

**North Atlantic Smaller Companies Investment Trust plc**

Half-Yearly Report for the six months ended 31 July 2019  
Registered in England and Wales number 1091347

## objective of the company and financial highlights

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

	<b>31 July 2019 (unaudited)</b>	31 January 2019 (audited)	% Change
Net asset value ("NAV") per 5p Ordinary Share*:			
Basic	<b>4,120p</b>	3,710p	11.1
Diluted	<b>4,118p</b>	3,708p	11.1
Basic adjusted#	<b>4,255p</b>	3,776p	12.7
Diluted adjusted#	<b>4,253p</b>	3,774p	12.7
Mid-market price of the 5p Ordinary Shares	<b>3,100p</b>	2,910p	6.5
Discount to diluted net asset value	<b>24.7%</b>	21.5%	
Discount to diluted adjusted net asset value	<b>27.1%</b>	22.9%	
Standard & Poor's 500 Composite Index†	<b>2,451.2</b>	2,062.8	18.8
Russell 2000 Index†	<b>1,295.0</b>	1,143.8	13.2
Ongoing charges (annualised)	<b>1.1%</b>	1.1%	

\* Includes current period.

# Adjusted to reflect Oryx International Growth Fund plc ("Oryx") under the equity method of accounting, which is how the Company previously accounted for its share of Oryx, prior to the adoption of IFRS 10. This is useful to the shareholder as it shows the NAV based on valuing Oryx at NAV. See note 6.

† Sterling adjusted.

## **chief executive's review**

During the six months period under review the fully diluted net asset value rose by 12.7% (with Oryx under the equity method of accounting) as compared to a rise in the Sterling Adjusted Standard & Poors Composite Index of 18.8%. The performance however compares very favourably with UK indices where the majority of the Company's assets are located.

Profit for the period amounted to £3,671,000 (31 July 2018 of £2,389,000). The Directors do not intend to declare a dividend at this time, although it is highly likely that a final dividend will be paid in respect of the current financial year.

During the period, the Company purchased for cancellation 132,863 ordinary shares at a favourable discount to NAV which benefits all long term shareholders.

### **quoted portfolio**

The majority of the UK portfolio performed well with Oryx's NAV rising 14.9% and MJ Gleeson rising 16.9%. Other stocks that performed well include Polar Capital, Ergomed, Augean and, in particular, Renalytix which rose over 100%.

This was, however, to some extent offset by the need to totally write off Goals Soccer following a fraud which adversely impacted the net asset value by just under 1%.

Principal new investments during the period were made in Stobart Group, Ergomed and Hargreaves Services.

### **US quoted portfolio**

Our two biggest investments Mountain Commerce and Ambac, both reported satisfactory results during the period but the overall portfolio remains small as a percentage of the total fund.

### **unquoted portfolio**

No new direct investments were made during the period. GAJV and Harwood Leeds were sold. The proceeds were invested in UK equities.

### **outlook**

The Company invested approximately £33m in equities during the period. All the investments were made in businesses trading at a significant discount to private market value and which it is believed will add to the net asset value over the medium term. Nevertheless, the Company remains conservatively invested with net cash of approximately £93m.

Markets as a whole are facing considerable headwinds including a major economic slowdown in Europe in its manufacturing industries and the very realistic possibility of a major China/US trade war which could also spill into Europe. MIFID 2 and a dire IPO market is creating further problems for the UK small cap sector with falling liquidity. However, given the Company's permanent capital structure and substantial cash balances, it remains well placed to benefit from the favourable opportunities which we foresee over the medium term.

