

North Atlantic Smaller Companies Investment Trust plc

# Half-Yearly Report

for the six months ended 31 July 2015



Cover Image:

Scene in Plymouth Sound in August 1815

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

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

© National Maritime Museum, Greenwich, London

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

Registered in England and Wales number 1091347

**objective of the company and financial highlights**

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

	31 July 2015 (unaudited)	31 January 2015 (audited)	%
			Change
Net asset value per 5p Ordinary Share*:			
Basic	2,527p	2,262p	11.7
Diluted	2,525p	2,259p	11.8
Basic adjusted <sup>#‡</sup>	2,568p	2,300p	11.7
Diluted adjusted <sup>#‡</sup>	2,566p	2,297p	11.7
Mid-market price of the 5p Ordinary Shares	2,043p	1,845p	10.7
Discount to diluted net asset value	19.1%	18.3%	
Discount to diluted adjusted net asset value	20.4%	19.7%	
Standard & Poor's 500 Composite Index <sup>†</sup>	1,346.7	1,324.7	1.7
Russell 2000 Index <sup>†</sup>	792.9	773.8	2.5
FTSE All-Share Index	3,652.8	3,621.8	0.9
US Dollar/Sterling exchange rate	1.5605	1.5019	3.9

\* Including retained revenue for the period.

# Adjusted to reflect Oryx International Growth Fund plc ("Oryx") under the equity method of accounting, which is how the Company previously accounted for its share of Oryx, prior to the adoption of IFRS 10.

‡ Calculated using the adjusted Net Assets per note 5.

† Sterling adjusted.

**chief executive's review**

During the six month period to 31 July 2015, the fully diluted net asset value of the Company rose by 11.8% as compared to a rise in the sterling adjusted Standard & Poor's 500 Composite Index of +1.7% and the FTSE Small Cap Index of +6.5%.

Income for the period amounted to a loss of £688,000 (31 July 2014: loss of £1,220,000). Consistent with past policy, the Directors do not propose to pay a dividend (31 July 2014: nil).

**quoted portfolio**

The market for small companies in the UK has generally been robust which benefitted our holding in Oryx which rose by 17.7%, significantly outperforming its benchmark index.

Our very substantial holding in MJ Gleeson Group also performed notably well, rising by nearly 25% over the period. Nationwide Accident Repair Services and Essenden were both taken over on premiums of 28% and 23% respectively to the 31 January 2015 valuation, whilst Bioquell performed very strongly following the sale of a subsidiary, rising by nearly 65%. The only notable faller in the UK was Goals Soccer Centres which fell approximately 7%. Finally, Mecom Group was taken over at a good premium to cost whilst OMG announced substantial special dividends as a return of capital.

In the US a modest position was taken in Ambac Financial Group, although to date the performance has been disappointing.

**unquoted portfolio**

There has been considerable activity in the unquoted portfolio, with Celsis AG in particular being sold in July 2015 at a 50% premium to the 31 January 2015 valuation.

Avenue Financial went public and is currently trading at approximately a 26% premium to the 31 January 2015 valuation, whilst the B&G Equipment valuation was increased, reflecting good trading performance. Performance Chemical Company, despite the weak oil price, continues to achieve good profitability. The Bionostics Holdings escrow of approximately £4.0 million was received in full.

Trident Private Equity Fund II was, to all intents and purposes, liquidated. It was, however, necessary to modestly write down Hampton Investment Properties due to the disappointing realisation of properties. It is expected that this investment will be turned into cash by 31 January 2016, being the Company's year-end.

**chief executive's review** (continued)

**outlook**

Since 31 July 2015, markets have been extremely weak. However, the Company has for some time been very conservatively invested with cash balances in excess of 30% of our net assets. Although this adversely impacted performance in the first half of the year, it will hopefully protect the portfolio during the current turbulence and provide the resources with which to participate in new opportunities as they arise.

