.

Resolution 10 – Special Resolution–Renewal of Directors' authority for the disapplication of pre-emption rights
The authority given to Directors to disapply pre-emption rights expires at the Annual General Meeting. Resolution 10 will renew the disapplication of pre-emption rights thereby authorising the Directors to allot equity securities for cash up to a maximum aggregate renewal amount of £39,389 representing 787,796 Ordinary Shares of 5p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing Shareholders.

Resolution 11 – Special Resolution – Authority to purchase the Company's own shares
The authority given to Directors to purchase the Company's Ordinary Shares in the market expires at the forthcoming Annual General Meeting. Resolution 11 seeks the authority of Shareholders to purchase a maximum of 1,575,593 Ordinary Shares representing 10% of the current issued share capital. The Directors intend to exercise this authority only when, in the light of market conditions prevailing at the time and taking into account investment opportunities, appropriate gearing levels and the overall financial position, they believe that the effect of such purchases will be to increase the underlying value per Ordinary Share having regard to the interests of Shareholders generally. Shares will not be bought at a price of less than 5 pence each being the nominal value of each share nor more than 5% above the average middle market quotation of the shares over the preceding five business days nor will they be purchased during periods when the Company would be prohibited from making such purchases. Purchases will be made within guidelines set by the Board and using available reserves. Ordinary Shares purchased will be cancelled and the number of shares in issue reduced accordingly.

Resolution 12 – Special Resolution–Notice of general meetings
The authority given to Directors at last year's Annual General Meeting to call general meetings (other than an Annual General Meeting) on 14 days' notice will expire at the forthcoming Annual General Meeting. Resolution 12 seeks renewal of such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Resolution 13 – Special Resolution–To amend the Articles of Association to authorise the use of a laser seal for use on share certificates
Although many listed companies issue share certificates in uncertificated form, the Articles always provide for the ability to issue share certificates under common seal. The Company would like the ability to authenticate the share certificates by laser seal. The amendments to the Articles of Association, if approved, enable the Company to issue share certificates by laser seal and also provide that any signatures on share certificates need not be autographic but may be applied to the certificates by some mechanical or other means or may be printed on them or that the certificates need not be signed by any person if the board by resolution so approve.

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

Recommendation
The Board considers that resolutions 9 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 3,903,646 shares representing 24.78% of the voting rights of the Company.

By Order of the Board

Bonita Guntrip ACIS
Company Secretary
Registered Office:
6 Stratton Street
Mayfair
London
W1J 8LD

Registered No: 1091347

14 May 2013

Statement of Directors' responsibilities in respect of the Annual Report & Financial Statements for the year ended 31 January 2013

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 have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

In so far as the Directors are aware:

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

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

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Report of the Directors, incorporating the Chairman's Statement and Investment Manager's Report by reference, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

The Hon. Peregrine Moncreiffe
Chairman

14 May 2013

Independent Auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

We have audited the financial statements of North Atlantic Smaller Companies Investment Trust plc for the year ended 31 January 2013. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group and Parent Company's affairs as at 31 January 2013 and of the Group's return for the year then ended;

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

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the companies act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the information given in the Corporate Governance Statement in the Annual Report with respect to internal control and risk management systems in relation to the financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and

- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

14 May 2013

Consolidated statement of Comprehensive Income

for the year ended 31 January

		2013			2012		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Notes	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Income	2	**5,474**	**–**	**5.474**	6,432	–	6,432
Net gains/(losses) on investments at fair value	9	**–**	**43,682**	**43.682**	–	(11,158)	(11,158)
Net (losses)/gains on investment property	9	**–**	**(1,507)**	**(1,507)**	–	38	38
Currency exchange losses	9	**–**	**(237)**	**(237)**	–	(185)	(185)
total income		**5,474**	**41,938**	**47,412**	6,432	(11,305)	(4,873)
Expenses							
Investment management fee	3	**(2,216)**	**(1,417)**	**(3,633)**	(2,398)	(2)	(2,400)
Other expenses	4	**(2,028)**	**–**	**(2,028)**	(2,565)	–	(2,565)
Share based remuneration	5	**(355)**	**–**	**(355)**	(191)	–	(191)
Share of net return of associate	9	**–**	**5,259**	**5,259**	–	71	71
return before finance costs and taxation		**875**	**45,780**	**46,655**	1,278	(11,236)	(9,958)
Finance costs	6	**(951)**	**–**	**(951)**	(994)	–	(994)
return before taxation		**284**	**(11,236)**	**45,704**	284	(11,236)	(10,952)
Taxation	7	**(192)**	**–**	**(192)**	–	–	–
return for the year		**(268)**	**45,780**	**45,512**	284	(11,236)	(10,952)
return attributable to:							
Equity holders of the Company		**(494)**	**46,261**	**45,767**	14	(11,110)	(11,096)
Non-controlling interest		**226**	**(481)**	**(255)**	270	(126)	144
		(268)	**45,780**	**45,512**	284	(11,236)	(10,952)
basic earnings per ordinary share	8	**(3.46)p**	**324.45p**	**320.99p**	0.10p	(79.00)p	(78.90)p
diluted earnings per ordinary share	8	**(3.02)p**	**287.46p**	**284.44p**	0.14p	(69.73)p	(69.59)p

The Group does not have any income or expense that is not included in the return for the year, and therefore the "return for the year" is also the "Total comprehensive income for the year", as defined in International Accounting Standard 1 (revised).

The total column of the statement is the Statement of Comprehensive Income of the Group. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

All items in the above Statement derive from continuing operations. No operations were acquired or discontinued in the year. Hampton Investment Properties Limited was acquired on 31 January 2011. (see notes 1(c)).

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

The notes part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 January

group	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Non controlling interest £'000	Total £'000
2013									
31 January 2012	706	14	420	1,301	221,880	74	(2,784)	6,933	228,544
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**46,261**	**–**	**(494)**	**(255)**	**45,512**
Arising on conversion of CULS	**12**	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**10**
Share options expenses	**–**	**–**	**355**	**–**	**–**	**–**	**–**	**–**	**355**
31 January 2013	**718**	**12**	**775**	**1,301**	**268,141**	**74**	**(3,278)**	**6,678**	**274,421**

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

* The total equity attributable to equity holders of the Company amounts to £268,000 (2012: £222,000).

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

The notes part of these financial statements.

Company statement of changes in equity

for the year ended 31 January

company	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
2013								
31 January 2012	**706**	**14**	**420**	**1,301**	**222,172**	**74**	**(3,128)**	**221,559**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**46,254**	**–**	**(804)**	**45,450**
Arising on conversion of CULS	**12**	**(2)**	**–**	**–**	**–**	**–**	**–**	**10**
Share options expenses	**–**	**–**	**355**	**–**	**–**	**–**	**–**	**355**
31 January 2013	**718**	**12**	**775**	**1,301**	**268,426**	**74**	**(3,932)**	**267,374**

	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
2012								
31 January 2011	703	15	229	1,301	233,999	69	(2,420)	233,896
Total comprehensive income for the year	–	–	–	–	(10,440)	–	(708)	(11,148)
Shares purchased for cancellation	(5)	–	–	–	(1,267)	5	–	(1,267)
Arising on conversion of CULS	8	(1)	–	–	–	–	–	7
Share options expenses	–	–	191	–	–	–	–	191
Settlement of outstanding share options	–	–	–	–	(120)	–	–	(120)
31 January 2012	706	14	420	1,301	222,172	74	(3,128)	221,559

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

The notes form part of these financial statements.

