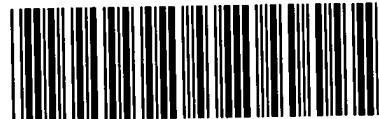


Company No 1091347

**NORTH ATLANTIC SMALLER COMPANIES INVESTMENT
TRUST PLC**

**ANNUAL REPORT FOR THE YEAR ENDED
31 JANUARY 2020**

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Company Registered Number:
1091347

Front Cover:
Nelson Forcing the Passage of the Sound, 30 March 1801, prior to the Battle of Copenhagen
Robert Dodd © National Maritime Museum, Greenwich

objective of the company and financial highlights

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

	31 January 2020	% change	31 January 2019	31 January 2018	31 January 2017	31 January 2016
revenue						
Gross income (£'000)	12,345	6.0%	11,645	10,115	6,105	3,175
Net Revenue after tax attributable to shareholders (£'000)	5,872	0.5%	5,840	5,138	1,295	(890)
Basic return per 5p Ordinary Share:* – Revenue	41.24	1.6%	40.58	35.62	8.97	(6.13)
– Capital	652.92	217.6%	205.57	455.29	212.95	490.70
Final Dividend per 5p Ordinary Share (declared)	30.0p		30.0p	nil	nil	nil
assets						
Total assets less current liabilities (£'000)	620,723	16.8%	531,425	499,423	428,606	396,961
Net asset value ("NAV") per 5p Ordinary Share:**						
Basic	4,384p	18.2%	3,710p	3,462p	2,971p	2,749p
Diluted	4,384p	18.2%	3,708p	3,458p	2,968p	2,746p
Basic adjusted†	4,505p	19.3%	3,776p	3,529p	3,036p	2,776p
Diluted adjusted†	4,505p	19.4%	3,774p	3,525p	3,033p	2,773p
Mid-market price of the 5p Ordinary Shares	3,400p	16.8%	2,910p	2,870p	2,455p	2,280p
discount to diluted net asset value	22.4%		21.5%	17.0%	17.3%	17.0%
discount to diluted adjusted net asset value	24.5%		22.9%	18.6%	19.1%	17.8%
indices and exchange rates at 31 January						
Standard & Poor's 500 Composite Index	3,225.5	19.3%	2,704.1	2,823.8	2,278.9	1,940.2
Russell 2000 Index	1,614.1	7.6%	1,499.4	1,575.0	1,352.3	1,035.4
US Dollar/Sterling exchange rate	1.31830	0.2%	1.31505	1.4221	1.2581	1.4185
Standard & Poor's 500 Composite Index – Sterling adjusted	2,442.5	18.4%	2,062.8	1,989.9	1,811.7	1,362.2
Russell 2000 – Sterling adjusted	1,222.2	6.9%	1,143.8	1,109.90	1,075.1	726.9

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

** 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.

strategic report – corporate summary

introduction	North Atlantic Smaller Companies Investment Trust plc (“NASCIT”) is an investment trust, the shares of which are listed on the London Stock Exchange.
objective and investment strategy	The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. The Company invests in both listed and unquoted companies.
company's business	The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and its business is that of an investment trust.
risk	Investment in small companies is generally perceived to carry a greater risk than investment in large companies. This is reasonable when comparing individual companies, but is much less so when comparing the volatility of returns from a diversified portfolio of companies. The Board believe that the Company's portfolio is diversified although considerably less liquid than a portfolio of large-cap listed equities. The Company has the ability to utilise gearing in the form of term loan facilities, although no facility currently exists. Gearing has the effect of accentuating market falls and gains. The Company outsources all of its main operational activities to recognised third party providers.
AIFMD	The Company was approved as a small registered UK Alternative Investment Fund Manager with effect from 26 August 2014 under the Alternative Investment Fund Managers Regulations 2013. This means that the Company is internally managed. For further information see page 23.
company secretary	The Company Secretary is Derringtons Limited, Hyde Park House, 5 Manfred Road, London SW15 2RS.
website	www.nascit.co.uk

strategic report – directors

Peregrine D E M Moncreiffe ¹²³ Non-Executive Chairman. Appointed November 2008 (having previously been a Director of the Company from 1993 – 2006). He has over the years worked in London, New York and the Far East, with Credit Suisse First Boston, Lehman Brothers and Buchanan Partners.

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

The Lord Howard of Rising ¹²³ Non-Executive Director. Appointed November 2015. He is a member of the House of Lords and a District Councillor for the Borough Council of Kings Lynn & West Norfolk, as well as being a landowner and farmer and Chairman of Wicksteed Leisure Limited. He was formerly a director of The Keep Trust and Fortress Trust.

G Walter Loewenbaum (USA) ¹²³ Non-Executive Director. Appointed on 31 October 2017. He currently serves as Chairman of the Board of Luminex Corporation. As an investment banker and private equity investor, Mr Loewenbaum has worked with multiple companies in a variety of different industries at different phases of organisational development, ranging from startup to publicly traded. He brings a depth of knowledge in serving as chairman for public and private companies, building stockholder value and capital market considerations.

Sir Charles Wake ¹²³ Non-Executive Director. Appointed 27 June 2018. Started as a management trainee with Whitbread's in 1972 and left in 1980. Since then he has been a director of various companies including sheet metal engineers, motor retailers, off-licences, pubs, bonded warehouses, farming and healthcare. He was chairman of St Andrew's Healthcare from 2004-2014 having been on the board since 1991.

¹ Independent

² Member of the Audit Committee

³ Member of the Remuneration Committee

strategic report – chairman's statement

It is pleasing to note that the diluted net asset value ("NAV") rose by 18.2% which compares with a rise in the sterling adjusted S&P Composite of 18.4%. In comparison with relevant indices in the UK, where the majority of the Company's assets are located, the fund materially outperformed.

While the capital return of the Company was £93 million (2019: £30 million), the revenue account showed a profit after tax of £5,872,000 (2019: £5,840,000). The Directors have therefore declared a final dividend of 30p (2019: 30p).

During the period 165,620 shares were purchased for cancellation at a good discount to NAV. This benefits all long-term shareholders by creating an immediate uplift to NAV. At the forthcoming AGM shareholders will once again 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 sent to shareholders. The passing of the resolution to support this proposal is crucial to the provision of good liquidity to selling shareholders, while enabling the Company to add value to the ongoing NAV by buying back its own shares. Last year the AGM approved the whitewash proposal with opposing votes, mainly from two institutions, amounting to 33.62% of votes cast (the largest shareholder being disqualified from voting). The opposing votes were cast on behalf of multiple clients of both institutions apparently on the recommendation of their ESG compliance departments. We contacted the institutions to explain the evident benefits to all shareholders of the buyback program but encountered little interest in continuing the discussion.

Many of our businesses face serious issues as a consequence of the Coronavirus outbreak. It is no consolation that the evident real risk that this disease represents highlights the irrelevance of the former Governance requirement to describe the Brexit risks to our business. Certainly the worst-case scenario of more frequent global pandemics goes some way to explain the all-time low bond yields. These rates will probably rise when the global moves towards massive fiscal stimulus ceases to be primarily financed by central banks.

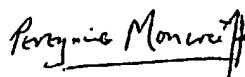
The largest economic contractionary impact is likely to be felt during the containment and delay stages of the global strategy to combat the virus. Once we move into the mitigate phase, there should be some return to some normalcy and economic growth with the restoration of supply chains and consumer demand. Even if effective vaccines take time to develop, the clarification that there are a number of potential treatments will help to alleviate public alarm during the mitigation phase.

The valuation of our positions in the pharmaceutical and medical testing sectors should continue to see support, while our tendency to avoid debt-laden companies should protect extreme downside outcomes in our investments which are exposed to the ongoing decline in discretionary consumer spending.

Most importantly, our substantial holdings in cash and equivalents will protect our company going forward. It will enable our investment manager to identify and capitalise on the increasing number of attractive opportunities, both listed and unlisted, which are now appearing with the volatility and sporadic weakness in the equity markets.

Peregrine Moncreiffe *Chairman*

12 May 2020



strategic report – investment manager's report

quoted portfolio

United Kingdom:

There was a general recovery in small cap indices during the period helped towards the end of the period by a convincing win by the Conservative party over Labour.

Corporate profits were generally favourable as increasing consumer confidence and a stable exchange rate created a favourable environment for the stock market.

The major standout success stories were Augean and Renalytix which collectively created nearly £35m of value for our shareholders during the twelve month period. Against this the holding in Goals Soccer was written off costing shareholders approximately £4m over the twelve month period as a result of fraud.

United States:

The United States portfolio remains relatively small amounting to less than £20m. However, it was encouraging to see good uplifts in both Mountain Commerce and Ambac following good operating results.

unquoted portfolio

United Kingdom:

The largest investment is Harwood Private Equity IV which has since the end of the period sold a major holding Inspec at a good uplift which will result in a return of capital. The fund is now fully drawn down. A commitment to Harwood Private Equity V has recently been made amounting to £40m. The largest direct investment during the period was Spring Investment LP. The company provides pharmaceutical products to the NHS not dissimilar to the very successful investment we made in Quantum Pharma about two years ago. Recent results are ahead of budget.

United States:

Performance Chemicals continued to recover well after the defection of key employees and is expected to further increase profits in the current year. Sadly, the valuation on Jaguar had to be written down following the loss of a major contract with American Airlines.

A description of the Company's unquoted investments can be read in pages 9 to 12.

liquidity

Our cash holdings (comprising cash at banks and US treasury bills) fell significantly during the period from approximately £122m to £82m. This is due to the repurchase of company shares for redemption and a number of new investments which we believe trade at significant discount to fair value.

Since the end of the period all world markets have fallen very substantially due to the onset of the COVID-19 virus which has disastrously impacted economic activity. Many of our businesses have either had to shut down or have had operations substantially curtailed. As noted above we have entered this downturn with very substantial liquid resources. Shareholders will already be aware we have tended to invest mainly in companies with strong balance sheets. We are therefore very well placed to support our businesses where appropriate.

To date we have helped refinance Ten Entertainment so that it can now withstand a shutdown of fifteen months at a cost of less than £1m. We would expect that no more than two or three other investments will require funding with an estimated cost to the Company of no more than £5m.

strategic report – investment manager's report continued

Either I or a member of my team have now spoken to every major investment in the Company and Oryx (which also has comparable cash balances) and can confirm that we are confident that our business will survive this very difficult economic downturn. It is however inevitable that corporate activity will be curtailed for some time so that realisations may take longer to occur than was originally anticipated.

Notwithstanding this I anticipate that the next few months will present some good opportunities and therefore remain confident that the Company will continue to provide positive returns once a degree of normality is restored.