C H B Mills  
*Chief Executive*

10 September 2015

chief executive's review (continued)

**top ten investments**

*as at 31 July 2015*

Company		Fair value £'000	% of net assets
US Treasury Bills	US Treasury Stock	65,643	17.9
MJ Gleeson Group plc	UK Listed	45,400	12.4
Oryx International Growth Fund Limited	UK Listed	39,440	10.7
Trident Private Equity Fund III LP	UK Unquoted	20,543	5.6
Industrial Properties Limited	UK Unquoted	14,000	3.8
Bioquell PLC	UK Listed	13,348	3.6
Goals Soccer Centres plc	UK Quoted on AIM	12,672	3.4
Innovation Group PLC	UK Listed	11,288	3.1
AssetCo plc	UK Quoted on AIM	10,373	2.8
Team Rock Limited	UK Unquoted	10,108	2.8
		242,815	66.1
		242,815	66.1

**interim management report**

**investment objective** The objective of North Atlantic Smaller Companies Investment Trust PLC (“the Company”) is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean.

**material events** The Board do not consider that there were any material events during the period ended 31 July 2015.

**material transactions** As referred to in the Chief Executive’s review on page 2, the Company’s investment in Celsis AG was sold during the period under review.

**risk profile** The principal risks and uncertainties for the remaining six months of the year continue to be as described in the Annual Report for the year ended 31 January 2015 on pages 16 and 17 and pages 67 to 76. The principal risks arising from the Company’s financial instruments are market price risk, including currency risk interest rate risk and other price risk, liquidity risk and credit/counterparty risk. The Directors review and agree policies with the Manager, Harwood Capital LLP, for managing these risks. The policies have remained substantially unchanged in the six months since the year end.

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 companies, each having an immaterial effect on the Group’s cash flows, should a default occur. The Group assesses the credit worthiness of its debtors from time to time to ensure that they are neither past due or impaired.

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 Group’s exposure to market 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. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

**interim management report** (continued)

The functional and presentational currency of the Group is Sterling, and therefore, the Group's principal exposure to foreign currency risk comprises investments priced in other currencies, principally US Dollars.

The Group invests in equities and other investments that are realisable.

**related party  
transactions**

These are listed in note 10 to the half yearly condensed financial statements on page 23.

By Order of the Board

Peregrine Moncreiffe  
*Chairman*

10 September 2015



**responsibility statement**

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within this half yearly financial report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The half yearly financial report includes a fair review of the information required by the FCA's Disclosure and Transparency Rule 4.2.7R being disclosure of important events that have occurred during the first six months of the financial year, their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The half yearly financial report includes a fair review of the information required by the FCA's Disclosure and Transparency Rule 4.2.8R being disclosure of related party transactions during the first six months of the financial year, how they have materially affected the financial position of the Company during the period and any changes therein.

The half yearly financial report was approved by the Board on 10 September 2015 and the above responsibility statement was signed on its behalf by:

Peregrine Moncreiffe  
*Chairman*

10 September 2015

**condensed consolidated statement of comprehensive income**

	Six months ended 31 July 2015 (unaudited)			Six months ended 31 July 2014 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	1,279	–	1,279	860	–	860
Net gains on investments at fair value	–	40,432	40,432	–	11,427	11,427
Currency exchange (losses)/gains	–	(70)	(70)	–	(119)	(119)
<b>total income</b>	<u>1,279</u>	<u>40,362</u>	<u>41,641</u>	<u>860</u>	<u>11,308</u>	<u>12,168</u>
Expenses						
Investment management fee (note 10)	(1,672)	(937)	(2,609)	(1,632)	26	(1,606)
Other expenses	(281)	–	(281)	(261)	–	(261)
Share based remuneration	(7)	–	(7)	(180)	–	(180)
<b>return before finance costs and taxation</b>	<u>(681)</u>	<u>39,425</u>	<u>38,744</u>	<u>(1,213)</u>	<u>11,334</u>	<u>10,121</u>
Finance costs	–	–	–	–	–	–
<b>return before taxation</b>	<u>(681)</u>	<u>39,425</u>	<u>38,744</u>	<u>(1,213)</u>	<u>11,334</u>	<u>10,121</u>
Taxation	(7)	–	(7)	(7)	–	(7)
<b>return for the period</b>	<u>(688)</u>	<u>39,425</u>	<u>38,737</u>	<u>(1,220)</u>	<u>11,334</u>	<u>10,114</u>
<b>earnings per ordinary share (note 4)</b>						
Basic			266.4p			65.6p
Diluted			266.2p			65.3p

