

**North Atlantic Smaller Companies Investment Trust plc**



**Annual Report**  
for the year ended 31 January 2023

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## 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 2023	% change	31 January 2022	31 January 2021	31 January 2020	31 January 2019
<b>return</b>						
Return for the year (£'000)	(91,038)	(240.3%)	64,906	130,078	98,852	35,418
Basic and Diluted return per 5p Ordinary Share:*						
– Revenue	32.65	228.5%	9.94	3.76	41.24	40.58
– Capital	(699.41)	(253.3%)	456.30	916.57	652.92	205.57
Dividend per 5p Ordinary Share (declared)	22.0p		nil	nil	30.0p	30.0p
<b>assets</b>						
Net assets (£'000)	693,356	(12.2%)	789,466	742,230	620,723	531,425
Net asset value (“NAV”) per 5p Ordinary Share:**						
Basic	5,097p	(11.8%)	5,779p	5,292p	4,384p	3,710p
Diluted	5,097p	(11.8%)	5,779p	5,292p	4,384p	3,708p
Basic adjusted†	5,236p	(10.6%)	5,856p	5,355p	4,505p	3,776p
Diluted adjusted†	5,236p	(10.6%)	5,856p	5,355p	4,505p	3,774p
Mid-market price of the 5p Ordinary Shares	3,900p	(9.9%)	4,330p	3,850p	3,400p	2,910p
<b>discount to diluted net asset value</b>	<b>23.5%</b>		<b>25.1%</b>	<b>27.2%</b>	<b>22.4%</b>	<b>21.5%</b>
<b>discount to diluted adjusted net asset value</b>	<b>25.5%</b>		<b>26.1%</b>	<b>28.1%</b>	<b>24.5%</b>	<b>22.9%</b>

**indices and exchange rates at 31 January**

Standard & Poor’s 500 Composite Index	4,076.6	(9.7%)	4,515.6	3,714.2	3,225.5	2,704.1
Russell 2000 Index	1,931.9	(4.8%)	2,028.5	2,073.6	1,614.1	1,499.4
US Dollar/Sterling exchange rate	1.23065	(8.3%)	1.34180	1.37295	1.31830	1.31505
Standard & Poor’s 500 Composite Index – Sterling adjusted	3,307.3	(1.6%)	3,360.5	2,709.5	2,442.5	2,062.8
Russell 2000 – Sterling adjusted	1,567.4	3.8%	1,509.6	1,512.7	1,222.2	1,143.8

\* 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 Limited (“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

<b>introduction</b>	North Atlantic Smaller Companies Investment Trust plc (“NASCIT”) is an investment trust, the shares of which are listed on the London Stock Exchange.
<b>objective and investment strategy</b>	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.
<b>company’s business</b>	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.
<b>risk</b>	<p>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.</p> <p>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.</p> <p>The Company outsources all of its main operational activities to recognised third party providers.</p>
<b>AIFMD</b>	The Company is authorised and regulated by the Financial Conduct Authority. The Company has been a full scope internally managed AIF with effect from 1 October 2021 under the Alternative Investment Fund Managers Regulations 2013. For further information see page 21.
<b>company secretary</b>	The Company Secretary is Kin Company Secretarial Limited, Hyde Park House, 5 Manfred Road, London SW15 2RS.
<b>website</b>	<a href="http://www.nascit.co.uk">www.nascit.co.uk</a>

**Sir Charles Wake**<sup>1</sup> Non-Executive Chairman. Appointed 27 June 2018 and became Chairman on 25 February 2022. 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.

**Christopher H B Mills** Chief Executive and Investment Manager. Appointed January 1984. He is 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**<sup>123</sup> 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. He was formerly a director of The Keep Trust and Fortress Trust.

**G Walter Loewenbaum (USA)**<sup>123</sup> Non-Executive Director. Appointed on 31 October 2017. 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.

**Peregrine D E M Moncreiffe** Non-Executive Director. Appointed November 2008 (having previously been a Director of the Company from 1993-2006) and served as Chairman from June 2009 until 25 February 2022. He has over the years worked in London, New York and the Far East, with Credit Suisse First Boston, Lehman Brothers and Buchanan Partners. In April 2021 he was appointed as non-executive Chairman of Arix Bioscience plc.

**Professor Fiona Gilbert**<sup>123</sup> Non-Executive Director. Appointed 6 September 2022. She is Professor of Radiology and Head of the Department at the University of Cambridge. Professor Gilbert leads a team of researchers in various fields of radiology assessing new imaging technologies and has over 250 scientific publications and over £20M in research income. She works in the NHS as an honorary consultant with expertise in musculoskeletal and breast imaging. She holds non-executive positions on several boards in private companies.

<sup>1</sup> Independent

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Remuneration Committee

During the year under review, the net asset value of the Company fell by 11.8% due to weak markets in general and in particular the performance of smaller UK listed businesses which comprise the majority of the Company’s listed portfolio.

The revenue account for the year showed a surplus post taxation of £4,458,000 (2022: £1,384,000) and an interim dividend of 22p was declared in respect for the year ended January 2023 (2022: nil). Your directors are not proposing a final dividend.

During the year 58,932 shares (2022: 363,518) were purchased for cancellation at a significant discount to NAV. This benefits all long term shareholders by creating an immediate uplift for the 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.

Although 31.15% (excluding the largest shareholder who is disqualified from voting) of the shareholders voted against this resolution at the last Annual General Meeting, the Board will continue to give shareholders the opportunity to vote on this resolution as long as it believes that the majority of shareholders who are able to vote will continue to support the resolution at forthcoming AGMs.

The current year has seen a total reversal of economic thinking which has presided over the past twenty years. The war in Ukraine, record employment and levels of inflation not seen for several decades have resulted in central governments across OECD nations significantly raising interest rates to choke off economic activity to contain inflationary pressures. Although many commodity prices are now normalising, the scarcity of labour has meant that there is a real risk of wage based inflation becoming imbedded despite the fact that growth in economic activity has fallen to virtually nothing at best. In my view interest rates will go higher and stay higher than many equity investors currently anticipate. Minimal economic growth and rising labour costs will squeeze corporate profit margins and higher interest rates obviously have negative implications for equity markets. Indeed, in the US, if energy companies are excluded, corporate profits for the fourth quarter were some 16% below earlier expectations.

It is my view that this trend will continue into 2023 and therefore the Company will continue to pursue a cautious approach to equity markets. We are, however, mindful of the fact that markets will begin to recover in anticipation of an economic rebound.

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**strategic report – chairman’s statement**

Your directors are frustrated by the ongoing discount to net asset value that the Company trades on despite the fact that it is significantly lower than many other funds which have large holdings in private equity and other large holdings of illiquid stocks. Our share buyback programme will hopefully reduce this discount over time but this comes at the expense of making our own shares more illiquid which in turn adversely impacts the discount. Your directors also believe it is important to continue to make new investments and, where appropriate, continue to support existing ones as we are firmly of the belief that this will add more value than buying back shares over the longer term. Nevertheless, at Mr Mills’ retirement, which is not an issue for the foreseeable future, he has requested that the Board prioritises share buy backs over new investments until such time as the shares trade at a very modest discount to net asset value.

Finally, I would like to welcome Fiona Gilbert to the Board. Fiona’s background is in the life science industry and we believe her advice will be invaluable as we continue to invest in this industry over the coming years.

**Sir Charles Wake** *Chairman*

12 May 2023

## strategic report – investment manager's report

**quoted portfolio UK**

It was fortunate that we entered the year with substantial cash balances, most of which were held in US dollars. It is also encouraging that despite very difficult market conditions, the new investments made during the twelve month period when taken as a whole, were profitable.

The overall investment environment was, however, one of the hardest the Company has encountered for many years. By way of example, Ten Entertainment came in with record earnings materially in excess of profits at the start of the year but the stock was basically flat over the twelve month period. It is a similar story with Sureserve, Niox and Redcentric. Other stocks which also achieved record profits such as Hargreaves Services and Frenkel Topping actually fell 10%.

Needless to say, companies which saw tougher trading conditions such as Polar Capital (weak technology stocks), Gleeson (higher interest rates and a weaker housing environment) and EKF (COVID revenues dissipated) fell by approximately 15%, 45% and 40% respectively. We remain confident that all these companies, which have no net debt, are good businesses and will see their share prices recover over the course of the current year.

The most difficult part of the portfolio has been our exposure to emerging life sciences where markets both in the United States and the United Kingdom collapsed. In particular the decline in the value of Renalytix impacted the net asset value by circa £1.50 per share. The company is, however, hopeful that it will achieve FDA approval for its proprietary diagnostic test for end-stage renal disease early in the current year, which should support a material recovery in the share price from the current depressed valuation.

Finally, it is encouraging to note that both Oryx International Growth Fund Limited and Odyssean Investment Trust plc beat their benchmarks.

**quoted portfolio USA**

The US portfolio currently has only one holding, Mountain Commerce. The bank performed well during the period reporting record profits and dividends. The share price measured in sterling was very marginally down during the twelve month period.

**unquoted portfolio UK**

Both Specialist Components and Spring benefitted from a recovery in economic activity resulting in a significant growth in pre-tax profits during 2022. The current year has also started well and we believe there is further upside to current valuations over the course of the current year.

Our principal exposure to private equity is through our holdings in Harwood Private Equity IV and Harwood Private Equity V. Several of the investments in these funds are now in a sale process. In every case we expect the sale to be at a premium to our current holding cost and should realisation prices meet our current expectations, it will result in an uplift in the net asset value and a material return of cash to the Trust.

Finally, Source Bioscience was once again taken private just before year end. The company is one of the leading independent providers of pathology services and we are confident that it can create substantial value for shareholders over the next five years.



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strategic report – investment manager’s report

**unquoted portfolio USA**

The portfolio primarily consists of mezzanine loans at attractive interest rates to support the Company’s equity positions. Two of these investments have now started exit negotiations so will add to our cash balances over the course of the current year.

Our two principal direct investments, Performance Chemicals and Jaguar, also performed well and both are expected to see further progress over the next twelve months. Once again we would hope to exit both these investments at a premium to the current valuation over the medium term.

**liquidity**

Cash and US treasury bills started the year at £147 million and ended the year at £109 million.