Christopher Mills *Chief Executive & Investment Manager*

12 May 2020

Christopher Mills

strategic report – sector analysis of investments at fair value

as at 31 January

	Europe 31 January 2020 %	United States 31 January 2020 %	United Kingdom 31 January 2020 %	Total 31 January 2020 %	Total 31 January 2019 %
equities, convertible securities & loan stocks as a % of total portfolio valuation					
Financial Services	–	–	30.7	30.7	23.5
Industrial Goods & Services	1.1	3.3	10.1	14.5	18.1
Health Care	–	–	12.5	12.5	11.5
Banks	–	1.6	7.9	9.5	7.7
Travel & Leisure	–	–	11.9	11.9	10.8
Technology & Software	–	0.9	3.5	4.4	3.0
Oil & Gas	–	2.4	–	2.4	2.9
Energy	–	–	1.3	1.3	–
Telecommunications	–	–	1.0	1.0	1.3
Insurance	–	–	1.0	1.0	1.0
Real Estate	–	–	0.2	0.2	2.1
	1.1	8.2	80.1	89.4	81.9
treasury bills	–	10.6	–	10.6	18.1
total at 31 January 2020	1.1	18.8	80.1	100.0	
total at 31 January 2019	1.4	28.3	70.3		100.0

strategic report – 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	72,251
MJ Gleeson Group plc	UK Listed	47,900
Polar Capital Holdings plc	UK Quoted on AIM	40,880
Harwood Private Equity IV LP	UK Unquoted	37,524
Augean plc	UK Quoted on AIM	35,150
EKF Diagnostics Holdings plc	UK Quoted on AIM	32,634
Ten Entertainment Group plc	UK Listed	31,200
Stobart Group Plc	UK Listed	24,480
Renalytix AI plc	UK Quoted on AIM	21,262
Sherwood Holdings Limited	UK Unquoted	19,544
ten largest investments		362,825
Odyssean Investment Trust Plc	UK Listed	15,544
Performance Chemicals Company	US Unquoted	13,781
AssetCo plc	UK Quoted on AIM	12,238
Ergomed plc	UK Quoted on AIM	11,924
Coventbridge Group	US Unquoted	10,051
Sureserve Group plc	UK Quoted on AIM	9,696
Signature Aviation plc	UK Listed	9,318
Hargreaves Services Plc	UK Quoted on AIM	7,875
Benchmark Holdings plc	UK Quoted on AIM	7,560
Mountain Comm Bancorp Inc	US Listed	6,804
twenty largest investments		467,616
Aggregate of other investments at fair value		69,711
		537,327
US Treasury Bills		63,841
total		601,168

* incorporated in Guernsey.

All investments are valued at fair value.

strategic report – unquoted investments profile

as at 31 January

	2020
	At fair value
	£'000
Harwood Private Equity IV LP (UK) Cost: £29,853,000	37,524
Harwood Private Equity IV LP ("HPE4") was established in June 2015 with committed capital of £152.5 million. The Company made a £40 million commitment to HPE4, which is now fully drawn. HPE4 invests primarily in small and lower mid-market companies. During 2019 HPE4 invested in Quickline, which provides high speed broadband to rural customers in north-east England through fixed wireless systems and fibre networks, and APC Technology Group a specialist technical distributor supplying customers with electronic components, products and systems. These brought the total number of investments made by HPE4 to eleven. The first exit from the fund took place when Ten Entertainment was floated on the London Stock Exchange in April 2017 at a valuation representing a significant uplift on original cost. The second exit took place as a post-balance sheet event in February 2020, when Inspects was floated on the AIM market of the London Stock Exchange at a significant uplift on original cost. The basis of the valuation of HPE4 is its audited accounts as at 31 December 2019.	
Sherwood Holdings Limited – loan notes (UK) Cost: £18,181,000	19,544
The Company provides laboratory services and products to the healthcare, clinical, life science research and biopharma industries. Customers include large pharmaceutical companies, leading universities and research institutes, the NHS and other healthcare providers. Following a change of management in 2017 the performance of the Company continues to improve with profits up significantly year-on-year. The core businesses of pathology and sequencing are performing above expectations and non-core activities are being exited.	
Performance Chemical Company (US) Cost: £3,158,000	13,781
The Company provides chemicals to assist oil and gas production and fracking predominantly in the Permian Basin in West Texas. The Company's year-ended September financial performance was materially improved over the prior year. The company's water-soluble dry chemistry line began production last year and the water insoluble line will begin production this year. Dry chemistry could add considerably to profits in the coming years. The second of three law-suits initiated by the Company was settled at the end of the calendar year and a third suit related to patent infringement is scheduled for trial in late 2020.	
Carried forward	70,849

strategic report – unquoted investments profile

as at 31 January

	2020
	At fair value
	£'000
Brought Forward	70,849
Coventbridge Group – loan notes (US) Cost: £9,674,000	10,051
Coventbridge is a provider of insurance claims, healthcare network, and government reimbursement integrity services. Its clients include global insurance carriers, third-party administrators, healthcare networks, and governmental agencies. The company has trading operations in the UK and US. Results for 2019 were good and 2020 is expected to be even better based on recent contract wins.	
Pelsis Holding (UK) Limited/Hamsard 3468 (UK) Cost: £7,156,000	6,725
The company is a leading global manufacturer and supplier of branded chemical and durable pest control products. It provides a broad range of rodenticides, insecticides, sprayers, foggers, fly killers, herbicides and bird controllers sold under a variety of owned brands and third-party brands. It sells to both professional pest control operators and consumer markets. The company is headquartered in Yorkshire and has other manufacturing facilities in Wales, Sweden, Belgium, the Netherlands and the US. The performance of the US business has materially improved over last year, but the Group's overall results have been impacted by the delisting of certain herbicide products in Europe. However, the underlying pest control markets remain sound and continued upside from merger integration remains. The Company's investment is in shares and loan notes.	
Trident Private Equity Fund III LP (UK) Cost £NIL	6,418
Trident Private Equity Fund III LP ("TPE3") is the predecessor private equity fund to HPE4 and is invested in small and lower mid-market companies. The Company made a £25 million commitment to TPE3 which is fully drawn down. TPE3 is fully invested and has been realising its positions over several years. TPE3 has one remaining holding and it is anticipated this holding will be disposed of in the next 18 months. The basis of the valuation of TPE3 is its audited accounts as at 31 December 2019.	
Viking Investments LP (UK) Cost: £4,411,000	4,852
The investment is in one of the largest chains of specialised homes caring for long term patients with severe mental illness. The company continues to make modest progress against the headwinds of government funding difficulties and rising minimum wages. The government has once again changed employee reimbursement for sleepovers which saw a significant rise in profits last year with a further improvement expected in the current year.	
Carried forward	98,895

strategic report – unquoted investments profile

as at 31 January

	2020
	At fair value
	£'000
Brought Forward	98,895
Jaguar Holdings Limited (US) Cost: £2,617,000	3,793
The company provides food services to major US airlines through a patent protected process mainly at the Los Angeles hub. Principal clients include United/Continental, Jet Airways and Federal Express. The company completed the build out of a second large facility in Los Angeles early in 2018 to provide capacity for a major new contract won towards the end of 2017. Sadly the company lost a major contract with American Airlines in 2019 and as a consequence the valuation had to be written down. The business remains nicely profitable.	
Utitec Holdings Inc – loan notes (US) Cost: £3,849,000	3,793
Utitec is a manufacturer of medical device component parts. Its technologies include deep draw transfer press, progressive stamping, EDM, screw machining and laser-cutting and it is ISO 13485 certified. Principal clients include Medtronic, Becton Dickinson, Smith & Nephew and Stryker. The company performed well in 2019 with further improvement anticipated in 2020 as a result of significant new contract wins.	
Spring Investment LP Cost: £3,500,000	3,500
The investment is in a speciality manufacturer of pharmaceuticals for the NHS. The company was purchased at a modest multiple of earnings and results to date have exceeded expectations.	
Specialist Components Limited Cost: £2,739,000	2,740
Specialist Components Limited, the acquirer of the previously listed APC Technology Group, is a trusted supplier of reliable, high quality and technologically advanced components and products. The company has a range of clients in the public and private sectors within the aerospace, space, industrial, real estate, financial, logistics and healthcare sectors. The company performed well in 2019, including making a bolt-on acquisition, and its specialism in supply chain management positions it well for new contract wins going forward.	
Carried forward	112,721

strategic report – unquoted investments profile

as at 31 January

	2020
	At fair value
	£'000
Brought Forward	112,721
WEP Superior Industrial Maintenance Co (US) <i>Cost: £1,485,000</i>	1,517
The investment is in a provider of industrial coatings and lining applications, inspection and maintenance services, and lead and asbestos abatement. It has made significant investment in the management team across the business. Revenue and gross margins were negatively impacted in the first half of the year, hit by delays to aviation fuel maintenance work and the government shutdown. Business is now showing signs of recovery in the second half with a \$28m backlog of orders coming through and a future sales pipeline of \$120m. The food and beverage division grew 71% year on year in 2019 and continues to perform strongly. Two acquisitions have been completed at attractive valuations (sub 5x Ebitda purchase multiples), with a third acquisition under offer.	
Telos Corporation (US) <i>Cost: £937,000</i>	1,315
The company provides cyber security systems mainly to the United States Government. The company had a good year in 2019 winning several new contracts. It is profitable with further improvements expected in 2020 and 2021.	
Hampton Investment Properties Limited (UK) <i>Cost: £2,427,000</i>	995
The company continues with its programme of liquidation; with Heads of Terms now being agreed for the disposal of the Company's final holding. The basis of valuation is anticipated to be the realisable value. On successful completion the Company will be liquidated.	
Carried forward	116,548
Other unquoted investments at fair value	448
Total value of unquoted investments at fair value*	116,996

* Includes unquoted loan notes in these companies with a total value of £42,704,000.

strategic report – quoted investments profile (AIM Quoted)

as at 31 January

	2020
	At fair value
	£'000
Polar Capital Holdings plc (UK) Cost: £31,019,000	40,880
The company is a fund management business with a specialist niche in technology and healthcare companies. The company grew its funds under management to £14b in FY 2020 from just over £12.7b in FY 2019 and is supported by a dividend yield of approximately 6.7%. Polar Capital Holdings plc is a high quality business with a respected management team and resilient fee revenue. The company is substantially profitable and could continue to expand its product line and geographic presence in FY 2021.	
Augean plc (UK) Cost: £6,391,000	35,150
Augean is a leading disposer of hazardous waste in the UK. The company made substantial progress in 2019, resolving the issue with HMRC for a payment of £40.4m, which the company is now seeking to reclaim. The underlying business has continued to grow, with profit before tax reaching £19.2m, an improvement of 68%. The business continues to generate strong free cash flow and a robust pipeline underpins the future growth of the company.	
EKF Diagnostics plc (UK) Cost: £10,049,000	32,634
EKF Diagnostics plc is a leading provider of point of care products for haemoglobin and diabetes testing to the worldwide market. The company's other business is the market leader in testing for acetosis following a diabetic coma. EKF Diagnostics plc has been refocused and significantly reduced its cost base. Results in 2019 were good. The outlook for 2020 is positive, with a preferred provider agreement with Mt Sinai offering access to new innovative commercial opportunities. A novel digital health platform caring for patients with IBD presents an exciting proposition.	
Renalytix AI plc (UK) Cost: £4,124,000	21,262
Renalytix AI plc was spun out of EKF Diagnostics in 2018. The company is developing artificial intelligence-enabled diagnostics for kidney disease, serving patients on a global scale. The company announced in May 2019 that it had been granted Breakthrough Device designation by the FDA which has resulted in the shares gaining 178% year to date. With other positive news, we expect a faster route to market for the company's KidneyintelX than the current 2021 estimates. The company has a strong management team and is supported by the Icahn School of Medicine at Mt Sinai.	
Carried forward	129,926

strategic report – quoted investments profile (AIM Quoted)

