North Atlantic Smaller Companies Investment Trust plc

Preliminary results for the year ended 31 January 2019

NASCIT is pleased to announce its results for the year ended 31 January 2019

The preliminary financial information, which comprises the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the Statement of Cash Flow together with the related explanatory notes has been prepared on the basis of the accounting policies as set out in the audited financial statements for the year ended 31 January 2019 and International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board as adopted for use in the EU ("IFRS")

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 January 2019 or 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Highlights

	31 January 2019	% change	31 January 2018	31 January 2017	31 January 2016	31 January 2015
revenue						
Gross income (£'000)	**11,645**	15.1%	10,115	6,105	3,175	1,840
Net Revenue after tax attributable to shareholders (£'000)	**5,840**	13.7%	5,138	1,295	(890)	(2,182)
Basic return per 5p Ordinary Share:*						
– Revenue	**40.59p**	13.9%	35.62p	8.97p	(6.13)p	(14.55)p
– Capital	**205.57p**	(54.8)%	455.29p	212.95p	490.70p	254.88p
assets						
Total assets less current liabilities (£'000)	**531,425**	6.0%	499,423	428,606	396,961	328,904
Net asset value ("NAV") per 5p Ordinary Share:**						
Basic	**3,710p**	7.2%	3,462p	2,971p	2,749p	2,262p
Diluted	**3,708p**	7.2%	3,458p	2,968p	2,746p	2,259p
Basic adjusted†	**3,776p**	7.0%	3,529p	3,036p	2,776p	2,300p
Diluted adjusted†	**3,774p**	7.0%	3,525p	3,033p	2,773p	2,297p
Mid-market price of the 5p Ordinary Shares	**2,910.0p**	1.4%	2,870.0p	2,455.0p	2,280.0p	1,845.0p
discount to diluted net asset value	**21.5%**		17.0%	17.3%	17.0%	18.3%
discount to diluted adjusted net asset value	**22.9%**		18.6%	19.1%	17.8%	19.7%

indices and exchange rates at 31 January						
Standard & Poor's 500 Composite Index	**2,704.1**	(4.2)%	2,823.8	2,278.9	1,940.2	1,995.0
Russell 2000 Index	**1,499.4**	(4.8)%	1,575.0	1,352.3	1,035.4	1,165.4
US Dollar/Sterling exchange rate	**1.31505**	(7.5)%	1.42205	1.2581	1.4185	1.5019
Standard & Poor's 500 Composite Index – Sterling adjusted	**2,062.8**	3.7%	1,989.9	1,811.7	1,362.2	1,324.7
Russell 2000 – Sterling adjusted	**1,143.8**	3.1%	1,109.9	1,075.1	726.9	773.8

* Please refer to note 7 for details on how the basic return per 5p Ordinary Share is calculated.

** Includes current period revenue. Please refer to note 7 for details on how the net asset value per 5p Ordinary Share is calculated.

† 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. This is useful to the shareholder as it shows the NAV based on valuing Oryx at NAV. See note 7.

chairman's statement

During the period under review, the fully-diluted net asset value rose by 7.2% (pre-dividend) to 3,708p. This increase compares with a rise in the sterling adjusted Standard & Poor's Composite Index of 3.7%. However, the Company's performance was particularly remarkable, because a significant part of the portfolio is invested in UK small Cap shares which had a poor year in general.

The revenue account showed a profit after tax of £5,840,000 (2018: £5,138,000). The Directors have therefore declared a final dividend of 30p per share.

During the year, 100,000 shares were acquired for cancellation, at a discount to net asset value, thereby building value for all long-term shareholders. At the forthcoming AGM, shareholders will be asked to support a whitewash proposal, allowing the company to continue to repurchase shares without requiring our Chief Executive and persons and companies presumed to be acting in concert with him to make a mandatory offer under Rule 9 of The Takeover Code for the Company. This proposal and the background surrounding it are outlined in a separate circular being to sent to Shareholders.

Economic uncertainty persists with last year's monetary tightening succeeded by a more accommodative Federal Reserve Bank stance. It had been widely accepted that rates would continue to normalise in 2019 and that quantitative easing would be unwound over a five year period. Faced with a crisis of liquidity stock markets fell sharply in the fourth quarter of 2018 which led to the Federal Reserve's hasty volte-face. This in turn sparked off a significant rally in equities but limits the scope for further monetary stimulus in the event of a rapid decline in growth in the coming year. While the US and China are working to improve their fraught trade relationship with China probably committing to buying more from the US, continental Europe will have difficulty in adjusting to an aggressive US trade policy, the advanced manufacturing success of Asia and a secular decline in the traditional automobile industry. The UK with its emphasis on services and its flexible entrepreneurialism should fare better, supported by its more favourable reception in Washington as a serious contributor to NATO.

As I stated last year, MIFID2 should create good opportunities for the Company with the consequent contraction in smaller company coverage and liquidity compelling many large institutions to change their focus to the main market. Based on recent developments, it now appears that as the dust settles the situations presented to us will be far better than I anticipated. This will favour our approach and create the opportunity for significant capital gain over the next few years if these attractive investments can be identified.

Finally, I would like to thank our Chief Executive, Christopher Mills, for another excellent year despite an environment which was undoubtedly challenging. I am hopeful that our unique and distinctive investment style and process will enable the Company to make good progress in the current year.

Peregrine Moncreiffe
Chairman

20 May 2019

investment manager's report

quoted portfolio

United Kingdom:
The market for smaller companies was weak throughout most of 2018. Profit warnings combined with limited liquidity created a difficult environment with most relevant indices falling by more than 10%. It is therefore pleasing to report that our portfolio performed well.

The major standout success stories were Bioquell with the value of our holding rising by £14 million, EKF/Renalytix which contributed £11 million and the recently purchased Augean adding almost £6 million. Oryx significantly outperformed its benchmarks while the other major holdings (Ten Entertainment, MJ Gleeson and Polar Capital) taken as a whole and adjusted for dividends made a positive contribution to the net asset value. Two smaller holdings have proved disappointing with both Sportech and Goals Soccer falling after worse than expected results.

United States:
The equity portfolio made some good profits for the Company but as the total value is less than £16 million, the overall impact was limited. However, very substantial holdings were held in short-dated US Treasury Bills which provided a considerable uplift as Sterling weakened from \$1.422 to \$1.315 over the 12 month period.

unquoted portfolio

United Kingdom:
Most of the unquoted portfolio is now concentrated in the two private equity funds, Trident Private Equity III LP ("TPE3") and Harwood Private Equity IV ("HPE IV"). Both funds performed well during the year. TPE3 is currently in liquidation with only one remaining investment which is expected to be sold in early 2020. HPE IV is almost fully invested with further realisations expected in the current year.

One major new investment made in the year, Pelsis/Hamsard, has performed in line with expectations. It is anticipated that remainder of the Company's property investments will be sold in the current year.

United States:
Both Performance Chemicals and Jaguar performed well during the past year and their prospects look good. Unfortunately the arbitration decision on GAJV was unfavourable resulting in a write-down on the investment.

A description of the unquoted investments can be found in the Annual Report.

Liquidity:
Liquidity, that is, cash and short-term government securities, at the end the period was £116 million up from £100 million last year. This provides the Company with the resources for the Trust to benefit from the favourable opportunities that are now occurring to acquire good businesses at a discount to private market value.

Whilst I have major reservations about stock market valuations in general, I believe that we have a good portfolio of companies that will create value for North Atlantic shareholders in the coming years.