Your managers continue to review potential investment opportunities but are adopting a cautious approach given market headwinds of rising interest and inflation rates so that it is unlikely monetary policy will become more accommodating any time soon.

**Christopher Mills** *Chief Executive & Investment Manager*

12 May 2023

**strategic report – sector analysis of investments at fair value***as at 31 January*

	United States 31 January 2023 %	United Kingdom 31 January 2023 %	Total 31 January 2023 %	Total 31 January 2022 %
<b>equities, convertible securities &amp; loan stocks as a % of total portfolio valuation</b>				
Financial Services*	–	28.5	28.5	27.1
Industrial Goods & Commercial Services	4.9	14.0	18.9	18.3
Pharmaceuticals and Health Care	–	13.0	13.0	20.9
Banks	1.3	11.2	12.5	10.9
Transport, Travel & Leisure	–	4.3	4.3	4.7
Insurance	–	2.1	2.1	0.5
Technology & Software	–	1.7	1.7	1.9
Real Estate	–	1.6	1.6	0.6
Telecommunications	–	0.7	0.7	0.8
Energy	–	0.6	0.6	1.2
Consumer Products and Services	–	0.1	0.1	2.0
Oil & Gas	1.3	–	1.3	1.2
	<u>7.5</u>	<u>77.8</u>	<u>85.3</u>	<u>90.1</u>
<b>treasury bills</b>	<u>14.7</u>	<u>–</u>	<u>14.7</u>	<u>9.9</u>
<b>total at 31 January 2023</b>	<u>22.2</u>	<u>77.8</u>	<u>100.0</u>	
<b>total at 31 January 2022</b>	<u>16.0</u>	<u>84.0</u>		<u>100.0</u>

\* Includes Investment Trusts.

**strategic report – twenty largest investments***as at 31 January*

<b>equities (including convertibles, loan stocks and related financing)</b>		At fair value £'000
Oryx International Growth Fund Limited*	UK Quoted	91,819
Harwood Private Equity V LP	UK Unquoted	45,342
EKF Diagnostics Holdings plc	UK Quoted	39,408
Polar Capital Holdings Plc	UK Quoted	36,260
Hargreaves Services Plc	UK Quoted	29,150
Odyssean Investment Trust Plc	UK Quoted	28,800
Ten Entertainment Group plc	UK Quoted	28,800
Frenkel Topping Group Plc	UK Quoted	26,980
Harwood Private Equity IV LP	UK Unquoted	23,139
MJ Gleeson Group plc	UK Quoted	22,165
<b>ten largest investments</b>		<b>371,863</b>
Sureserve Group plc	UK Quoted	17,800
Niox Group plc	UK Quoted	14,625
SMT Corporation	US Unquoted	14,017
TP ICAP Group plc	UK Quoted	13,422
AssetCo plc	UK Quoted	12,210
CoventBridge Group	US Unquoted	10,767
Redcentric plc	UK Quoted	10,120
SourceBio International	UK Unquoted	9,200
Mountain Commerce Bancorp plc	UK Quoted	8,778
Performance Chemicals	US Unquoted	8,633
<b>twenty largest investments</b>		<b>491,435</b>
Aggregate of other investments at fair value		93,643
		<b>585,078</b>
US Treasury Bills		100,413
<b>total</b>		<b>685,491</b>

\* incorporated in Guernsey.

All investments are valued at fair value.

## strategic report – unquoted investments profile

as at 31 January

	2023
	At fair value
	£'000
<b>Harwood Private Equity V LP (UK) Cost: £28,700,000</b>	45,342
Harwood Private Equity V LP (HPE5) was established in 2020 with committed capital of £160 million. The fund has made ten investments to date in the property services, medical packaging, pet food, data centre, green energy, gardening products, electronic components and healthcare industries. The fund successfully exited its investment in Amito for nearly three times the cost in February 2022. The Trust's commitment to the fund is £40 million with £6 million left undrawn.	
<b>Harwood Private Equity IV LP (UK) Cost: £10,135,000</b>	23,139
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 the year, there was a partial redemption of the preference shares in Jaguar Holdings Limited. HPE4 is looking to exit its four remaining investments.	
<b>SMT Corporation – 11% Loan Notes (US) Cost: £15,044,000</b>	14,017
SMT is a value-added supplier of high-reliability, obsolete and hard to find defence, aerospace, and high-end critical electronic components that it locates, tests, certifies, and distributes. The company benefits from the increasing awareness of counterfeit and cloned components in the US military supply chain, geopolitical tensions, and the scarcity of counterfeit testing capacity. The transaction was completed in September 2022 and performance is ahead of expectations. The loss reflects the weakness of the dollar since the investment was made.	
Carried forward	82,498

## strategic report – unquoted investments profile

as at 31 January

	2023
	At fair value
	£'000
Brought Forward	82,498
<b>CoventBridge Group – 9% Loan Notes (US) Cost: £9,674,000</b>	<b>10,767</b>
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 government agencies. The company achieved record profits in 2022 and the outlook for the current year is encouraging.	
<b>SourceBio International plc Cost: £10,844,000</b>	<b>9,200</b>
The company delisted during the period as the major shareholders concluded that there was little benefit of the company incurring the significant expense of being a public company. 2022 saw the unwinding of COVID profitability and the need to write off excess COVID related assets. The current year has started well and the outlook for the company's core businesses is promising.	
<b>Performance Chemicals Company (US) Cost: £230,000</b>	<b>8,633</b>
The company provides chemicals to assist oil and gas production and fracking predominantly in the Permian Basin in West Texas. The company had a good year in 2021/22 and the outlook for the current year is encouraging. We continue to expect an exit in the next twelve months.	
<b>Harwood Private Capital UK LP (UK) Cost: £4,857,000</b>	<b>4,857</b>
The fund was established in 2020 with committed capital of £70.0 million. It is intended that all new sterling debt-type investments are made through the fund which is targeting an IRR in excess of 12%. The fund has made three investments in the warehouse management systems, employee benefits and gardening products sectors. NASCIT's commitment to the fund is £20.0 million, of which £15.1 million is undrawn.	
Carried forward	115,955

## strategic report – unquoted investments profile

as at 31 January

	2023
	At fair value
	£'000
Brought Forward	115,955
<b>Spring Investments LP (UK) Cost: £4,391,000</b>	<b>4,391</b>
The company is a specialty manufacturer of pharmaceuticals for the NHS. The company has completely recovered from COVID led problems and as a consequence the investment was revalued to cost in 2022. The company is in the process of divesting a loss making manufacturing facility whilst the core business is experiencing record results and is very substantially ahead of budget. Should this trend continue it would be reasonable to expect a further uplift in valuation over the course of the financial year.	
<b>3BL Media Limited – 12.5% Loan Notes (US) Cost: £4,063,000</b>	<b>4,063</b>
3BL is a cloud-based digital marketing software-as-a-service (SaaS) platform dedicated to corporate social responsibility (CSR) communications. It provides targeted multi-channel media content distribution for global corporate and other major international organisations in their adoption of environmental, social and governance (ESG) best practices.	
<b>Jaguar Holdings Ltd (US) Cost: £2,183,000</b>	<b>3,436</b>
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 Blue and Federal Express. The company had a good year in 2022 and the outlook for 2023 is encouraging as the United contract has been extended and the Federal Express relationship has benefited from a new contract at an additional airport.	
<b>Specialist Components Limited (UK) Cost: £2,740,000</b>	<b>2,740</b>
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 aerospace, space, defence, industrial, real estate, financial, logistics and healthcare sectors. The company's performance has continued to improve over the course of the past year and exit options are now being considered.	
Carried forward	130,585

## strategic report – unquoted investments profile

as at 31 January

	2023
	At fair value
	£'000
Brought Forward	130,585
<b>WEP Superior Industrial Maintenance Co (US) Cost: £1,485,000</b>	<b>1,625</b>
The company is 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. The company is performing in line with expectations but it is unlikely that the investment will achieve a valuation on sale materially above the current value.	
<b>Trident Private Equity III LP (UK) Cost: £nil</b>	<b>1,621</b>
The only investment in the fund was Utitec, which has now been exited. The remaining value is in two escrow agreements which should be realised over the next three years.	
<b>Hampton Investment Properties (UK) Cost: £2,509,000</b>	<b>742</b>
The company continues with its programme of liquidation. Heads of Terms have been signed for the disposal of the company's final property, subject to planning permission. The basis of valuation is anticipated to be a modest discount to realisable value. On successful completion the company will be liquidated. We had hoped planning would have been granted in 2022 but it has slipped back and is now likely for mid 2023.	
Carried forward	134,573
Other unquoted investments at fair value	411
<b>Total value of unquoted investments at fair value*</b>	<b>134,984</b>

\* Includes unquoted loan notes in these companies with a total value of £31,469,000

**strategic report**

The Directors present the strategic report of the Company for the year ended 31 January 2023.

**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.



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**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 6 and 7. The top twenty largest investments by current valuation are listed on page 9.

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.

**best execution**

The Company as the operator of a closed-ended investment trust has considered the rules on best execution as noted in the Financial Services Markets Act 2000 and COBS 11.2 of the FCA Handbook. The Company has determined that the rules on performing best execution do not apply to the Company when, acting in the capacity of operator of an internally managed AIF (regulated collective investment scheme), it purchases or sells units in that AIF/scheme.

**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.

## strategic report

<b>changes to the investment policy, investment restrictions and investment approach</b>	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.
<b>financial instruments</b>	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 68 to 76.
<b>delegated activities</b>	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.
<b>depository</b>	The Company has appointed Bank of New York Mellon (BNYM) as depository for the quoted securities deposited for safekeeping with BNYM or with any third party appointed by BNYM and to hold cash in accordance with the terms of its agreement.
<b>any conflicts of interest that may arise from such delegations</b>	From time to time conflicts may arise between the Depository 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 Depository will have regard to the applicable laws.
<b>performance</b>	<p>At 31 January 2023, the diluted NAV per share was 5,097p (2022: 5,779p), a decrease of 11.8% during the year, compared to a decrease of 1.6% during the year in the Standard &amp; Poor's 500 Composite Index (Sterling adjusted).</p> <p>Net assets attributable to equity holders at 31 January 2023 amounted to £693,356,000 compared with £789,466,000 at 31 January 2022.</p> <p>The ongoing charges relating to the Company are 1.4% (2022: 1.0%), based on total expenses, excluding finance charges and non-recurring items for the year and average monthly net assets.</p>
<b>results and dividends</b>	The total net return after taxation for the financial year ended 31 January 2023 amounted to (£91,038,000) (2022: £64,906,000). The Board has declared an interim dividend of 22p per ordinary share (2022: nil).

