

North Atlantic Smaller Companies Investment Trust plc



Annual Report
for the year ended 31 January 2024

contents

objective of the company and financial highlights	1
strategic report	2
corporate summary	2
directors	3
chairman's statement	4
investment manager's report	6
sector analysis of investments at fair value	8
twenty largest investments	9
unquoted investments profile	10
strategic report	14
report of the directors	23
statement of directors' responsibilities in respect of the annual report and financial statements	27
corporate governance	29
directors' remuneration report	35
independent auditor's report	41
statement of comprehensive income	48
statement of changes in equity	49
balance sheet	50
cash flow statement	51
notes to the financial statements	52
directors and advisers	78
shareholder information	79

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 2024	% change	31 January 2023	31 January 2022	31 January 2021	31 January 2020
return						
Return for the year (£'000)	2,148	102.4%	(91,038)	64,906	130,078	98,852
Basic and Diluted return per 5p Ordinary Share: [*]						
– Revenue	90.39	176.8%	32.65	9.94	3.76	41.24
– Capital	(74.49)	89.3%	(699.41)	456.30	916.57	652.92
Dividend per 5p Ordinary Share (declared)	68.5p ^{**}		22.0p	nil	nil	30.0p
assets						
Net assets (£'000)	690,230	(0.5%)	693,356	789,466	742,230	620,723
Net asset value (“NAV”) per 5p Ordinary Share: [†]						
Basic and Diluted	5,127p	0.6%	5,097p	5,779p	5,292p	4,384p
Basic and Diluted adjusted [‡]	5,391p	3.0%	5,236p	5,856p	5,355p	4,505p
Mid-market price of the 5p Ordinary Shares	3,690p	(5.4%)	3,900p	4,330p	3,850p	3,400p
discount to net asset value	28.0%		23.5%	25.1%	27.2%	22.4%
discount to adjusted net asset value	31.6%		25.5%	26.1%	28.1%	24.5%
indices and exchange rates at 31 January						
Standard & Poor’s 500 Composite Index	4,845.7	18.9%	4,076.6	4,515.6	3,714.2	3,225.5
Russell 2000 Index	1,947.3	0.8%	1,931.9	2,028.5	2,073.6	1,614.1
US Dollar/Sterling exchange rate	1.27330	3.5%	1.23065	1.34180	1.37295	1.31830
Standard & Poor’s 500 Composite Index – Sterling adjusted	3,810.1	15.2%	3,307.3	3,360.5	2,709.5	2,442.5
Russell 2000 – Sterling adjusted	1,531.2	(2.3%)	1,567.4	1,509.6	1,512.7	1,222.2

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

** Declared 19 February 2024.

† 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

introduction	North Atlantic Smaller Companies Investment Trust plc (“NASCIT”) is an investment trust, the shares of which are listed on the London Stock Exchange.
objective and investment strategy	The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. The Company invests in both listed and unquoted companies.
company’s business	The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and its business is that of an investment trust.
risk	<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>
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 further information see page 21 .
company secretary	SGH Company Secretaries Limited were appointed Company Secretary as at 4 September 2023.
website	www.nascit.co.uk

Sir Charles Wake¹ 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 Rising¹³ 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)¹²³ 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 East Asia, 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 Gilbert¹²³⁴ 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 private company boards.

Julian Fagge¹²³⁴ Non-Executive Director. Appointed 20 June 2023. Mr Fagge has over 25 years' experience within global blue-chip and FTSE 100 plc environments. He is currently President of Smiths Interconnect, a division of Smiths Group PLC, having formerly held positions within Smiths including President of Flex-Tek, Strategy & M&A Director, and Group Financial Controller. Prior to this, he spent time at Royal Caribbean Cruises and at Procter & Gamble. Mr Fagge is a Chartered Accountant and holds a degree from Edinburgh University.

¹ Independent

² Member of the Audit Committee

³ Member of the Remuneration Committee

⁴ Member of the ESG Committee

strategic report – chairman’s statement

During the year under review, the adjusted net asset value rose by 3.0% which compares unfavourably with the Sterling adjusted Standard & Poors index but a good outperformance of appropriate United Kingdom indices where the majority of the trust’s quoted assets are invested.

The revenue account for the period showed a surplus post taxation of £12,210,000 (2023: £4,458,000) and an interim dividend of 68.5p has been declared in respect of the year ending January 2024 (2023: 22p). Your directors are not proposing a final dividend.