**C H B Mills**

*Chief Executive*

16 September 2019

**top ten investments***as at 31 July 2019***Company**

		Fair Value £'000	% of net assets
US Treasury Bills	US Treasury Stock	82,249	14.1
Oryx International Growth Fund Limited*	UK Listed	57,960	9.9
MJ Gleeson Group plc	UK Listed	42,762	7.3
Polar Capital Holdings plc	UK Quoted on AIM	40,040	6.8
Harwood Private Equity Fund IV LP	UK Unquoted	37,338	6.4
Ten Entertainment Group plc	UK Listed	36,300	6.2
EKF Diagnostics Holdings plc	UK Quoted on AIM	34,104	5.8
Stobart Group Limited	UK Quoted on AIM	21,812	3.7
Augean plc	UK Quoted on AIM	21,275	3.6
Sherwood Holdings Limited	UK Unquoted	18,181	3.1
		<hr/>	
		392,021	66.9

\* Traded price under IFRS 10, incorporated in Guernsey.

All investments are valued at fair value.

## **interim management report**

### **investment objective**

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

### **material events**

The Board do not consider that there were any material events during the period ended 31 July 2019.

### **material transactions**

There were no material transactions during the period.

### **risk profile**

The principal risks and uncertainties for the remaining six months of the year continue to be as described in the Annual Report for the year ended 31 January 2019. The principal risks arising from the Company’s financial instruments are market price risk, including currency risk, interest rate risk and other price risk, liquidity risk and credit risk. The Directors review and agree policies with the Manager, Harwood Capital LLP, for managing these risks. The policies have remained substantially unchanged in the six months since the year end.

The 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 that they are neither past due or impaired.

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

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

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

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

### **related party**

These are listed in note 10 to the half yearly condensed financial transactions statements.

By Order of the Board

**Peregrine Moncreiffe**  
*Chairman*

16 September 2019

## **responsibility statement**

The Directors confirm to the best of their knowledge that:

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

The half yearly financial report was approved by the Board on 16 September 2019 and the above responsibility statement was signed on its behalf by:

**Peregrine Moncreiffe**

*Chairman*

16 September 2019

**condensed statement of comprehensive income (unaudited)**

	Six months ended 31 July 2019			Six months ended 31 July 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	6,880	–	6,880	5,273	–	5,273
Net gains on investments at fair value	–	53,377	53,377	–	44,404	44,404
Currency exchange gains	–	188	188	–	129	129
<b>total income</b>	<b>6,880</b>	<b>53,565</b>	<b>60,445</b>	5,273	44,533	49,806
Expenses						
Investment management fee (note 10)	(2,705)	–	(2,705)	(2,546)	–	(2,546)
Other expenses	(504)	–	(504)	(338)	–	(338)
<b>return before taxation</b>	<b>3,671</b>	<b>53,565</b>	<b>57,236</b>	2,389	44,533	46,922
Taxation	–	–	–	–	–	–
<b>return for the period</b>	<b>3,671</b>	<b>53,565</b>	<b>57,236</b>	2,389	44,533	46,922
<b>earnings per ordinary share (note 5)</b>						
Basic			400.2p			325.3p
Diluted			400.1p			324.9p

The total column of the statement is the Statement of Comprehensive Income of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”). As adopted by the EU. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice (“SORP”) issued by the Association of Investment Companies (“AIC”).

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

The accompanying notes are an integral part of these financial statements.

	Year ended 31 January 2019		
Revenue £'000	Capital £'000	Total £'000	
11,645	–	11,645	Income
–	31,095	31,095	Net gains on investments at fair value
–	271	271	Currency exchange gains
11,645	31,366	43,011	<b>total income</b>
			Expenses
(5,091)	(1,788)	(6,879)	Investment management fee (note 10)
(714)	–	(714)	Other expenses
5,840	29,578	35,418	<b>return before taxation</b>
–	–	–	Taxation
5,840	29,578	35,418	<b>return for the period</b>
			<b>earnings per ordinary share (note 5)</b>
		246.2p	Basic
		245.8p	Diluted