The total column of the statement is the Statement of Comprehensive Income of the Group prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 (“AIC”).

All items in the above Statement derive from continuing operations. No operations were acquired or discontinued in the period.

**condensed consolidated statement of comprehensive income** (continued)

	Year ended 31 January 2015 (audited)		
Revenue £'000	Capital £'000	Total £'000	
1,840	–	1,840	Income
–	37,873	37,873	Net gains on investments at fair value
–	270	270	Currency exchange (losses)/gains
1,840	38,143	39,983	<b>total income</b>
			Expenses
(3,263)	79	(3,184)	Investment management fee (note 10)
(574)	–	(574)	Other expenses
(173)	–	(173)	Share based remuneration
(2,170)	38,222	36,052	<b>return before finance costs and taxation</b>
–	–	–	Finance costs
(2,170)	38,222	36,052	<b>return before taxation</b>
(12)	–	(12)	Taxation
(2,182)	38,222	36,040	<b>return for the period</b>
		240.3p	<b>earnings per ordinary share (note 4)</b>
		240.3p	Basic
		240.3p	Diluted

The total column of the statement is the Statement of Comprehensive Income of the Group prepared in accordance with IFRS. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

All items in the above Statement derive from continuing operations. No operations were acquired or discontinued in the period.

**condensed consolidated statement of changes in equity**

	Share capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000
<b>six months ended 31 July 2015</b>				
<b>(unaudited)</b>				
31 January 2015	727	293	1,301	333,262
Total comprehensive income for the period	–	–	–	39,425
Share option discharge	–	(15)	–	(88)
Shares purchased for cancellation	–	–	–	–
Share options expenses	–	7	–	–
	<u>727</u>	<u>285</u>	<u>1,301</u>	<u>372,599</u>
<b>31 July 2015</b>				
	<u><u>727</u></u>	<u><u>285</u></u>	<u><u>1,301</u></u>	<u><u>372,599</u></u>
<b>six months ended 31 July 2014</b>				
<b>(unaudited)</b>				
31 January 2014*	794	1,138	1,301	319,888
Total comprehensive income for the period	–	–	–	11,334
Shares purchased for cancellation	(53)	–	–	(18,080)
Share options expenses	–	180	–	–
	<u>741</u>	<u>1,318</u>	<u>1,301</u>	<u>313,142</u>
<b>31 July 2014</b>				
	<u><u>741</u></u>	<u><u>1,318</u></u>	<u><u>1,301</u></u>	<u><u>313,142</u></u>
<b>year ended 31 January 2015</b>				
<b>(audited)</b>				
31 January 2014*	794	1,138	1,301	319,888
Total comprehensive income for the year	–	–	–	38,222
Share option discharge	–	(1,018)	–	(2,081)
Shares purchased for cancellation	(67)	–	–	(22,767)
Share option expenses	–	173	–	–
	<u>727</u>	<u>293</u>	<u>1,301</u>	<u>333,262</u>
<b>31 January 2015</b>				
	<u><u>727</u></u>	<u><u>293</u></u>	<u><u>1,301</u></u>	<u><u>333,262</u></u>