Christopher Mills
Chief Executive & Investment Manager

20 May 2019

sector analysis of investments at fair value

as at 31 January

equities, convertible securities & loan stocks as a % of total portfolio valuation	**Canada 31 January 2019 %**	**Europe 31 January 2019 %**	**United States 31 January 2019 %**	**United Kingdom 31 January 2019 %**	**Total 31 January 2019 %**	Total 31 January 2018 %
Telecommunications	**–**	**–**	**–**	**1.3**	**1.3**	–
Financial Services	**–**	**–**	**–**	**23.5**	**23.5**	26.4
Travel & Leisure	**–**	**–**	**–**	**10.8**	**10.8**	14.5
Health Care	**–**	**–**	**–**	**11.5**	**11.5**	13.5
Industrial Goods & Services	**–**	**1.4**	**4.1**	**12.6**	**18.1**	10.6
Real Estate	**–**	**–**	**–**	**2.1**	**2.1**	9.7
Oil & Gas	**–**	**–**	**2.9**	**–**	**2.9**	2.7
Insurance	**–**	**–**	**1.0**	**–**	**1.0**	1.1
Banks	**–**	**–**	**1.1**	**6.6**	**7.7**	1.0
Technology	**–**	**–**	**1.1**	**1.9**	**3.0**	0.9
	–	**1.4**	**10.2**	**70.3**	**81.9**	80.4
treasury bills	**–**	**–**	**18.1**	**–**	**18.1**	19.6
total at 31 January 2019	**–**	**1.4**	**28.3**	**70.3**	**100.0**	
total at 31 January 2018	**0.2**	**–**	**45.1**	**54.7**		100.0

twenty largest investments
as at 31 January

equities (including convertibles, loan stocks and related financing)		At fair value £'000
Oryx International Growth Fund Limited*	UK Listed	57,776
MJ Gleeson Group plc	UK Listed	36,495
Ten Entertainment Group plc	UK Listed	36,000
Polar Capital Holdings plc	UK Quoted on AIM	32,970
EKF Diagnostics Holdings plc	UK Quoted on AIM	31,262
Harwood Private Equity IV LP	UK Unquoted	31,569
Sherwood Holdings Limited	UK Unquoted	17,131
Performance Chemicals Company	US Unquoted	13,815
Odyssean Investment Trust Plc	UK Listed	13,500
Augean plc	UK Quoted on AIM	12,250
ten largest investments		282,768
Harwood Leeds Property	UK Unquoted	9,516
AssetCo plc	UK Quoted on AIM	9,441
Benchmark Holdings plc	UK Quoted on AIM	8,800
Coventbridge Group	US Unquoted	7,604
Renalytix AI plc	UK Quoted on AIM	7,374
BBA Aviation plc	UK Listed	7,104
Pelsis Holding/Hamsard 3468 Limited	UK Unquoted	6,981
BigBlu Broadband Plc	UK Quoted on AIM	6,600
Trident Private Equity Fund III LP	UK Unquoted	6,338
Sportech PLC	UK Listed	6,205
twenty largest investments		358,731
Aggregate of other investments at fair value		51,072
		409,803
US Treasury Bills		90,893
total		500,696

* incorporated in Guernsey.

All investments are valued at fair value.

strategic report

The Directors present the strategic report of the Company for the year ended 31 January 2019.

principal activity

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

objective

The Company's objective is to provide capital appreciation to its Shareholders through investing in a portfolio of smaller companies which are based primarily in countries bordering the North Atlantic Ocean.

strategy

In order to achieve the Company's investment objective, the Manager uses a stock specific approach in managing the Company's portfolio, selecting investments that he believes will increase in value over a period of time, whether that be due to issues in the management of the businesses which he believes can be improved by Shareholder engagement and involvement or simply due to the fact that the stock is undervalued and he can see potential for improvement in value over the long term. The Company may invest in both quoted and unquoted companies. At present, the investments in the portfolio are principally in companies which are located either in the United Kingdom or the United States of America. Typically the investment portfolio will comprise between 40 and 50 securities.

investment policy

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

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

investment approach

The Company invests in a diversified range of companies, both quoted and unquoted, on both sides of the Atlantic in accordance with its objective and investment policy.

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

When analysing a potential investment, the Manager will employ a number of valuation techniques depending on their relevance to the particular investment. A key consideration when deciding on a potential investment would be the sustainability and growth of long term cash flow. The Manager will consider the balance of quoted and unquoted securities in the portfolio when deciding whether to invest in an unquoted stock as he is aware that the level of risk in unquoted securities may be considered higher.

In respect of the unquoted portfolio, regular contact is maintained with the management of prospective and existing investments and rigorous financial and business analysis of these companies is undertaken. It is recognised that different types of business perform better than others depending on economic cycles and market conditions and this is taken into consideration when the Manager selects investments and is therefore reflected within the range of investments in the portfolio. The Company attempts to minimise its risk by investing in a diversified spread of investments whether that spread be geographical, industry type or quoted or unquoted companies.

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

performance
At 31 January 2019, the diluted NAV per share was 3,708p (2018: 3,458p), an increase of 6.8% during the year, compared to an increase of 3.7% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted).

Net assets attributable to equity holders at 31 January 2019 amounted to £531,425,000 compared with £499,423,000 at 31 January 2018.

The ongoing charges relating to the Company are 1.1% (2018: 1.0%), based on total expenses, excluding finance charges and non-recurring items for the year and average monthly net assets.

results and dividends
The total net return after taxation for the financial year ended 31 January 2019 amounted to £35,418,000 (2018: £70,817,000). The Board proposes to pay a final dividend of 30p per share (2018: nil).

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

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

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

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

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

- Performance risk: the Board is responsible for deciding the investment strategy in order to fulfil the Company's objectives and for monitoring the performance of the Manager. An inappropriate investment strategy may result in under performance against the companies in the peer group or against the benchmark indices. The Board manages this risk by ensuring that the investments are appropriately diverse and by receiving reports from the Manager at every board meeting explaining his investment decisions and the composition and performance of the portfolio.
- Market risk: this category of risk includes currency risk, market price risk and interest rate risk. The fair value or future cash flows of a financial investment held by the Company may fluctuate because of changes in market prices. Also, the valuations of the investments in the portfolio may be subject to fluctuation due to exchange rates or general market prices. The Manager monitors these fluctuations and the markets on a daily basis; the performance of the investment portfolio against its benchmarks is also closely monitored by the Manager. The afore-mentioned graph in the Directors' Remuneration Report illustrates the Company's performance against its benchmarks over the last nine years.
- Impact of Brexit: the Board has considered whether Brexit poses a discrete risk to the Company. The Board believes that Brexit is unlikely to affect the Company's business model and is also unlikely to have a perceptible impact on the level of discount or premium at which the Company's shares trade. The Board will continue to monitor developments as they occur.

- Investments in unquoted stocks, by their nature, involve a higher degree of risk than investments in the listed market. The valuation of unquoted investments can include a significant element of estimation based on professional assumptions that is not always supported by prices from current market transactions. Recognised valuation techniques are used and recent arms' length transactions in the same or similar entities may be taken into account. Clearly the valuation of such investments is therefore a key uncertainty but the Board manages this risk by regularly reviewing the valuation principles applied by the Manager to ensure that they comply with the Company's accounting policies and with fair value principles. Harwood Capital LLP, a firm which is ultimately owned by Christopher Mills, the Company's Manager, and which provides services such as dealings administration and compliance to the Company, operates a Valuations and Pricing Committee which meets regularly throughout the year to review and agree the valuations of the investments in the portfolio for onward submission to the Board. The Company's independent auditors also attend these Committee meetings.
- Discount volatility: the Company's shares historically trade at a discount to its underlying net asset value. The Company has a share buyback programme in place to try to narrow this discount as far as possible by cancelling shares that it repurchases. The Company repurchased 100,000 any Ordinary Shares for cancellation during the year.
- Regulatory risk: any breach of a number of regulations applicable to the Company, the UKLA's Listing Rules and the Companies Act could lead to a number of detrimental effects on the Company as well as reputational damage. The Audit Committee monitors compliance with these regulations in close alliance with the Manager and Secretary.
- Custodial and Banking risk: there is a risk that the custodians and banks used by the Company to hold assets and cash balances could fail and the Company's assets may not be returned. Associated with this is the additional risk of fraud or theft by employees of those third parties. The Board exercises monitoring through the Manager and Harwood Capital LLP over the financial position of its custodial banks.
- Credit risk/Counterparty risk: the Company holds preference shares in some investee companies and provides other forms of debt or loan guarantees where deemed necessary. There is a risk of those counterparties being unable to meet their obligations. The financial position and performance of those investee companies are continually monitored by the Manager and actions are taken to protect the Company's investment if needed.

viability statement

In accordance with the UK Corporate Governance Code the Board has considered the longer term prospects for the Company. The Directors have reviewed the Company over the next three years to May 2022, which is generally a reasonable investment horizon for many investment trust shareholders. This assessment took into account the Company's current position as well as its continuing investment strategy. Additional factors under review included the principal risks inherent in its management and portfolio structure, contractual arrangements and cost base.