as at 31 January

	2020
	At fair value
	£'000
Brought Forward	129,926
AssetCo Plc (UK) Cost: £10,162,000	12,238
The company is a cash shell with approximately £30m in assets. In addition the company successfully won a law suit against Grant Thornton for £35mn due to Grant Thornton's gross negligence. This case is subject to appeal with the outcome expected by the end of June 2020.	
Ergomed plc (UK) Cost: £6,253,000	11,924
Ergomed provides specialized services to the pharmaceutical industry, which include clinical development and trial management for drug development companies. The company undertakes all facets of clinical trial management, from Phase I to Phase IV, on behalf of their clients. The group has continued to cut costs while continuing its path to leadership positions in the attractive PrimeVigilance and orphan drug development markets and has a strong order book underpinning future growth. Ergomed has re-focused its business strategy and appointed new directors to the board that add significant expertise to the company's healthcare advisor committee. The company has received a strong order intake over the period, including a late-stage clinical trial win with a European specialty biotech business. The share price has appreciated significantly in 2019 and we anticipate continued progress in 2020.	
Sureserve Plc (UK) Cost: £8,696,000	9,696
The company provides compliance, safety and energy services to local authority housing estates. The company's FY numbers drove analyst upgrades with strong EBITDA growth and a further improvement in free cash flow. The repositioning of the company to focus on compliance and energy services has helped drive a period of strong contract wins and we are optimistic for further growth over the short term.	
Hargreaves Services Plc (UK) Cost: £6,924,000	7,875
Hargreaves Services is engaged in sourcing, producing, processing, handling and transporting carbon-based and other bulk materials throughout the United Kingdom and Europe. 2019 was a challenging year for the Group due to its exposure to British Steel but progress has been made in several areas and following the setbacks that have arisen, much remains to be achieved. We are confident the company is focused on delivering reliable and growing profits in and unlocking capital from its Distribution & Services businesses enabling strong cash returns to shareholders.	
Carried forward	171,659

strategic report – quoted investments profile (AIM Quoted)

as at 31 January

	2020
	At fair value
	£'000
Brought Forward	171,659
Benchmark Holdings Plc (UK) Cost: £9,516,000	7,560
The Company develops nutritional products and vaccines that helps fish and shrimp to improve their sustainability and profitability by improving yield, quality, and by reducing mortality. The company recently announced a £43m raise to fund the commercial development of its CleanTreat system, the company's novel salmon lice treatment. This is an area where we see a significant increase in EBITDA over the next few years. The shares have been bought at a significant discount to private market value, although recent results have been disappointing.	
Frenkel Topping Plc (UK) Cost: £5,692,000	6,795
The company is a specialist IFA providing expert witness and financial advice to people who have suffered life changing injuries. The company is nicely profitable and has no debt and modest cash balances.	
Bigblu Broadband Plc (UK) Cost: £7,516,000	6,000
Bigblu Broadband, formerly "Satellite Solutions Worldwide", operates as a leading global telecommunication offering very fast broadband to rural communities, which traditional broadband providers cannot deliver. The company has established a strong position as an alternative and rural broadband provider across multiple geographies using satellite, fixed wireless and 4G/5G technologies. Organic growth is expected to accelerate, while increased scale and further integration of previous acquisitions should lead to improved margins and cash generation. A recent partnership with Eutelsat will boost subscriber growth as the company expands its sales network and recent projects include a £6m government funded project in North Yorkshire.	
Tribal Group Plc (UK) Cost: £1,033,000	1,134
Tribal group provides technology products and services to the education, learning and training markets. It is active in student management services, analytics and quality assurance. The UK is the company's biggest market, but it has significant operations in North America and Australia. In 2019 the group saw a modest decline in organic sales growth due to a timing issue regarding revenue recognition. The company has also settled its royalties dispute for £9m, providing clarity for the future and leaving ample cash reserves for growth and margin improvement through 2020.	
Total value of AIM quoted investments at bid value	193,148

strategic report

The Directors present the strategic report of the Company for the year ended 31 January 2020.

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 restrictions	The Company has not adopted any specific investment restrictions, and the Company's investments may be highly concentrated. However, the Manager has put in place internal limitations to control risk and to manage diversification with the aim of allowing it to operate within parameters that it believes are wide enough for it to generate target returns but which are suitable to prevent undue risk.

strategic report

investment approach

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

Christopher Mills, the Company's Chief Executive and Investment Manager, is responsible for the construction of the portfolio and details of the principal investments are set out on pages 9 to 15. The top twenty largest investments by current valuation are listed on page 8.

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.

borrowing and leverage

The Company does not intend to incur borrowings as part of its investment strategy.

However, in the event that it did employ leverage for working capital purposes, any such borrowings incurred will not remain outstanding for more than 60 calendar days. In each such case, leverage may be obtained on an unsecured or secured/collateralised basis. The Company is not otherwise expected to engage in borrowing or make use of leverage.

The Company's borrowing and leveraging capacity is limited to an amount equal to: 30% of the net asset value of the Company when calculated in accordance with the "commitment" method set out in the AIFMD Rules.

The calculation and disclosure of such maximum leverage limits is required in order to satisfy the requirements of the AIFMD Rules. However, the Investment Manager expects the typical leverage levels to be lower than the maximum levels stated above, and generally not to exceed 10% of the Company's net asset value. The Investment Manager will inform investors to the extent such leverage limits are exceeded in accordance with the AIFMD Rules.

The Company does not currently grant any guarantee under any leveraging arrangement. The grant of any such guarantee would be disclosed to investors in accordance with the AIFMD Rules. Save as set out herein, there are no restrictions on the Company's use of leverage, by borrowing or otherwise, other than those which may be imposed by applicable law, rule or regulation.

changes to the investment policy, investment restrictions and investment approach

Changes to the investment policy, investment restrictions and investment approach of the Company as set out above may be made by the Directors. Changes believed by the Directors to be material will be notified to investors in advance of the change taking effect.

strategic report

financial instruments	The financial instruments employed by the Company primarily comprise equity and loan stock investments, although it does hold cash and liquid instruments. Further details of the Company's risk management objectives and policies relating to the use of financial instruments can be found in note 14 to the financial statements on pages 70 to 78.
delegated activities	The Company being internally managed has not delegated the provision of portfolio management and risk management functions but does rely on third party services providers to provide ancillary services to support the activities of the company. As a result, the Company will continue to act as an internally managed AIFM of the Company for the purposes of the FCA Rules in accordance with the Investment Management Agreement.
appointment of custodian	The Company has appointed Bank of New York Mellon (BNYM) as custodian for the quoted securities deposited for safekeeping with BNYM or with any subcustodian appointed by BNYM and to hold cash in accordance with the terms of its agreement.
any conflicts of interest that may arise from such delegations	From time to time conflicts may arise between the Depositary and the delegates, for example where an appointed delegate is an affiliated group company which receives remuneration for another custodial service it provides to the Company. In the event of any potential conflict of interest which may arise during the normal course of business, the Depositary will have regard to the applicable laws.
performance	At 31 January 2020, the diluted NAV per share was 4,384p (2019: 3,708p), an increase of 18.2% during the year, compared to an increase of 18.4% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted). Net assets attributable to equity holders at 31 January 2020 amounted to £620,723,000 compared with £531,425,000 at 31 January 2019. The ongoing charges relating to the Company are 1.1% (2019: 1.1%), 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 2020 amounted to £98,852,000 (2019: £35,418,000). The Board proposes to pay a final dividend of 30p per share (2019: 30p).

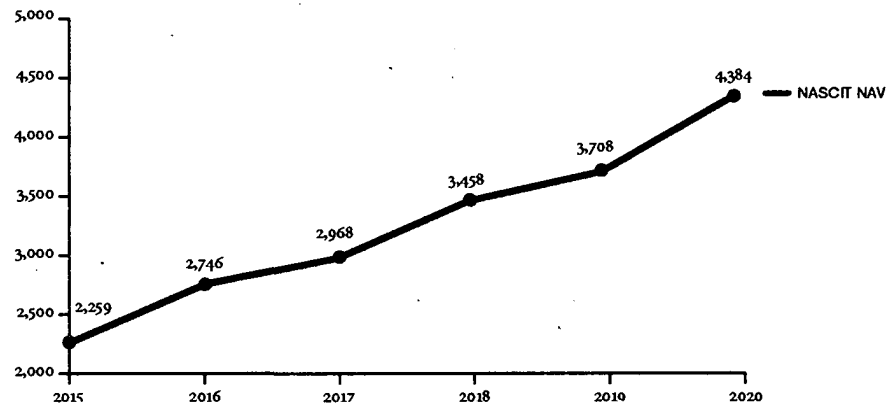
strategic report

key performance indicators

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

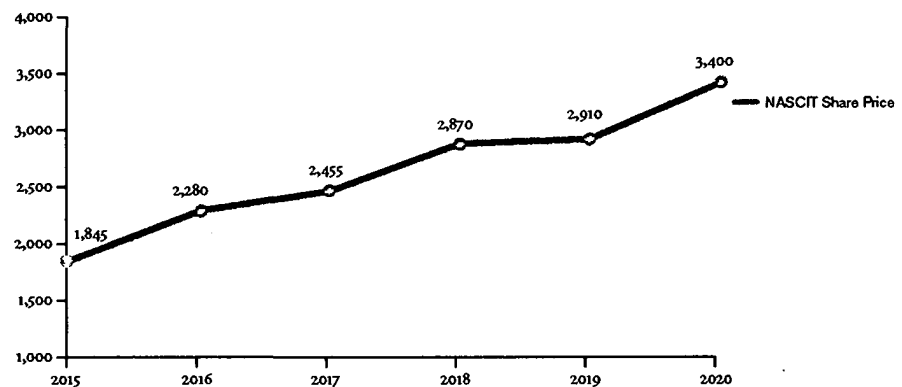
- (i) Net asset value per Ordinary Share: the following chart illustrates the movement in the fully diluted net asset value per Ordinary Share over the past five years:

net asset value in pence



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

share price return in pence



- (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 on page 40.

strategic report

principal risks and uncertainties

The Board has carried out a robust assessment of the emerging and principal risks facing the Company including those that would threaten the Company's business model, future performance, solvency of liquidity and reputation.

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

- **Impact of COVID-19:** COVID-19 has had a material negative impact both on the valuation of the Company's assets and on the performance of most of its underlying portfolio holdings. The Company has taken steps to assess the anticipated effects on each holding, particularly in terms of financial resilience. Where appropriate, action has been taken to mitigate potential weakness.
- **Performance risk:** the Board is responsible for deciding the investment strategy in order to fulfil the Company's objectives and for monitoring the performance of the Manager. An inappropriate investment strategy may result in under-performance against the companies in the peer group or against the benchmark indices. The Board manages this risk by ensuring that the investments are appropriately diverse and by receiving reports from the Manager at every board meeting explaining his investment decisions and the composition and performance of the portfolio.
- **Market risk:** this category of risk includes currency risk, market price risk and interest rate risk. The fair value or future cash flows of a financial investment held by the Company may fluctuate because of changes in market prices. Also, the valuations of the investments in the portfolio may be subject to fluctuation due to exchange rates or general market prices. The Manager monitors these fluctuations and the markets on a daily basis; the performance of the investment portfolio against its benchmarks is also closely monitored by the Manager. The afore-mentioned graph on page 40 of the Directors' Remuneration Report illustrates the Company's performance against its benchmarks over the last ten 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.
- **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 165,620 (2019: 100,000) any Ordinary Shares for cancellation during the year.

strategic report

- **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.

professional negligence

The Company covers professional liability risks set out in Article 9(7) of Directive 2011/61/EU on Alternative Investment Fund Managers (the "Directive") and article 12 and 13 of the AIFMD level 2 regulation (professional liability risks) by holding professional indemnity insurance and maintaining an amount of own funds to meet the PII capital requirement under the Directive; and comply with the qualitative requirements addressing professional liability risks.

section 172 statement

Under Section 172 of the Companies Act 2006, directors are required to promote the success of the Company for the benefit of the stakeholders. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations, 2018, the Company has to detail how this duty has been performed with regard to the matters set out in Section 172 (1) (a) to (f).