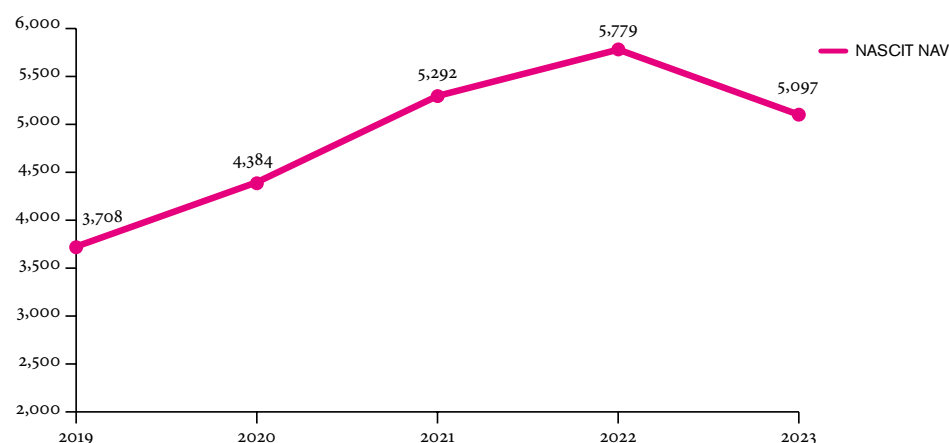
## strategic report

## key performance indicators

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

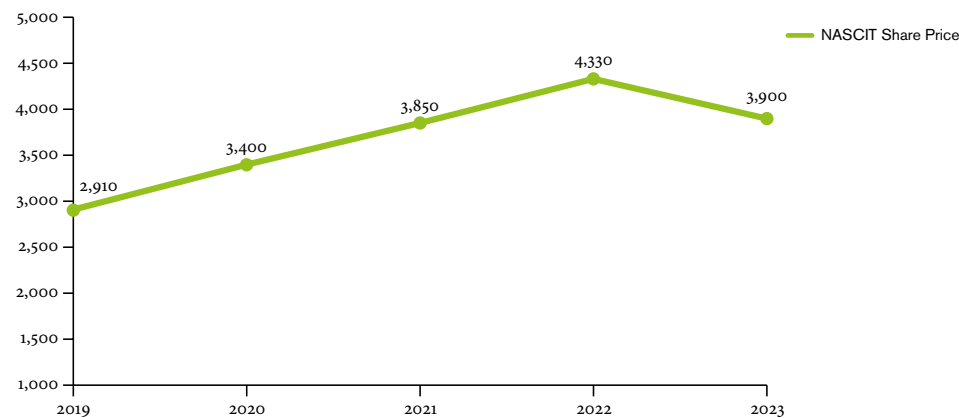
- (i) **Net asset value per Ordinary Share:** the following chart illustrates the movement in the fully diluted net asset value per Ordinary Share over the past five years:

## 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.

- 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 of all future cash flows of a financial investment held by the Company may fluctuate. 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.
- Investments in unquoted stocks, by their nature may 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 arm's 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 Management Limited, a firm which is ultimately owned by Christopher Mills, the Company's Manager, and which provides services through the group such as dealing, 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.
- Regulatory risk: any breach of a number of regulations applicable to the Company, the UKLA's Listing Rules, the FCA compliance regime 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.

## strategic report

- 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 23. The Company's relations with its shareholders are detailed on page 32.
- 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, 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 14 to 16.

## strategic report

- The Company has a limited impact on the environment and has no greenhouse gas emissions to report as indicated on page 25. Its impact on social, community and human rights issues are detailed on page 21, and a statement on the Modern Slavery Act is given on page 21.
- The Directors take care to ensure that the Company maintains a reputation for high standards of business conduct.
- The Directors ensure that the Company always acts fairly between members of the Company.
- To summarise, the Directors are fully aware of their duty under Section 172 in all their deliberations, and decisions made 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 five years to May 2028, 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, most of which have positive EBITDA and/or net tangible asset values which support their valuations;
- the Company holds more than £100m 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; and
- 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.

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 2028.

## 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.

## strategic report

**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**

The Company is committed to the highest standards of ethical, moral and legal business conduct and we expect those that we do business with to uphold the same values. As an investment vehicle the Company does not provide goods or services in the normal course of business. We have adopted an ethical approach to investing which prohibits modern slavery in our business and supply chains, and are committed to implementing systems and controls aimed at ensuring that modern slavery is recognised and eradicated.

**AIFMD**

The Company is authorised and regulated by the Financial Conduct Authority. The Company has been a full scope internally managed AIF with effect from 1 October 2021 under the Alternative Investment Fund Managers Regulations 2013.

For AIFMD purposes the Company is internally managed with Christopher Mills making the investment decisions in his capacity as Chief Executive. The Company must not perform any activities other than the internal management of the AIF in accordance with Annex I of the Directive:

**ANNEX I**

- 1 Investment management functions which an AIFM shall at least perform when managing an AIF:
  - (a) portfolio management;
  - (b) risk management.
- 2 Other functions that an AIFM may additionally perform in the course of the collective management of an AIF:
  - (a) Administration:
    - (i) legal and fund management accounting services;
    - (ii) customer inquiries;
    - (iii) valuation and pricing, including tax returns;
    - (iv) regulatory compliance monitoring;
    - (v) maintenance of unit-/shareholder register;
    - (vi) distribution of income;
    - (vii) unit/shares issues and redemptions;
    - (viii) contract settlements, including certificate dispatch;
    - (ix) record keeping;
  - (b) Marketing;
  - (c) Activities related to the assets of AIFs, namely services necessary to meet the fiduciary duties of the AIFM, facilities management, real estate administration activities, advice to undertakings on capital structure, industrial strategy and related matters, advice and services relating to mergers and the purchase of undertakings and other services connected to the management of the AIF and the companies and other assets in which it has invested.

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**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;
- (iv) the total amount of leverage employed by the Company if applicable; and
- (v) details of the Company's policy towards best execution.

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

**Kin Company Secretarial Limited**

*Company Secretary*

12 May 2023



**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 2023. 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 13,602,068 Ordinary Shares of 5p nominal value each on 31 January 2023. Since the year end, 64,159 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 58,932 (2022: 363,518) Ordinary Shares for £2.1m (2022: £17.7m) for cancellation to improve net asset value per Share. This comprised 0.4% (2022: 2.8%) of the issued share capital.

**share valuations**

On 31 January 2023, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 3,900p and 5,097p respectively. The comparable figures at 31 January 2022 were 4,330p and 5,779p respectively. There were no outstanding options for the year ended 2023 or 2022 meaning there was no dilutive effect on the net asset value at either of these dates.

**substantial shareholders**

As at 31 January 2023, 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	3,849,924	28.30
CG Asset Management Limited	941,738	6.92
Butterfield Bank Group	680,682	5.00
Rathbone Brothers Plc	551,944	4.06
Interactive Investor Trading	483,141	3.55
Hargreaves Lansdown PLC	459,853	3.38
Peregrine Moncreiffe	440,589	3.24

**report of the directors***for the year ended 31 January***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.

**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 2023 and 31 January 2022 were as follows:

	31 January 2023 5p Ordinary Shares	31 January 2022 5p Ordinary Shares*
Sir Charles Wake	8,170	8,170
Christopher Mills	3,849,924	3,766,000
Christopher Mills (non-beneficial)	355,740	355,740
Lord Howard of Rising	5,000	5,000
Professor Fiona Gilbert	–	–
G Walter Loewenbaum	15,000	15,000
Peregrine Moncreiffe	440,589	440,589

\* or date of appointment if later.

Since 31 January 2023 and the date of this report, Fiona Gilbert has purchased 739 shares.

Details of Directors' remuneration are described in the Directors' Remuneration Report on pages 35 to 40.

Save as disclosed on page 35 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 27 February 2023, North Atlantic Investment Services Limited provides administration services to the Company which were previously provided by Harwood Capital LLP under a similar agreement. The Sub Advisory, Administration and Transmission Services Agreement continues unless thereafter terminated by either party on not less than twelve months' notice in writing or may be terminated forthwith as a result of a material breach of the agreement or the insolvency of either party. No compensation is payable on termination of the Agreement.

Pursuant to the Secondment Services Agreement between the Company, Growth Financial Services Limited ("GFS") and Christopher Mills and the Sub Advisory, Administration and Transmission Services Agreement between the Company and North Atlantic Investment Services Limited, 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.

**report of the directors***for the year ended 31 January*

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.

**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 76 and 77 and in the Directors' Remuneration Report on pages 35 to 40. The Investment Management Fees are disclosed in note 3 on page 57. Any Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report on pages 35 to 40 and note 3 of the financial statements on page 57.

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 has 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.

**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 in the year had been paid by 31 January 2023 (31 January 2022 – all supplier invoices paid).

**greenhouse gas emissions**

The Company has no physical assets, operations, premises or employees of its own. Consequently it consumed less than 40,000 kWh of energy during the year so has no greenhouse gas emissions to report.

**corporate governance**

The Corporate Governance Statement on pages 29 to 34 forms part of this report.

**report of the directors***for the year ended 31 January***auditors**

Resolutions to re-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 they have taken all the steps that they ought to have taken as a director in order to make themselves 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.

**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 23 and note 11;
- details of the substantial shareholders in the Company are listed on page 23;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 29;
- amendment of the Company's Articles of Association and powers to issue on a pre-emptive basis or buy back the Company's shares require 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

**Kin Company Secretarial Limited**

*Company Secretary*

Registered Office:

Hyde Park House

5 Manfred Road

London

SW15 2RS

Registered No: 1091347

12 May 2023

**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. The Directors elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare the financial statements in accordance with UK-adopted International Accounting Standards.