Consolidated and Company balance sheets

as at 31 January

	Notes	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
non current assets					
Investments at fair value through profit or loss	9	**218,997**	163,174	**258,744**	198,317
Investment property	9	**40,111**	41,654	**–**	–
Investments accounted for using the equity method	9	**25,654**	20,395	**–**	–
Motor vehicles and equipment		**29**	41	**–**	–
		284,791	225,264	**258,744**	198,317
current assets					
Investments held by subsidiary companies for trading		**498**	1,093	**–**	–
Trade and other receivables	10	**2,362**	1,835	**3,576**	2,630
Cash and cash equivalents		**9,462**	22,200	**6,964**	20,924
Property under construction		**1,170**	1,170	**–**	–
		13,492	26,298	**10,540**	23,554
total assets		**298,283**	251,562	**269,284**	221,871

current liabilities					
Bank loans and overdrafts	11	**–**	–	**–**	–
CULS		**(66)**	–	**(66)**	–
Trade and other payables	12	**(2,800)**	(1,072)	**(1,844)**	(235)
		(2,866)	(1,072)	**(1,910)**	(235)
total assets less current liabilities		**295,417**	250,490	**267,374**	221,636
non current liabilities					
CULS	13	–	(77)	–	(77)
Bank loans	11	**(20,996)**	(21,869)	**–**	–
		(20,996)	(21,946)	–	(77)
total liabilities		**(23,862)**	(23,018)	**(1,910)**	(312)
net assets		**274,421**	228,544	**267,374**	221,559

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

The notes form part of these financial statements.

Consolidated and Company balance sheets

as at 31 January

	Notes	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
represented by:					
Share capital	14	**706**	706	**706**	706
Equity component of CULS		**14**	14	**12**	14
Share options reserve		**775**	420	**775**	420
Share premium account		**1,301**	1,301	**1,301**	1,301
Capital reserve		**268,141**	221,880	**268,426**	222,172
Capital redemption reserve		**74**	74	**74**	74
Revenue reserve		**(3,278)**	(2,784)	**(3,932)**	(3,128)
total equity attributable to equity holders of the company		**267,743**	233,896	**267,374**	233,896
Non-controlling interest		**6,678**	6,933	**–**	–
total equity attributable to group		**274,421**	228,544	**267,374**	221,559
net asset value per ordinary share:					
Basic	8	**1,865p**	1,570p		
Diluted	8	**1,677p**	1,395p		

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

The notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 14 May 2013 and signed on its behalf by:

The Hon. Peregrine Moncreiffe, *Chairman*

Company Registered Number:
1091347

Consolidated cash flow statement

for the year ended 31 January

group	Notes	2013 £'000	2012 £'000
cash flows from operating activities			
Investment income received		**1,981**	2,653
Rental income received		**2,877**	3,098
Bank deposit interest received		**20**	64
Other income		**366**	1,064
Sale of investments by dealing Subsidiary		**126**	57
Investment Manager's fees paid		**(2,351)**	(3,688)
Other cash payments		**(2,482)**	(4,661)
cash expended on operations	15	**537**	(1,413)
Bank interest paid		**(943)**	(995)
CULS interest paid		**(8)**	(9)
net cash outflow from operating activities		**(414)**	(2,417)
cash flows from investing activities			
Purchases of investments		**(75,317)**	(81,690)
Sales of investments		**64,070**	79,330
Purchases of plant and equipment		**–**	(55)
Sales of plant and equipment		**–**	29
net cash (outflow)/inflow from investing activities		**(11,247)**	(2,386)
cash flows from financing activities			
Repayment of fixed term borrowings		**(874)**	(24,538)
Increase in fixed term borrowings		**–**	21,869
Repurchase of ordinary shares for cancellation		**–**	(1,267)
Settlement of outstanding share options		**–**	(120)
net cash outflow from financing activities		**(874)**	(4,056)
(decrease)/increase in cash and cash equivalents for the year		**(12,535)**	(8,859)
cash and cash equivalents at the start of the year		**22,200**	30,799
Revaluation of foreign currency balances		**(203)**	260
cash and cash equivalents at the end of the year	16	**9,462**	22,200

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

The notes form part of these financial statements.

Company cash flow statement

for the year ended 31 January

company	Notes	2013 £'000	2012 £'000
cash flows from operating activities			
Investment income received		**1,981**	2,653
Bank deposit interest received		**19**	62
Other income		**154**	225
Investment Manager's fees paid		**(2,351)**	(3,688)
Other cash payments		**(730)**	(170)
cash expended from operations	15	**(927)**	(918)
Bank interest paid		**(1)**	(73)
CULS interest paid		**(8)**	(9)
net cash outflow from operating activities		**(936)**	(1,000)

cash flows from investing activities			
Purchases of investments		**(75,086)**	(79,625)
Sales of investments		**63,051**	79,126
net cash (outflow)/inflow from investing activities		**(12,035)**	(499)
cash flows from financing activities			
Repayment of fixed term borrowings		**–**	(5,960)
Repurchase of ordinary shares for cancellation		**–**	(1,267)
Settlement of outstanding share options		**–**	(120)
Purchase of equity instruments in subsidiary		**–**	(1,221)
Short-term loans net advanced by subsidiary		**(785)**	8,919
net cash inflow/(outflow) from financing activities		**(785)**	351
decrease in cash and cash equivalents for the year		**(13,756)**	(1,148)
cash and cash equivalents at the start of the year		**20,924**	21,812
Revaluation of foreign currency balances		**(204)**	260
cash and cash equivalents at the end of the year	16	**6,964**	20,924

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

The notes form part of these financial statements.

Notes to the financial statements

for the year ended 31 January

1 accounting policies
North Atlantic Smaller Companies Investment Trust plc ("NASCIT") is a Company incorporated in Great Britain and registered in England and Wales. The consolidated Annual Report for the Group for the year ended 31 January 2013 comprises the results of the Company and its subsidiaries – Consolidated Venture Finance Limited and Hampton Investment Properties Limited (together referred to as the "Group").

new standards and interpretations not yet applied
IASB and IFRIC have issued and endorsed the following standards and interpretations, applicable to the Group, which are not yet effective for the year ended 31 January 2013 and have therefore not been applied in preparing these financial statements.