- The directors have to consider the likely consequences of their decisions in the long term taking into account the interests of the various different stakeholders of the Company.
- A company's stakeholders are normally considered to comprise of its shareholders, employees, customers and suppliers as well as the wider community in which the company operates. As the Company is an internally managed investment company it does not have any employees as its activities are outsourced. Its customers are its shareholders and details of those owning more than 3% of the Company's shares are shown on page 25. The Company's relations with its shareholders are detailed on page 34.
- The main stakeholders are therefore the Company's shareholders and a small number of key third party suppliers, principally the Investment Manager, together with the company secretary, accountants, brokers, depositary, custodian, bankers and auditors, to whom the day to day functions are delegated.
- The Board works closely with the Investment Manager to promote the long-term success of the Company as effectively and responsibly as possible and he in turn interacts directly with the investee companies. Details of the investment policy and investment approach can be found on pages 16 to 17.

strategic report

- The Company has a limited impact on the environment and has no greenhouse gas emissions as indicated on page 23. Its impact on social, community and human rights issues are detailed on page 23, and a statement on the Modern Slavery Act is given on page 23.
- To summarise, the directors are fully aware of their duty under Section 172 in all their deliberations, and decisions taken always take into account the interests of the key stakeholders.

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 2023, 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 14% of its portfolio in cash and 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;
- the Company's expenses are relatively stable, except for the Investment Manager's fee which is 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; and
- the Company has considered the effect of COVID-19 and, for the reasons explained in more detail in the liquidity section of the investment manager's report on page 5, does not believe it impacts its viability.

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 2023.

strategic report

future prospects	The Directors are hopeful that some of the Company's investments will see corporate activity over the coming year so that the Company's net asset value should outperform its benchmark.
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 70.81% 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 were held via a wholly owned subsidiary, Harwood Leeds Limited, which was sold during the year.
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 of having assets over £500 million 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 was noted in the last annual report that the application would be submitted for approval to have occurred by the end of quarter three 2019. This deadline was missed because the imminent FCA rule change from the approved persons regime to the senior management and certification regime (SM&CR) meant that the application had to be paused to assess the changes and make the necessary amendment to the application to accommodate the new rules on significant persons. As a result, the benefit of delaying the application meant there was no longer a regulatory requirement to register NASCIT's non-executive directors or persons carrying investment management functions under the SM&CR. The FCA rule changes has meant that additional documents had to be completed for persons performing the role of Chairman and Director. The application has now been completed and submitted in March 2020 to the FCA for review and approval which normally takes 12 weeks.

strategic report

periodic and regular disclosure 1. The following information is available to investors in the annual report:

- (i) the percentage of the Company's assets that are subject to special arrangements arising from their illiquid nature;
- (ii) any material changes to the arrangements for managing the liquidity of the Company;
- (iii) the current risk profile of the Company and the risk management systems employed by the Company to manage those risks; and
- (iv) the total amount of leverage employed by the Company if applicable.

2. Any changes to the following information will be provided by the Company to investors without undue delay (and may be provided by email) in accordance with the AIFMD Rules:

- (i) the maximum level of leverage which the Company may employ on behalf of the Company;
- (ii) the grant of or any changes to any right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement; and
- (iii) activation of liquidity management tools.

By Order of the Board



Derringtons Limited

Company Secretary

12 May 2020

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 2020. 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 14,160,000 Ordinary Shares of 5p nominal value each on 31 January 2020. 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 165,620 (2019: 100,000) Ordinary Shares for £5.0m (2019: £2.9m) for cancellation to improve net asset value per Share. This comprised 1.2% (2019: 0.7%) of the issued share capital.

share valuations

On 31 January 2020, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 3,400p and 4,384p respectively. The comparable figures at 31 January 2019 were 2,910p and 3,708p respectively. The only dilution to the net asset value is those share options that have been issued to certain employees of the Manager. The remaining 10,000 share options were discharged during the year (2019: 20,000 share options discharged) so there was no dilutive effect on the net asset value as at 31 January 2020.

substantial shareholders

As at 31 January 2020, and at the date of this report, 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	3,766,000	26.60
CG Asset Management	967,243	6.83
Rathbone Brothers plc	805,618	5.69
Butterfield Bank Group	691,182	4.88
Charles Stanley	457,304	3.23
Peregrine Moncreiffe	438,140	3.09

directors

The biographical details for Directors currently in office are shown on page 3.

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 18 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.

report of the directors
for the year ended 31 January

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 2020 and 31 January 2019 were as follows:

	31 January 2020 5p Ordinary Shares	31 January 2019 5p Ordinary Shares
Peregrine Moncreiffe	438,140	417,640
Christopher Mills	3,766,000	3,666,000
Christopher Mills (non-beneficial)	355,740	355,740
Lord Howard of Rising	5,000	5,000
G Walter Loewenbaum	15,000	15,000
Sir Charles Wake	1,800	—

There have been no changes to the above interests between 31 January 2020 and the date of this report.

Details of Directors' remuneration are described in the Directors' Remuneration Report on pages 36 to 40.

Save as disclosed on page 27 or in notes 3 and 15 to the financial statements, no Director was party to or had any interest in any contract or arrangement with the Company at any time during the year.

significant agreements

The Company is required to disclose details of any agreement that it considers to be essential to the business and the two agreements detailed below are considered by the Board to be significant.

Pursuant to the Sub Advisory, Administration and Transmission Services Agreement dated 15 June 2016, Harwood Capital LLP provides administration services to the Company. 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.

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.

The Board reviews the activities of the Manager. The Chief Executive carries out day-to-day investment decisions for and on behalf of the Company. As part of this review, the Board is satisfied that the continuing appointment of the Manager, on the terms agreed, is in the best interests of Shareholders. Christopher Mills has been Chief Executive of the Company since 1984 and the Board consider it is in the best interest of the Company for this arrangement to continue.

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

report of the directors
for the year ended 31 January

related party transactions	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. Details of the related party transactions and fees payable are disclosed in note 15 on pages 78 to 79 and in the Directors' Remuneration Report on pages 36 to 40. The Investment Management Fees are disclosed in note 3 on page 58. Any Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report on pages 36 to 40 and note 3 of the financial statements on pages 58 and 59. 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 new 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	Since the end of the period all world markets have fallen substantially due to the onset of the COVID-19 virus which has disastrously impacted economic activity. These matters are considered further in the Chairman's Statement on page 4 and the Investment Manager's Report on page 5.
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 2020 had been paid (31 January 2019 – all supplier invoices paid).
auditors	Resolutions to appoint RSM UK Audit LLP as the Company's auditors and to authorise the Board to determine their remuneration will be proposed at the forthcoming Annual General Meeting. In the case of each of the persons who are directors at the time the report is approved so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
going concern	The Company's assets largely 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.

report of the directors
for the year ended 31 January

additional disclosures

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

- the Company's capital structure and voting rights are summarised on page 25 and note 11;
- details of the substantial shareholders in the Company are listed on page 25;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 25;
- 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

12 May 2020



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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the 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 accounting 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.

statement of directors' responsibilities in respect of the annual report and the financial statements
for the year ended 31 January

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

Each of the directors, whose names and functions are listed in the strategic report on page 3 confirm that to the best of each person's knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, 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 company, 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
12 May 2020



corporate governance

statement of compliance
with the uk corporate
governance code

The Company's policy is to achieve best practice in its standards of business integrity in all of its activities. This includes a commitment to follow the highest standards of corporate governance wherever possible. This section of the Annual Report describes how the Company has complied with the applicable provisions of the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in April 2018 (the "Code") and is available from the FRC website (www.frc.org.uk). The Board considers that it has complied with the provisions of the Code throughout the year with few exceptions: these are detailed on page 35.

directors

Brief biographical details of the Directors in office are set out on page 3. The Board consists of five Directors, four of whom are non-executive (the Chairman – Peregrine Moncreiffe, Lord Howard of Rising, G Walter Loewenbaum and Sir Charles Wake) and considered by the Board to be independent for the purposes of the Code despite the fact that the Chairman has served as a director for more than nine years and his 3.09% shareholding. They are all free of any relationship that could materially interfere with the exercise of their independent judgement on issues concerning strategy, performance and standards of conduct. The Board considers that it has the appropriate balance of skills, experience, ages and length of service in the circumstances and values highly the experience of those Directors who have served on the Board for a longer period. The majority of the Board is therefore considered to be independent. Christopher Mills is the Company's Chief Executive and not independent.

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

The Board is made up of individual members who have a wide range of qualifications and expertise to bring to any debate. The Board normally meets four times a year and at other times as necessary. The terms and condition of their appointment, including the expected time commitment, are available for inspection at the Registered Office of the Company during normal business hours and will also be available for at least fifteen minutes prior to and during the Annual General Meeting. The contract for Christopher Mills' services as a Director is with GFS.

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

corporate governance*Statement of Compliance with the UK Corporate Governance Code***board meetings**

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

attendance at board meetings, audit and remuneration committees

	Total number in year 4 Board Meetings	Total number in year 2 Audit Committees	Total number in year 1 Remuneration Committee
Peregrine Moncreiffe	4	2	1
Christopher Mills	4	N/A	N/A
Lord Howard of Rising	4	2	1
G Walter Loewenbaum	4	2	1
Sir Charles Wake	4	2	1

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

remuneration committee

All of the non-executive Directors comprise the Remuneration Committee which is chaired by the Chairman of the Company. The Remuneration Committee reviews the remuneration paid to Harwood Capital LLP and GFS pursuant to the Management Agreements and the level of directors' remuneration. The remuneration of GFS is disclosed in the Directors' Remuneration Report on pages 36 to 40 and also in note 3 on page 58.

audit committee

The Board is supported by an Audit Committee which is chaired by Lord Howard of Rising and comprises all of the non-executive Directors. The Audit Committee meets representatives of Harwood Capital LLP twice a year, who report on the proper conduct of business in accordance with the regulatory environment in which the Company operates. The Company's Auditors also attend the Committee at its request, at least once a year, and comment on their work procedures, the quality and effectiveness of the Company's accounting procedures and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include monitoring the integrity of the financial statements including Annual and Half-Yearly reports, reviewing the effectiveness of the Company's internal controls and risk management, making recommendations in relation to the appointment of the auditors and reporting to the Board on all matters within its duties and responsibilities.

corporate governance*Statement of Compliance with the UK Corporate Governance Code*

The Committee monitors the performance of the Auditors on a regular basis (at least annually) and if satisfied, recommends their re-appointment to the Board. The Audit Committee is authorised to take such independent professional advice (including legal advice) and to secure the attendance of any external advisers with relevant expertise as it considers necessary. The Audit Committee is also responsible for the review of the Annual and Half-Yearly Reports, the nature and scope of the external audit, its findings and the provision of any non-audit services. The Audit Committee is satisfied that RSM UK Audit LLP, the Company's Auditor, is independent and that it has adequate policies and safeguards in place to ensure that its objectivity and independence is maintained. The Audit Committee receive each year a report from the Auditor as to any matters the Auditor considers bear on its independence and which require disclosure to the Company.