The financial statements are required by law and UK-adopted International Accounting Standards 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 and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- 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 and the Directors' Remuneration Report 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 UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Strategic Report and the Report of the Directors includes a fair review of the development and performance of the business and the position of the 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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

**Sir Charles Wake**

*Chairman*

12 May 2023

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**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 July 2018 (the "Code") and is available from the FRC website ([www.frc.org.uk](http://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 pages 33 and 34.

**directors**

Brief biographical details of the Directors in office are set out on page 3. The Board consists of six Directors, four of whom are considered independent non-executive Directors for the purposes of the Code, to include the Chairman – Sir Charles Wake, Fiona Gilbert, Lord Howard of Rising and G Walter Loewenbaum, who are each free of any relationship that could materially interfere with the exercise of their independent judgment on issues concerning strategy, performance and standards of conduct. Peregrine Moncreiffe (the former Chairman) also serves as a Non-Executive Director on the Board as does Christopher Mills who is the Chief Executive Officer. 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. Fiona Gilbert was appointed as the Company's Senior Independent Director on 4 January 2023. Following the appointment of Fiona Gilbert, the Board comprises 5 male Directors and 1 female Director.

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 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 were satisfied with his performance and with his leadership of the Board.

## corporate governance

## board meetings

The Board conducts its affairs in accordance with its schedule of matters for consideration which is agreed once annually by the whole 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	N/A	N/A
Christopher Mills	4	N/A	N/A
Lord Howard of Rising	4	2	1
G Walter Loewenbaum	4	2	1
Sir Charles Wake	4	N/A	1

In addition, there have been a number of meetings of Committees of the Board during the year to deal with matters on an ad hoc basis. Following the appointment of Fiona Gilbert on 6 September 2022, there were no Board, Audit committee or Remuneration committee meetings before the year end.

## remuneration committee

The Remuneration Committee is chaired by G Walter Loewenbaum and the other members are Lord Howard of Rising and Fiona Gilbert, who was appointed on 4 January 2023. Sir Charles Wake resigned from the Remuneration Committee on 4 January 2023. The Remuneration Committee reviews the remuneration paid to Harwood Capital LLP and GFS pursuant to the Management Agreements. The remuneration of GFS is disclosed in the Directors' Remuneration Report on pages 35 to 40 and also in note 3 on page 57.

## audit committee

The Board is supported by an Audit Committee which is chaired by Lord Howard of Rising and during the year the other members were G Walter Loewenbaum and Fiona Gilbert, who was appointed on 4 January 2023. Since his appointment as Chairman on 25 February 2022, Sir Charles Wake has stood down as a member of this committee. 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 report on 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

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.

RSM UK Audit LLP were appointed as the Company's auditors in 2020 and carried out their first audit on the accounts for the year ended 31 January 2020.

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 pages 53 and 54 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, 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

<b>shareholder relations</b>	<p>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 Directors and the Chief Executive. Details of significant votes against a resolution are set out in the Chairman's Statement on page 4. The Chairman also wrote to any dissenting investors during the year as part of an outreach campaign to offer the opportunity for further engagement and to answer any questions or queries that they may have, especially in relation to the rule 9 waiver (resolution 14 at the 2022 AGM) and the Directors continue to engage positively with interested parties on this matter.</p>
<b>nominations committee</b>	<p>The Board is a small Board and fulfils the function of the Nominations Committee as a whole. The Nominations Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and its committees and considers the leadership needs and succession of the Board when making decisions on new appointments. Following due consideration, the Committee resolved to appoint Sir Charles Wake as the Company's independent Chairman on 25 February 2022 who would succeed Peregrine Moncreiffe in the role. In making this appointment, the Committee took into account demands on Directors' time and any additional Directorships held to ensure that the appointee could dedicate sufficient time to the role and discharge his duties effectively. At the time of these discussions, the then Chairman of the Board did not Chair the discussions so as to remain compliant with Provision 17 of the Code. The committee reviewed the structure, size and composition of the Board and its committees and made recommendations for changes to the membership of the committees. The Committee evaluated the balance of skills, knowledge, experience and diversity of the Board and resolved to appoint Fiona Gilbert as a Director to the Board on 6 September 2022. The Committee actively participated in the recruitment process, and contributed to the on-boarding and induction of the newly appointed Non-Executive Director, assisted by the Company Secretary. The committee also reviewed suitable candidates for the role of the Senior Independent Director and recommended the appointment of Fiona Gilbert as SID with her appointment in this role, effective from 4 January 2023.</p>
<b>diversity</b>	<p>Due to the size of the Board and the fact that there are no employees, the Company does not have a diversity policy.</p>
<b>the company secretary</b>	<p>The Board has direct access to the advice and services of the Company Secretary, Kin Company Secretarial 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.</p>
<b>accountability and audit</b>	<p>The statement of going concern is given on page 26 and the Board's responsibilities with regard to the financial statements are set out on pages 27 and 28. The Independent Auditor's Report is on pages 41 to 47. The principal risks and uncertainties, s172 statement and viability statement are set out in the Strategic Report on pages 18 to 20.</p>
<b>share capital</b>	<p>Shareholders' attention is drawn to the further information on page 26 which is disclosed in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and rule 7.2.6 of the Disclosure and Transparency Rules.</p>

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**corporate governance****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 contingencies 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 records as well as the production and 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 2023 the Company has complied with the Code (apart from the workforce provisions 2, 5 and 6 which are not applicable as the Company has no employees other than the Directors), 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 the directors including the Chairman attend the Annual General Meeting and are available to communicate with shareholders.

Provision 12 – Sir Charles Wake was appointed as Chairman on 25 February 2022 and succeeded Peregrine Moncreiffe in the role. At the same time, Sir Charles resigned from his position as Senior Independent Director as the spirit of the Code encourages the role of the SID and Chairman to be independent from one another. The Company therefore had no SID in place from the period of 26 February 2022 to 4 January 2023, when it was agreed that Fiona Gilbert was a suitable candidate to be appointed to the position of Senior Independent Director on 4 January 2023. The Company are pleased to report that they are now fully compliant with this Provision of the Code.

Provision 19 – From the beginning of the period under review, from 1 to 25 February 2022, the Company were non-compliant with provision 19 of the code which relates to the Chairman's tenure, however the Company are pleased to advise that they addressed this issue with the appointment of Sir Charles Wake as Chairman on 25 February 2022, and are now fully compliant with Provision 19 of the Code.

Provision 20 – The Company elected not to openly advertise or engage an external search firm for the appointments of the Chairman and the new Non-Executive Director as the Board decided that the most appropriate candidate for the Chairman was already on the Board and decided that it would be more effective to directly approach candidates for the new Non-Executive Director role which was ultimately filled by Fiona Gilbert.

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 41 – As there is only one Executive Director, the scope of the Remuneration Committees work and related disclosures do not fully comply with the requirements of Provision 41.

By Order of the Board

**Kin Company Secretarial Limited**

*Company Secretary*

Registered Office:

Hyde Park House

5 Manfred Road

London

SW15 2RS

Registered No: 1091347

12 May 2023

**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 Report will be put to an advisory shareholder vote at this year's annual general meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Accounting Regulations. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 41 to 47.

**role and composition**

The Remuneration Committee consists of Lord Howard of Rising, G Walter Loewenbaum and Fiona Gilbert. Fiona was appointed to the Remuneration Committee on 4 January 2023 and at the same time Sir Charles Wake resigned from the Committee. Christopher Mills, the Company's Chief Executive, 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 their 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 2023	31 January 2022
	5p Ordinary Shares	5p Ordinary Shares*
Sir Charles Wake	8,170	8,170
Christopher Mills	3,849,924	3,766,000
Christopher Mills (non-beneficial)	355,740	355,740
Lord Howard of Rising	5,000	5,000
Professor Fiona Gilbert**	–	–
G Walter Loewenbaum	15,000	15,000
Peregrine Moncreiffe	440,589	440,589

\* or date of appointment if later.

\*\* Since the reporting date, Fiona Gilbert purchased 739 shares in the Company on 6 February 2023.

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

The Company's Articles of Association were amended by a special resolution passed by shareholders at the Annual General Meeting on 23 June 2021 which increased the aggregate total of Directors' fees that can be paid during the year from £150,000 to £250,000. 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.

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.

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.

The policy is to review Directors' fees from time to time, but reviews will not necessarily result in the level of Directors' fees changing. Since 1 August 2021, the Directors have been paid at a rate of £30,000 per annum with the exception of Peregrine Moncreiffe, the former Chairman whose emoluments amount to £37,500 which reflect his contribution to stakeholder engagement and supporting Sir Charles Wake in transitioning to his new role as Chairman.

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

**directors' remuneration table (audited)**

	2023				Total £
	Fees & Salary £	Change from 2022 %	Annual Incentives £	Change from 2022 %	
<b>Executive</b>					
Christopher Mills	30,000	9.1	3,200,000	6.5	3,230,000
<b>Non-Executive</b>					
Sir Charles Wake	30,000	9.1	–	–	30,000
Peregrine Moncreiffe	37,500	11.1	–	–	37,500
Lord Howard of Rising	30,000	9.1	–	–	30,000
G Walter Loewenbaum	30,000	9.1	–	–	30,000
Professor Fiona Gilbert (appointed 6 September 2022)	12,192	–	–	–	12,192
	<b>169,692</b>		<b>3,200,000</b>		<b>3,369,692</b>

	2022				Total £
	Fees & Salary £	Change from 2021 %	Annual Incentives £	Change from 2021 %	
<b>Executive</b>					
Christopher Mills	27,500	10.0	3,004,000	(52.5)	3,031,500
<b>Non-Executive</b>					
Peregrine Moncreiffe	33,750	12.5	–	–	33,750
Lord Howard of Rising	27,500	10.0	–	–	27,500
G Walter Loewenbaum	27,500	10.0	–	–	27,500
Sir Charles Wake	27,500	10.0	–	–	27,500
	<b>143,750</b>		<b>3,004,000</b>		<b>3,147,750</b>

**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 76 and 77, 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 2023 £	Year ended 31 January 2022 £
Director's fees	30,000	27,500
Investment Management and related fees	3,200,000	3,004,000
Performance fee	–	–
<b>Total (excluding irrecoverable VAT)</b>	<b>3,230,000</b>	<b>3,031,500</b>

The total fees of £3,230,000, in respect of Christopher Mills' services as a Director and Chief Executive are payable to GFS, as described on page 25. 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 24 and note 3 on page 57 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.