The Directors have noted the following elements as part of its evaluation:

- the Company invests in a combination of listed and unquoted companies, the large majority of which have positive EBITDA and/or net tangible asset values which support their valuations;
- the Company holds around 20% of its portfolio in US Treasury Bills which are readily realisable and intends to continue to hold liquidity comfortably in excess of any contingent liabilities, including any requirements to fund any future drawdowns resulting from private equity or put option commitments; and
- the Company's forecasts for income and expenses are relatively stable while its overheads are largely variable and positively correlated with the Company's net asset value and relative performance, giving comfort that the Company could easily cover costs in the event of a substantial decline in net asset value.

The Directors have also assessed the Company's principal risks and uncertainties and believe that appropriate measures are in place to minimise the likelihood of their potential to impact the viability of the Company. These measures include:

- the Manager's reports on compliance with the investment objective;
- the Manager's control of counterparty and custodial risk;
- the Board's monitoring of gearing (if any), compliance with specific investment guidelines and liquidity risk; and
- monitoring the share price's discount to net asset value and the stability of the shareholder base.

Based on the results of this analysis, the Directors have concluded that there is a reasonable expectation that the Company can continue in operation and meet its liabilities as they fall due during the period to May 2022.

future prospects
The Directors are hopeful that some of the Company's investments will see corporate activity over the coming year and that the year ending 31 January 2020 will see a further rise in the Company's net asset value.

social, community and human rights issues
As an investment trust with no employees the Company has no direct social or community responsibilities or impact on the environment. The Company, however, takes into account the impact of environmental, social and governance factors when selecting and managing its investments within the context of its obligation to manage investments in the financial interests of its shareholders.

modern slavery act
As an investment vehicle the Company does not provide goods or services in the normal course of business. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

greenhouse gas emissions
The Company has no physical assets, operations, premises or employees of its own. Consequently it has no greenhouse gas emissions to report. Hampton Investment Properties Limited, a property investment and development company, in which the Company has a 70.8% holding, has effectively liquidated its property portfolio and now only owns a redevelopment site which produces no greenhouse gas emissions. The Company's only other real estate assets, held via the wholly owned subsidiary Harwood Leeds Limited ("Leeds"), owns 4 residential investment properties which it leases out to third party tenants and the Company is not required to report on this. It has not been practical to obtain this information as Leeds is not required to collate such information for its own reporting purposes, thus the information is not readily available. However the properties naturally draw on domestic electricity and gas in order to light and heat both the individual rental units themselves as well as the relevant common parts. All underlying units do of course benefit from both appropriate Electrical Performance Certificates and all gas safety verifications. However the Board has communicated its views on environmental matters to the Leeds management team and requested that they strive to minimise any impact on the environment.

AIFMD
The Company is authorised under the AIFMD as a Small Registered UK Alternative Investment Fund Manager under regulation 10(1) of the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773). Small registered UK AIFMs are not authorised persons as a result of their registration as small registered UK AIFMs and are not included on the Financial Services Register in relation to this business. However, small registered UK AIFMs are not prevented from carrying on regulated activities as a result of their registration and therefore may be included on the Financial Services Register in relation to other business. For AIFMD purpose the Company is internally managed with Christopher Mills making the investment decisions in his capacity as Chief Executive. As the Company has passed the tipping point it is now seeking approval as a full-scope UK AIFM of an internally managed AIF. The Company submitted the original application in 2018 to vary the Company's FCA permission

and the FCA requested the Company to submit a full application for authorisation which is in progress. It is envisaged that the Company will be authorised as a full-scope AIFM by the end of quarter three 2019.

By Order of the Board

Derringtons Limited
Company Secretary

20 May 2019

report of the directors

for the year ended 31 January

The Directors present their report to Shareholders and the financial statements for the year ended 31 January 2019. Certain information that is required to be disclosed in this report has been provided in other sections of this Annual Report and accordingly, these are incorporated into this report by reference.

taxation status

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

share capital

The Company's issued share capital consisted of 14,325,620 Ordinary Shares of 5p nominal value each on 31 January 2019. Since the year end, no Ordinary Shares have been repurchased for cancellation. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

During the year, the Company purchased 100,000 Ordinary Shares for cancellation.

share valuations

On 31 January 2019, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 2,910p and 3,708p respectively. The comparable figures at 31 January 2018 were 2,870p and 3,458p respectively. It should be noted that since the conversion of the outstanding units of Convertible Unsecured Loan Stock 2013, the only dilution on the net asset value is those share options that have been issued to certain employees of the Manager.

substantial shareholders

As at 31 January 2019, the following interests in the Ordinary Shares of the Company which exceed 3% of the issued share capital had been notified to the Company:

	Number of Ordinary Shares	% of issued share capital
Christopher Mills	3,666,000	25.41
CG Asset Management Limited	1,116,363	7.79
Butterfield Trust (Bermuda) Limited	828,270	5.78
Rathbone Brothers Plc	789,405	5.51
Old Mutual Plc	754,038	5.26

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

The Chairman and other members of the Board recommend that the Directors retiring be re-elected. The Chairman has confirmed that all Directors retiring have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and in his view continue to responsibly fulfil their functions. The rest of the Board have evaluated the performance of the

Chairman and have confirmed that they are satisfied that his performance remains effective and that he has demonstrated commitment to his role and they therefore recommend his re-election at the forthcoming Annual General Meeting. The Chairman has confirmed that he has no other significant commitments that would impact on his role as Chairman of the Company.

directors' interests

The interests of the Directors as notified to the Company, including those of their connected persons, in the Ordinary Shares of the Company as at 31 January 2019 and 31 January 2018 were as follows:

	31 January 2019 5p Ordinary Shares	31 January 2018 5p Ordinary Shares
Peregrine Moncreiffe	**417,640**	417,640
Christopher Mills	**3,666,000**	3,664,000
Christopher Mills (non-beneficial)	**355,740**	355,740
Kristian Siem (resigned 26 June 2018)	**N/A**	N/A
Lord Howard of Rising	**5,000**	5,000
G Walter Loewenbaum	**15,000**	15,000
Sir Charles Wake (appointed 27 June 2018)	**–**	–

There have been no changes to the above interests between 31 January 2019 and the date of this report.

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

Save as disclosed, no Director was party to or had any interest in any contract or arrangement with the Company at any time during the year.

significant agreements

The Company is required to disclose details of any agreement that it considers to be essential to the business. Pursuant to the Sub Advisory, Administration and Transmission Services Agreement dated 15 June 2016, Harwood Capital LLP provides administration services to the Company. This is considered by the Board to be a significant agreement.

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

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

related party transactions

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

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

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

institutional investors – use of voting rights

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

donations

The Company does not make any political or charitable donations.

post balance sheet events

There have been no significant events since the balance sheet date other than those highlighted in this Annual Report.

creditors' payment policy

It is the Company's policy to settle investment transactions according to the settlement periods operating for the relevant markets. For other creditors, it is the Company's policy to pay amounts due to them as and when they become due. All supplier invoices received by 31 January 2019 had been paid (31 January 2018 – all supplier invoices paid).

auditors

Resolutions to reappoint KPMG LLP as the Company's auditors and to authorise the Board to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

going concern

The Company's assets comprise readily realisable securities which can be sold to meet funding commitments if necessary and it also has sufficient cash reserves so the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. They have, therefore, adopted the going concern basis in preparing these financial statements.

additional disclosures

The following further information is disclosed in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:

- the Company's capital structure and voting rights are summarised earlier in this report and note 11;
- details of the substantial shareholders in the Company are listed earlier in this report;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed earlier in this report;
- amendment of the Company's Articles of Association and powers to issue on a pre-emptive basis or buy back the Company's shares requires a special resolution to be passed by the Shareholders; and
- 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.