During the year, the Audit Committee evaluated the current audit engagement with KPMG LLP. KPMG was about to enter its tenth year of the audit engagement, and as such, it was considered prudent to consider the existing relationship with a view to maintaining and enhancing auditor independence and quality for the Company's shareholders. Following a tender process, the Audit Committee unanimously resolved to appoint RSM UK Audit LLP as the statutory auditor, effective for the 31 January 2020 year end. There has been no interaction between the Company and the Financial Reporting Council's Corporate Reporting Review team during the period.

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

financial report and significant issues

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

Listed investments are valued using stock exchange prices provided by third party financial data vendors. Unquoted investments are recognised on a fair value basis as set out in the statement of accounting policies on page 53 and are reviewed by Harwood Capital LLP's Valuations and Pricing Committee before being approved by the Board and being made available to the Auditor.

These and other matters, identified as posing less of a risk, as well as the impact of COVID-19 on the Company and its investments, were considered and discussed with the Manager and the Auditor as part of the year end process.

Throughout the year the Board has considered, as part of its ongoing Risk Management Review, the principal risks facing the Company. This has included specifically assessing those risks which would threaten its business model, future performance, solvency or liquidity.

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

corporate governance*Statement of Compliance with the UK Corporate Governance Code*

shareholder relations	The Company, through its Chief Executive, has regular contact with its Institutional Shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private Shareholders and encourages them to participate. The Annual General Meeting is attended by the Directors and the Chief Executive. Details of significant votes against a resolution are set out in the Chairman's Statement on page 4.
nominations committee	The Board is a small Board and fulfils the function of the Nominations Committee as a whole. The Nominations Committee considers the leadership needs and succession of the Board when making decisions on new appointments. Compatibility with each and every Director is considered a priority. The Board has considered its size during the year and considers that it is still a suitable size for the size of the Company and does not consider that there are any vacancies.
diversity	Due to the size of the Board and the fact that there are no employees, the Company does not have a diversity policy.
the company secretary	The Board has direct access to the advice and services of the Company Secretary, Derringtons Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that the applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports.
accountability and audit	The statement of going concern is given on page 27 and the Board's responsibilities with regard to the financial statements are set out on pages 29 and 30. The Independent Auditor's Report is on pages 41 to 46. The principal risks and uncertainties, s 172 statement and viability statement are set out in the Strategic Report on pages 20 to 22.
share capital	Shareholders' attention is drawn to the further information on page 28 which is disclosed in accordance with the Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 and rule 7.2.6 of the Disclosure and Transparency Rules.
internal control	The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has regularly reviewed the effectiveness of the system of internal control in place. The Board believes that the key risks identified and implementation of the system to monitor and manage those risks are appropriate to the Company's business as an investment trust. The ongoing risk assessment includes the monitoring of the financial, operational and compliance risks as well as an evaluation of the scope and quality of the system of internal control adopted by the third party service providers. The Board regularly reviews the delegated services to ensure their continued competitiveness and effectiveness. The system is designed to ensure regular communication of the results of monitoring by the third parties to the Board and the incidence of any significant control failings or weaknesses that have been identified and the extent to which they have resulted in unforeseen outcomes or contingences that may have a material impact on the Company's performance or operations. This review process was in place throughout the year under review and including the period to the date of the approval of the Annual Report and there were no problems identified from this review. The Board believes that, although robust, the Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Any system can provide only reasonable and not absolute assurance against material misstatement or loss. The principal features of the internal control systems in respect of financial reporting include segregation of duties between the processing and approval of investment transactions and the recording of these transactions in the accounting monthly records as well as the production and

corporate governance*Statement of Compliance with the UK Corporate Governance Code*

review of monthly management accounts. The annual and interim reports are reviewed and approved by the Board. The Company does not have an internal audit function as it uses third party service providers and does not employ any staff, nor does the Board consider it appropriate to do so.

compliance statement

Throughout the year ended 31 January 2020 the Company has complied with the Code, where applicable, except as follows:

Provision 3 – The Chairman does not seek engagement with shareholders to understand their views on governance and performance against strategy. However the Chief Executive has regular contact with major shareholders and if any concerns are raised the Chairman is available to meet them at their request. Also all the directors including the Chairman attend the Annual General Meeting and are available to communicate with shareholders.

Provision 12 – The Company has not appointed a senior independent director as this is not regarded as being appropriate given the size of the Board.

Provision 19 – The Chairman has served on the board for more than nine years since the date of his appointment and holds 3.09% of the shares. However, the Board feels that it is best served by a Chairman with outstanding experience in the sector and with great knowledge of the investment manager's strengths and modus operandi. The directors do not believe that the Company's stakeholders would be well-served by a change of Chairman at this time.

Provision 21 – There is not a formal annual evaluation of the performance of the Board, its committees or individual directors. An informal evaluation takes place every two years and the Chairman monitors the performance of the Board on an ongoing basis.

Provision 24 – The Chairman is a member of the Audit Committee but there are three other independent members and the Chairman of the Audit Committee, Lord Howard, had strong relevant financial experience. The committee as a whole has competence relevant to the sector in which the Company operates.

Provision 32 – The Chairman of the Remuneration Committee is the Chairman of the Company which is felt to be appropriate given the size of the Company and his knowledge of it.

By Order of the Board

Derringtons Limited

Company Secretary

Registered Office:

6 Stratton Street

Mayfair

London

W1J 8LD

Registered No: 1091347

12 May 2020



directors' remuneration report*for the year ended 31 January*

This Report has been prepared in accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 8. The Directors' Remuneration Implementation Report will be put to an advisory Shareholder vote at this year's annual general meeting.

The law requires your Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 41 to 46.

role and composition

The Remuneration Committee consists of the Chairman, Peregrine Moncreiffe, Lord Howard of Rising, G Walter Loewenbaum and Sir Charles Wake, being the Independent non-executive Directors. Christopher Mills, the Company's Chief Executive, is not a member of the Remuneration Committee and does not attend meetings of the Remuneration Committee.

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

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

directors' interests (audited)

	31 January 2020 5p Ordinary Shares	31 January 2019 5p Ordinary Shares
Peregrine Moncreiffe	438,140	417,640
Christopher Mills	3,766,000	3,666,000
Christopher Mills (non-beneficial)	355,740	355,740
Lord Howard of Rising	5,000	5,000
G Walter Loewenbaum	15,000	15,000
Sir Charles Wake	1,800	—

policy on directors' remuneration

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

directors' remuneration report*for the year ended 31 January*

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

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

The Directors' Remuneration Policy is the same in all material aspects as that implemented by the Board during the year under review and as summarised in last year's Directors' Remuneration Report. The Board will consider, where raised, Shareholders' views on Directors' remuneration.

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

The performance graph on page 40 measures the Company's share price and net asset value performance against the Sterling adjusted Russell 2000 and the Sterling adjusted Standard & Poor's 500 Composite Index. An explanation of the Company's performance is given in the Chairman's Statement and the Investment Manager's Report.

implementation report

The policy is to review Directors' fees from time to time, but reviews will not necessarily result in the level of Directors' fees changing. In the year under review, the Directors were paid at a rate of £25,000 per annum with the exception of the Chairman, whose emoluments amounted to £30,000.

The current fees have applied since 1 July 2011.

directors' remuneration table (audited)

	2020				2019			
	Fees & Salary £	Taxable Benefits £	Annual Incentives £	Total £	Fees & Salary £	Taxable Benefits £	Annual Incentives £	Total £
Executive								
Christopher Mills	25,000	—	2,818,000	2,843,000	25,000	—	3,780,000	3,805,000
Non-Executive								
Peregrine Moncreiffe (Chairman)	30,000	—	—	30,000	30,000	—	—	30,000
Kristian Siem (resigned 26 June 2018)	—	—	—	—	10,100	—	—	10,100
Lord Howard of Rising	25,000	—	—	25,000	25,000	—	—	25,000
G Walter Loewenbaum	25,000	—	—	25,000	25,000	—	—	25,000
Sir Charles Wake (appointed 27 June 2018)	25,000	—	—	25,000	14,900	—	—	14,900
	130,000	—	2,818,000	2,948,000	130,000	—	3,780,000	3,910,000

directors' remuneration report*for the year ended 31 January***chief executive**

The Chief Executive is responsible for the day-to-day investment decisions. He has no service contract with the Company; his appointment is pursuant to the Secondment Services Agreement dated 7 January 1993 between the Company, the Chief Executive and GFS. The Remuneration Committee has no plans to alter the remuneration structure for the Chief Executive. As stated in note 15 on pages 78 and 79, the Chief Executive is entitled to retain any fees received from investee companies in respect of his role as a non-executive director of these entities; such a role is considered to benefit Shareholders as it allows the Chief Executive to monitor the performance of the investee company more closely than would be possible under other circumstances.

remuneration of chief executive (audited)

	Year ended 31 January 2020 £	Year ended 31 January 2019 £
Director's fees	25,000	25,000
Investment Management and related fees	2,164,000	2,037,000
Performance fee	654,000	1,743,000
Total (excluding irrecoverable VAT)	2,843,000	3,805,000

The total fees of £2,843,000, in respect of Christopher Mills' services as a Director and Chief Executive are payable to GFS, as described on page 27. GFS receives, and is contractually entitled to receive, part of the Annual Fee payable to the GFS and Harwood Capital LLP in respect of the investment management activities of the Chief Executive pursuant to the Investment Management Agreements described on page 26 and note 3 on page 58 to the financial statements.

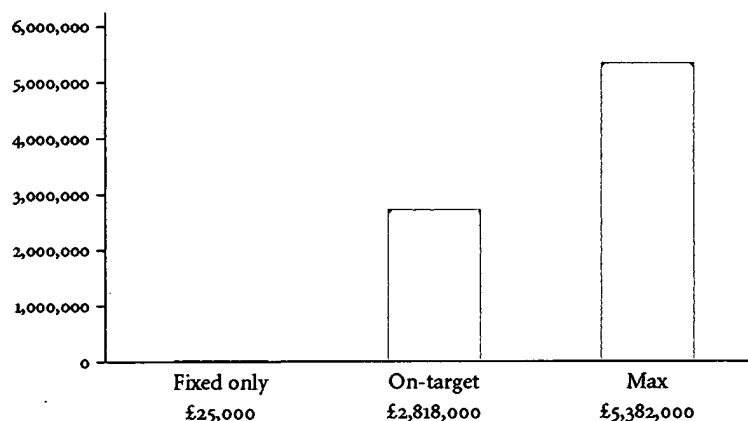
Christopher Mills is a director of GFS. GFS is a wholly owned subsidiary of Harwood Capital Management Limited, which is in turn wholly owned by Christopher Mills. Christopher Mills is also the Chief Investment Officer of Harwood Capital LLP.

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

Explanations of the calculation of the Investment Management and Performance fees can be found in note 3 on page 58 to the financial statements.

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

directors' remuneration report
for the year ended 31 January



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

The maximum includes a performance fee of 0.5% of shareholder funds.