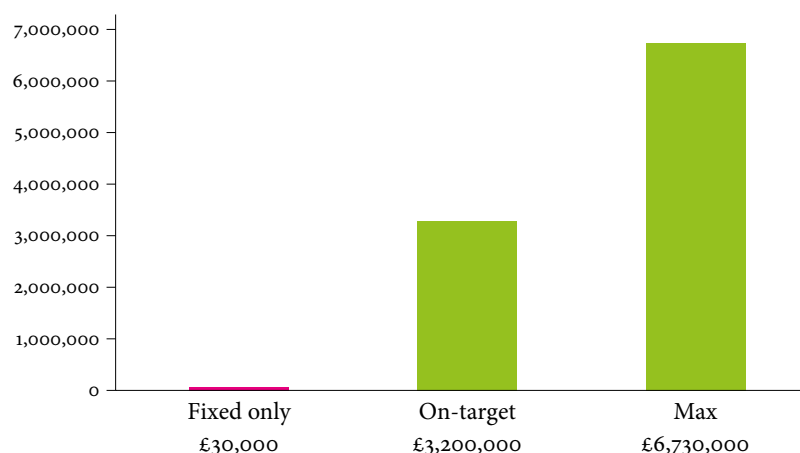
The Performance Fee is a contractual entitlement pursuant to the Secondment Services Agreement dated 7 January 1993 as amended and is paid to GFS. Calculation of the Performance Fee includes Oryx at the adjusted price (using equity accounting methods).

Explanations of the calculation of the Investment Management and Performance fees can be found in note 3 on page 57 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 £30,000 per annum.

Included within the 'On-target' bar is the investment management fee, £3,200,000 and performance fee of zero that are payable to GFS and Harwood Capital LLP for the year ended 31 January 2023. 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 2023 and 31 January 2022 received the following emoluments:

	Total Fees £ 31 January 2023	Total Fees £ 31 January 2022
Sir Charles Wake	30,000	27,500
Peregrine Moncreiffe	37,500	33,750
Lord Howard of Rising	30,000	27,500
G Walter Loewenbaum	30,000	27,500
Christopher Mills	3,230,000	3,031,500
Professor Fiona Gilbert	12,192	–
<b>Total</b>	<b>3,369,692</b>	<b>3,147,750</b>

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.

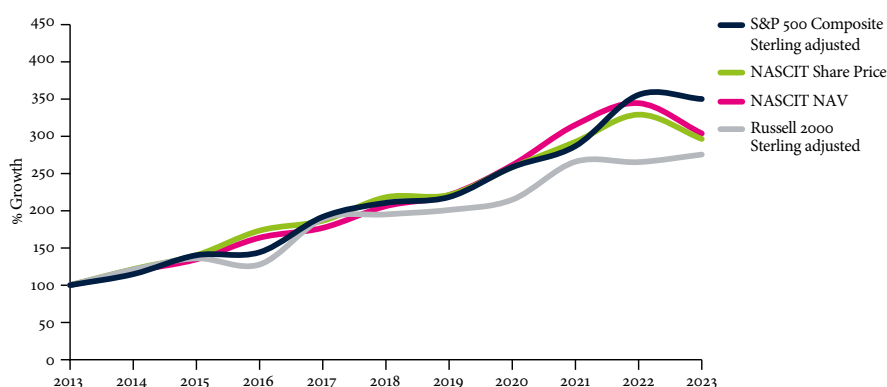
**directors' remuneration report***for the year ended 31 January***service contracts**

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 2022 was approved by shareholders at the Annual General Meeting held on 21 June 2022. The votes cast by proxy were as follows:

	Directors' Remuneration Report	
	Number of votes	Percentage
For	7,358,906	99.45
Against	37,601	0.50
At Chairman's discretion	3,405	0.05
<b>total votes cast</b>	<b>7,399,912</b>	<b>100.00</b>
Number of votes withheld	3,789	

This Report was approved by the Board on 12 May 2023 and signed by:

On behalf of the Board  
G Walter Loewenbaum  
*Remuneration Committee Chairman*

12 May 2023

**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 2023 which comprise the statement of comprehensive income, statement of changes in equity, balance sheet, cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards; and
- 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.

**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	<p>As at 31 January 2023, unquoted investments (including loan stock) were £135m (2022: £90m), which was 19% (2022: 11%) 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.</p> <p>Unquoted investment disclosures are set out in notes 8 and 14 to the financial statements.</p>
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**independent auditor's report**

to the members of North Atlantic Smaller Companies Investment Trust plc

How the matter was addressed in the audit	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Understanding and challenging the key assumptions and judgements affecting investee company valuations, including consultation with an expert from our valuations team and consideration of the appropriateness of the valuation basis and sensitivities.</li> <li>• Considering whether events that occurred subsequent to the period end affect the underlying assumptions of the valuations at 31 January 2023; and</li> <li>• Considering of the appropriateness of the disclosures in the financial statements in respect of unquoted investments.</li> </ul>
Key observations	We concluded that the carrying value of unquoted investments is acceptable.
<b>Carrying Value of Quoted Investments</b>	
Key audit matter description	<p>As at 31 January 2023, quoted investments (including treasury bills) were £551m (2022: £623m), which was 79% (2022: 79%) 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.</p> <p>Quoted investment disclosures are set out in note 8 to the financial statements.</p>
How the matter was addressed in the audit	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Agreeing 100% of year end investment holdings (including treasury bills) to independently received confirmations from the depositary.</li> <li>• Checking 100% of the year end valuations to externally quoted prices.</li> </ul>
Key observations	We concluded that the carrying value of quoted investments is acceptable.

**independent auditor's report**

to the members of North Atlantic Smaller Companies Investment Trust plc

**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	£6.9m (2022: £7.9m)
Basis for determining overall materiality	1% of net assets (2022: 1% of net assets)
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	£5.2m (2022: £5.9m)
Basis for determining performance materiality	75% of overall materiality (2022: 75%)
Reporting of misstatements to the Audit Committee	Quantitative misstatements in excess of £346,000 (2022: £395,000) together with any other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

**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.

**conclusions relating to going concern** In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- reviewing, evaluating and challenging the company's going concern disclosures in note 1(b) to the financial statements and the company's viability statement on page 20 of the annual report; and
- corroborating the cash and treasury bills as at 31 January 2023 and at the date of approval of the financial statements.

Our key observation in relation to going concern is that the company has sufficient cash and liquid investments to continue as a going concern for the foreseeable future.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

In relation to the entity's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**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
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**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.

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.

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

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 26;
- Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why this period is appropriate set out on page 20;
- Directors' statement on whether they have a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 26;
- Directors' statement on fair, balanced and understandable set out on page 28;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 31 to 33; and,
- Section describing the work of the audit committee set out on pages 30 and 31.

**responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on pages 27 and 28, 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***the extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the Company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud, having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

<b>Legislation/Regulation</b>	<b>Additional audit procedures performed by the audit engagement team included:</b>
Companies Act 2006, UK-adopted International Accounting Standards and the Listing Rules	Review of the financial statement disclosures and testing to supporting documentation; and completion of disclosure checklists to identify areas of non-compliance



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

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	<b>Audit procedures performed by the audit engagement team:</b>
Management override of controls	<p>Testing the appropriateness of journal entries and other adjustments;</p> <p>Assessing whether the judgements made in making accounting estimates (including the valuation of unquoted investments) are indicative of a potential bias; and</p> <p>Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.</p>

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 fourth period of engagement, so the period of total uninterrupted engagement is four years covering the years ended 31 January 2020 to 2023.

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 in accordance with ISAs (UK).

**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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

**Richard Coates** (*Senior Statutory Auditor*)

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

*Chartered Accountants*

*25 Farringdon Street*

*London*

*EC4A 4AB*

12 May 2023

**statement of comprehensive income***for the year ended 31 January*

		2023			2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	14,068	–	14,068	10,899	–	10,899
Net (losses)/gains on investments at fair value	8	–	(99,450)	(99,450)	–	63,623	63,623
Currency exchange gains/(losses)	8	–	3,954	3,954	–	(48)	(48)
<b>total income</b>		<b>14,068</b>	<b>(95,496)</b>	<b>(81,428)</b>	<b>10,899</b>	<b>63,575</b>	<b>74,474</b>
Expenses							
Investment management fee	3	(8,000)	–	(8,000)	(7,510)	(53)	(7,563)
Other expenses	4	(1,560)	–	(1,560)	(1,977)	–	(1,977)
<b>return before taxation</b>		<b>4,508</b>	<b>(95,496)</b>	<b>(90,988)</b>	<b>1,412</b>	<b>63,522</b>	<b>64,934</b>
Taxation	6	(50)	–	(50)	(28)	–	(28)
<b>return for the year</b>		<b>4,458</b>	<b>(95,496)</b>	<b>(91,038)</b>	<b>1,384</b>	<b>63,522</b>	<b>64,906</b>
<b>basic and diluted return per ordinary share</b>	7	<b>32.65</b>	<b>(699.41)</b>	<b>(666.76)</b>	<b>9.94</b>	<b>456.30</b>	<b>466.24</b>

The total column of the statement is the Statement of Comprehensive Income of the Company, prepared in accordance with UK-adopted International Accounting Standards. 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 52 to 77 form part of these financial statements.

**statement of changes in equity**  
for the year ended 31 January

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>2023</b>						
31 January 2022	683	187	1,301	783,080	4,215	789,466
Total comprehensive income/(loss) for the year	-	-	-	(95,496)	4,458	(91,038)
Shares purchased for cancellation	(3)	3	-	(2,080)	-	(2,080)
Dividend	-	-	-	-	(2,992)	(2,992)
<b>31 January 2023</b>	<b>680</b>	<b>190</b>	<b>1,301</b>	<b>685,504</b>	<b>5,681</b>	<b>693,356</b>
	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>2022</b>						
31 January 2021	701	169	1,301	737,228	2,831	742,230
Total comprehensive income for the year	-	-	-	63,522	1,384	64,906
Shares purchased for cancellation	(18)	18	-	(17,670)	-	(17,670)
<b>31 January 2022</b>	<b>683</b>	<b>187</b>	<b>1,301</b>	<b>783,080</b>	<b>4,215</b>	<b>789,466</b>

The notes on pages 52 to 77 form part of these financial statements.