During the year, 140,493 shares (2023: 58,932) were acquired at a substantial discount to the net asset value. This policy has continued into the current financial year. This benefits all long-term shareholders by creating an immediate uplift in the net asset value. At the forthcoming AGM shareholders will once again be asked to support a Rule 9 waiver 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 (excluding the largest shareholder who is disqualified from voting). Although 12.85% 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.

In my last annual report, I stated that I expected interest rates would go higher and stay higher than was generally expected. Unfortunately, this has proven to be the case as although inflation has come down it remains a continuing concern for central banks. Commodity prices, and in particular energy prices, are falling back but wage inflation remains stubbornly high, not least in the United Kingdom where the rapid increase in the minimum wage is driving increases across the spectrum.

Corporate profits, particularly in the United Kingdom, have been disappointing with a near record number of warnings over the past twelve months. Companies that perform in line, or even better, get little recognition in their share price whilst downgrades can lead to very substantial falls. Enthusiasm for British equities continues to evaporate, with retail outflows amounting to £24 billion over the past two years and £46 billion over the past eight years.

Pension funds and institutional investors have shown only marginally greater enthusiasm for UK equities, although the British government is now actively seeking ways to stimulate the market. I have little confidence that any moves by the government will have anything more than at best a short term impact.

Against this background your managers have continued to adopt a conservative investment strategy with cash and US treasury bills at the end of January amounting to £70 million. There is however no doubt that as many managers with open ended funds become forced sellers, opportunities will arise to make attractive investments.

Your directors continue to monitor with concern the ongoing discount to the net asset value that the Company trades on. While our discount is lower than many other funds which have substantial holdings in private equity and other large holdings of illiquid shares, our share buyback programme may help to diminish this discount over time, although the concomitant reduction in free float may inhibit liquidity. The Trust intends to increase transparency through more frequent announcements covering new investments and disposals, as well as significant developments in portfolio companies that are in the public domain. 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. The Trust now intends to increase transparency through appropriate RNS announcements, as new unquoted investments are entered into and other disposed of, with the expectations that this will lead to a better understanding of the Trust’s portfolio.

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 buybacks over new investments as long as a substantial discount persists.

Finally, I would like to welcome Julian Fagge to the Board. Julian’s background is the industrial sector, working as a divisional president at Smiths Group and we believe his advice will be invaluable as we continue to invest over the coming years.

Sir Charles Wake *Chairman*

9 May 2024

strategic report – investment manager’s report

quoted portfolio UK

Despite a number of headwinds, not least of all continued retail and institutional selling of UK equities and a very significant record number of profit warnings, the UK portfolio taken as a whole performed well and outperformed relative to relevant indices.

Takeovers have been the key to success and it is therefore not surprising that two of our best investments during the period were Ten Entertainment up 40% and Sureserve also up nearly 40% both of which were acquired during the period. Oryx also performed well up about 14% but, once again, this was due to multiple takeover bids in the fund.

Our two large healthcare holdings EKF and NIOX when taken together were broadly flat although we do expect them to be additive to the net asset value in the current financial year as EKF’s enzyme business expands and NIOX core business continues to grow at a rapid pace.

Fund management stocks performed poorly due to difficult market conditions with Frenkel Topping and Assetco both down significantly. The fall in Polar Capital was, however, offset by its dividend.

Gleeson and Hargreaves Services were flat over the year but have performed strongly in February as the prospects for the sector have improved.

Emerging life science investments continue to be challenged and perform very poorly over the period but now account for less than 0.5% of assets so any further weakness will be immaterial to the portfolio.

Finally recent investments in Conduit, Paypoint, Pendragon, Carrs and Spire have all performed well relative to appropriate indices and we expect further good performance in the current year.

Economic and political uncertainties, together with interest rates remaining higher for longer, suggest that the current year will be challenging. Nevertheless, we have substantial cash balances to take advantage of opportunities as they arise and believe that our existing investments are well placed to meet these challenges.

quoted portfolio USA

This US portfolio currently has only one position Mountain Commerce which performed poorly as investors moved into higher interest bearing accounts thereby squeezing margins. Nevertheless, the company’s loan book remains in excellent shape with minimal bad debt.

unquoted portfolio UK

The unquoted portfolio had a good year in fiscal 2024. One of the direct investments, Spring, performed notably well resulting in a substantial uplift in valuation. We are hopeful of a liquidity event during the next twelve months at a further uplift.

The private equity funds also performed well with Utitec being sold in Fund 3 and Assisi and Vegner being sold in Fund 5 all at uplifts to the end January 2023 valuation. We would expect further realisations in the current year.