\* restated due to the adoption of IFRS 10. The Company is no longer required to consolidate investment entities, as explained in the Accounting Policies (note 1) in the Annual Report for the year end 31 January 2015.

condensed consolidated statement of changes in equity (continued)

Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
143	(6,822)	328,904
–	(688)	38,737
–	–	(103)
–	–	–
–	–	7
<u>143</u>	<u>(7,510)</u>	<u>367,545</u>

**six months ended 31 July 2015  
(unaudited)**

31 January 2015
Total comprehensive income for the period
Share option discharge
Shares purchased for cancellation
Share options expenses
31 July 2015

**six months ended 31 July 2014  
(unaudited)**

76	(4,640)	318,557	31 January 2014*
–	(1,220)	10,114	Total comprehensive income for the period
53	–	(18,080)	Shares purchased for cancellation
–	–	180	Share options expenses
<u>129</u>	<u>(5,860)</u>	<u>310,771</u>	31 July 2014

**year ended 31 January 2015  
(audited)**

76	(4,640)	318,557	31 January 2014*
–	(2,182)	36,040	Total comprehensive income for the year
–	–	(3,099)	Share option discharge
67	–	(22,767)	Shares purchased for cancellation
–	–	173	Share option expenses
<u>143</u>	<u>(6,822)</u>	<u>328,904</u>	31 January 2015

**condensed consolidated balance sheet**

	31 July 2015 (unaudited) £'000	31 July 2014 (unaudited) £'000	31 January 2015 (audited) £'000
<b>non current assets</b>			
Investments at fair value through profit or loss	314,656	283,929	321,044
	<u>314,656</u>	<u>283,929</u>	<u>321,044</u>
<b>current assets</b>			
Trade and other receivables	809	732	562
Cash and cash equivalents	53,489	26,398	7,598
	<u>54,298</u>	<u>27,130</u>	<u>8,160</u>
<b>total assets</b>	<u>368,954</u>	<u>311,059</u>	<u>329,204</u>
<b>current liabilities</b>			
Trade and other payables	(1,409)	(288)	(300)
<b>total liabilities</b>	<u>(1,409)</u>	<u>(288)</u>	<u>(300)</u>
<b>total assets less current liabilities</b>	<u>367,545</u>	<u>310,771</u>	<u>328,904</u>
<b>net assets</b>	<u><u>367,545</u></u>	<u><u>310,771</u></u>	<u><u>328,904</u></u>
 <b>represented by:</b>			
Share capital	727	741	727
Share options reserve	285	1,318	293
Share premium account	1,301	1,301	1,301
Capital reserve	372,599	313,142	333,262
Capital redemption reserve	143	129	143
Revenue reserve	(7,510)	(5,860)	(6,822)
<b>total equity attributable to equity holders of the Company</b>	<u><u>367,545</u></u>	<u><u>310,771</u></u>	<u><u>328,904</u></u>
 <b>net asset value per ordinary share (note 5):</b>			
Basic	2,527p	2,097p	2,262p
Diluted	2,525p	2,078p	2,259p