**balance sheet**

as at 31 January

	Notes	2023 £'000	2022 £'000
<b>non current assets</b>			
Investments at fair value through profit or loss	8	685,491	712,424
		<u>685,491</u>	<u>712,424</u>
<b>current assets</b>			
Trade and other receivables	9	2,553	1,548
Cash and cash equivalents		9,010	76,029
		<u>11,563</u>	<u>77,577</u>
<b>total assets</b>		<u>697,054</u>	<u>790,001</u>
<b>current liabilities</b>			
Trade and other payables	10	(706)	(535)
Dividend payable	5	(2,992)	–
		<u>(3,698)</u>	<u>(535)</u>
<b>total liabilities</b>		<u>(3,698)</u>	<u>(535)</u>
<b>total assets less current liabilities</b>		<u>693,356</u>	<u>789,466</u>
<b>net assets</b>		<u>693,356</u>	<u>789,466</u>
<b>represented by:</b>			
Share capital	11	680	683
Capital redemption reserve		190	187
Share premium account		1,301	1,301
Capital reserve		685,504	783,080
Revenue reserve		5,681	4,215
		<u>693,356</u>	<u>789,466</u>
<b>total equity attributable to equity holders of the company</b>		<u>693,356</u>	<u>789,466</u>
<b>net asset value per ordinary share:</b>			
Basic and Diluted	7	5,097P	5,779P

The notes on pages 52 to 77 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 12 May 2023 and signed on its behalf by:

Sir Charles Wake, *Chairman*

Company Registered Number:

1091347

**cash flow statement***for the year ended 31 January*

	Notes	2023 £'000	2022 £'000
<b>cash flows from operating activities</b>			
Investment income received		12,903	11,053
Deposit interest received		152	1
Investment Manager's and performance fees paid		(8,025)	(11,342)
Other income		-	33
Other cash payments		(1,356)	(2,320)
<b>cash received/(expended) from operations</b>	12	<u>3,674</u>	<u>(2,575)</u>
Taxation paid		(50)	(28)
<b>net cash inflow/(outflow) from operating activities</b>		<u>3,624</u>	<u>(2,603)</u>
<b>cash flows from investing activities</b>			
Purchases of investments		(592,922)	(412,316)
Sales of investments		520,245	475,022
<b>net cash (outflow)/inflow from investing activities</b>		<u>(72,677)</u>	<u>62,706</u>
<b>cash flows from financing activities</b>			
Repurchase of Ordinary Shares for cancellation		(2,080)	(17,852)
<b>net cash outflow from financing activities</b>		<u>(2,080)</u>	<u>(17,852)</u>
<b>(decrease)/increase in cash and cash equivalents for the year</b>		<u>(71,133)</u>	<u>42,251</u>
<b>cash and cash equivalents at the start of the year</b>		<u>76,029</u>	<u>33,918</u>
Revaluation of foreign currency balances		4,114	(140)
<b>cash and cash equivalents at the end of the year</b>	13	<u><u>9,010</u></u>	<u><u>76,029</u></u>

The notes on pages 52 to 77 form part of these financial statements.

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**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 UK-adopted International Accounting Standards. 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.

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 and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved.

The Directors are of the view that the Company can meet its obligations as and when they fall due. The cash and US treasury bills available enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-end fund, where assets are not required to be liquidated to meet day-to-day redemptions.

**c) segmental reporting**

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

**d) accounting developments**

In the current year, the Company has applied a number of amendments to IFRS, issued by the IASB mandatorily effective for an accounting period that begins on or after 1 January 2022. The adoption of these has not had any material impact on these financial statements.

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**notes to the financial statements****1 accounting policies** continued**e) critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in accordance with UK-adopted International Accounting Standards 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. Details of valuation techniques used and sensitivities are set out in Note 14.

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.

Except as set out above, there were no accounting estimates or significant judgements in the current period that have had a material impact upon the financial statements.

**f) investments**

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. Quoted investments are valued using closing traded price for Stock Exchange Electronic Trading Service ('SETS') shares and bid price for Stock Exchange Electronic Trading Service – quotes and crosses ('SETSqx') shares. 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.

## notes to the financial statements

## 1 accounting policies continued

**f) investments** continued

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

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

**g) foreign currency translation**

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



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**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 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) 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.

**m) dividends payable to shareholders**

Dividends to shareholders are recognised as a liability in the period in which they are declared 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.

**n) share capital and reserves**

Share Capital: Represents the nominal value of equity shares.

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.

Share Premium: The account, is a non-distributable reserve which 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.

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**

	2023 £'000	2022 £'000
<b>income from investments</b>		
Dividend income	9,386	7,520
Interest	4,532	3,346
	<u>13,918</u>	<u>10,866</u>
<b>other income</b>		
Redemption premium	–	12
Underwriting commission	–	15
Interest receivable	152	6
Realised losses on income	(2)	–
	<u>150</u>	<u>33</u>
Total income	<u>14,068</u>	<u>10,899</u>
<b>total income comprises</b>		
Dividends	9,386	7,520
Interest	4,684	3,352
Other realised losses	(2)	–
Redemption premium	–	12
Underwriting commission	–	15
	<u>14,068</u>	<u>10,899</u>
<b>income from investments</b>		
Listed UK	8,524	7,272
Other listed	862	248
Other unquoted	4,532	3,346
	<u>13,918</u>	<u>10,866</u>

## notes to the financial statements

**3 investment management fee**

- (i) Pursuant to the Secondment Services Agreement, described in the Report of the Directors on page 24 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 24 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 & Pooors' 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:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Annual fee payable to Harwood Capital	4,800	–	4,800	4,506	–	4,506
Annual fee payable to GFS	3,200	–	3,200	3,004	–	3,004
Performance fee	–	–	–	–	–	–
Irrecoverable VAT adjustment in respect of prior years*	–	–	–	–	53	53
	<u>8,000</u>	<u>–</u>	<u>8,000</u>	<u>7,510</u>	<u>53</u>	<u>7,563</u>

At 31 January 2023, £400,000 was payable to Harwood Capital LLP in respect of outstanding management fees (2022: £376,000). At 31 January 2023, there was no fee payable to GFS in respect of outstanding performance fees (2022: £nil).

\* Adjustment in irrecoverable VAT following completion of VAT return.

## notes to the financial statements

**4 other expenses**

	2023 £'000	2022 £'000
Auditor's remuneration – audit – RSM UK Audit LLP	74	65
Directors' fees (see page 37)	170	144
Administration fee	312	364
Legal and Professional fees	308	842
Registrar's fees	37	40
Stock Exchange related fees	59	38
Other expenses	600	484
	<u>1,560</u>	<u>1,977</u>

**5 dividends**

	2023 £'000	2022 £'000
Dividend for the year ended 31 January 2023 of 22 pence per share (2022: nil)	<u>2,992</u>	–
	<u>2,992</u>	<u>–</u>

The Directors have declared an interim dividend totalling £2.9m (2022: nil) from the revenue reserves, in respect of the year ended 31 January 2023 of 22p per share (2022: nil), payable 24 February 2023 to shareholders of ordinary shares on the Company's register at the close of business on 27 January 2023.

**6 taxation**

	2023 £'000	2022 £'000
Withholding tax	<u>50</u>	<u>28</u>
	<u>50</u>	<u>28</u>

## notes to the financial statements

## 6 taxation continued

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.

	2023 £'000	2022 £'000
Total return before taxation	(90,988)	64,934
Theoretical tax at UK Corporation tax rate of 19% (2022: 19%)	(17,288)	12,337
Effects of:		
Non taxable capital return	18,144	(12,079)
UK and overseas dividends which are not taxable	(1,728)	(1,429)
Withholding tax	50	28
Decrease in tax losses, disallowable expenses and excess management expenses	872	1,171
<b>actual current tax charge</b>	<b>50</b>	<b>28</b>

Factors that may affect future tax charges:

As at 31 January 2023, the Company has tax losses of £80,109,000 (2022: £76,314,000) that are available to offset future taxable revenue, comprising excess management expenses of £71,114,000 and a non-trade loan relationship deficit of £8,995,000 (2022: excess management expenses of £67,319,000 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 Group is not expected to generate taxable income in the future in excess of the deductible expenses of future periods and, accordingly, it is unlikely that the Group will be able to reduce future tax liabilities through the use of those losses.

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

## 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
<b>2023</b>									
Basic and diluted									
return per Share	<u>4,458</u>	<u>13,653,763</u>	32.65	<u>(95,496)</u>	<u>13,653,763</u>	(699.41)	<u>(91,038)</u>	<u>13,653,763</u>	(666.76)

	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
<b>2022</b>									
Basic and diluted									
return per Share	<u>1,384</u>	<u>13,921,018</u>	9.94	<u>63,522</u>	<u>13,921,018</u>	456.30	<u>64,906</u>	<u>13,921,018</u>	466.24

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

## 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
<b>2023</b>			
Ordinary Shares – Basic and diluted	693,356	13,602,068	5,097p
Ordinary Shares* – Basic and diluted	712,162	13,602,068	5,236p
<b>2022</b>			
Ordinary Shares – Basic and diluted	789,466	13,661,000	5,779p
Ordinary Shares* – Basic and diluted	800,009	13,661,000	5,856p

\* Adjusted for Oryx using equity accounting.

There is no dilutive effect for 31 January 2023 or 31 January 2022.