By Order of the Board

Derringtons Limited
Company Secretary
Registered Office:
6 Stratton Street
Mayfair
London
W1J 8LD
Registered No: 1091347

20 May 2019

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

for the year ended 31 January

The Directors are responsible for preparing the Annual 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 they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 Company and of their profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, 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 corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Strategic Report and the Report of the Directors includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Peregrine Moncreiffe
Chairman

20 May 2019

statement of comprehensive income

for the year ended 31 January

	Notes	**2019** Revenue £'000	**2019** Capital £'000	**2019** Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Income	2	**11,645**	**–**	**11,645**	10,115	–	10,115
Net gains on investments at fair value	8	**–**	**31,095**	**31,095**	–	69,197	69,197
Currency exchange gains/(losses)	8	**–**	**271**	**271**	–	(769)	(769)
total income		**11,645**	**31,366**	**43,011**	10,115	68,428	78,543
Expenses							
Investment management fee	3	**(5,091)**	**(1,788)**	**(6,879)**	(4,380)	(2,749)	(7,129)
Other expenses	4	**(714)**	**–**	**(714)**	(586)	–	(586)
return before taxation		**5,840**	**29,578**	**35,418**	5,149	65,679	70,828
Taxation	6	**–**	**–**	**–**	(11)	–	(11)
return for the year		**5,840**	**29,578**	**35,418**	5,138	65,679	70,817
basic earnings per ordinary share	7	**40.59**	**205.57**	**246.16**	35.62	455.29	490.91
diluted earnings per ordinary share	7	**40.53**	**205.27**	**245.80**	35.61	455.19	490.80

The total column of the statement is the Statement of Comprehensive Income of the Company, prepared in accordance with IFRS, as adopted by the European Union. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

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

There is no other comprehensive income, and therefore the return for the year is also the comprehensive income.

The notes form part of these financial statements.

statement of changes in equity
for the year ended 31 January

	Share Capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
2019							
31 January 2018	**721**	**55**	**1,301**	**498,123**	**149**	**(926)**	**499,423**
Total comprehensive income for the year	**–**	**–**	**–**	**29,578**	**–**	**5,840**	**35,418**
Shares purchased for cancellation	**(5)**	**–**	**–**	**(2,920)**	**5**	**–**	**(2,920)**
Share options discharge	**–**	**(31)**	**–**	**(465)**	**–**	**–**	**(496)**
31 January 2019	**716**	**24**	**1,301**	**524,316**	**154**	**4,914**	**531,425**

	Share Capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
2018							
31 January 2017	721	55	1,301	432,444	149	(6,064)	428,606
Total comprehensive income for the year	–	–	–	65,679	–	5,138	70,817
31 January 2018	721	55	1,301	498,123	149	(926)	499,423

The notes form part of these financial statements.

balance sheet
as at 31 January

	Notes	**31 January 2019 £'000**	31 January 2018 £'000
non current assets			
Investments at fair value through profit or loss	8	**500,696**	488,912
		500,696	488,912
current assets			
Trade and other receivables	9	**19,623**	3,943
Cash and cash equivalents		**30,669**	10,653
		50,292	14,596
total assets		**550,988**	503,508
current liabilities			
Trade and other payables	10	**(19,563)**	(4,085)
total liabilities		**(19,563)**	(4,085)
total assets less current liabilities		**531,425**	499,423
net assets		**531,425**	499,423
represented by:			
Share capital	11	**716**	721
Share options reserve		**24**	55
Share premium account		**1,301**	1,301
Capital reserve		**524,316**	498,123
Capital redemption reserve		**154**	149
Revenue reserve		**4,914**	(926)
total equity attributable to equity holders of the company		**531,425**	499,423
net asset value per ordinary share:			
Basic	7	**3,710p**	3,462p
Diluted	7	**3,708p**	3,458p

These financial statements were approved and authorised for issue by the Board of Directors on 20 May 2019 and signed on its behalf by:

The notes form part of these financial statements.

Peregrine Moncreiffe, Chairman

Company Registered Number: 1091347

cash flow statement

for the year ended 31 January

	Notes	**2019** **£'000**	2018 £'000
cash flows from operating activities			
Investment income received		**9,002**	7,023
Deposit interest received		**15**	5
Other income		**–**	192
Investment Manager's fees paid		**(7,686)**	(4,398)
Share based payment – discharge of options		**(496)**	
Other cash payments		**(826)**	(653)
cash generated from operations	12	**9**	2,169
Taxation paid		**–**	(11)
net cash inflow from operating activities		**9**	2,158
cash flows from investing activities			
Purchases of investments		**(358,127)**	(431,754)
Sales of investments		**380,966**	428,896
net cash inflow/(outflow) from investing activities		**22,839**	(2,858)
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation		**(2,920)**	–
net cash outflow from financing activities		**(2,920)**	–
increase/(decrease) in cash and cash equivalents for the year		**19,928**	(700)
Revaluation of foreign currency balances		**88**	(476)
cash and cash equivalents at the end of the year	13	**30,669**	10,653

The notes form part of these financial statements.

notes to the financial statements

1 accounting policies

NASCIT is a listed public company incorporated and registered in England and Wales. The registered office of the Company is 6 Stratton Street, Mayfair, London W1J 8LD. The principal activity of the Company is that of an investment trust company within the meaning of sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

a) basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS as adopted by the European Union which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and as applied in accordance with the provisions of the Companies Act 2006. The annual financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement.

The functional currency of the Company is Pounds Sterling because this is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in Pounds Sterling rounded to the nearest thousand, except where otherwise indicated.

b) going concern

The financial statements have been prepared on a going concern basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, being a period of at least 12 months from the date these financial statements were approved. Furthermore, the Directors are not aware of any material uncertainties that may cast doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, debt and investment commitments. Therefore, the financial statements have been prepared on a going concern basis.

c) segmental reporting

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

d) accounting developments

In the current year, the Company has applied a number of amendments to IFRS, issued by the IASB mandatorily effective for an accounting period that begins on 1 January 2018. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The Company has also applied, with associated amendments, for the first time the following standards:

- IFRS 2 Share based payments (amendments);
- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The assessment of the impact of the adoption of these standards is set out below:

IFRS 2 Share based Payments has been amended to clarify the classification and measurement of share based payments. Details of the accounting policy are set out in note 5.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets, and replaces the multiple classification and measurement models in IAS 39. The financial instruments are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company consistent with prior periods.

The other receivables and prepayment are accounted for at amortised cost meeting the criteria for classification in IFRS 9, hence there has been no change in the accounting for these assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as in the case of IAS39 applicable to all financial assets.

IFRS 15 specifies how and when revenue is recognised and enhances disclosures. Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard will not have a material impact. There are no changes in the methodology of accounting for investment income and other income is recognised when the amounts fall due, both consistent with prior periods. The application of IFRS 9 the changes in fair value of financial assets through profit or loss do not fall within the scope of IFRS15.

The adoption of these has not had any material impact on these financial statements.

e) critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

In order to value the unquoted investments, there are a number of valuation techniques that can be used. Judgement is used to determine the best methodology to obtain the most accurate valuation.

The Board of Directors has assessed the Company as meeting the definition of an investment entity within IFRS 10 Consolidated Financial Statements requirements. The Company is required to measure the subsidiaries at fair value through profit or loss rather than consolidate the entities. The details are set out in note 8.