**condensed statement of changes in equity (unaudited)**

	Share capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000
<b>six months ended 31 July 2019</b>				
31 January 2019	716	24	1,301	524,316
Total comprehensive income for the period	–	–	–	53,565
Shares purchased for cancellation	(7)	–	–	(3,927)
<b>31 July 2019</b>	<b>709</b>	<b>24</b>	<b>1,301</b>	<b>573,954</b>
<b>six months ended 31 July 2018</b>				
31 January 2018	721	55	1,301	498,123
Total comprehensive income for the period	–	–	–	44,533
31 July 2018	721	55	1,301	542,656
<b>year ended 31 January 2019</b>				
31 January 2018	721	55	1,301	498,123
Total comprehensive income for the year	–	–	–	29,578
Shares purchased for cancellation	(5)	–	–	(2,920)
Share option discharge	–	(31)	–	(465)
31 January 2019	716	24	1,301	524,316

The accompanying notes are an integral part of these financial statements.

Capital redemption reserve £'000	Revenue reserve £'000	Total £'000	
			<b>six months ended 31 July 2019</b>
154	4,914	531,425	31 January 2019
–	3,671	57,236	Total comprehensive income for the period
7	–	(3,927)	Shares purchased for cancellation
<b>161</b>	<b>8,585</b>	<b>584,734</b>	<b>31 July 2019</b>
			<b>six months ended 31 July 2018</b>
149	(926)	499,423	31 January 2018
–	2,389	46,922	Total comprehensive income for the period
149	1,463	546,345	31 July 2018
			<b>year ended 31 January 2019</b>
149	(926)	499,423	31 January 2018
–	5,840	35,418	Total comprehensive income for the year
5	–	(2,920)	Shares purchased for cancellation
–	–	(496)	Share option discharge
154	4,914	531,425	31 January 2019

**condensed balance sheet (unaudited)**

	<b>As at 31 July 2019 £'000</b>	As at 31 July 2018 £'000	As at 31 January 2019 £'000
<b>non current assets</b>			
Investments at fair value through profit or loss	<b>569,914</b>	526,415	500,696
	<b>569,914</b>		500,696
		526,415	
<b>current assets</b>			
Trade and other receivables	<b>2,961</b>	11,279	19,623
Cash and cash equivalents	<b>12,865</b>	11,066	30,669
	<b>15,826</b>	22,345	50,292
<b>total assets</b>		548,760	550,988
	<b>585,740</b>		
<b>current liabilities</b>			
Trade and other payables	<b>(1,006)</b>	(2,415)	(19,563)
<b>total liabilities</b>	<b>(1,006)</b>	(2,415)	(19,563)
<b>total assets less current liabilities</b>	<b>584,734</b>	546,345	531,425
<b>net assets</b>	<b>584,734</b>	546,345	531,425
<b>represented by:</b>			
Share capital	<b>709</b>	721	716
Share options reserve	<b>24</b>	55	24
Share premium account	<b>1,301</b>	1,301	1,301
Capital reserve	<b>573,954</b>	542,656	524,316
Capital redemption reserve	<b>161</b>	149	154
Revenue reserve	<b>8,585</b>	1,463	4,914
<b>total equity attributable to equity holders of the company</b>	<b>584,734</b>	546,345	531,425
<b>net asset value per ordinary share (note 6):</b>			
Basic	<b>4,120p</b>	3,787p	3,710p
Diluted	<b>4,118p</b>	3,782p	3,708p

The accompanying notes are an integral part of these financial statements.