Included within the 'On-target' bar is the investment management fee (2020: £2,164,000) and performance fee (2020: £654,000) that are payable to GFS and Harwood Capital LLP for the year ended 31 January 2020. Christopher Mills is deemed to have received these fees due to the fact that he is a director of and the ultimate beneficial owner of GFS and a Member of Harwood Capital LLP. These amounts are included in the 'On Target' bar as the fees were only payable if performance related hurdles were met.

**single total figure of
remuneration for each
director (audited)**

The Directors who served during the years ended 31 January 2020 and 31 January 2019 received the following emoluments:

	Total Fees £ 31 January 2020	Total Fees £ 31 January 2019
Peregrine Moncreiffe	30,000	30,000
Kristian Siem	—	10,100
Lord Howard of Rising	25,000	25,000
G Walter Loewenbaum	25,000	25,000
Sir Charles Wake	25,000	14,900
Christopher Mills	2,843,000	3,805,000
Total	2,948,000	3,910,000

No Directors receive any benefits in kind.

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

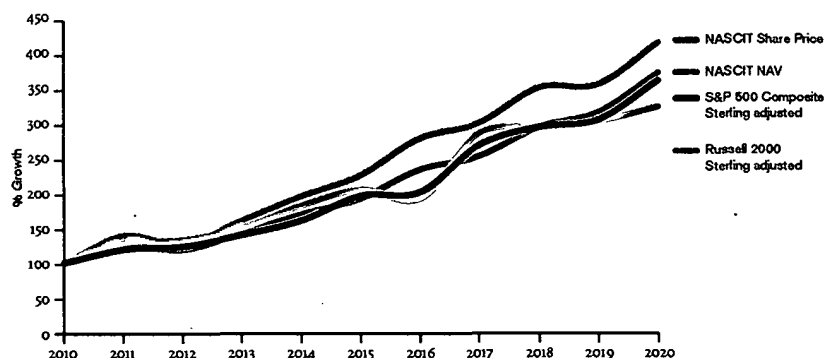
directors' remuneration report*for the year ended 31 January***service contracts**

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

company's performance

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

Graph showing total Shareholder return over 10 years as compared to total Shareholder return of a broad equity market index over the last 10 years. (Source: Financial Data/Datastream)



NASCIT NAV is the diluted NAV at each balance sheet date from 2014 onwards. NAV for 2013 and earlier years were calculated prior to the adoption of IFRS 10 and includes Oryx under the equity method of accounting.

The equity market indexes chosen are the Sterling adjusted Russell 2000 and the Sterling adjusted Standard & Poor's 500 Composite Index.

Voting

The Directors' Remuneration Report for the year ended 31 January 2019 was approved by shareholders at the Annual General Meeting held on 25 June 2019. The votes cast by proxy were as follows:

Directors' Remuneration Report		
	Number of votes	Percentage
For	7,699,490	99.58
Against	31,967	0.41
At Chairman's discretion	450	0.01
Total votes cast	7,731,907	100.00
Number of votes withheld	80	

This Report was approved by the Board on 12 May 2020 and signed by Peregrine Moncreiffe, Chairman.

Peregrine Moncreiffe

On behalf of the Board
 Peregrine Moncreiffe
 Chairman
 12 May 2020

independent auditor's report*to the members of North Atlantic Smaller Companies Investment Trust plc***Opinion**

We have audited the financial statements of North Atlantic Smaller Companies Investment Trust plc (the 'company') for the year ended 31 January 2020 which comprise the statement of comprehensive income, statement of changes in equity, balance sheet, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 20 and 21 that describe the principal risks and explain how they are being managed or mitigated;
- the board's confirmation set out on page 20 in the annual report that it has carried out a robust assessment of the company's principal risks, including those that would threaten its business model, future performance, solvency or liquidity;
- the board's statement set out on page 27 in the financial statements about whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the board's identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the board's explanation set out on page 22 in the annual report as to how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

independent auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Unquoted Investments

Key audit matter description

As at 31 January 2020, unquoted investments were £117m, which was 19% of the company's net assets at that date. These investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These valuations involve material judgements and estimation and is a significant audit risk and for this reason it is considered to be a key audit matter.

Unquoted investment disclosures are set out in notes 8 and 14 to the financial statements.

How the matter was addressed in the audit

Our audit procedures included:

- Obtaining an understanding of the company's unquoted investments held at the year end, including attendance at valuation meetings with the investment manager and reviewing underlying investment agreements and other relevant documentation.
- Understanding and challenging the key assumptions and judgements affecting investee company valuations, including the use of internal valuation experts to assist consideration of the appropriateness of the valuation basis and sensitivities.
- Considering whether events that occurred subsequent to the period end up until the date of this audit report affect the underlying assumptions of the valuations at 31 January 2020; and
- Considering of the appropriateness of the disclosures in the financial statements in respect of unquoted investments.

Key observations

We concluded that the carrying value of unquoted investments is acceptable.

independent auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

Carrying Value of Quoted Investments**Key audit matter description**

As at 31 January 2020, quoted investments (including treasury bills) were £484m, which was 78% of the company's net assets at that date. Quoted investments are one of the key drivers of financial performance. Whilst this is not considered to be a significant audit risk, due to the quantum of these investments, we consider it to be a key audit matter.

Quoted investment disclosures are set out in note 8 to the financial statements.

How the matter was addressed in the audit**Our audit procedures included:**

- Agreeing 100% of year end investment holdings to independently received confirmations from the investment custodians.
- Checking 100% of the year end valuations to externally quoted prices.

Key observations

We concluded that the carrying value of quoted investments is acceptable.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality	£6.2m (2019: £5.5m applied by KPMG LLP)
Basis for determining overall materiality	1% of net assets (2019: 1% of gross assets applied by KPMG LLP)
Rationale for benchmark applied	Net asset value per share is one of the company's key performance indicators and considered to be one of the principal considerations for members of the company when assessing financial performance.
Performance materiality	£4.6m (2019: £4.1m applied by KPMG LLP)
Basis for determining performance materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Quantitative misstatements in excess of £310,000 together with any other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

independent auditor's report*to the members of North Atlantic Smaller Companies Investment Trust plc***An overview of the scope of our audit**

The company has been subject to a full scope audit. The company is a single entity, subject to local statutory audit, and our audit work was designed to address the risks of material misstatements identified to the level of materiality indicated above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 40 including the Strategic Report, Report of the Directors, Statement of Directors' Responsibilities, Corporate Governance and Directors' Remuneration Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 30 – the statement given by the directors that they 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 32 and 33 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 35 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;

independent auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Report of the Directors ; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

independent auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

As part of our audit, we will consider the susceptibility of the company to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 28 February 2020 to audit the financial statements for the year ended 31 January 2020 and subsequent financial periods. This is the first period of engagement, so the period of total uninterrupted engagement is one year covering the year ending 31 January 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

RSM UK Audit LLP

Richard Coates (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

ECAA 4AB

12 May 2020

statement of comprehensive income
for the year ended 31 January

		2020			2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	12,345	—	12,345	11,645	—	11,645
Net gains on investments at fair value	8	—	93,536	93,536	—	31,095	31,095
Currency exchange gains	8	—	153	153	—	271	271
total income		12,345	93,689	106,034	11,645	31,366	43,011
Expenses							
Investment management fee	3	(5,410)	(709)	(6,119)	(5,091)	(1,788)	(6,879)
Other expenses	3	(1,063)	—	(1,063)	(714)	—	(714)
return before taxation		5,872	92,980	98,852	5,840	29,578	35,418
Taxation	6	—	—	—	—	—	—
return for the year		5,872	92,980	98,852	5,840	29,578	35,418
basic earnings per ordinary share	7	41.24	652.92	694.16	40.59	205.57	246.16
diluted earnings per ordinary share	7	41.24	652.92	694.16	40.53	205.27	245.80

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 on pages 51 to 79 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
2020							
31 January 2019	716	24	1,301	524,316	154	4,914	531,425
Total comprehensive income for the year	—	—	—	92,980	—	5,872	98,852
Dividend paid	—	—	—	—	—	(4,256)	(4,256)
Shares purchased for cancellation	(8)	—	—	(5,022)	8	—	(5,022)
Share options discharge	—	(24)	—	(252)	—	—	(276)
31 January 2020	708	—	1,301	612,022	162	6,530	620,723
	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

The notes on pages 51 to 79 form part of these financial statements.

balance sheet

as at 31 January

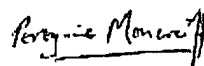
	Notes	31 January 2020 £'000	31 January 2019 £'000
non current assets			
Investments at fair value through profit or loss	8	601,168	500,696
		<u>601,168</u>	<u>500,696</u>
current assets			
Trade and other receivables	9	3,736	19,623
Cash and cash equivalents		17,805	30,669
		<u>21,541</u>	<u>50,292</u>
total assets		<u>622,709</u>	<u>550,988</u>
current liabilities			
Trade and other payables	10	(1,986)	(19,563)
total liabilities		<u>(1,986)</u>	<u>(19,563)</u>
total assets less current liabilities		<u>620,723</u>	<u>531,425</u>
net assets		<u>620,723</u>	<u>531,425</u>
represented by:			
Share capital	11	708	716
Share options reserve		—	24
Share premium account		1,301	1,301
Capital reserve		612,022	524,316
Capital redemption reserve		162	154
Revenue reserve		6,530	4,914
total equity attributable to equity holders of the company		<u>620,723</u>	<u>531,425</u>
net asset value per ordinary share:			
Basic	7	4,384p	3,710p
Diluted	7	4,384p	3,708p

These financial statements were approved and authorised for issue by the Board of Directors on 12 May 2020 and signed on its behalf by:

The notes on pages 51 to 79 form part of these financial statements.

Peregrine Moncreiffe, *Chairman*

Company Registered Number:
1091347



cash flow statement*for the year ended 31 January*

	Notes	2020 £'000	2019 £'000
cash flows from operating activities			
Investment income received		9,631	9,002
Deposit interest received		18	15
Investment Manager's fees paid		(7,168)	(7,686)
Share based payment – discharge of options		(276)	(496)
Other cash payments		(1,225)	(826)
cash generated from operations	12	<u>980</u>	<u>9</u>
Taxation paid		–	–
net cash inflow from operating activities		<u>980</u>	<u>9</u>
cash flows from investing activities			
Purchases of investments		(290,621)	(358,127)
Sales of investments		286,006	380,966
net cash (outflow)/inflow from investing activities		<u>(4,615)</u>	<u>22,839</u>
cash flows from financing activities			
Dividend paid		(4,256)	–
Repurchase of Ordinary Shares for cancellation		(5,022)	(2,920)
net cash outflow from financing activities		<u>(9,278)</u>	<u>(2,920)</u>
(decrease)/increase in cash and cash equivalents for the year		<u>(12,913)</u>	<u>19,928</u>
cash and cash equivalents at the start of the year		<u>30,669</u>	<u>10,653</u>
Revaluation of foreign currency balances		49	88
cash and cash equivalents at the end of the year	13	<u>17,805</u>	<u>30,669</u>

The notes on pages 51 to 79 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.

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. Since the end of the period all world markets have fallen substantially due to the onset of the COVID-19 virus which has disastrously impacted economic activity. Whilst this has impacted the value of the Company's investment portfolio, the Company entered the downturn with substantial liquid resources (cash at bank and US treasury bills) of £82m at the year end. 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 are 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.

notes to the financial statements

1 accounting policies continued

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 or after 1 January 2019. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. 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 measures 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.

notes to the financial statements

1 accounting policies continued

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 various valuation techniques in accordance with the International Private Equity and Venture Capital Valuation (the "IPEV") 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.