Further to the above there were no accounting estimates or significant judgements in the current period that have had a material impact upon the financial statements.

f) investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The Company classifies its investments based on their contractual cash flow characteristics and of the Company's business model for managing the assets. The business model, which is the determining feature, is such that the portfolio of investments is managed, performance and risk is evaluated on a fair value basis. Consequently, all investments are designated as at fair value through profit or loss.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or the closing price for Stock Exchange Electronic Trading Service – quotes and crosses ('SETSqx'). The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of consideration received and receivable and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

Fair values for unquoted investments, or investments for which the market is inactive, are established by using (the "IPEV") various valuation techniques in accordance with the International Private Equity and Venture Capital Valuation guidelines. These may include recent arm's length market transactions, the current fair value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such instruments, they are carried at cost subject to any provision for impairment.

Gains and losses arising from changes in fair value are included in the total return as a capital item. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a sale or purchase is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments for which a fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy levels set out in note 14.

g) foreign currency translation

Transactions in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of the transaction. Items that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is capital or revenue in nature.

h) cash and cash equivalents

Cash comprises cash in hand, overdrafts and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

i) other receivables and payables

Trade receivables and trade payables are measured at amortised cost and balances revalued for exchange rate movement.

j) income

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis. Dividends from overseas companies are shown gross of any withholding taxes which are disclosed separately in the Statement of Comprehensive Income.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as capital or revenue receipt, the Board reviews all relevant information as to the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted on a time-apportioned accruals basis and is recognised in the Statement of Comprehensive Income.

k) expenses and finance costs
All expenses are accounted on an accruals basis and are allocated to wholly to revenue with the exception of the Performance Fees which are allocated wholly to capital, as the fee payable by reference to the capital performance of the Company.

Expenses incurred in shares purchased for cancellation are charged to the capital reserve through the Statement of Changes in Equity.

l) share based payments
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.

Where the share options are discharged this is released to the Share Options Reserve.

In accordance with the IFRS 2: Share Based Payments where there is a change in value this is recognised immediately.

m) taxation
The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with recommendations of the SORP, the allocation method used to calculate the tax relief expenses charged to capital is the ‘marginal’ basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

n) dividends payable to shareholders
Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

o) share capital and reserves
Share Capital: Represents the nominal value of equity shares.

Share Options Reserve: 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: The account represents the accumulated premium paid for shares issued in previous periods above their nominal value less issue expenses.

Capital Reserve: The following items are taken to this reserve:

- realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items;
- performance fee costs; and
- Ordinary Shares repurchased for cancellation.

Capital Redemption reserve: The amount by which the share capital has been reduced, equivalent to the nominal value of the Ordinary Shares repurchased for cancellation.

Revenue reserves: Represents the surplus of accumulated revenue profits being the excess of income derived from holding investments less the costs associated with running the Company. This reserve may be distributed by way of dividends.

2 income

	2019 £'000	2018 £'000
income from investments		
Dividend income	**5,646**	4,426
Unfranked investment income		
– interest	**2,476**	3,077
– interest reinvested	**3,500**	2,450
	11,622	9,953
other income		
Interest receivable	**15**	5
Net return from Subsidiary	**7**	82
Realised gains on income	**1**	–
Sundry income received	**–**	75
	23	162
Total income	**11,645**	10,115
total income comprises		
Dividends	**5,646**	4,426
Interest	**5,991**	5,532
Other income	**8**	157
	11,645	10,115
income from investments		
Listed UK	**5,646**	4,350
Other listed	**–**	76
Other unquoted	**5,976**	5,527
	11,622	9,953

3 investment management fee

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

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

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

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

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

	2019			2018		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Annual fee	**5,091**	**–**	**5,091**	4,380	–	4,380
Performance Fee	**–**	**1,743**	**1,743**	–	2,560	2,560
Irrecoverable VAT thereon	**–**	**45**	**45**	–	189	189
	5,091	**1,788**	**6,879**	4,380	2,749	7,129

At 31 January 2019, £255,000 was payable to Harwood Capital LLP in respect of outstanding management fees (2018: £219,000). At 31 January 2019, there was £1,743,000 payable to GFS in respect of outstanding performance fees (2018: £2,560,000) net of VAT.

4 other expenses

	2019 £'000	2018 £'000
Auditor's remuneration (see below)	**57**	53
Directors' fees (see below)	**130**	130
Administration fee (see note 3)	**263**	243
Other expenses	**264**	160
	714	586

	2019 £'000	2018 £'000
auditors' remuneration		
Fees payable to Auditor for audit	**57**	53
	57	53

	2019 £'000	2018 £'000
directors' remuneration		
a) Directors Fees		
Peregrine Moncreiffe (Chairman)	**30**	30
Kristian Siem	**10**	25
Enrique Foster Gittes	**–**	21
Lord Howard of Rising	**25**	25
Christopher Mills	**25**	25
G Walter Loewenbaum	**25**	4
Christopher Wake	**15**	–
	130	130
b) Other fees		
Performance fee (net of VAT)*	**1,743**	2,560
Investment management and related fees*	**2,037**	1,752

	3,780	4,442

* Payable to GFS.

5 share based remuneration

A list of the Options in issue are shown below;

No. of options at 1 February 2018	**Year of grant**	**Discharged during the year**	**Grant of options during the year**	**Price**	**No. of Options at 31 January 2019**
10,000	**2011**	**nil**	**nil**	**1,467.71**	**10,000**
20,000	**2012**	**20,000**	**nil**	**1,396.24**	**nil**

Further details of Options are disclosed in note 11.

On 14 July 2011, Christopher Mills was granted 420,000 share options under the NASCIT 2011 Executive Share Option Scheme at an exercise price of 1,467.71p per share. A further 10,000 options were granted to an eligible employee of Harwood Capital LLP. Christopher Mills discharged his share of these options on 23 October 2014. The remaining 10,000 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. 10,000 options were discharged on 31 May 2015 with the remaining 20,000 options being discharged on 23 October 2018.

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.Jul.11	09.Jul.12
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 [(prior to any options discharged)]:

- 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. As at 31 January 2019 and 2018 there was no accounting charge as the vesting period has expired.

At the date of this report there were a total of 10,000 options in issue with an estimated fair value at the date of grant of £24,000.

6 taxation on ordinary activities

	2019 Total £'000	2018 Total £'000
Withholding tax	–	11
	–	11

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 19%. The differences are explained below.

	2019 Total £'000	2018 Total £'000
Total return before taxation	**35,418**	70,828
Theoretical tax at UK Corporation tax rate of 19% (2018: 19.17%)	**6,729**	13,578
Effects of:		
Non taxable capital return	**(5,959)**	(13,118)
UK and overseas dividends which are not taxable	**(1,073)**	(848)
Subsidiary return which is not taxable	**(1)**	(16)
Withholding tax	–	11
Decrease in tax losses, disallowable expenses and excess management expenses	**340**	404
Actual current tax charge	–	11

Factors that may affect future tax charges:

As at 31 January 2019, the Company has tax losses of £60,540,000 (2018: £56,079,000) that are available to offset future taxable revenue, comprising excess management expenses of £51,545,000, a non-trade loan relationship deficit of £8,995,000 and a trade loss of £nil (2018: excess management expenses of £47,308,000, a non-trade loan relationship deficit of £8,771,000 and a trade loss of £nil). 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.