**condensed consolidated cash flow statement**

	Six months ended 31 July 2015 (unaudited) £'000	Six months ended 31 July 2014 (unaudited) £'000	Year ended 31 January 2015 (audited) £'000
<b>cash flows from operating activities</b>			
Investment income received	861	880	1,658
Bank deposit interest received	–	28	37
Other income	425	34	215
Investment Manager's fees paid	(1,739)	(3,364)	(5,058)
Other cash payments	(321)	(559)	(3,633)
	<hr/>	<hr/>	<hr/>
<b>cash expended from operations (note 7)</b>	(774)	(2,981)	(6,781)
Taxation paid	(7)	(7)	(12)
	<hr/>	<hr/>	<hr/>
<b>net cash outflow from operating activities</b>	(781)	(2,988)	(6,793)
	<hr/>	<hr/>	<hr/>
<b>cash flows from investing activities</b>			
Purchases of investments	(186,975)	(109,537)	(309,650)
Sales of investments	233,790	129,588	319,054
	<hr/>	<hr/>	<hr/>
<b>net cash inflow from investing activities</b>	46,815	20,051	9,404
	<hr/>	<hr/>	<hr/>
<b>cash flows from financing activities</b>			
Repurchase of ordinary shares for cancellation	–	(18,068)	(22,769)
	<hr/>	<hr/>	<hr/>
<b>net cash outflow from financing activities</b>	–	(18,068)	(22,769)
	<hr/>	<hr/>	<hr/>
<b>increase/(decrease) in cash and cash equivalents for the period</b>	46,034	(1,005)	(20,158)
<b>cash and cash equivalents at the start of the period</b>	7,598	27,511	27,511
Revaluation of foreign currency balances	(143)	(108)	245
	<hr/>	<hr/>	<hr/>
<b>cash and cash equivalents at the end of the period</b>	53,489	26,398	7,598
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

notes

**1. a) general information**

North Atlantic Smaller Companies Investment Trust plc (“NASCIT”) is a Company incorporated in Great Britain and registered in England and Wales under the Companies Acts 1948 to 1967.

The Company operates as an investment trust company within the meaning of Section 833 of the Companies Act 2006 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 2013. The Company is managed in such a way to ensure that it continues 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.

**b) basis of preparation**

The condensed consolidated interim financial statements for the six months ended 31 July 2015 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all financial information required for full annual financial statements and have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 January 2015. Those financial statements were prepared in accordance with IFRS and with the Statement of Recommended Practice (“SORP”) for Investment Companies and Venture Capital Trusts issued by the AIC in November 2014.

The condensed consolidated interim financial information includes the financial statements of the Company and its wholly owned Subsidiary, Consolidated Venture Finance Limited, for the six months ended 31 July 2015.

**c) significant accounting policies**

The accounting policies applied are consistent with those of the Annual Financial Report for the year ended 31 January 2015. Since the year end no new standards have been adopted.

**d) segmental reporting**

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The Group invests in smaller companies principally based in countries bordering the North Atlantic Ocean.

**e) going concern**

The Company has adequate financial resources and no significant investment commitments and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing this half yearly financial report.



**notes** (continued)

**2. investment management and performance fees**

A Performance Fee is only payable if the investment portfolio, including Oryx at the adjusted price, outperforms the Sterling adjusted Standard & Poor's 500 Composite Index at the end of each financial year and is limited to a maximum payment of 0.5% of Shareholders' Funds, and is allocated 100% to capital.

In accordance with the SORP for investment trust companies, an amount is included in these financial statements for the Performance Fee that could be payable based on investment performance to 31 July 2015.

At that date, a Performance Fee has been accrued for in the accounts amounting to £937,000 (31 July 2014: £nil; 31 January 2015: £nil).

**3. taxation**

The Company has an effective tax rate of 0%. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an Investment Trust and there is expected to be an excess of management expenses over taxable income and thus there is no charge for corporation tax.

notes (continued)

**4. return per ordinary share**

	*Net return £'000	Revenue Ordinary Shares	Per Share pence	*Net return £'000	Capital Ordinary Shares	Per Share pence
<b>six months ended 31 July 2015</b>						
<b>(unaudited)</b>						
Basic return	(688)	14,542,035	(4.7)	39,425	14,542,035	271.1
Share options**	–	10,442		–	10,442	
	<u>(688)</u>	<u>14,552,477</u>	<u>(4.7)</u>	<u>39,425</u>	<u>14,552,477</u>	<u>270.9</u>
<b>six months ended 31 July 2014</b>						
<b>(unaudited)</b>						
Basic return	(1,220)	15,409,406	(7.9)	11,334	15,409,406	73.5
CULS***	–	66,957		–	66,957	
	<u>(1,220)</u>	<u>15,476,363</u>	<u>(7.9)</u>	<u>11,334</u>	<u>15,476,363</u>	<u>73.2</u>
<b>year ended 31 January 2015</b>						
<b>(audited)</b>						
Basic return	(2,182)	14,996,362	(14.6)	38,222	14,996,362	254.9
Share options**	–	–		–	–	
	<u>(2,182)</u>	<u>14,996,362</u>	<u>(14.6)</u>	<u>38,222</u>	<u>14,996,362</u>	<u>254.9</u>

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

\* Net return on ordinary activities attributable to Ordinary Shareholders.