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

	assets	2009	December 2011)
IFRS 9*	Financial Instruments —Accounting for financial liabilities and de-recognition	Original issue October 2010	1 January 2015 (mandatory application date amended December 2011)
IFRS 10/ IFRS 12	Consolidated Financial Statements —The amendments exempt an investment entity from the requirement to consolidate the investments that it controls. Instead, it accounts for these investments at fair value through profit or loss.	Original issue May 2011	1 January 2014 (early adoption allowed)
IFRS 11	Joint Arrangements —Part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates.	December 2012	1 January 2014
IFRS 13	Fair Value Measurement —Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard	Original issue May 2011	1 January 2013

New/Revised International Accounting Standards		**Revised**	**Effective Date**
IAS 1	Presentation of Financial Statements — Amendments to revise the way other comprehensive income is presented	June 2011	1 July 2012
IAS 27	Separate Financial Statements (2011) —Amendments regarding the requirements for separate financial statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements	May 2011	1 January 2014
IAS 28	Investments in Associates and Joint Ventures (2011) —Supersedes IAS 28 Investments in Associates. Prescribes accounting for investments in associates and sets out the requirements for the application of the equity method when accounting	May 2011	1 January 2014

	for investments in associates and joint ventures		
IAS 32	Financial Instruments: Presentation —Amendments to application guidance on the offsetting of financial assets and financial liabilities	December 2011	1 January 2014

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

The Company will only adopt standards at the beginning of its financial year, therefore any standards or interpretations with an effective date after 1 February 2012 will not have been adopted.

* Standards yet to be endorsed.

(a) basis of preparation/statement of compliance
The consolidated annual financial statements of the Group and the annual financial statements of the Company have been prepared in conformity with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Accounting Standards and Standing Interpretation Committee, interpretations approved by the International Accounting Standards Committee that remain in effect and to the extent they have been adopted by the European Union. They have also been prepared in accordance with applicable requirements of England and Wales company law and reflect the following policies which have been adopted and applied consistently. The financial statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trust companies, except to any extent where it conflicts with IFRS.

(b) convention
The financial statements are presented in Sterling rounded to the nearest thousand. The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investments and derivatives designated at fair value through profit or loss.

(c) basis of consolidation

Under IAS 27 a subsidiary is defined as an entity which is controlled by another entity. Therefore, the Group financial statements consolidate the financial statements of the Company, its wholly owned Subsidiary undertaking, Consolidated Venture Finance Limited and its 68.1% ownership of Hampton Investment Properties Limited, drawn up to 31 January 2013. The Company's 65.4% holding in Performance Chemical Company has not been consolidated on the grounds of immateriality.
Except as shown in (d) below, in accordance with IAS 28 (Investments in Associates), investments where the Company holds, directly or indirectly, more than 20% or more of the voting power of the investee, or otherwise has significant influence, are not accounted for as associates. Instead they are accounted for in the same way as other investments designated as at fair value through profit or loss.
In accordance with the exemptions given by s408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's profit for the financial year dealt with in the accounts of the Group is £45,450,000 (2012 loss: £11,148,000).

(d) Oryx

NASCIT is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of Oryx. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Oryx has been accounted for as an associate as it is considered to be a long term holding of the Company.
The results and assets and liabilities of Oryx are incorporated in the consolidated accounts using the equity method of accounting. Oryx is carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of Oryx.

(e) segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The Group invests in smaller companies principally based in countries bordering the North Atlantic Ocean and in properties within the UK. A geographical analysis of the portfolio is shown earlier in this report.

(f) investments

All non current investments held by the Group, other than the investment in Oryx, are designated at 'fair value through profit or loss' on initial acquisition. Investments are initially recognised at fair value, being the value of the consideration given.

The Group's business is investing in financial assets and investment properties with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel.

After initial recognition, investments are measured at fair value, with investment holding gains and losses on investments recognised in the Statement of Comprehensive Income and (apart from those on current asset investments) allocated to capital. Gains and losses on disposal are calculated as the difference between sales proceeds and cost.

Investments are included in the Balance Sheet on the following basis:

(i) **quoted at market value on a recognised stock exchange**

Securities quoted on recognised stock exchanges are valued at the market bid price and exchange rates ruling at the Balance Sheet date. With the exception of AIM quoted SETS stocks, which are valued using latest trade price, which is equivalent to the fair value.

(ii) **unlisted at market value**

Treasury Bills are valued at fair value having been adjusted for movements in exchange rates between the dates of purchase and the year-end. Accrued income arising from them is included in debtors.

(iii) **unquoted at directors' estimate of fair value**

Unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. Their valuation incorporates all factors that market participants would consider in setting a price. The primary valuation techniques employed to value the unquoted investments are earnings multiples, recent transactions and the net asset basis. Valuations in local currency are translated into Sterling at the exchange rate ruling on the Balance Sheet date.

Included within the Statement of Comprehensive Income as at 31 January 2013, is a gain of £16,041,000 relative to the movement in the fair value of the unlisted investments valued using valuation techniques.

(iv) **investment property**

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

(v) **current asset investments**

Investments held by the Subsidiary undertakings are classified as 'held for trading' and are valued at fair value in accordance with the policies set out in 1(f)(i) and 1(f)(iii) above for quoted and unquoted holdings respectively.

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

(g) foreign currency

The currency of the primary economic environment in which the Company operates (the "functional currency") is pounds Sterling (Sterling), which is also the presentational currency of the Group. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each Balance Sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange.

Exchange differences arise on settlement of monetary items and from retranslating at the Balance Sheet date:

investments and other financial instruments measured at fair value through profit or loss; and

other monetary items are included in the Statement of Comprehensive Income and allocated as capital if they are of a capital nature, or as revenue if they are of a revenue nature.

Exchange differences allocated as capital are included in the transfer to Capital Reserve.

(h) trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date" i.e. the day that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within a time frame generally established by regulation or convention in the market place.

(i) income
Dividends receivable on quoted equity shares are taken into account on the ex-dividend date. Where no ex-dividend date is quoted, they are brought into account when the Group's right to receive payment is established. Other investment income and interest receivable are included in the financial statements on an accruals basis. Dividends received from UK registered companies are accounted for net of imputed tax credits.

(j) expenses
All expenses are accounted for on an accruals basis and are allocated wholly to revenue with the exception of Performance Fees which are allocated wholly to capital, as the fee is payable by reference to the capital performance of the Group and transaction costs which are also allocated to capital.
Finance costs: 100% of basic loans, borrowing cost and CULS are charged to revenue.

(k) share based payments
In accordance with IFRS 2: Share Based Payments, an expense is recognised in the financial statements relating to the value of share options awarded under the 2011 Executive Share Option Scheme to the Chief Executive and employees of Harwood Capital LLP.
The accounting charge is based on the fair value of each grant, measured at the grant date and is spread over the vesting period. The deemed expense over the vesting period is transferred to the Share Options Reserve.

(l) cash and cash equivalents
Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

(m) bank loans and borrowings
All bank loans and borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost. Any difference between cost and redemption value has been recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest rate basis.

(n) convertible unsecured loan stock (CULS) 2013
The CULS comprise of an equity element and a debt element, rather than just being treated as debt. The equity element was identified when the CULS were issued and reduces when the CULS are bought back or exercised. A CULS Reserve has been created to recognise the equity component. The debt element also reduces when the CULS are bought back or exercised. If the CULS are exercised, Ordinary shares of 5p are issued as detailed in the notes to these financial statements.

(o) 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.