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

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

a) 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
2019									
Basic return per Share	**5,840**	**14,388,359**	**40.59**	**29,578**	**14,388,359**	**205.57**	**35,418**	**14,388,359**	**246.16**
Share options*	–	**20,895**		–	**20,895**		–	**20,895**	
Diluted return per Share	**5,840**	**14,409,254**	**40.53**	**29,578**	**14,409,254**	**205.27**	**35,418**	**14,409,254**	**245.8**

	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
2018									
Basic return per Share	5,138	14,425,620	35.62	65,679	14,425,620	455.29	70,817	14,425,620	490.91
Share options*	–	3,324		–	3,324		–	3,324	
Diluted return per Share	5,138	14,428,944	35.61	65,679	14,428,944	455.19	70,817	14,428,944	490.80

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

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

b) net asset value per ordinary share:

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

2019		**Net assets £'000**	**Number of Ordinary Shares**	**Net asset value per Share**
Ordinary Shares	**– Basic**	**531,425**	**14,325,620**	**3,710p**
	– Diluted	**531,572**	**14,335,620**	**3,708p**
Ordinary Shares*	**– Basic**	**540,920**	**14,325,620**	**3,776p**
	– Diluted	**541,067**	**14,335,620**	**3,774p**

2018		Net assets £'000	Number of Ordinary Shares	Net asset value per Share
Ordinary Shares	– Basic	499,423	14,425,620	3,462p
	– Diluted	499,849	14,455,620	3,458p
Ordinary Shares*	– Basic	509,128	14,425,620	3,529p
	– Diluted	509,554	14,455,620	3,525p

* Adjusted for Oryx using equity accounting.

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 10,000 (2018: 30,000) Share Options were exercised at the prevailing exercise prices, giving a total of 14,335,620 issued Ordinary Shares (2018: 14,455,620).

The Company has also reported an adjusted net asset value per share, in accordance with its previous method of valuing its investment in Oryx. The Company has chosen to report this net asset value per share to show the difference derived if equity accounting was used. Equity accounting permits the use of net asset value pricing for listed assets, which in the case of Oryx, is higher than its fair value.

The values of Oryx, as at each year end, are as follows:

	2019 £'000	2018 £'000
Oryx at Fair value (traded price) using IFRS 10	**57,776**	55,663
Oryx value using Equity Accounting	**67,270**	65,368
Increase in net assets using Equity Accounting	**9,494**	9,705

8 investments at fair value through profit or loss

a) investments at fair value through profit or loss

	2019 £'000	2018 £'000
Quoted at fair value:		
United Kingdom	**281,795**	283,171
Overseas	**15,677**	14,726
Total quoted investments	**297,472**	297,897
Treasury bills at fair value	**90,893**	95,612
Unquoted and loan stock at fair value	**112,331**	95,403
Investments at fair value through profit or loss	**500,696**	488,912

2019	**Listed equities £'000**	**AIM quoted £'000**	**Unquoted equities £'000**	**Loan stocks £'000**	**Treasury Bills £'000**	**Total £'000**
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2018	**67,505**	**88,368**	**35,815**	**33,447**	**100,480**	**325,615**
Opening unrealised appreciation/(depreciation)	**130,168**	**11,856**	**26,756**	**(615)**	**(4,868)**	**163,297**
opening valuation as at 1 February 2018	**197,673**	**100,224**	**62,571**	**32,832**	**95,612**	**488,912**
Movements in year:						
Transfer	**(2)**	**2**	**(3,584)**	**3,584**	**–**	**–**
Purchases at cost	**39,085**	**31,190**	**11,808**	**23,020**	**310,956**	**416,059**
Sales – proceeds	**(67,016)**	**(15,238)**	**(13,414)**	**(16,433)**	**(323,269)**	**(435,370)**
– realised gains on sales	**35,785**	**22**	**12,045**	**1,110**	**4,732**	**53,694**
(Decrease)/increase in appreciation on assets held	**(30,706)**	**6,453**	**(2,097)**	**889**	**2,862**	**(22,599)**
closing valuation as at 31 January 2019	**174,819**	**122,653**	**67,329**	**45,002**	**90,893**	**500,696**
Closing bookcost as at 31 January 2019	**75,357**	**104,344**	**42,670**	**44,728**	**92,899**	**359,998**
Closing unrealised appreciation/(depreciation)	**99,462**	**18,309**	**24,659**	**274**	**(2,006)**	**140,698**
	174,819	**122,653**	**67,329**	**45,002**	**90,893**	**500,696**

2018	Listed equities £'000	AIM quoted £'000	Unquoted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2017	48,538	44,182	32,477	57,317	118,221	300,735
Opening unrealised appreciation/(depreciation)	68,675	7,087	37,505	2,090	(1,474)	113,883
opening valuation as at 1 February 2017	**117,213**	**51,269**	**69,982**	**59,407**	**116,747**	**414,618**
Movements in year:						
Transfer	1,922	–	5,338	(7,260)	–	–
Purchases at cost	37,252	56,565	16,371	12,430	327,985	450,603
Sales – proceeds	(44,087)	(19,632)	(14,840)	(29,067)	(337,880)	(445,506)
– realised gains/(losses) on sales	23,880	7,253	(3,531)	27	(7,846)	19,783
Increase/(decrease) in appreciation on assets held	61,493	4,769	(10,749)	(2,705)	(3,394)	49,414
closing valuation as at 31 January 2018	**197,673**	**100,224**	**62,571**	**32,832**	**95,612**	**488,912**
Closing bookcost as at 31 January 2018	67,505	88,368	35,815	33,447	100,480	325,615

Closing unrealised appreciation/(depreciation)	130,168	11,856	26,756	(615)	(4,868)	163,297
	197,673	**100,224**	**62,571**	**32,832**	**95,612**	**488,912**

	2019 £'000	2018 £'000
analysis of capital gains and losses		
Gains on sales	**53,694**	19,783
Unrealised (losses)/gains	**(22,599)**	49,414
gains on investments at fair value	**31,095**	69,197

	2019 £'000	2018 £'000
Exchange gains/(losses) on capital items	**183**	(293)
Exchange gains/(losses) on capital items and currency	**88**	(476)
exchange gains/(losses)	**271**	(769)

	2019 £'000	2018 £'000
Portfolio analysis		
Equity shares	**360,368**	354,184
Convertible preference securities	**4,433**	6,284
Fixed interest securities	**45,002**	32,832
Treasury Bills	**90,893**	95,612
	500,696	488,912

b) subsidiary undertakings

At 31 January 2019 the Company has the following Subsidiaries:

Subsidiary	Principal activity	Equity held	Country of registration
Consolidated Venture Finance Limited*	Investment entity	100.0%	England and Wales
Hampton Investment Properties Limited	Property investment	70.8%	England and Wales
Harwood Leeds Property	Property investment	100.0%	England and Wales
Oryx International Growth Fund Limited	Investment company	51.9%	Guernsey
Performance Chemical Company	Oil field service company	53.1%	United States of America

These subsidiaries were active during the year.

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

assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 Consolidated Financial Statements, are required to measure their subsidiaries at fair value through profit or loss rather than consolidate the entities. The criteria which define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

Following the adoption of IFRS 10 amendments effective for periods starting after 1 January 2016, all investments are now recognised at fair value through profit or loss, including those investments that had previously been consolidated.

The Company has only one subsidiary, CVF, which had been consolidated under IAS 27 previously and is now included at fair value through profit or loss. Had the Company consolidated CVF the Group accounts would be identical to the Company only accounts, with the exception of the following immaterial historical differences.

Bookcost: there would be a difference between the Company's carried forward bookcost of £359,998,000 with the Group's carried forward bookcost due to an historical sale from CVF to NASCIT. Had the accounts been consolidated the Group's carried forward bookcost would have been £359,956,000.