## notes to the financial statements

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

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

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

	2023 £'000	2022 £'000
Oryx at Fair value (traded price) using IFRS 10	91,819	115,011
Oryx value using Equity Accounting	110,625	125,554
Increase in net assets using Equity Accounting	18,806	10,543

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

	2023 £'000	2022 £'000
Quoted at fair value:		
United Kingdom	441,316	536,056
Overseas	8,778	15,952
Total quoted investments	450,094	552,008
Treasury bills at fair value	100,413	70,783
Unlisted and loan stock at fair value	134,984	89,633
<b>investments at fair value through profit or loss</b>	<b>685,491</b>	<b>712,424</b>

## 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

	Quoted equities £'000	Unquoted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
<b>2023</b>					
<b>analysis of investment portfolio movements</b>					
Opening bookcost as at 1 February 2022	268,494	44,387	16,167	69,982	399,030
Opening unrealised appreciation	283,514	28,391	688	801	313,394
<b>opening fair value as at 1 February 2022</b>	<b>552,008</b>	<b>72,778</b>	<b>16,855</b>	<b>70,783</b>	<b>712,424</b>
Movements in year:					
Transfer	(10,894)	10,894	-	-	-
Purchases at cost	67,268	19,873	20,038	485,743	592,922
Sales – proceeds	(37,921)	(17,422)	(5,010)	(460,052)	(520,405)
– realised (losses)/gains on sales	(1,793)	7,812	209	4,990	11,218
(Decrease)/increase in appreciation on assets held	(118,574)	9,580	(623)	(1,051)	(110,668)
<b>closing fair value as at 31 January 2023</b>	<b>450,094</b>	<b>103,515</b>	<b>31,469</b>	<b>100,413</b>	<b>685,491</b>
Closing bookcost as at 31 January 2023	285,154	65,544	31,404	100,663	482,765
Closing appreciation/(depreciation)	164,940	37,971	65	(250)	202,726
	<b>450,094</b>	<b>103,515</b>	<b>31,469</b>	<b>100,413</b>	<b>685,491</b>
	Quoted equities £'000	Unquoted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
<b>2022</b>					
<b>analysis of investment portfolio movements</b>					
Opening bookcost as at 1 February 2021	246,540	55,669	23,285	54,853	380,347
Opening unrealised appreciation/(depreciation)	306,039	26,437	289	(238)	332,527
<b>opening fair value as at 1 February 2021</b>	<b>552,579</b>	<b>82,106</b>	<b>23,574</b>	<b>54,615</b>	<b>712,874</b>
Movements in year:					
Transfer	157	(157)	-	-	-
Purchases at cost	65,718	11,432	6,139	326,508	409,797
Sales – proceeds	(117,304)	(31,748)	(13,175)	(311,643)	(473,870)
– realised gains/(losses) on sales	73,383	9,191	(82)	264	82,756
(Decrease)/increase in appreciation on assets held	(22,525)	1,954	399	1,039	(19,133)
<b>closing fair value as at 31 January 2022</b>	<b>552,008</b>	<b>72,778</b>	<b>16,855</b>	<b>70,783</b>	<b>712,424</b>
Closing bookcost as at 31 January 2022	268,494	44,387	16,167	69,982	399,030
Closing appreciation	283,514	28,391	688	801	313,394
	<b>552,008</b>	<b>72,778</b>	<b>16,855</b>	<b>70,783</b>	<b>712,424</b>



## 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

	2023 £'000	2022 £'000
<b>analysis of capital gains and losses</b>		
Gains on sales	11,218	82,756
Unrealised losses	<u>(110,668)</u>	<u>(19,133)</u>
<b>(losses)/gains on investments at fair value</b>	<b><u>(99,450)</u></b>	<b><u>63,623</u></b>
	2023 £'000	2022 £'000
Exchange (losses)/gains on capital items	(160)	92
Exchange gains/(losses) on currency	<u>4,114</u>	<u>(140)</u>
<b>exchange gains/(losses)</b>	<b><u>3,954</u></b>	<b><u>(48)</u></b>
	2023 £'000	2022 £'000
<b>portfolio analysis</b>		
Equity shares	551,757	622,662
Convertible preference securities	1,852	2,124
Fixed interest/Loan note securities	31,469	16,855
Treasury Bills	<u>100,413</u>	<u>70,783</u>
	<b><u>685,491</u></b>	<b><u>712,424</u></b>

## notes to the financial statements

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

At 31 January 2023 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	79.65%	England and Wales
Oryx International Growth Fund Limited	Investment company	52.68%	Guernsey
Performance Chemical Company	Oil field service company	53.12%	United States of America

**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 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 2023 %	Company holding 31 January 2022 %
<b>Consolidated Venture Finance</b> 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 January 2022	(740)	–	100.00	100.00
<b>EKF Diagnostics Holdings Plc</b> Avon House, 19 Stanwell Road, Penarth, Cardiff, CF64 2EZ	England and Wales	31 December 2022	74,523	(8,861)	21.10	20.82
<b>Frenkel Topping Group Plc</b> Frenkel House 15 Carolina Way, Salford, Manchester, United Kingdom, M50 2ZY	England and Wales	31 December 2022	40,094	1,976	29.82	24.30
<b>Hampton Investment Properties</b> 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2021	12,108	(38)	79.65	79.65
<b>Hargreaves Services Plc</b> West Terrace, Esh Winning, Durham, DH7 9PT	England and Wales	31 May 2022	183,136	44,711	20.37	20.37
<b>Harwood Private Capital UK L.P.</b> 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 March 2022	15,444	741	28.57	28.57
<b>Harwood Private Equity Fund IV</b> 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2022	89,606	965	26.28	26.28
<b>Harwood Private Equity Fund V</b> 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2022	167,352	907	25.00	25.00
<b>Oryx International Growth Fund Limited</b> BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA	Guernsey	31 March 2022	219,409	(10,490)	52.68	52.47
<b>Performance Chemical Company</b> 9105 W Interstate 20 Midland, TX 79706	United States of America	30 September 2021	12,250	4,826	53.12	53.12
<b>Trident Private Equity Fund III LP</b> 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2022	18,977	(155)	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 listed companies which were considered to be material:

	%
Oryx International Growth Fund Limited	52.68
Frenkel Topping Group Plc	29.82
EKF Diagnostics Holdings Plc	21.10
Hargreaves Services Plc	20.37
Sportech	17.00
TEN Entertainment Group Plc	14.60
Odyssean Investment Trust Plc	14.38
Bigblu Broadband Plc	13.67
Sureserve Group Plc	12.03
AssetCo Plc	11.95
Verici DX Limited	11.16
Appreciate Group Plc	9.77
MJ Gleeson Plc	9.43
Niox Group Plc	8.94
Renalytix AI Plc	8.93
Maintel Holdings Plc	8.70
Trellus Health	7.43
Polar Capital Holdings Plc	6.95
Circle Property	6.85
Esken Limited	6.52
Palace Capital Plc	6.22
Mountain Comm Bancorp	6.20
Redcentric Plc	4.80

**d) investments in US treasury bills**

At 31 January 2023, the Company held US Treasury Bills with a market value of £100,413,000 (2022: £70,783,000).

**e) transaction costs**

During the year, the Company incurred total transaction costs of £198,000 (2022: £196,000) comprising £168,000 (2022: £151,000) and £30,000 (2022: £45,000) on purchases and sales of investments respectively. These amounts are included in net (losses)/gains on investments as disclosed in the Statement of Comprehensive Income.

## notes to the financial statements

## 8 investments at fair value through profit or loss continued

## f) commitment

At 31 January 2023 NASCIT had undrawn capital commitments to invest £6.0 million (2022: £22.1 million) in Harwood Private Equity V LP and £15.1 million (2022: £17.1 million) in Harwood Private Capital U.K. LP.

## 9 trade and other receivables

	2023 £'000	2022 £'000
Accrued income	1,526	463
Prepayments and other debtors	986	1,085
Recoverable withholding tax	41	–
	<u>2,553</u>	<u>1,548</u>

## 10 trade and other payables

	2023 £'000	2022 £'000
Investment Manager's fees	400	376
Other creditors and accruals	306	159
	<u>706</u>	<u>535</u>

## 11 share capital

	2023 Number	2023 £'000	2022 Number	2022 £'000
<b>allotted, called up and fully paid:</b>				
Ordinary Shares of 5p:				
Balance at beginning of year	13,661,000	683	14,024,518	701
Cancellation of shares	(58,932)	(3)	(363,518)	(18)
Balance at end of year	<u>13,602,068</u>	<u>680</u>	<u>13,661,000</u>	<u>683</u>

Since 31 January 2023, 64,159 Ordinary Shares have been purchased by the Company for cancellation for total consideration of £2,445,000. As at the date of this report, the Company's issued share capital consists of 13,537,909 Ordinary Shares of 5p nominal value each.

## notes to the financial statements

**12 reconciliation of total return before taxation to cash received/(expended) from operations**

	2023 £'000	2022 £'000
Total return before taxation	(90,988)	64,934
Losses/(gains) on investments and currency	95,496	(63,575)
(Increase)/decrease in debtors and accrued income	(1,005)	603
Increase/(decrease) in creditors and accruals	171	(4,537)
	<u>3,674</u>	<u>(2,575)</u>
Cash received/(expended) from operations	<u>3,674</u>	<u>(2,575)</u>

**13 analysis of net cash**

	At 1 February 2022 £'000	Cash flow £'000	Exchange movement £'000	At 31 January 2023 £'000
Cash and cash equivalents	<u>76,029</u>	<u>(71,133)</u>	<u>4,114</u>	<u>9,010</u>

**14 financial instruments and risk profile**

The Company's financial risk management objectives, policies and strategy can be found in the Strategic Report on pages 2 to 22.

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. Investments are stated at fair value through profit and loss. All other financial assets and all financial liabilities are stated at amortised cost with the balance sheet values a reasonable approximation to fair value.

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 review and agree 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 2023, the Company had no open forward currency contracts (2022: 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 2023			31 January 2022		
	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
US Dollar	152,143	1,131	153,274	114,196	6,488	120,684
	<b>152,143</b>	<b>1,131</b>	<b>153,274</b>	<b>114,196</b>	<b>6,488</b>	<b>120,684</b>

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 the US Dollar, with all other variables constant, net assets would have moved by the amounts shown below. The analysis is shown on the same basis for 2022.

	31 January 2023		31 January 2022	
	10% weakening £'000	10% strengthening £'000	10% weakening £'000	10% strengthening £'000
US Dollar	17,030	(13,934)	13,409	(10,971)
	<b>17,030</b>	<b>(13,934)</b>	<b>13,409</b>	<b>(10,971)</b>

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 8.

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.

The Company's exposure to other changes in market prices at 31 January 2023 on its quoted and unquoted investments and options on investments was as follows:

	2023 £'000	2022 £'000
Financial assets at fair value through profit or loss		
– Non current investments at fair value through profit or loss	<u>685,491</u>	<u>712,424</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.

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.



## notes to the financial statements

## 14 financial instruments and risk profile continued

## other price risk continued

The table below shows how the most significant unquoted investments have been valued as at 31 January 2023.