(p) share capital and reserves
Share Capital represents the nominal value of equity shares.
Equity component of CULS represents the equity component of convertible unsecured loan stock issued.
Share Options Reserve represents the expense of share based payments. The fair value of Share Options is measured at grant date and spread over the vesting period. The deemed expense is transferred to the Share Options Reserve.
Share Premium Account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
Capital Reserve represents realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items. In addition, performance fee costs are allocated to the Capital Reserve.
Revenue Reserve represents retained profits from the income derived from holding investment assets less the costs associated with running the Company.

2 income

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
income from investments				
UK dividend income	**1,828**	2,643	**1,828**	2,643
Unfranked investment income				
– interest	**157**	(5)	**157**	(5)
– interest reinvested	**117**	93	**117**	93
	2,102	2,731	**2,102**	2,731
other income				
Interest receivable	**174**	152	**173**	150
Net dealing losses from Subsidiary trading	**109**	(523)	**–**	–
Net return from Subsidiary	**–**	–	**316**	43
Rental income	**2,877**	3,104	**–**	–
Sundry income	**212**	968	**–**	129
	3,372	3,701	**489**	322
Total income	**5,474**	6,432	**2,591**	3,053
total income comprises				
Dividends	**1,828**	2,643	**1,828**	2,643
Interest	**448**	240	**447**	238
Rental income	**2,877**	3,104	**–**	–
Other income*	**321**	445	**316**	172
	5,474	6,432	**2,591**	3,053
income from investments				
Listed UK	**1,828**	2,643	**1,828**	2,643
Unlisted UK	**29**	74	**29**	74
Other unlisted	**245**	14	**245**	14
	2,102	2,731	**2,102**	2,731

* Includes net dealing gains/(losses) from Subsidiary trading.

3 investment management fee

(i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors and the Directors' Remuneration Report in the Annual Report, Growth Financial Services Limited ("GFS") provides the services of Mr Mills as Chief Executive of the Company, who is responsible for day-to-day investment decisions. Mr Mills is a director of GFS. GFS was aquired by Harwood Capital Management Limited, during the year, which is wholly owned by Mr Mills. 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 19 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 19, no formal arrangements exist to avoid double charging on investments managed or advised by Harwood Capital LLP.

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

(iv) In addition to the management fees disclosed in note 3(ii) above, Harwood Capital LLP is also paid an investment management related fee of £125,000 per annum (see note 4).

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

	Group and Company 2013			Group and Company 2012		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Annual fee	**2,216**	**–**	**2,216**	2,398	–	2,398
Performance Fee	**–**	**1,344**	**1,344**	–	–	–
Irrecoverable VAT thereon	**–**	**73**	**73**	–	2	2
	2,216	**1,417**	**3,633**	2,398	2	2,400

At 31 January 2013, £111,000 was payable to the Joint Manager in respect of outstanding management fees (2012: £120,000). At 31 January 2013, £1,344,000 plus VAT was payable to GFS in respect of outstanding performance fees (2012: £nil).

4 other expenses

	Group 2013 £'000	**Group 2012 £'000**	**Company 2013 £'000**	Company 2012 £'000
Auditor's remuneration (see below)	**44**	51	**44**	51
Directors' fees*	**100**	113	**100**	113
Investment management related fee (see note 3)	**125**	125	**125**	125
Other expenses	**1,759**	2,276	**546**	811
	2,028	2,565	**815**	1,100

auditors' remuneration	**Group 2012 £'000**	Group 2012 £'000	**Company 2012 £'000**	Company **2012 £'000**
Fees payable to the Company's Auditor for the audit of the financial statements:	**41**	47	**41**	**47**
Other services relating to taxation:	**3**	4	**3**	**4**
	44	51	**44**	**51**

5 share based remuneration

	2013			2012		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Accounting charge for the year	**355**	**–**	**355**	191	–	191
	355	**–**	**355**	191	–	191

A list of the Options in issue are shown below;

No. of options at 1 February 2012	**Year of grant**	**Cancelled during the year**	**Grant of options during the year**	**Price**	**No. of options at 31 January 2013**
430,000	2011	–	–	1,467.71	430,00
–	2012	–	330,000	1,,396.24	30,000

Further details of Options are disclosed in note 14.

On 14 July 2011, C H B Mills (Mr Mills) was granted 420,000 share options under the NASCIT 2011 Executive Share Option Scheme at an exercise price of 1,467.71p per share. A further 10,000 options were granted to 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.

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

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

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

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

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

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

At the date of this report there were a total of 460,000 options in issue with an estimated fair value of £1.09m.

6 interest payable and similar charges

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
On bank loans and overdrafts	**943**	985	**1**	63
Interest on CULS	**8**	9	**8**	9
	951	994	**9**	72

7 taxation on ordinary activities

	Group 2013 Total £'000	Group 2012 Total £'000	**Company 2013 Total £'000**	Company 2012 Total £'000
UK Corporation tax rate 24%	**192**	-	**-**	-

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 26% to 31 March 2012 and 24% from 1 April 201. The differences are explained below.

	Group 2013 Total £'000	Group 2012 Total £'000	**Company 2013 Total £'000**	Company 2012 Total £'000
Total return on ordinary activities before taxation	**45,704**	(10,952)	**45,450**	(11,148)
Theoretical tax at UK Corporation tax rate of 24.333% (2012: 26.333%)	**11,121**	(2,884)	**11,059**	(2,935)
Effects of:				
Non taxable capital return	**(11,140)**	2,958	**(11,254)**	2,749
UK dividends which are not taxable	**(445)**	(696)	**(445)**	(696)
Increase in tax losses, disallowable expenses and offshore income gains	**656**	622	**640**	882
Actual current tax charge	**192**	–	**–**	–

Factors that may affect future tax charges:
As at 31 January 2013, the Group has tax losses of £42,923,000 (31 January 2012: £39,229,000) that are available to offset future taxable revenue, comprising excess management expenses of £31,106,000, a non-trade loan relationship deficit of £9,689,000 and a trade loss of £2,128,000 (31 January 2012: excess management expenses of £26,658,000, a non-trade loan relationship deficit of £10,127,000 and a trade loss of £2,444,000). 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 £40,795,000 (31 January 2012: £36,785,000) that are available to offset future taxable revenue, comprising excess management expenses of £31,106,000, a non-trade loan relationship deficit of £9,689,000 and a trade loss of £nil (31 January 2012: excess management expenses of £26,658,000, a non-trade loan relationship deficit of £10,127,000 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.

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

a) Consolidated return per Ordinary Share:

		Revenue			**Capital**			**Total**	
	***Net return £'000**	**Ordinary Shares**	**Per Share pence**	***Net return £'000**	**Ordinary Shares**	**Per Share pence**	***Net return £'000**	**Ordinary Shares**	**Per Share pence**
2013									
Basic return per Share	(494)	14,258,470	(3.46)	46,261	14,258,470	324.45	45,767	14,258,470	320.99
CULS**	8	1,834,771		–	1,834,771		8	1,834,771	
Diluted return per Share	(486)	16,093,241	(3.02)	46,261	16,093,241	287.46	45,775	16,093,241	284.44

		Revenue			Capital			Total	
	*Net return £'000	Ordinary Shares	Per Share pence	*Net return £'000	Ordinary Shares	Per Share pence	*Net return £'000	Ordinary Shares	Per Share pence
2012									

Basic return per Share	14	14,062,899	0.10	(11,110)	14,062,899	(79.00)	(11,096)	14,062,899	(78.90)
CULS**	9	1,869,610		–	1,869,610		9	1,869,610	
Diluted return per Share	23	15,932,509	0.14	(11,110)	15,932,509	(69.73)	(11,087)	15,932,509	(69.59)

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

* Profit for the year.