**condensed cash flow statement (unaudited)**

	<b>Six months ended 31 July 2019 £'000</b>	Six months ended 31 July 2018 £'000	Year ended 31 January 2019 £'000
<b>cash flows from operating activities</b>			
Investment income received	5,502	4,036	9,002
Deposit interest received	13	5	15
Other income	–	–	–
Investment Manager's fees and performance fees paid	(4,463)	(3,654)	(7,686)
Share based payment – discharge of options	–	–	(496)
Other cash payments	(987)	(847)	(826)
<b>cash generated/(expended) from operations (note 8)</b>	<b>65</b>	<b>(460)</b>	<b>9</b>
Taxation paid	–	–	–
<b>net cash inflow/(outflow) from operating activities</b>	<b>65</b>	<b>(460)</b>	<b>9</b>
<b>cash flows from investing activities</b>			
Purchases of investments	(185,307)	(195,357)	(358,127)
Sales of investments	171,297	196,188	380,966
<b>net cash (outflow)/inflow from investing activities</b>	<b>(14,010)</b>	<b>831</b>	<b>22,839</b>
<b>cash flows from financing activities</b>			
Repurchase of Ordinary Shares for cancellation	(3,927)	–	(2,920)
<b>net cash outflow from financing activities</b>	<b>(3,927)</b>	<b>–</b>	<b>(2,920)</b>
<b>(decrease)/increase in cash and cash equivalents for the period</b>	<b>(17,872)</b>	<b>371</b>	<b>19,928</b>
<b>cash and cash equivalents at the start of the period</b>	<b>30,669</b>	<b>10,653</b>	<b>10,653</b>
Revaluation of foreign currency balances	68	42	88
<b>cash and cash equivalents at the end of the period</b>	<b>12,865</b>	<b>11,066</b>	<b>30,669</b>

The accompanying notes are an integral part of these financial statements.

## **notes to the financial statements (unaudited)**

### **1. a) basis of accounting**

North Atlantic Smaller Companies Investment Trust plc (“NASCIT”) is a company incorporated and registered in England and Wales. 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.

The condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 – “Interim Financial Reporting” as adopted by the EU. The accounting policies and methods of computation followed in these half-yearly condensed financial statements are consistent with the most recent annual financial statements for the year ended 31 January 2019 included in the Annual Report.

The 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.

The financial information contained in this Half-Yearly Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the periods ended 31 July 2019 and 31 July 2018 have not been audited or reviewed by the Company’s Auditor. The figure and financial information for the year ended 31 January 2019 are an extract from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

### **b) functional currency**

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

### **c) significant accounting policies**

The accounting policies applied are consistent with those of the Annual Financial Report for the year ended 31 January 2019. Since the year end no new standards have been adopted.

### **d) segmental reporting**

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

### **e) going concern**

The financial statements have been prepared on a going concern basis and on the 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 operational existence 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 significant 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, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

## **2. investment management and performance fees**

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

An amount would be included in these financial statements for the Performance Fee that could be payable based on investment performance to 31 July 2019. At that date, no Performance Fee, inclusive of VAT, has been accrued for in the accounts (31 July 2018: £nil; 31 January 2019: £1,788,000).

## **3. taxation**

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

During the half year to 31 July 2019, the Company recognised a total charge of £nil (half year to 31 July 2018: £nil, year ended 31 January 2019: £nil), representing irrecoverable withholding tax paid on overseas investment income.

## **4. dividends**

A final dividend for the year ended 31 January 2019 of 30p per Ordinary Share has been declared by the Board, with an Ex date of 31 October 2019 and a payment date of 21 November 2019.

## 5. earnings per ordinary share

	Net return £'000	Revenue Ordinary Shares	Per Share pence	Net return £'000	Capital Ordinary Shares	Per Share pence
<b>six months ended 31 July 2019</b>						
Basic return per Share	3,671	14,300,663	25.7	53,565	14,300,663	374.5
Share options*	–	5,067		–	5,067	
Diluted return per Share	<u>3,671</u>	<u>14,305,703</u>	25.7	<u>53,565</u>	<u>14,305,703</u>	374.4
<b>six months ended 31 July 2018</b>						
Basic return per Share	2,389	14,425,620	16.6	44,533	14,425,620	308.7
Share options*	–	14,885	–	14,885		
Diluted return per Share	<u>2,389</u>	<u>14,440,505</u>	16.5	<u>44,533</u>	<u>14,440,505</u>	308.4
<b>year ended 31 January 2019</b>						
Basic return per Share	5,840	14,388,359	40.6	29,578	14,388,359	205.6
Share options*	–	20,895		–	20,895	
Diluted return per Share	<u>5,840</u>	<u>14,409,254</u>	40.5	<u>29,578</u>	<u>14,409,254</u>	205.3

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

\* 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.