Capital and revenue reserves: there would be differences between the Company's carried forward capital and revenue reserves (£524,316,000 and £4,914,000, respectively) with the Group's carried forward capital and revenue reserves due to historical CVF transactions. Had the accounts been consolidated the Group's carried forward capital and revenue reserves would have been positive £524,669,000 and £4,516,000, respectively.

c) significant holdings

At the year-end, the Company held 20% or over of the aggregate nominal value of voting equity of the following companies:

Company and address of principal business	**Country of incorporation and registration**	**Year end**	**Capital and reserves £'000**	**Revenue reserves for the last financial year £'000**	**Company holding 31 January 2019 %**	Company holding 31 January 2018 %
AssetCo plc Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire NP25 5JA	England and Wales	30 September 2017	29,970,000	1,419,000	28.63	28.63
Consolidated Venture Finance Limited 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 January 2018	(745,000)	(745,000)	100.00	100.00
EKF Diagnostics Holdings plc Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ	England and Wales	31 December 2017	81,380,000	10,299,000	21.58	21.42
Hampton Investment Properties Limited 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2016	12,530,826	(644,891)	70.81	70.81
Harwood Leeds Property 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 August 2018	9,433,473	(82,499)	100.00	100.00
Harwood Private Equity Fund IV LP 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2017	109,184,284	1,382,625	26.28	26.23
Oryx International Growth Fund Limited BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA	Guernsey	31 March 2017	125,241,513	10,530,176	51.86	50.28
Performance Chemical Company 9105 W Interstate 20 Midland TX 79706	United States of America	30 September 2017	$12,218,258	$347,503	53.12	53.10
Ten Entertainment Group Plc Head Office, Tenpin Ltd, Aragon House, Bedford, MK43 OEQ	England and Wales	31 December 2017	54,908,000	10,669,000	23.08	30.77
Trident Private Equity Fund III LP	England and Wales	31 December 2017	17,451,554	81,135	38.72	38.76

6 Stratton Street, Mayfair, London W1J
8LD

All the investments detailed above have not been consolidated into the financial statements due to the Company meeting the definition of an investment entity under IFRS 10 and therefore these investments are included at fair value through profit and loss.

d) investments in US treasury bills

At 31 January 2019, the Company held US Treasury Bills with a market value of £90,893,000 (2018: £95,612,000).

e) transaction costs

During the year, the Company incurred total transaction costs of £226,000 (2018: £399,000) comprising £68,000 (2018: £271,000) and £158,000 (2018: £128,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Statement of Comprehensive Income.

f) material disposals of unlisted investments in the year:

Security Name	Proceeds £'000	Bookcost £'000	Gain/(loss) £'000	Carrying value at 31 January 2018 £'000
Trident Private Equity Fund III	10,777	1,024	9,753	16,621
Jaguar Holdings, Loan Notes	4,742	4,737	5	4,219
Coventbridge Loan Notes	7,110	7,110	–	5,626
Sherwood Holdings PIK Loan Notes	1,966	1,966	–	n/a
Curtis Gilmore Equipment Loan Notes	5,225	4,121	1,104	4,306
Curtis Gilmore Equipment Common Stock	1,878	6	1,872	2,011
Curtis Gilmore Equipment Non-Div Redeemable Pref	407	339	68	365

The information on exit strategy for the invested companies is confidential and in most cases the likely exit is a sale to a trade or financial buyer at an uplifted multiple on increased profits.

9 trade and other receivables

	2019 £'000	2018 £'000
Amounts due from brokers	**17,103**	–
Amounts owed by Subsidiary	**89**	82
Accrued income	**542**	1,422
Other debtors	**959**	926
Recoverable withholding tax	**930**	1,513
	19,623	3,943

10 trade and other payables

	2019 £'000	2018 £'000
Investment Manager's fees	**255**	219
Performance fees	**2,091**	3,071
Amounts due to brokers	**16,988**	623
Other creditors and accruals	**229**	172
	19,563	4,085

11 share capital

	2019 Number	**2019 £'000**	2018 Number	2018 £'000
– authorised:				
Ordinary Shares of 5p:	**27,000,000**	**1,350**	27,000,000	1,350

– issued and fully paid:				
Ordinary Shares of 5p:				
Balance at beginning of year	**14,425,620**	**721**	14,425,620	721
Cancellation of shares	**(100,000)**	**(5)**	–	–
Balance at end of year	**14,325,620**	**716**	14,425,620	721

Since 31 January 2019, no Ordinary Shares have been purchased by the Company for cancellation. As at the date of this report, the Company's issued share capital consists of 14,325,620 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 10,000 (2018: 30,000) remaining, details of which are given in note 5 above.

12 reconciliation of total return before taxation to cash generated from operations

	2019	2018
	£'000	£'000
Total return before taxation	**35,418**	70,828
Gains on investments	**(31,366)**	(68,428)
Dividends and interest reinvested	**(3,500)**	(2,450)
Share option discharge	**(496)**	–
Movement in provision for subsidiary	**(7)**	(82)
Increase/(decrease) in debtors and accrued income	**847**	(804)
(Decrease)/increase in creditors and accruals	**(887)**	3,105
Cash generated from operations	**9**	2,169

13 analysis of net cash and net debt

net cash	At 1 February 2018	Cash flow	Exchange movement	**At 31 January 2019**
	£'000	£'000	£'000	**£'000**
Cash and cash equivalents	10,653	19,928	88	**30,669**

14 financial instruments and risk profile

During the year, the Board has undertaken a review of the risks facing the Company. An explanation of the Company's financial risk management objectives, policies and strategy can be found in the Strategic Report in the Annual Report.

The Company's financial instruments comprise its investment portfolio, cash balances, loan stock and trade receivables and trade payables that arise directly from its operations. Note 1 above 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.

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

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

The Company Secretary in close co-operation with the Board of Directors and the Manager, co-ordinates the Company'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 Company 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 prior year. The Manager assesses the exposure to market risk when making each investment decision and monitor the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

currency risk

The Company's total return and net assets can be materially affected by currency translation movements as a significant proportion of the Company's assets are denominated in currencies other than Sterling, which is the Company's functional currency. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. The Manager seeks, when deemed appropriate, to manage exposure to currency movements on borrowings by using forward foreign currency contracts as a hedge against potential foreign currency movements. At 31 January 2019, the Company had no open forward currency contracts (2018: none).

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

Foreign currency exposure by currency of denomination:

	31 January 2019			31 January 2018		
	Overseas investments £'000	**Net monetary assets £'000**	**Total currency exposure £'000**	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
US Dollar	**141,873**	**2,410**	**144,283**	150,273	4,614	154,887
Euro	**6,981**	**–**	**6,981**	–	–	–
	148,854	**2,410**	**151,264**	150,273	4,614	154,887

Sensitivity analysis is based on the Company'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 2018.

	31 January 2019		31 January 2018	
	10% weakening £'000	**10% strengthening £'000**	10% weakening £'000	10% strengthening £'000
US Dollar	**16,031**	**(13,117)**	17,210	(14,081)
Euro	**776**	**(635)**	–	–
	16,807	**(13,752)**	17,210	(14,081)

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 Company's objectives.

interest rate risk

Interest rate movements may affect;

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

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

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

The Company 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 Company's Shareholders and total profit.

other price risk

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

The Company's exposure to price risk comprises mainly movements in the value of the Company'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 Company's investment portfolio analysed by sector as set out earlier in the Report.

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

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

The Company's exposure to other changes in market prices at 31 January 2019 on its quoted and unquoted investments and options on investments was as follows:

	2019 **£'000**	2018 £'000
Financial assets at fair value through profit or loss		
– Non current investments at fair value through profit or loss	**500,696**	488,912

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

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

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

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

The table below shows how the most significant unquoted investments have been valued as at 31 January 2019.