** CULS interest cost and excess of the total number of potential shares on CULS conversion over the number that could be issued at the average market price from the conversion proceeds, as calculated in accordance with IAS 33: Earnings per share.

b) Consolidated net asset value per Ordinary Share:

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

		Net assets	Number of ordinary shares	Net asset value per share
2013		**£'000**		
Ordinary Shares	– Basic	267,743	14,359,107	1,865p
	– Diluted	274,551	16,374,034	1,677p

		Net assets	Number of ordinary shares	Net asset value per share
2012		**£'000**		
Ordinary Shares	– Basic	221,611	14,359,107	1,570p
	– Diluted	228,000	16,344,034	1,395p

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 2013 CULS are fully converted at par and that all 460,000 (2012: 430,000) Share Options were exercised at the prevailing exercise prices, giving a total of 16,374,034 issued Ordinary Shares (2012: 16,344,034).

9 investments

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

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Quoted at fair value:				
United Kingdom	**78,653**	52,768	**104,307**	73,163
Overseas	**13,701**	22,438	**13,701**	22,438
Total quoted investments	**92,354**	75,206	**118,008**	95,601
Treasury bills at fair value	**14,190**	–	**14,190**	–
Unlisted and loan stock at fair value	**112,453**	87,968	**126,546**	102,716
Investments at fair value through profit or loss	**218,997**	163,174	**258,744**	198,317
Investment property*	**40,111**	41,654	**–**	–
Total	**259,108**	204,828	**258,744**	198,317

* The Company holds the investment property through a subsidiary, Hampton Investment Properties Limited.

group – 2013	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Investment property £'000**	**Total £'000**
analysis of investment portfolio movements							
Opening bookcost as at 1 February 2012	71,212	11,550	61,072	4,705	–	35,429	183,968
Opening (depreciation)/appreciation on assets held	(7,432)	(125)	24,146	(1,954)	–	6,225	20,860
opening valuation as at 1 February 2012	63,780	11,425	85,218	2,751	–	41,654	204,828
Movements in year:							
Purchases at cost	18,368	–	5,518	9,112	42,106	198	75,302
Sales							
– proceeds	(25,116)	–	(7,215)	(2,416)	(28,216)	(234)	(63,197)
– realised gains/(losses) on sales	5,027	–	2,358	(310)	151	35	7,261
Increase/(decrease) in appreciation on assets held	13,266	5,604	16,869	568	149	(1,542)	34,914
closing valuation as at 31 January 2013	**75,325**	**17,029**	**102,748**	**9,705**	**14,190**	**40,111**	**259,108**
Closing bookcost as at 31 January 2013	69,491	11,550	61,733	11,091	14,041	35,428	203,334
Closing (depreciation)/appreciation on assets held	5,834	5,479	41,015	(1,386)	149	4,683	55,774
	75,325	**17,029**	**102,748**	**9,705**	**14,149**	**40,111**	**259,108**

company – 2013	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Investment property £'000**	**Total £'000**
Opening bookcost as at 1 February 2012	81,693	11,550	70,909	4,705	–	–	168,857
Opening appreciation/(depreciation) on assets held	2,482	(125)	29,057	(1,954)	–	–	29,460
opening valuation as at 1 February 2012	84,175	11,425	99,966	2,751	–	–	198,317
Movements in year:							
Purchases at cost	18,368	–	5,896	9,112	42,106	–	75,482
Sales							
– proceeds	(25,116)	–	(7,215)	(2,416)	(28,216)	–	(62,693
– realised gains/(losses) on sales	5,027	–	2,153	(310)	151	–	7,021
(Decrease)/increase in appreciation on assets held	18,525	5,604	16,041	568	149	–	40,887
closing valuation as at 31 January 2013	**100,979**	**17,029**	**116,841**	**9,705**	**14,190**	**–**	**258,744**
Closing bookcost as at 31 January 2013	79,972	11,550	71,743	11,091	14,041	–	188,397
Closing appreciation/(depreciation) on assets held	21,007	5,479	45,098	(1,386)	149	–	70,347
	100,979	**17,029**	**116,841**	**9,705**	**14,149**	**–**	**258,744**

group – 2012	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Investment property £'000**	**Total £'000**
analysis of investment portfolio movements							
Opening bookcost as at 1 February 2011	39,142	5,337	70,821	4,349	25,476	35,235	180,360
Opening (depreciation)/appreciation on assets held	(3,836)	6,802	28,154	(1,030)	(640)	6,320	35,770
opening valuation as at 1 February 2011	35,306	12,139	98,975*	3,319	24,836	41,555*	216,130

Movements in year:							
Transfers	–	6,500	(6,500)	–	–	–	–
Purchases at cost	43,450	5,129	8,819	801	21,351	1,244	80,794
Sales							
– proceeds	(14,476)	(5,613)	(13,644)	(445)	(45,846)	(1,183)	(81,207)
– realised (losses)/gains on sales	3,096	197	1,576	–	(981)	133	4,021
Increase/(decrease) in appreciation on assets held	(3,596)	(6,927)	(4,008)	(924)	640	(95)	(14,910)
closing valuation as at 31 January 2012	**63,780**	**11,425**	**85,218**	**2,751**	**–**	**41,654**	**204,828**
Closing bookcost as at 31 January 2012	71,212	11,550	61,072	4,705	–	35,429	183,968
Closing (depreciation)/appreciation on assets held	(7,432)	(125)	24,146	(1,954)	–	6,225	20,860
	63,780	**11,425**	**85,218**	**2,751**	**–**	**41,654**	**204,828**

company – 2012	**Listed equities £'000**	**AIM quoted £'000**	**Unlisted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Investment property £'000**	**Total £'000**
analysis of investment portfolio movements							
Opening bookcost as at 1 February 2011	49,623	5,337	79,462	4,349	25,476	–	164,247
Opening (depreciation)/appreciation on assets held	6,007	6,802	32,385	(1,030)	(640)	–	43,524
opening valuation as at 1 February 2011	55,630	12,139	111,847	3,319	24,836	–	207,771
Movements in year:							
Transfers	–	6,500	(6,500)	–	–	–	–
Purchases at cost	43,450	5,129	10,015	801	21,351	–	80,746
Sales	43,450	5,129	10,015	801	21,351	–	80,746
– proceeds	(14,476)	(5,613)	(13,644)	(445)	(45,846)	–	(80,024)
– realised (losses)/gains on sales	3,096	197	1,576	–	(981)	–	3,888
Increase/(decrease) in appreciation on assets held	(3,525)	(6,927)	(3,328)	(924)	640	–	(14,064)
closing valuation as at 31 January 2012	**84,175**	**11,425**	**99,966**	**2,751**	**–**	**–**	**198,317**
Closing bookcost as at 31 January 2012	81,693	11,550	70,909	4,705	–	–	168,857
Closing (depreciation)/appreciation on assets held	2,482	(125)	29,057	(1,954)	–	–	29,460
	84,175	**11,425**	**99,966**	**2,751**	**–**	**–**	**198,317**