Net return £'000	Total Ordinary Shares	Per Share pence	
			<b>six months ended 31 July 2019</b>
<b>57,236</b>	<b>14,300,663</b>	<b>400.2</b>	Basic return per Share
–	<b>5,067</b>		Share options*
<b>57,236</b>	<b>14,305,703</b>	<b>400.1</b>	Diluted return per Share
			<b>six months ended 31 July 2018</b>
46,922	14,425,620	325.3	Basic return per Share
–	14,885		Share options*
46,922	14,440,505	324.9	Diluted return per Share
			<b>year ended 31 January 2019</b>
35,418	14,388,359	246.2	Basic return per Share
–	20,895		Share options*
35,418	14,409,254	245.8	Diluted return per Share

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

\* 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.



## 6. net asset value per ordinary share

The basic net asset value per Ordinary Share is based on net assets of £584,734,000 (31 July 2018: £546,345,000; 31 January 2019: £531,425,000) and on 14,192,757 Ordinary Shares (31 July 2018: 14,425,620; 31 January 2019: 14,325,620) being the number of Ordinary Shares in issue at the period end.

The diluted net asset value per Ordinary Share is calculated on the assumption that all 10,000 (31 July 2018: 30,000; 31 January 2019: 10,000) Share Options in-the-money were exercised at the prevailing exercise prices, giving a total of 14,202,757 issued Ordinary Shares (31 July 2018: 14,455,620; 31 January 2019: 14,335,620).

During the period, 132,863 Ordinary shares were bought back for cancellation, at a total cost to the Company of £3,900,000.

### adjustment for Oryx

The Company has also reported an adjusted net asset value per share using equity accounting, 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 were to be 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 period end, are as follows:

	<b>31 July 2019 £'000</b>	31 July 2018 £'000	31 January 2019 £'000
Oryx at Fair value (traded price)	<b>57,960</b>	59,940	57,776
Oryx value using Equity Accounting	<b>77,059</b>	67,968	67,270
Increase in net assets using Equity Accounting	<b>19,099</b>	8,028	9,494

	<b>31 July 2019</b>	31 July 2018	31 January 2019
Net asset value per Share			
– Basic	<b>4,120p</b>	3,787p	3,710p
– Diluted	<b>4,118p</b>	3,782p	3,708p
Net asset value per Share adjusted			
– Basic	<b>4,255p</b>	3,843p	3,776p
– Diluted	<b>4,253p</b>	3,838p	3,774p

## 7. share based remuneration

As at 31 July 2019, there were a total of 10,000 (31 July 2018: 30,000; 31 January 2019: 10,000) options in issue with an estimated fair value of £24,000 under the 2011 options scheme.

## 8. reconciliation of total return before taxation to cash (expended)/generated from operations

	<b>Six months ended 31 July 2019 £'000</b>	Six months ended 31 July 2018 £'000	Year ended 31 January 2019 £'000
Total return before taxation	<b>57,236</b>	46,922	35,418
Gains on investments	<b>(53,565)</b>	(44,533)	(31,366)
Interest reinvested	<b>(1,050)</b>	–	(3,500)
Share option discharge	<b>–</b>	–	(496)
Net return from Subsidiary	<b>(7)</b>	(7)	(7)
(Increase)/decrease in debtors and accrued income	<b>(365)</b>	(805)	847
Decrease in creditors and accruals	<b>(2,184)</b>	(2,037)	(887)
Cash generated/(expended) from operations	<b>65</b>	(460)	9