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.

notes to the financial statements

1 accounting policies continued

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 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.

notes to the financial statements

1 accounting policies continued

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.

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.

notes to the financial statements

1 accounting policies continued

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;
- Ordinary Shares repurchased for cancellation; and
- Exchange differences of a capital nature.

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.

notes to the financial statements

2 income

	2020 £'000	2019 £'000
income from investments		
Dividend income	6,640	5,646
Unfranked investment income		
– interest	3,274	2,476
– interest reinvested	2,413	3,500
	<u>12,327</u>	<u>11,622</u>
other income		
Interest receivable	18	15
Net return from Subsidiary	–	7
Realised gains on income	–	1
	<u>18</u>	<u>23</u>
Total income	<u>12,345</u>	<u>11,645</u>
total income comprises		
Dividends	6,640	5,646
Interest	5,705	5,991
Other income	–	8
	<u>12,345</u>	<u>11,645</u>
income from investments		
Listed UK	6,640	5,646
Other unquoted	5,687	5,976
	<u>12,327</u>	<u>11,622</u>

notes to the financial statements

3 expenses

a) investment management fee

- (i) Pursuant to the Secondment Services Agreement, described in the Report of the Directors on page 26 and the Directors' Remuneration Report on page 38, 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 on page 26 of 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:

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Annual fee payable to Harwood Capital	3,246	—	3,246	3,054	—	3,054
Annual fee payable to GFS	2,164	—	2,164	2,037	—	2,037
Performance fee	—	654	654	—	1,743	1,743
Irrecoverable VAT thereon*	—	55	55	—	45	45
	<u>5,410</u>	<u>709</u>	<u>6,119</u>	<u>5,091</u>	<u>1,788</u>	<u>6,879</u>

At 31 January 2020, £270,000 was payable to Harwood Capital LLP in respect of outstanding management fees (2019: £255,000). At 31 January 2020, there was £654,000 payable to GFS in respect of outstanding performance fees (2019: £1,743,000) net of VAT.

* 42% irrecoverable (2019: 13%) based on rates per latest VAT return information.

notes to the financial statements

b) other expenses

	2020 £'000	2019 £'000
Auditor's remuneration – audit – RSM UK Audit LLP	58	–
Auditor's remuneration – audit – KPMG LLP	8	57
Directors' fees (see page 37)	130	130
Administration fee	279	263
Legal and Professional fees	192	67
Registrars fees	29	29
Stock Exchange related fees	35	28
Other expenses	332	140
	<u>1,063</u>	<u>714</u>

4 dividends paid

	2020 £'000	2019 £'000
Amounts relating to the year but not paid at the year end:		
Final dividend for the year ended 31 January 2019 of 30p per share (2018: nil)	4,256	–
	<u>4,256</u>	<u>–</u>

The Directors have proposed a final dividend totalling £4.2m (2019: £4.3m) from revenue reserves, in respect of the year ended 31 January 2020 of 30.0p per share (2019: 30.0p), payable on 14 December 2020 to all shareholders on the register on 20 November 2020. The final dividend is subject to approval by shareholders at the Annual General Meeting.

5 share based remuneration

A list of the Options in issue are shown below;

No. of options at 1 February 2019	Year of grant	Discharged during the year	Grant of options during the year	Price	No. of Options at 31 January 2020
10,000	2011	10,000	nil	1,467.71	nil

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 were exercised in September 2019.

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 2020 and 2019 there was no accounting charge as the vesting period has expired.

As at 31 January 2020, and as at the date of this report there were no options in issue.

notes to the financial statements

6 taxation

	2020 Total £'000	2019 Total £'000
Withholding tax	—	—
	—	—

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.

	2020 Total £'000	2019 Total £'000
Total return before taxation	98,852	35,418
Theoretical tax at UK Corporation tax rate of 19% (2019: 19%)	18,782	6,729
Effects of:		
Non taxable capital return	(17,801)	(5,960)
UK and overseas dividends which are not taxable	(1,262)	(1,073)
Subsidiary return which is not taxable	—	(1)
Increase in tax losses, disallowable expenses and excess management expenses	281	305
Actual current tax charge	—	—

Factors that may affect future tax charges:

As at 31 January 2020, the Company has tax losses of £62,732,000 (2019: £60,800,000) that are available to offset future taxable revenue, comprising excess management expenses of £53,737,000 and a non-trade loan relationship deficit of £8,995,000 (2019: excess management expenses of £51,805,000 and a non-trade loan relationship deficit of £8,995,000). A deferred tax asset has not been recognised in respect of those losses as the Company is not expected to generate taxable income in the future in excess of the deductible expenses of future periods and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of those losses.

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

notes to the financial statements

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
2020									
Basic return per Share	5,872	14,240,620	41.24	92,980	14,240,620	652.92	98,852	14,240,620	694.16
Share options*	—	—	—	—	—	—	—	—	—
Diluted return per Share	5,872	14,240,620	41.24	92,980	14,240,620	652.92	98,852	14,240,620	694.16
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	245.80

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:

		Net assets £'000	Number of Ordinary Shares	Net asset value per Share
2020				
Ordinary Shares	– Basic and Diluted	620,723	14,160,000	4,384p
Ordinary Shares*	– Basic and Diluted	637,974	14,160,000	4,505p
2019				
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

* Adjusted for Oryx using equity accounting.

notes to the financial statements

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

The diluted net asset value per Ordinary Share for 31 January 2019, was calculated on the assumption that the outstanding 10,000 Share Options were exercised at the prevailing exercise prices, giving a total of 14,335,620 issued Ordinary Shares. There is no dilutive effect for 31 January 2020, as there were no options outstanding.

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 as set out below:

	2020	2019
	£'000	£'000
Oryx at Fair value (traded price) using IFRS 10	72,251	57,776
Oryx value using Equity Accounting	89,502	67,270
Increase in net assets using Equity Accounting	17,251	9,494

8 investments at fair value through profit or loss**a) investments at fair value through profit or loss**

	2020	2019
	£'000	£'000
Quoted at fair value:		
United Kingdom	400,401	281,795
Overseas	19,930	15,677
Total quoted investments	420,331	297,472
Treasury bills at fair value	63,841	90,893
Unquoted and loan stock at fair value	116,996	112,331
Investments at fair value through profit or loss	601,168	500,696

notes to the financial statements

8 investments at fair value through profit or loss continued

a) investments at fair value through profit or loss continued

	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
2020						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2019	75,357	104,344	42,670	44,728	92,899	359,998
Investment holding gains/(losses)	99,462	18,309	24,659	274	(2,006)	140,698
opening fair value as at 1 February 2019	174,819	122,653	67,329	45,002	90,893	500,696
Movements in year:						
Purchases at cost	34,991	18,973	8,957	9,665	203,140	275,726
Sales – proceeds	(20,579)	(4,392)	(1,468)	(11,193)	(231,158)	(268,790)
– realised gains/(losses) on sales	11,764	(11,550)	(1,578)	(388)	371	(1,381)
Investment holding gains/(losses)	26,188	67,464	1,052	(382)	595	94,917
closing fair value as at 31 January 2020	227,183	193,148	74,292	42,704	63,841	601,168
Closing bookcost as at 31 January 2020	101,533	107,375	48,581	42,812	65,252	365,553
Investment holding gains/(losses)	125,650	85,773	25,711	(108)	(1,411)	235,615
	227,183	193,148	74,292	42,704	63,841	601,168
2019						
analysis of investment portfolio movements						
Opening bookcost as at 1 February 2018	67,505	88,368	35,815	33,447	100,480	325,615
Investment holding gains/(losses)	130,168	11,856	26,756	(615)	(4,868)	163,297
opening fair value 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
Investment holding (losses)/gains	(30,706)	6,453	(2,097)	889	2,862	(22,599)
closing fair value 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
Investment holding gains/(losses)	99,462	18,309	24,659	274	(2,006)	140,698
	174,819	122,653	67,329	45,002	90,893	500,696

notes to the financial statements

8 investments at fair value through profit or loss continued

a) investments at fair value through profit or loss continued

	2020 £'000	2019 £'000
analysis of capital gains and losses		
(Losses)/gains on sales	(1,381)	53,694
Unrealised gains/(losses)	94,917	(22,599)
gains on investments at fair value	93,536	31,095

	2020 £'000	2019 £'000
Exchange gains on capital items	104	183
Exchange gains on currency	49	88
exchange gains	153	271

	2020 £'000	2019 £'000
portfolio analysis		
Equity shares	490,333	360,368
Preference securities	4,290	4,433
Fixed interest securities	42,704	45,002
Treasury Bills	63,841	90,893
	601,168	500,696

b) subsidiary undertakings

At 31 January 2020 the Company has the following Subsidiaries which were active during the year:

Subsidiary	Principal activity	Equity held	Country of registration
Consolidated Venture Finance Limited	Investment entity	100%	England and Wales
Hampton Investment Properties Limited	Property investment	70.81%	England and Wales
Oryx International Growth Fund Limited	Investment company	51.95%	Guernsey
Performance Chemical Company	Oil field service company	53.12%	United States of America

notes to the financial statements

8 investments at fair value through profit or loss continued**b) subsidiary undertakings continued****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.

The Board have concluded that the Company continues to meet the 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 other than those disclosed in note 15.

notes to the financial statements

8 investments at fair value through profit or loss continued

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 2020 %	Company holding 31 January 2019 %
AssetCo plc Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire NP25 5JA	England and Wales	30 September 2019	29,855	763	28.63	28.63
Consolidated Venture Finance Limited 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 January 2020	(746)	—	100.00	100
EKF Diagnostics Holdings plc Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ	England and Wales	31 December 2018	81,380	10,299	21.58	21.58
Hampton Investment Properties Limited 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2018	12,387	(143)	70.81	70.81
Harwood Private Equity Fund IV LP 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2019	143,397	(136)	26.28	26.28
Oryx International Growth Fund Limited BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA	Guernsey	31 March 2019	133,326	8,096	51.95	51.86
Performance Chemical Company 9105 W Interstate 20 Midland TX 79706	United States of America	30 September 2019	\$754	\$3,006	53.12	53.1
Trident Private Equity Fund III LP 6 Stratton Street, Mayfair, London W1J 8LD	England and Wales	31 December 2019	16,595	(132)	38.76	38.76

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.

notes to the financial statements

8 investments at fair value through profit or loss continued

At the year end, the Company held over 3% of the shares in the following companies which were considered to be material:

	%
Frenkel Topping Group Plc	19.99
Augean Plc	17.77
TEN Entertainment Group Plc	15.38
Odyssean Investment Trust Plc	15.18
Sureserve Group Plc	12.71
Sportech Plc	10.86
Bigblu Broadband Plc	10.42
Renalytix AI Plc	10.34
MJ Gleeson Plc	9.04
Hargreaves Services Plc	7.75
Polar Capital Holdings Plc	7.25
Mountain Commerce Bancorp	6.52
Stobart Group Plc	6.41
Ergomed Plc	5.45
Benchmark Holdings Plc	3.22

d) investments in US treasury bills

At 31 January 2020, the Company held US Treasury Bills with a market value of £63,841,000 (2019: £90,893,000).

e) transaction costs

During the year, the Company incurred total transaction costs of £183,000 (2019: £226,000) comprising £114,000 (2019: £68,000) and £69,000 (2019: £158,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Statement of Comprehensive Income.

notes to the financial statements

f) material disposals of unlisted investments in the year:

Security Name	Proceeds £'000	Bookcost £'000	Gain/(loss) £'000	Carrying value at 31 January 2019 £'000
GAJV A Prefrs	nil	2,187	(2,187)	nil
Harwood Leeds	9,127	9,516	(389)	9,516
Specialist Components 5% loan	2,067	2,067	nil	n/a

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.

g) commitment

During the year, the Company has made a commitment to invest £40m in Harwood Private Equity V L.P. As at 31 January 2020, no monies had been advanced in relation to the commitment.