	Group 2013 £'000	Group 2012 £'000
analysis of capital gains and losses		
Gains on sales	**7,226**	3,888
Unrealised (losses)/gains	**36,456**	(14,815)
Movement in subsidiary	**–**	(154)
	43,682	(11,081)
Losses on loan repayment	**–**	(174)
Movement in valuation of escrow	**–**	97
(losses)/gains on investments at fair value	**43,682**	(11,158)
Realised gains on investment property	**35**	133
Unrealised gains on investment property	**(1,542)**	(95)
gains on investment property	**(1,507)**	38
Unrealised gains	**5,259**	71
gains on equity accounted investments	**5,259**	71

	2012	2012

	£'000	£'000
Exchange losses on capital items	**(31)**	(329)
Exchange losses on escrow	**(2)**	(116)
Exchange gains on capital items and currency	**(204)**	260
exchange losses	**(237)**	(185)

	2012	2012
	£'000	£'000
portfolio analysis		
Equity shares	**177,952**	138,223
Convertible preference securities	**17,150**	22,200
Fixed interest securities	**9,705**	2,751
Treasury Bills	**14190**	–
Investment properties	**40,111**	41,654
	259,108	204,828

b. subsidiary undertakings

At 31 January 2013 the Company has the following Subsidiaries:

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

The Subsidiaries were active during the year.

* Directly held by the Company at a cost of less than £1,000.
** Directly held by the Company at a cost of £9,968,000. The subsidiary has been consolidated in the Group financial statements using financial information from its accounts at 31 January 2013.

c. associates

In the Group accounts Oryx is recognised as an Associate and the results of that Company have been accounted for in the Group accounts as an Associate under the equity method of accounting and valued using the Net Asset Value at 31 January 2013 of that Company. Oryx is a separately quoted company and has a financial year end date of 31 March, therefore the statutory accounts are not available to consolidate.

At the date of this report, the Company held 7,106,284 Ordinary shares representing 37.82% of the total voting rights in Oryx.

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

	2013	**2012**
	£'000	**£'000**
Opening share of net assets at 1 February	20,395	20,324
Share of profit for the year	5,259	71
Closing share of net assets at 31 January	25,654	20,395

The figures used to value the Group's holding in Oryx have been extracted from the company's 31 January 2013 management accounts.
The following financial information for Oryx has been extracted from its unaudited interim results for the six months ended 30 September 2012, being the latest available results and therefore do not have any bearing on the figures used to value Oryx as at 31 January 2013 and are presented for informational purposes only.

	£'000
Total assets	61,852
Liabilities	(1,476)
Net assets	60,376

Total revenue	2,472
Net profit for the period	2,230

Oryx is traded on the London Stock Exchange. The value at bid price at 31 January 2013 was £19,542,000, based on the holding of 7,106,284 Ordinary shares priced at 2.75p per share.

d. significant holdings
At the year-end, the Group and Company held 20% or over of the aggregate nominal value of voting equity of the following companies, all of which are incorporated and registered in England and Wales, unless stated:

		31 January 2012 %	31 January 2012 %
AssetCo PLC	– Ordinary Shares	**23.9**	23.9
Essenden PLC	– Ordinary Shares	**21.4**	21.4
Forefront Group Limited	– Ordinary Shares	**23.1**	23.1
Martley Limited (Jersey)	– Ordinary Shares	**29.6**	29.6
Nationwide Accident Repair Services PLC	– Ordinary Shares	**23.2**	23.2
Bionostics Holdings Limited	– Ordinary Shares	**47.1**	47.1
Orthoproducts Limited	– Ordinary Shares	**40.0**	40.0
Oryx International Growth Fund Limited (incorporated in Guernsey)	– Ordinary Shares	**37.6**	36.5
Performance Chemicals Company*	– Ordinary Shares	**65.4**	65.4
Trident Private Equity Fund III LP	– Ordinary Shares	**32.7**	32.7

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

e. investments in US Treasury Bills
At 31 January 2013, the Group held US Treasury Bills with a market value of £14,190,000 (2012: £nil).

f. transaction costs
During the year, the Group incurred total transaction costs of £163,000 (2012: £177,000) comprising £120,000 (2012: £155,000) and £43,000 (2012: £22,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Consolidated Statement of Comprehensive Income.

g. material disposals of unlisted investments in the year:

Security Name	Disposal Date	Proceeds	Bookcost	Gain/(loss)	Carrying value at 31 January 2012
		£'000	£'000	£'000	£'000
Letchworth	May 2012	2,378	604	1,774	2,376

10 trade and other receivables:

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Amounts owed by Subsidiary	**–**	–	**1,876**	775
Amounts due from brokers	**329**	522	**329**	522
Accrued income	**28**	24	**28**	24
Other debtors	**2,005**	1,289	**3,343**	1,309
	2,362	1,835	**3,576**	2,630

11 bank loans:

	Group 2013	Group 2012	**Company 2013**	Company 2012

	£'000	£'000	£'000	£'000
falling due in less than one year				
Hampton Investment Property Limited				
bank loans*	**20,996**	21,869	**–**	–
	20,996	21,869	**–**	–

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

12 trade and other payables

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Other creditors and accruals	**2,800**	1,072	**1,844**	235
	2,800	1,072	**1,844**	235

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

	2013 No. of units	**2013 £'000**	2012 No. of units	2012 £'000
group and company				
Balance at beginning of year	1,800,481	77	1,971,782	84
Converted during the year	(245,554)	(11)	(171,301)	(7)
Bought back in year	–	–	–	–
Balance at end of year	**1,799,499**	**66**	1,800,481	77

The CULS include an equity component as well as debt. As explained in note 1.(p), the equity component is shown in the CULS Reserve.

The CULS were issued in units of 5p. The CULS units are redeemable at par on 31 May 2013, unless previously redeemed, purchased by the Company or converted at the option of the holder.

During the year ended 31 January 2013, 245,554 (2012: 171,301) CULS units were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p.

No CULS units were purchased for cancellation during the year (2012: nil).

The final conversion opportunity for the CULS was on 30th April 2013. The CULS were convertible into Ordinary shares of 5p each at a rate of one 5p Ordinary Share for every unit of 5p. The final conversion notice was posted to the loan stock holders on 22 March 2013 reminding them of their conversion rights and advising them of the procedure if they chose not to convert. Holders of 1,396,825 CULS units opted to convert. These were converted on 30 April 2013. The remaining units are now in the hands of the Trustee, who has until 28 May 2013 to decide whether to compulsorily convert them.

14 share capital

	2013 Number	**2013 £'000**	2012 Number	2012 £'000
– issued and fully paid: Ordinary Shares of 5p:				
Balance at beginning of year	**14,113,553**	**706**	14,057,252	703
Conversion of CULS	**245,554**	**12**	171,301	9
Cancellation of shares	**-**	**-**	(115,000)	(6)
Balance at end of year	**14,359,107**	**718**	14,113,553	706

During the year, 245,554 (2012: 171,301) CULS units were converted into Ordinary Shares of 5p as detailed in note 13.