## **9. investments**

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

This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

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

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

The table below sets out fair value measurements as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

**six months ended 31 July 2019**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equity investments	<b>447,339</b>	<b>372,822</b>	–	<b>74,517</b>
Fixed interest investments	<b>122,575</b>	<b>82,249</b>	–	<b>40,326</b>
<b>Total</b>	<b>569,914</b>	<b>455,071</b>	–	<b>114,843</b>

**six months ended 31 July 2018**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equity investments	397,117	334,188	–	62,929
Fixed interest investments	129,298	87,089	–	42,209
<b>Total</b>	<b>526,415</b>	<b>421,277</b>	–	<b>105,138</b>

**year ended 31 January 2019**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equity investments	364,801	297,472	–	67,329
Fixed interest investments	135,895	90,893	–	45,002
<b>Total</b>	<b>500,696</b>	<b>388,365</b>	–	<b>112,331</b>

## reconciliation of level 3 movement – financial assets at 31 July 2019

	<b>Total</b>	<b>Equity</b>	<b>Fixed</b>
	<b>£'000</b>	<b>investments</b>	<b>interest</b>
		<b>£'000</b>	<b>investments</b>
			<b>£'000</b>
Opening balance at 31 January 2019	112,331	67,329	45,002
Purchases	10,724	–	10,724
Sales	(19,579)	(2,953)	(16,626)
Total gains included in gains on investments in the statement of comprehensive income:			
– on assets sold	2,045	1,656	389
– on assets held at the end of the period	9,322	8,485	837
Closing balance	114,843	74,517	40,326

### unquoted at directors' estimate of fair value

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

Included within the Statement of Comprehensive Income as at 31 July 2019, is a gain of £9,322,000 relative to the movement in the fair value of the unquoted investments valued using IPEV valuation techniques.

### 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 differences 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 cannot be recovered.

## 10. related party transactions

There have been no changes to the related party arrangements or transactions as reported in the Statutory Annual Financial Report for the year ended 31 January 2019.

The Manager, Harwood Capital LLP, is regarded as a related party of the Company. The amounts payable to the Manager and Growth Financial Services Limited in respect of investment management for the six months to 31 July 2019 are as follows:

	<b>Six months ended 31 July 2019 £'000</b>	Six months ended 31 July 2018 £'000	Year ended 31 January 2019 £'000
Annual fee	<b>2,705</b>	2,546	5,091
Performance fee	–	–	1,743
Irrecoverable VAT thereon	–	–	45
	<b>2,705</b>	2,546	6,879

Fees paid to Directors, for the six months ended 31 July 2019 amounted to £65,000 (six months ended 31 July 2018: £65,000; year ended 31 January 2019: £130,000).

Shareholders should also note any payments made under share based remuneration as disclosed in note 7 to these financial statements.

## **shareholder information**

### **financial calendar**

Announcement of results and annual report	May
Annual General Meeting	June
Half Yearly figures announced	September
Half Yearly Report posted	September

### **share price**

The Company's mid-market share price is quoted daily in the Financial Times appearing under "Investment Companies".

It also appears on:

SEAQ Ordinary Shares:      NAS  
Trustnet:                      www.trustnet.com

### **net asset value**

The latest net asset value of the Company can be found on the Harwood Capital LLP website:

[www.harwoodcapital.co.uk](http://www.harwoodcapital.co.uk)

### **share dealing**

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

The Company's registrars are Link Asset Services. In the event of any queries regarding your holding of shares, please contact the registrars on: 0871 664 0300, or by email on [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

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

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

**Directors**

Peregrine Moncreiffe (Chairman)  
Christopher Mills (Chief Executive)  
Lord Howard of Rising  
G Walter Loewenbaum  
Sir Charles Wake

**Manager**

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

**Financial Adviser and Stockbroker**

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The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

**Registered Office**

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London W1J 8LD  
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**Registrars**

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**Company Secretary**

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