9 trade and other receivables

	2020 £'000	2019 £'000
Amounts due from brokers	1,085	17,103
Amounts owed by Subsidiary	90	89
Accrued income	825	542
Other debtors	808	959
Recoverable withholding tax	928	930
	<u>3,736</u>	<u>19,623</u>

10 trade and other payables

	2020 £'000	2019 £'000
Investment Manager's fees	270	255
Performance fees (incl. VAT)	784	2,091
Amounts due to brokers	771	16,988
Other creditors and accruals	161	229
	<u>1,986</u>	<u>19,563</u>

notes to the financial statements

11 share capital

	2020 Number	2020 £'000	2019 Number	2019 £'000
– allotted, called up and fully paid:				
Ordinary Shares of 5p:				
Balance at beginning of year	14,325,620	716	14,425,620	721
Cancellation of shares	(165,620)	(8)	(100,000)	(5)
Balance at end of year	<u>14,160,000</u>	<u>708</u>	<u>14,325,620</u>	<u>716</u>

Since 31 January 2020, 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 14,160,000 Ordinary Shares of 5p nominal value each.

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

	2020 £'000	2019 £'000
Total return before taxation	98,852	35,418
Gains on investments	(93,689)	(31,366)
Dividends and interest reinvested	(2,413)	(3,500)
Share based payment – discharge of options	(276)	(496)
Movement in provision for subsidiary	–	(7)
(Increase)/decrease in debtors and accrued income	(133)	847
(Decrease)/increase in creditors and accruals	(1,361)	(887)
Cash generated from operations	<u>980</u>	<u>9</u>

13 analysis of net cash and net debt

	At 1 February 2019 £'000	Cash flow £'000	Exchange movement £'000	At 31 January 2020 £'000
net cash				
Cash and cash equivalents	<u>30,669</u>	<u>(12,913)</u>	<u>49</u>	<u>17,805</u>

notes to the financial statements

14 financial instruments and capital disclosures

The Company's financial risk management objectives, policies and strategy can be found in the Strategic Report on pages 2 to 24.

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 (on pages 51 to 56) sets out the accounting policies, including criteria for recognition and the basis for measurement, applied to significant financial instruments (excluding cash at bank) 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 Board and Manager consider and review the risks inherent in managing the Company's assets which are detailed below.

(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 through detail and continuing analysis. 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.

notes to the financial statements

14 financial instruments and risk profile continued

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 2020, the Company had no open forward currency contracts (2019: 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 2020			31 January 2019		
	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
US Dollar	118,468	1,946	120,414	141,873	2,410	144,283
Euro	6,725	—	6,725	6,981	—	6,981
	125,193	1,946	127,139	148,854	2,410	151,264

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 2019.

	31 January 2020		31 January 2019	
	10% weakening £'000	10% strengthening £'000	10% weakening £'000	10% strengthening £'000
US Dollar	13,379	(10,947)	16,031	(13,117)
Euro	747	(611)	776	(635)
	14,126	(11,558)	16,807	(13,752)

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.

notes to the financial statements

14 financial instruments and risk profile continued

interest rate risk

Interest rate movements may affect;

- the fair value of the investments in fixed interest rate securities (including unquoted loans); or
- 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.

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 was as set out on page 7.

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 2020 on its quoted and unquoted investments and options on investments was as follows:

	2020 £'000	2019 £'000
Financial assets at fair value through profit or loss		
– Non current investments at fair value through profit or loss	<u>601,168</u>	<u>500,696</u>

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

notes to the financial statements

14 financial instruments and risk profile continued

other price risk continued

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 2020.

	Method of fair value valuation	2020 fair value GBP £'000	2019 fair value GBP £'000
Harwood Private Equity Fund IV	Net Assets	37,524	31,569
Sherwood Holdings Limited 12.5% PIK Loan Notes	Cost	19,544	17,131
Performance Chemical Holdings Common Stock US\$	Valuation Multiple	10,327	10,353
Performance Chemical Holdings Series A Preferred Stock US\$	Cost	3,454	3,462
Harwood Leeds Property	Fair Value	–	9,516
Coventbridge Group Limited USD 9% loan	Cost	10,051	7,604
Pelsis Holding/Hamsard 3468 Ltd 8% A1 Loan Notes Euro €1	Valuation Multiple	2,677	2,780
Pelsis Holding/Hamsard 3468 Ltd 8% A2 Loan Notes Euro €1	Valuation Multiple	4,016	4,169
Pelsis Holding/Hamsard 3468 Ltd A4 Ordinary Euro €1	Valuation Multiple	32	32
Trident Private Equity Fund LP 3 Including Rebate	Net Assets	6,418	6,339
Jaguar Holdings Limited Ordinary Shares – USD	Valuation Multiple	1,630	3,042
Jaguar Holdings Limited Preference Shares – USD	Valuation Multiple	2,162	2,167
Viking Investments LP	Net Assets	4,852	4,411
Utitec Holdings Inc US\$ – Loan Stock 12.5%	Cost	3,793	3,802
GAJV Holdings, Ordinary shares	Valuation Multiple	–	–
GAJV Holdings, CD	Cost	–	1142
GAJV Holdings, Preferred	Cost	–	404
WEP II SIMCO Co-Investment US\$	Net Assets	1,517	1,521
Hampton Investment Properties Ltd New	Net Assets	995	995
Spring Investment LP (Duke Street) GBP	Cost	3,500	–
Specialist Components Ltd APC Technology Ord £1	Cost	118	–
Specialist Components Ltd GBP 5% Loan Notes	Cost	2,622	–
Telos Corporation Common Stock	Fair Value	1,315	1,318
		116,547	111,757
Other investments		449	574
		116,996	112,331

notes to the financial statements

14 financial instruments and risk profile continued

other price risk continued**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 cannot be recovered.

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 at 31 December 2019, 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 Stock and Preferred Stock

The ordinary stock is valued using an EBITDA multiple of 7.3x to calculate an enterprise value. The preferred stock is held at cost. A reduction in the multiple by a factor of 1x would reduce the carrying value of the total investment by £1.6 million or 12%. An increase in the multiple by a factor of 1x would increase the value of the total investment by £1.6 million or 12%.

Coventbridge Group Limited – Loan

The loan is held at par plus accrued interest. The enterprise value is calculated using an EBITDA multiple of 8.3x. Neither a reduction nor an increase in the multiple by a factor of 1x would impact the carrying value of the loan.

Sherwood Holdings Limited – Loan

The loan is held at par plus accrued interest. The enterprise value is calculated using an EBITDA multiple of 15.5x. Neither a reduction nor an increase in the multiple by a factor of 1x would impact the carrying value of the loan.

Hansard 3468 Limited – Ordinary Shares and Loan notes

The ordinary shares are valued using an EBITDA multiple of 11.2x to calculate an enterprise value. The loan notes are held at par. Interest income has not been accrued in the accounts. A reduction in the multiple by a factor of 1x would reduce the carrying value of the total investment by £1.3 million or 19%. An increase in the multiple by a factor of 1x would increase the value of the total investment by £1.3 million or 19%.

notes to the financial statements

14 financial instruments and risk profile continued

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.

	2020		2019	
	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	60,117	(60,117)	50,070	(50,070)

(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.

As at 31 January 2020, 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 \$63 million based on current exchange rates, within one week.

(iii) credit risk

Other than its investment in US Treasury Bills, 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:

	2020 £,000	2019 £,000
financial assets neither past due or impaired		
Fixed income securities	42,704	45,002
Preference shares	4,290	4,433
Treasury Bills	63,841	90,893
Accrued income and other debtors	3,736	19,603
Cash and cash equivalents	17,805	30,669
	<u>132,376</u>	<u>190,620</u>

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

notes to the financial statements

14 financial instruments and risk profile continued

commitments giving rise to credit risk

There are no commitments giving rise to credit risk as at 31 January 2020.

fair value of financial assets

The Company measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements of the relevant assets as follows:

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

notes to the financial statements

14 financial instruments and risk profile continued

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 2020

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	494,623	420,331	—	74,292
Fixed interest investments	106,545	63,841	—	42,704
Total	601,168	484,172	—	116,996

At 31 January 2019

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

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

level 3 financial assets at fair value through profit or loss

At 31 January 2020

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening Balance	112,331	67,329	45,002
Purchases	25,732	8,957	16,775
Sales	(19,771)	(1,468)	(18,303)
Total gains/(losses) included in gains on investments in the Statement of Comprehensive Income:			
— on assets sold	(1,966)	(1,578)	(388)
— on assets held at the end of the year	670	1,052	(382)
Closing balance	116,996	74,292	42,704

notes to the financial statements

14 financial instruments and risk profile continued

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:

	2020 £'000	2019 £'000
Debt	–	–
Equity		
Equity share capital	708	716
Retained earnings and other reserves	620,015	530,709
	<u>620,723</u>	<u>531,425</u>
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:

		2020 £'000	2019 £'000
	Services		
Oryx International Growth Fund Limited	Investment Advisory	1,843	1,689
Trident Private Equity III LP	Investment Advisory	147	200
Harwood Private Equity IV LP	Investment Advisory	3,052	3,050

15 related party transactions continued

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 on pages 26 to 27.

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 Administrator 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, Benchmark Holdings Plc, Bigblu Broadband plc, Coventbridge Group, EKF Diagnostics Holdings Plc, Goals Soccer Centres plc, Hargreaves Services Plc, M J Gleeson Group plc, Oryx, Pelsis/Hamsard, Renalytix AI Plc, Sherwood Holdings Limited, Signature Aviation Plc, Stobart Group Plc, Sunlink Health Systems Inc, Sureserve Group plc, Ten Entertainment Group plc and Tribal Group Plc. Employees of the Manager may hold options over shares in investee companies. A total of £411,000 (2019: £306,000) 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 83,924 shares in the Company (2019: 73,343).

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.

16 post balance sheet events

Since the end of the period all world markets have fallen substantially due to the onset of the COVID-19 virus which has disastrously impacted economic activity. These matters are considered further in the Chairman's Statement on page 4, the Investment Manager's Report on page 5 and within the Board's review of principal risks on page 20.

directors and advisers

Directors

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

Administrator

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Financial Adviser and Stockbroker

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Registered Office

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Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

RSM UK Audit LLP
25 Farringdon Street,
London,
EC4A 4AB

Company Secretary

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

shareholder information

financial calendar	Announcement of results and Annual Report Annual General Meeting Half-Yearly results and report Half-Yearly report posted May June September September
share price	The Company's share price can be found on: SEAQ Ordinary Shares: NAS Trustnet: www.trustnet.ltd.uk
net asset value	The latest net asset value of the Company can be found on the Company's website: www.nascit.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 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