	Method of fair value valuation	**2019 fair value GBP £'000**	2018 fair value GBP £'000
Harwood Private Equity IV LP	Net Assets	**31,569**	14,503
Sherwood Holdings – Loan	Cost	**17,131**	15,165
Performance Chemical Company Ordinary	Valuation Multiple	**13,815**	12,776
Harwood Leeds Property	Fair Value	**9,516**	3,584
Coventbridge Group – Loan	Cost	**7,604**	5,626
Pelsis Holding (Hamsard 3468) – A1 Loan Notes	Cost	**2,780**	n/a
Pelsis Holding (Hamsard 3468) – A2 Loan Notes	Cost	**4,169**	n/a
Pelsis Holding (Hamsard 3468) – A4 Ordinary shares	Cost	**32**	n/a
Trident Private Equity Fund III LP	Net Assets	**6,339**	16,261
Jaguar Holdings – Preferred	Valuation Multiple	**2,167**	2,004

Jaguar Holdings – Ordinary	Valuation Multiple	**3,042**	422
Viking Investments	Cost	**4,411**	4,411
Utitec Holdings	Cost	**3,802**	3,516
GAJV Holdings – Ordinary shares	Valuation Multiple	**–**	215
GAJV Holdings – CD	Cost	**1,142**	250
GAJV Holdings – Preferred	Cost	**404**	2,650
WEP Superior Industrial Maintenance Co	Cost	**1,521**	n/a
Hampton Investment Properties Limited	Cost	**995**	995
		110,439	93,280

the valuation techniques applied are based on the following assumptions:

Unquoted investments are usually valued by reference to the valuation multiples of similar listed companies or from transactions of similar businesses. Where appropriate discounts are then applied to those comparable multiples to reflect difference in size and liquidity. These enterprise values are then adjusted for net debt to arrive at an equity valuation. Where companies are in compliance with the loan note terms these loans are generally held at par plus accrued interest (where applicable) unless the enterprise value suggests that the debt should be adjusted.

Further detail on the valuation of significant investments, are detailed below:

Trident Private Equity Fund III LP (TPE3) and Harwood Private Equity IV LP (HPE4)

Held at net asset value, derived from the audited financial statements of the Funds, as the underlying investments within TPE3 and HPE4 are valued on a fair value basis. The Directors believe that the movement between the Funds' measurement dates and the reporting dates are not material. As the funds have no debts, a change of 10% in the underlying assets would have a 10% impact on the Funds' carrying value.

Performance Chemical Company – Ordinary Shares, Preferred Shares, Loan

The enterprise value is calculated based on an EBITDA multiple of 6.9x. A reduction in the multiple by a factor of 1x would reduce the carrying value of the total investment by US$3.0 million, or -16%. An increase in the multiple by a factor of 1x would increase the value of the total investment by US$3.0 million, or 16%. The preference shares are held at cost.

Coventbridge Group – Loan

The loan is held at par plus accrued interest.

Sherwood Holdings Limited – Loan

The loan is held at par plus accrued interest on a semi-annual basis.

Harwood Leeds Property

The investment has been valued at the equity cost (£9.45m) with the underlying properties valued by an independent valuer (Savills plc) at £17.25m. The valuation of the properties represents fair value taking into consideration the transaction cost, market conditions and the pricing risks. A 5% decrease in the market value of the properties would decrease the investment value by £0.8625m or 9%, once debt is deducted.

Management have performed other assessments, including multiples and nets assets and concluded that the fair value derived from those methods is not significantly different from costs.

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

	2019		2018	
	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	**50,070**	**(50,070)**	48,891	(48,891)

(ii) liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company invests in equities and other investments that are readily realisable. It also invests in unquoted securities, which are less readily marketable than equities. These investments are monitored by the Board on regular basis.

The majority of the Company's cash is held in short-term Treasury Bills, which are highly liquid. As a consequence, the Company could access in excess of £91 million based on current exchange rates, within one week.

(iii) credit risk

Other than its investment in government gilts, the Company 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 Company'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:

	2019 £'000	2018 £'000
financial assets neither past due or impaired		
Fixed income securities	**45,002**	32,832
Preference shares	**4,433**	6,284
Treasury Bills	**90,893**	95,612
Accrued income and other debtors	**19,623**	3,943
Cash and cash equivalents	**30,669**	10,653
	190,620	149,324

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 2019.

fair value of financial assets and financial liabilities

The fair value for each class of financial assets and liabilities of the Company, 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 2019		31 January 2018	
	Fair value £'000	**Balance Sheet value £'000**	Fair value £'000	Balance Sheet value £'000
financial assets				
Financial assets at fair value through profit or loss				
– Non current assets	**500,696**	**500,696**	488,912	488,912
Loans and receivables				
– Cash and cash equivalents	**30,669**	**30,669**	10,653	10,653

	531,365	**531,365**	499,565	499,565

There have been no financial liabilities in the financial year's ending 31 January 2019 and 31 January 2018.

fair values are derived as follows:

– Where assets and liabilities are denominated in a foreign currency, they are converted into Sterling using year-end rates of exchange.
– Non current financial assets (non current and held for trading) – as set out in the accounting policies.
– Cash and cash equivalents, bank overdraft and bank loans – at face value of the account.

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

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

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

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). See note 1e) for details on how the value of level 3 investments are calculated.
  The Company's main unobservable inputs are earnings multiples, recent transactions and net asset basis. The market value would be sensitive to movements in these unobservable inputs. Movements in these inputs, individually or in aggregate could have a significant effect on the market value. The effect of such a change or a reasonable possible alternative would be difficult to quantify as such data is not available.

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

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

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

financial assets at fair value through profit or loss
At 31 January 2019

	Total	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**

Equity investments	**364,801**	**297,472**	**–**	**67,329**
Fixed interest investments	**135,895**	**90,893**	**–**	**45,002**
Total	**500,696**	**388,365**	**–**	**112,331**

At 31 January 2018

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	360,468	297,897	–	62,571
Fixed interest investments	128,444	95,612	–	32,832
Total	488,912	393,509	–	95,403

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

level 3 financial assets at fair value through profit or loss

group and company

At 31 January 2019

	Total £'000	**Equity investments £'000**	**Fixed interest investments £'000**
Opening Balance	95,403	62,571	32,832
Purchases	34,828	11,808	23,020
Sales	(29,847)	(13,414)	(16,433)
Transfer†	–	(3,584)	3,584
Total gains/(losses) included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	13,155	12,045	1,110
– on assets held at the end of the year	(1,208)	(2,097)	889
Closing balance	**112,331**	**67,329**	**45,002**

†Harwood Private Equity became a loan 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:

	2019 £'000	2018 £'000
Debt	**–**	–
Equity		
Equity share capital	**716**	721
Retained earnings and other reserves	**530,709**	498,702
	531,425	499,423
Debt as a % of net assets	**0.0%**	0.0%

capital management policies and procedures

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

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

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

15 related party transactions

Harwood Capital LLP is regarded as a related party of the Company due to Christopher Mills, the Company's Chief Executive and Investment Manager being a member of Harwood Capital LLP until 9 June 2015 and the ultimate beneficial owner. Harwood Capital LLP acts as Investment Manager or Investment Adviser of the following companies in which the Company has an investment and from which companies it receives fees or other incentives for its services:

	Services	Fees
Oryx International Growth Fund Limited	Investment Advisory	£1,688,648
Trident Private Equity III LP	Investment Advisory	£200,348
Harwood Private Equity IV LP	Investment Advisory	£3,050,000

The amounts payable to the Manager are disclosed in note 3. The relationships between the Company, its Directors and the Manager are disclosed in the Report of the Directors in the Annual Report.

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

disclosure of interests

Christopher Mills is also a director of the following companies in which the Company has an investment or may have had in the year and/or from which he may receive fees or hold shares: AssetCo plc, Augean plc, Bigblu Broadbank plc, Bioquell plc, Curtis Gilmour Holding Company, Goals Soccer Centres plc, M J Gleeson Group plc, Oryx, Pelsis/Hamsard, Renalytix AI Plc, Sunlink Health Systems Inc and Ten Entertainment Group plc. Employees of the Manager may hold options over shares in investee companies. A total of £306,200 in directors fees was received by Christopher Mills during the year under review.

No formal arrangements exist to avoid double charging on investments held by the Company which are also managed or advised by Christopher Mills (Chief Executive) and/or Harwood Capital LLP. Members and certain private clients of Harwood Capital LLP, and its associates (excluding Christopher Mills and his family) hold 73,343 shares in the Company (2018: 40,843).

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

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

transactions with other companies

The Company owns 100% of the £1 Ordinary Shares in CVF, and as at 31 January 2019 amounts due from CVF were £nil (2018: £nil).

Full details of related companies of the Company can be found in note 8.