	Method of fair value valuation	2023 fair value GBP £'000	2022 fair value GBP £'000
3BL Media USD 12.5% Loan Notes	Cost	4,063	–
Antler Holdco Limited GBP	Offer Price	–	4,871
Antler Holdco Discount Notes GBP	Cost	–	21
Coventbridge Group Limited 9% Loan USD	Cost	10,767	10,368
Hampton Investment Properties Ltd GBP	Adjusted Net Assets	742	742
Harwood Private Capital UK L.P. GBP	Net Assets	4,857	2,857
Harwood Private Equity Fund IV GBP	Net Assets	23,139	22,102
Harwood Private Equity Fund V GBP	Net Assets	45,342	21,247
Jaguar Holdings Limited Ordinary Shares – USD	EBITDA Multiple	1,584	1,341
Jaguar Holdings Limited Preference Shares – USD	Cost	1,852	2,124
Performance Chemical Holding Common Stock USD	EBITDA Multiple	8,633	7,918
SMT Corporation 11% USD Loan Notes	Cost	14,017	–
SourceBio International Ordinary Shares GBP	Price of recent investment	9,200	–
Specialist Components Ltd GBP 5% Loan Notes GBP	Cost	2,622	2,622
Specialist Components Ltd APC Technology Ord GBP	EBITDA Multiple	118	118
Spring Investment LP (Duke Street) GBP	Net Assets	4,391	1,750
Trident Private Equity Fund LP3 Including Rebate GBP	Net Assets	1,621	5,842
Utitec Holdings Inc – Loan Stock 12.5% USD	Cost	–	3,842
WEP Fund II SIMCO Co-Investment USD	Net Assets	1,625	1,491
		134,573	89,256
Other investments		411	377
		134,984	89,633

## 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:

**Harwood Private Equity IV LP (HPE4) and Harwood Private Equity V LP (HPE5)**

Held at net asset value, derived from the audited financial statements of the Funds as at 31 December 2022, as the underlying investments within HPE4 and HPE5 are valued on a fair value basis and adjusted for Fund transactions between 1 January 2023 to 31 January 2023. As the funds have no debts, a change of 10% in the underlying assets would have a 10% impact on the Funds' carrying value.

**Performance Chemical Company – Ordinary Shares**

The enterprise value is calculated based on an EBITDA multiple of 6x. A reduction in the multiple by a factor of 1x would reduce the carrying value of the total investment by US\$1.6 million, or -15%. An increase in the multiple by a factor of 1x would increase the value of the total investment by US\$1.6 million, or 15%.

**SourceBio International – Ordinary Shares**

This investment is held at the £1.15 per share price used for the transactions associated with the acquisition and delisting in December 2022 (price of recent investment). This equates to an enterprise value calculated based on an EBITDA multiple of 9.6x. A reduction in the multiple by a factor of 1x would reduce the carrying value of the total investment by £1.02 million, or -11%. An increase in the multiple by a factor of 1x would increase the value of the total investment by £1.03 million, or 11%.

**SMT Corporation 11% USD – Loan Notes**

The loan is held at par plus accrued interest. The enterprise value is calculated using an EBITDA multiple of 8x. Neither a reduction nor an increase in the multiple by a factor of 1x would impact the carry value of the loan.

**Coventbridge Group 9% USD – Loan Notes**

The loan is held at par plus accrued interest. The enterprise value is calculated using an EBITDA multiple of 8.8x. Neither a reduction nor an increase in the multiple by a factor of 1x would impact the carry value of the loan.

## notes to the financial statements

## 14 financial instruments and risk profile continued

**other price risk** 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.

	2023		2022	
	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	<u>68,549</u>	<u>(68,549)</u>	<u>71,242</u>	<u>(71,242)</u>

**(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 2023, £100,413,000 (2022: £70,783,000) of the Company's cash is held in short-term Treasury Bills, which are highly liquid. As a consequence, the Company could access £100 million based on the year end exchange rates, within one week.

As the Company is a closed-end company, assets do not need to be liquidated to meet redemptions and sufficient liquidity is maintained to meet obligations as they fall due.

**(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:

	2023 £'000	2022 £'000
<b>financial assets neither past due or impaired</b>		
Fixed income securities	31,469	16,855
Preference shares	1,852	2,124
Treasury Bills	100,413	70,783
Accrued income and other debtors	2,553	1,548
Cash and cash equivalents	9,010	76,029
	<u>145,297</u>	<u>167,339</u>

## notes to the financial statements

## 14 financial instruments and risk profile continued

**other price risk** continued

The maximum credit exposure of financial assets represents the carrying amount.

There are no financial assets that are past due or impaired.

**commitments giving rise to credit risk**

There are no commitments giving rise to credit risk as at 31 January 2023.

**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 1f) 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 2023

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	553,609	450,094	–	103,515
Fixed interest investments	131,882	100,413	–	31,469
<b>total</b>	<b>685,491</b>	<b>550,507</b>	<b>–</b>	<b>134,984</b>

At 31 January 2022

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	624,786	552,008	–	72,778
Fixed interest investments	87,638	70,783	–	16,855
<b>total</b>	<b>712,424</b>	<b>622,791</b>	<b>–</b>	<b>89,633</b>

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 2023

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening fair value	89,633	72,778	16,855
Purchases	39,911	19,873	20,038
Sales	(22,432)	(17,422)	(5,010)
Transfer from level 1	10,894	10,894	–
Total gains/(losses) included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	8,021	7,812	209
– on assets held at the end of the year	8,957	9,580	(623)
<b>closing fair value</b>	<b>134,984</b>	<b>103,515</b>	<b>31,469</b>

## 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:

	2023 £'000	2022 £'000
<b>debt</b>	–	–
<b>equity</b>		
Equity share capital	680	683
Retained earnings and other reserves	692,676	788,783
	<u>693,356</u>	<u>789,466</u>
<b>debt as a % of net assets</b>	0.0%	0.0%

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.

**capital requirement**

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

## 15 related party transactions

Harwood Capital LLP, Harwood Private Equity LLP and Harwood Capital Management (Gibraltar) Ltd are regarded as related parties of the Company due to Christopher Mills, the Company's Chief Executive and Investment Manager currently being a Director of Harwood Capital Management (Gibraltar) Ltd and a Member of Harwood Capital LLP until 9 June 2015, and the ultimate beneficial owner. Harwood Private Equity LLP replaced Harwood Capital LLP as Investment Manager or Investment Adviser to the Private Equity Funds on 21 December 2022. Harwood Capital Management (Gibraltar) Ltd acts as Investment Manager or Investment Adviser to Oryx International Growth Fund Ltd, and Harwood Private Equity LLP acts as Investment Manager or Investment Adviser of the Private Equity Funds below, in which the Company has an investment and from which companies it receives fees or other incentives for its services.

## notes to the financial statements

## 15 related party transactions continued

The table below discloses fees paid by Oryx and the Private Equity Funds to these related parties.

		2023 £'000	2022 £'000
	Services		
Oryx International Growth Fund Limited	Investment Advisory	2,215	3,027
Trident Private Equity III LP	Investment Advisory	60	146
Harwood Private Equity IV LP	Investment Advisory	1,027	1,485
Harwood Private Equity V LP	Investment Advisory	3,200	3,200

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 23 to 25.

Christopher Mills is Chief Executive Officer and indirectly a member of Harwood Capital LLP and Harwood Private Equity 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 and Harwood Private Equity LLP, the past and current Administrators of the Company.

Fees from Odyssean Investment Trust Plc and Harwood Private Capital UK LP go to Odyssean Capital LLP (OCLLP) and Harwood Private Capital LLP (HPCLLP) respectively. Both OCLLP and HPCLLP are 50:50 JVs between Harwood Capital Management Ltd and Stuart Widdowson, for OCLLP, and Haseeb Aziz, for HPCLLP.

**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, Bigblu Broadband plc, Coventbridge Group Limited, EKF Diagnostics Holdings Plc, Frenkel Topping Group plc, Jaguar Holdings Limited, M J Gleeson Group plc, Oryx, Renalytix AI Plc, SourceBio International plc, SureServe Group plc, Ten Entertainment Group Plc, Trellus Health plc and Utitec Holdings Inc. Employees of the Manager may hold options over shares in investee companies. A total of £482,073 (2022: £478,367) 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 51,424 shares in the Company (2022: 83,924).

Members, employees, institutional clients and private clients of Harwood Capital LLP and Harwood Private Equity 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.

**directors and advisers**

**Directors**

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

**Administrator** (up to 26 February 2023)

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

**Administrator** (from to 27 February 2023)

North Atlantic Investment Services Limited  
*(Authorised and regulated by the Financial Conduct Authority)*  
6 Stratton Street  
Mayfair  
London W1J 8LD  
Telephone: 020 7640 3200

**Financial Adviser and Stockbroker**

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

**Registered Office**

6 Stratton Street  
Mayfair  
London W1J 8LD  
Telephone: 020 7640 3200

**Registrars**

Link Group  
10<sup>th</sup> Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

**Auditors**

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

**Company Secretary**

Kin Company Secretarial Limited  
Hyde Park House  
5 Manfred Road  
London SW15 2RS



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**shareholder information**

<b>financial calendar</b>	Announcement of results and Annual Report	May
	Annual General Meeting	June
	Half-Yearly results and report	September
	Half-Yearly report posted	September
<b>share price</b>	The Company's share price can be found on:	
	SEAQ Ordinary Shares:	NAS
	Trustnet:	<a href="http://www.trustnet.ltd.uk">www.trustnet.ltd.uk</a>
<b>net asset value</b>	The latest net asset value of the Company can be found on the Company's website: <a href="http://www.nascit.co.uk">www.nascit.co.uk</a>	
<b>share dealing</b>	Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.	
	The Company's registrars are Link Group. In the event of any queries regarding your holding of shares, please contact the registrars on: 0871 664 0300, or by email on <a href="mailto:enquiries@linkgroup.co.uk">enquiries@linkgroup.co.uk</a>	
	Changes of name or address must be notified to the registrars in writing at:	
	Link Group 10 <sup>th</sup> Floor Central Square 29 Wellington Street Leeds LS1 4DL	







Front Cover: 'The Battle of Vigo Bay, 12 October 1702' (Ludolf Backhuysen)  
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