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

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

**notes** (continued)

**4. return per ordinary share** (continued)

*Net return £'000	Total Ordinary Shares	Per Share pence	
			<b>six months ended 31 July 2015</b> <b>(unaudited)</b>
38,737	14,542,035	266.4	Basic return
–	10,442		Share options**
<u>38,737</u>	<u>14,552,477</u>	266.2	Diluted return
			<b>six months ended 31 July 2014</b> <b>(unaudited)</b>
10,114	15,409,406	65.6	Basic return
–	66,957		CULS***
<u>10,114</u>	<u>15,476,363</u>	65.3	Diluted return
			<b>year ended 31 January 2015</b> <b>(audited)</b>
36,040	14,996,362	240.3	Basic return
–	–		Share options**
<u>36,040</u>	<u>14,996,362</u>	240.3	Diluted return

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

\* Net return on ordinary activities attributable to Ordinary Shareholders.

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

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

**notes** (continued)

**5. net asset value per ordinary share**

The basic net asset value per Ordinary Share is based on net assets of £367,545,000 (31 July 2014: £310,771,000; 31 January 2015: £328,904,000) and on 14,542,035 Ordinary Shares (31 July 2014: 14,817,035; 31 January 2015: 14,542,035) being the number of Ordinary Shares in issue at the period end.

The diluted net asset value per Ordinary Share is calculated on the assumption that all 30,000 (31 July 2014: 460,000; 31 January 2015: 40,000) Share Options in-the-money were exercised at the prevailing exercise prices, giving a total of 14,572,035 issued Ordinary Shares (31 July 2014: 15,277,035; 31 January 2015: 14,582,035).

During the period, no Ordinary Shares were bought back for cancellation.

**adjustment for Oryx International Growth Fund**

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

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

	31 July 2015 (unaudited) £'000	31 July 2014 (unaudited) £'000	31 January 2015 (audited) £'000
Total equity attributable to equity holders of the Company	367,545	310,771	328,904
Increase in net assets if equity accounted*	5,898	8,989	5,543
<b>Adjusted net assets</b>	<b>373,443</b>	<b>319,760</b>	<b>334,447</b>

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

**notes** (continued)

**5. net asset value per ordinary share** (continued)

	31 July 2015 (unaudited)	31 July 2014 (unaudited)	31 January 2015 (audited)
Net asset value			
– Basic	2,527p	2,097p	2,262p
– Diluted	2,525p	2,078p	2,259p
Net asset value adjusted			
– Basic	2,568p	2,158p	2,300p
– Diluted	2,566p	2,137p	2,297p

**6. share based remuneration**

As at 31 July 2015 and as at the date of this report, there were a total of 30,000 options in issue with an estimated fair value of £0.4m (31 July 2014: 460,000; 31 January 2015: 40,000). 10,000 options are under the 2011 options scheme and 20,000 options are under the 2012 option scheme.