Since 31 January 2013, a total of nil Ordinary Shares have been purchased by the Company for cancellation. As at the date of this report, the Company's issued share capital consists of 15,755,932 Ordinary shares of 5p nominal value each.

There are contingent rights to subscribe for Ordinary Shares of 5p each pursuant to:
There are Options totalling 460,000 (2012: 430,000) remaining, details of which are given in the Directors' Remuneration Report in the Annual Report.

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

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Total gains /(losses) from ordinary activities before finance costs and taxation	**46,655**	(9,958)	**40,200**	(11,077)
(Gains)/losses on investments	**(41,938)**	11,305	**(42,412)**	10,439
Share of net return of associate	**(5,259)**	(71)	**–**	–
Share based remuneration	**355**	191	**355**	191
Provision for Subsidiary	**–**	–	**(316)**	(43)
Depreciation	**12**	(5)	**–**	–
Dividends and interest reinvested	**(117)**	(93)	**(117)**	(93)
(Increase)/decrease in debtors and accrued income	**(723)**	1,845	**(246)**	1,113
Changes relating to investments of dealing Subsidiary	**16**	581	**–**	–
Increase/(decrease) in creditors and accruals	**1,536**	(5,208)	**1,609**	(1,448)
Cash expended from operations	**537**	(1,413)	**(927)**	**(918)**

16 analysis of net cash and net debt

net cash	At 1 February 2012 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2013 £'000**
Group				
Cash and cash equivalents	22,200	(12,535)	(203)	**9,462**
Company				
Cash and cash equivalents	20,924	(13,756)	(204)	**6,964**

net debt	At 1 February 2012 £'000	Cash flow £'000	Exchange movement £'000	**At 31 January 2013 £'000**
Group				
Loans falling due in more than one year	21,869	(923)	–	**20,966**
	21,869	(923)	–	**20,966**
Company				
Loans falling due in less than one year	–	–	–	**–**

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

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

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

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

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

The Company Secretary in close co-operation with the Board of Directors and the Joint Managers, co-ordinates the Group's risk management. The policies for managing each of these risks are summarised below and have been applied throughout the year.

(i) market price risk
The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks, which policies have remained substantially unchanged from those applying in the year ended 31 January 2012. The Joint Managers assess the exposure to market risk when making each investment decision and monitor the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

currency risk
The Group's total return and net assets can be materially affected by currency translation movements as a significant proportion of the Group's assets are denominated in currencies other than Sterling, which is the Group's functional currency. It is not the Group's policy to hedge this risk on a continuing basis but the Group may, from time to time, match specific overseas investment with foreign currency borrowings. The Joint Managers seek, when deemed appropriate, to manage exposure to currency movements on borrowings by using forward foreign currency contracts as a hedge against potential foreign currency movements. At 31 January 2013, the Group had no open forward currency contracts (2012: none).

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

Foreign currency exposure by currency of denomination:

group and company

	31 January 2012			31 January 2012		
	Overseas investments £'000	**Net monetary assets £'000**	**Total currency exposure £'000**	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
US Dollar	**82,427**	**6,713**	**89,140**	60,023	13,086	73,109
New Zealand Dollar	**12,721**	**468**	**12,721**	11,521	–	11,521
Euro	**1,027**	**–**	**1,027**	995	–	995
	96,175	**7,181**	**103,356**	72,539	13,086	85,625

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 2012.

	31 January 2013		31 January 2012	
	10% weakening £'000	**10% Strengthening £'000**	10% weakening £'000	10% strengthening £'000
US Dollar	**9,904**	**(8,104)**	8,123	(6,646)
NZ Dollar	**1,465**	**(1,199)**	1,280	(1,047)

Euro	**114**	**(93)**	111	(90)
	11,483	**(9,396)**	9,514	(7,783)

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

interest rate risk

Interest rate movements may affect;

- the fair value of the investments in fixed interest rate securities (including unquoted loans);
- the level of income receivable on cash deposits;
- the fair value of the Company's issued CULS;
- the interest payable on the Group's variable rate borrowings; and
- the loan guarantee, and any amounts payable should the guarantee be called upon.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the multi-currency loan facility.

The Board reviews on a regular basis the values of the fixed interest rate securities and the unquoted loans to companies in which private equity investment is made.

The Group finances part of its activities through borrowings at levels approved and monitored by the Board.

Movements in interest rates would not significantly affect net assets attributable to the Group's Shareholders and total profit.

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

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

The Group's exposure to price risk comprises mainly movements in the value of the Group's investments. It should be noted that the prices of options tend to be more volatile than the prices of the underlying securities. As at the year-end, the spread of the Group's investment portfolio analysed by sector was as set above.
The Board of Directors manages the market price risks inherent in the investment portfolios by ensuring full and timely access to relevant investment information from the Joint Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Joint Managers compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation.

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

The Group's exposure to other changes in market prices at 31 January 2013 on its quoted and unquoted investments and options on investments was as follows:

	2012 Group £'000	Restated 2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Financial assets at fair value through profit or loss				
– Non current investments at fair value through profit or loss	**218,997**	163,174	**258,744**	198,317
– Non current investment property	**40,111**	41,654	**–**	–
Financial assets at fair value through profit or loss and held for trading				
– Current asset investments	**498**	1,093	**–**	–

The following table illustrates the sensitivity of the profit after taxation and net assets to an increase or decrease of 10% in the fair values of the Group's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Group's equities and equity exposure through options at each Balance Sheet date, with all other variables held constant.

	2012		2012	
	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	**25,911**	**(25,911)**	20,487	(20,487)

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

The Group invests in equities and other investments that are readily realisable. It invests in property through the subsidiary Hampton Investment Properties Limited. As at 31 January 2013, the Group has a five year loan facility with RBS.

(iii) credit risk
The Group does not have any significant exposure to credit risk arising from any one individual party. Credit risk is spread across a number of counterparties, each having an immaterial effect on the Group's cash flows, should a default happen. The Company assesses the credit worthiness of its debtors from time to time to ensure they are neither past due or impaired.

The maximum exposure of the financial assets to credit risk at the Balance Sheet date was as follows:

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
financial assets neither past due or impaired				
Fixed income securities	**9,705**	2,751	**9,705**	2,751
Preference shares	**17,150**	22,200	**17,150**	22,200
Treasury Bills	**14,190**	–	**14,190**	–
Accrued income and other debtors	**1,079**	1,085	**1,079**	1,085
Cash and cash equivalents	**94,62**	22,200	**6,964**	20,924
	51,586	48,236	**49,088**	46,960

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

commitments giving rise to credit risk
There are no commitments giving rise to credit risk as at 31 January 2013.

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 2013		31 January 2012	
	Fair value	**Balance Sheet value**	Fair value	Balance Sheet value
financial assets	**£'000**	**£'000**	£'000	£'000
Financial assets at fair value through profit or loss – Non current assets	**218,997**	**218,997**	163,174	163,174
Financial assets at fair value through profit or loss and held for trading				

– Current asset investments	**1,498**	**1,498**	1,093	1,093
Loans and receivables				
– Cash and cash equivalents	**9,462**	**9,462**	22,200	22,200
	228,957	**228,957**	186,467	186,467

	31 January 2013		31 January 2012	
	Fair value	**Balance Sheet value**	Fair value	Balance Sheet value
financial liabilities	**£'000**	**£'000**	£'000	£'000
Other financial liabilities				
– Hampton term loans	**(20,996)**	**(20,996)**	(21,869)	(21,869)
– CULS	**(66)**	**(66)**	(77)	(77)
	(21,062)	**(21,062)**	(21,946)	(21,946)

	31 January 2013		31 January 2012	
	Fair value	**Balance Sheet value**	Fair value	Balance Sheet value
maturing dates of financial liabilities	**£'000**	**£'000**	£'000	£'000
Maturity within one year	**(66)**	**(66)**	–	–
Maturity 2-3 years	**–**	**–**	(77)	(77)
Maturity 3-5 years	**(20,996)**	**(20,996)**	(21,869)	(21,869)
	(21,062)	**(21,062)**	(21,946)	(21,946)

fair values are derived as follows:

– Where assets and liabilities are denominated in a foreign currency, they are converted into Sterling using year-end rates of exchange.
– Financial assets (non current and held for trading) – as set out in the accounting policies in note 1.
– Cash and cash equivalents, bank overdraft and bank loans – at face value of the account.
– The Company's CULS – at the face value of the financial liability element of remaining CULS in issue.

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Quoted prices provided by external pricing services, brokers and vendors are included in Level 1, if they reflect actual and regularly occurring market transactions on an arms length basis.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data 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 7 fair value hierarchy system:

financial assets at fair value through profit or loss

group

At 31 January 2013

	Total £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Equity investments	195,102	89,471	1,460	104,171
Fixed interest investments	23,895	14,190	–	9,705
Total	**218,997**	**103,661**	**1,460**	**113,876**

At 31 January 2012

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

financial assets at fair value through profit or loss

company

At 31 January 2013

	Total £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Equity investments	234,849	115,125	1,460	118,264
Fixed interest investments	23,895	14,190	–	9,705
Total	**258,744**	**129,315**	**1,460**	**127,969**

At 31 January 2012

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

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

level 3 financial assets at fair value through profit or loss

group

At 31 January 2013

	Total £'000	**Equity investments £'000**	**Fixed interest investments £'000**
Opening Balance	87,969	85,218	2,751
Purchases	14,835	5,723	9,112
Sales	(9,631)	(7,215)	(2,416)
Transfers from Level 3*	1,423	1,423	–
Total gains or (losses) included in gains on investments in the Statement of Comprehensive Income:			

– on assets sold	1,843	1,576	(310)
– on assets held at the end of the year	17,437	16,869	568
Closing balance	**113,876**	**104,171**	**9,705**

level 3 financial assets at fair value through profit or loss

company

At 31 January 2013

	Total £'000	**Equity investments £'000**	**Fixed interest investments £'000**
Opening Balance	115,166	**99,966**	2,751
Purchases	15,008	5,896	9,112
Sales	(9,631)	(7,215)	(2,416)
Transfers from Level 3*	1,423	1,423	–
Total gains or losses included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	1,843	2,153	(310)
– on assets held at the end of the year	16,609	16,041	568
Closing balance	**127,969**	**118,264**	**9,705**

*The transfer into Level 3 relates to a holding that was listed (in Level 1) in the prior year but there is no evidence of an active market during the year.

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:

	2013 £'000	2012 £'000
Debt		
CULS	**66**	77
Equity		
Equity share capital	**718**	706
Retained earnings and other reserves	**266,656**	220,853
	267,440	221,636
Debt as a % of net assets	**0.00%**	0.00%

The Board, with the assistance of the Joint Managers monitor and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:
– the planned level of gearing, which takes account of the Joint Managers' views on the market;
– the need to buy back equity Shares for cancellation, which takes account of the difference between the net asset value per share and the Share price (i.e. the level of share price discount or premium);
– the need for new issues of equity Shares; and
– the extent to which revenue in excess of that which is required to be distributed should be retained.

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

18 related party transactions

The Joint Manager, Harwood Capital LLP, is regarded as a related party of the Company and acts as Investment Manager or Investment Adviser of the following companies in which the Company has an investment and from which companies the Joint Manager receives fees or other incentives for its services. The amounts payable to the Joint Manager are disclosed in note 3. The relationships between the Company, its Directors and the Joint Managers are disclosed in the Group Report of the Directors above.

The relevant companies and the annual fees receivable as derived from the last audited accounts are:

	Services	**Fees**
Oryx International Growth Fund Limited	Investment Advisory	£616,000
Trident Private Equity II LP	Investment Advisory	£331,000

The General Partner's profit share in respect of Trident Private Equity III LP was £1,563,000.

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

As discussed previously on page 3, Kristian Siem is chairman of Siem Industries Inc. One of Siem Industries Inc's indirect wholly owned subsidiaries, Siem Kapital AS, entered into a joint venture agreement with Harwood Capital LLP to establish SINAV Limited specifically for the purpose of acquiring GTL Resources Plc. The Company has an investment in SINAV Limited.

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

Harwood Capital LLP is investment manager to Oryx and investment adviser to Trident Private Equity II LP and Trident Private Equity III LP and receives fees from them.

Christopher Mills is also a director of the following companies in which the Company has an investment or may have had in the year and/or from which he may receive fees or hold options or shares: Sunlink Health Systems Inc, Bionostics Holdings Limited, Hampton Investment Properties, Izodia PLC, Second London American Trust PLC (in members' voluntary liquidation), Oryx, Glass America, Inc, Progeny, Inc, Global Options, Celsis International Limited and MJ Gleeson PLC. Employees of the Joint Manager may hold options over shares in investee companies. A total of £206,000 in directors fees from these companies was received by Christopher Mills during the year under review.

No formal arrangements exist to avoid double charging on investments held by the Company which are also managed or advised by Christopher Mills (Chief Executive) and/or the Joint Manager. Members and private clients of the Joint Manager and its associates (excluding Christopher Mills) hold 414,993 shares in the Company (2012: 130,393).

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

The Hon. Peregrine Moncreiffe is a director of Crendon Industrial, in which the Company has an interest, and receives a fee of £5,000 per annum for his services.

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

transaction with other companies in the group.
At 31 January 2013 amounts due from the Consolidated Venture Finance Limited (CVF) were £1,876,000 (2012: £775,000). Amounts due from Hampton Investment Properties Limited were £nil (2012: £480,000).

19 commitments and contingent liabilities

(i) Pursuant to an agreement executed in December 2009, the Company pledged its shares held in Glass America Inc for the benefit of Deerpath Funding LP as security against a term loan and revolving credit facility amounting to a total of $7,750,000 granted to Glass America. The pledgers in turn receive the benefit of the credit facilities.

(ii) The Company has also committed to invest £25.5m in Trident Private Equity Fund III over the forthcoming months, of which £16.5m has been drawn down to date.

Copies of the Annual Report for the year ended 31 January 2013 will shortly be available from the Company Secretary, Bonita Guntrip (ACIS), 6 Stratton Street, London W1J 8LD and from the Company's website www.harwoodcapital.co.uk