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

	Six months ended 31 July 2015 (unaudited) £'000	Six months ended 31 July 2014 (unaudited) £'000	Year ended 31 January 2015 (audited) £'000
Total return from ordinary activities before finance costs and taxation	38,744	10,121	36,052
Gains on investments	(40,362)	(11,308)	(38,143)
Share options discharge	(103)	–	(3,099)
Share based remuneration	7	180	173
Dividends and interest reinvested	–	77	78
(Increase)/decrease in debtors and accrued income	(186)	(65)	120
Increase/(decrease) in creditors and accruals	1,126	(1,989)	(1,961)
Changes relating to investments of dealing			
Subsidiary	–	3	(1)
Cash expended from operations	<u>(774)</u>	<u>(2,981)</u>	<u>(6,781)</u>

notes (continued)

**8. investments**

The Company adopted the amendment to IFRS 13, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

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

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

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data from investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance Sheet date, without adjustment for transaction costs necessary to realise the asset.

notes (continued)

**8. investments (continued)**

**financial assets at fair value through profit or loss**

The table below sets out fair value measurements of financial assets in accordance with the IFRS 13 fair value hierarchy system:

**group**

**six months ended 31 July 2015 (unaudited)**

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	227,352	153,087	2,050	72,215
Fixed interest investments	87,304	65,643	–	21,661
<b>Total</b>	<b>314,656</b>	<b>218,730</b>	<b>2,050</b>	<b>93,876</b>

**six months ended 31 July 2014 (unaudited)**

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	224,963	127,212	1,580	96,171
Fixed interest investments	58,966	53,010	–	5,956
<b>Total</b>	<b>283,929</b>	<b>180,222</b>	<b>1,580</b>	<b>102,127</b>

**year ended 31 January 2015 (audited)**

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

notes (continued)

**8. investments** (continued)

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

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

**group**

**at 31 July 2015**

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening Balance	127,300	108,435	18,865
Purchases	2,867	37	2,830
Sales	(50,069)	(50,069)	–
Transfer*	(610)	(610)	–
Total gains/(losses) included in gains on investments in the statement of comprehensive income:			
– on assets sold	32,678	32,702	(24)
– on assets held at the end of the period	(18,290)	(18,280)	(10)
Closing balance	<u>93,876</u>	<u>72,215</u>	<u>21,661</u>

\* Transfer out of level 3 to level 1.

First American Holdings was acquired, as part of an initial public offering, by Avenue Financial Holdings Inc. in the period, resulting in a move from unlisted (level 3) to listed (level 1).

**9. principal risk profile**

The principal risks which the Company faces include exposure to:

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

Further details of the Company's management of these risks and exposure to them is set out in Note 14 of the Company's Annual Report for the year ended 31 January 2015, as issued on 14 May 2015. There have been no changes to the management of or exposure to these risks since that date.



## 10. related party transactions

There have been no changes to the related party arrangements or transactions as reported in the Statutory Annual Financial Report for the year ended 31 January 2015.

The Manager, Harwood Capital LLP, is regarded as a related party of the Company. The amounts payable to the Manager and Growth Financial Services Limited in respect of investment management for the six months to 31 July 2015 are as follows:

	Six months ended 31 July 2015 (unaudited) £'000	Six months ended 31 July 2014 (unaudited) £'000	Year ended 31 January 2015 (audited) £'000
Annual fee	1,672	1,632	3,263
Performance fee	930	–	–
Irrecoverable VAT thereon	7	(26)	(79)
	<u>2,609</u>	<u>1,606</u>	<u>3,184</u>

In addition to the management fees disclosed above, Harwood Capital LLP is also paid an investment management related fee of £125,000 per annum.

The figure for the performance fee disclosed above, is a provision for six months based on the outperformance as at 31 July 2015 and is therefore subject to change.

Shareholders should also note the payments made under share based remuneration as disclosed in note 6 to these financial statements.

## 11. financial information

The annual financial information contained in this half yearly report does not constitute full Statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the periods ended 31 July 2015 and 31 July 2014 is not a financial year and has not been audited. The statutory accounts for the financial year ended 31 January 2015 have been delivered to the Registrar of Companies.

**shareholder information**

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

**shareholder information** (continued)

**Directors**

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

**Manager**

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**Cover Image: Scene in Plymouth Sound in August 1815**  
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