Source Bioscience, which was taken private late last year, sold its stability storage division at a favourable price which has resulted in a return of capital in the first quarter of the current year of £2.28m.

We adopted a conservative policy in fiscal 2024 as higher interest rates, a weakening economy combined with a worsening environment for corporate profits led us to believe that we should wait for a more favourable environment.

strategic report – investment manager’s report

unquoted portfolio USA

The portfolio consists of mezzanine loans at attractive interest rates where we also have an equity investment through the Private Equity fund.

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. A substantial new investment completed post year-end, Crest Foods, which is described under note 9 of this report.

liquidity

Cash and US Treasury Bills started the year at £109m and ended the year at £70 million.

conclusion

Your managers continue to actively review opportunities as evidenced by the number of new investments made during the year. UK equities are, in our opinion, cheap despite many headwinds. Consequently, we expect to continue to build the portfolio over the next twelve months as further attractive opportunities arise.

Christopher Mills *Chief Executive & Investment Manager*

9 May 2024

strategic report – sector analysis of investments at fair value

as at 31 January

	United States 31 January 2024 %	United Kingdom 31 January 2024 %	Total 31 January 2024 %	Total 31 January 2023 %
equities, convertible securities & loan stocks as a % of total portfolio valuation				
Financial Services*	–	28.2	28.2	28.5
Pharmaceuticals and Health Care	–	13.6	13.6	13.0
Banks	0.9	12.3	13.2	12.5
Industrial Goods & Commercial Services	5.4	6.3	11.7	18.9
Consumer Products and Services	–	8.0	8.0	0.1
Transport, Travel & Leisure	–	5.3	5.3	4.3
Insurance	–	4.0	4.0	2.1
Oil & Gas	2.0	–	2.0	1.3
Technology & Software	–	1.8	1.8	1.7
Real Estate	–	1.8	1.8	1.6
Telecommunications	–	0.5	0.5	0.7
Energy	–	–	–	0.6
	8.3	81.8	90.1	85.3
treasury bills	9.9	–	9.9	14.7
total at 31 January 2024	18.2	81.8	100.0	
total at 31 January 2023	22.2	77.8		100.0

* Includes Investment Trusts.

strategic report – twenty largest investments

as at 31 January

equities (including convertibles, loan stocks and related financing)		At fair value £'000
Oryx International Growth Fund Limited*	UK Quoted	83,706
Harwood Private Equity V LP	UK Unquoted	33,596
Polar Capital Holdings Plc	UK Quoted	31,745
Hargreaves Services Plc	UK Quoted	31,654
EKF Diagnostics Holdings plc	UK Quoted	28,992
Pinewood Technologies Group Plc	UK Quoted	27,263
MJ Gleeson Group plc	UK Quoted	25,795
Odyssean Investment Trust Plc	UK Quoted	25,560
Conduit Holdings Limited	UK Quoted	23,800
Niox Group Plc	UK Quoted	22,575
ten largest investments		334,686
Harwood Private Equity IV LP	UK Unquoted	20,419
TP ICAP Group plc	UK Quoted	18,790
Frenkel Topping Group Plc	UK Quoted	17,641
SMT Corporation	US Unquoted	13,547
Carr's Group Plc	UK Quoted	12,986
Performance Chemicals Company	US Unquoted	11,681
CoventBridge Group	US Unquoted	10,406
Redcentric plc	UK Quoted	10,395
Spring Investments LP	UK Unquoted	10,143
Spire Healthcare Group Plc	UK Quoted	9,480
twenty largest investments		470,174
Aggregate of other investments at fair value		81,494
		551,668
US Treasury Bills		60,757
total		612,425

* incorporated in Guernsey.

All investments are valued at fair value.

strategic report – unquoted investments profile

as at 31 January

	2024
	At fair value
	£'000
<p>Harwood Private Equity V LP (UK) Cost: £10,700,000</p> <p>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 Assisi for three times the cost in October 2023 and HML for 2.8x cost in September 2023. The Trust's commitment to the fund was £40 million with £6 million left undrawn.</p>	33,596
<p>Harwood Private Equity IV LP (UK) Cost: £10,135,000</p> <p>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. HPE4 is looking to exit its three remaining investments.</p>	20,419
<p>SMT Corporation – 11% Loan Notes (US) Cost: £15,044,000</p> <p>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 loss reflects the weakness of the dollar since the investment was made.</p>	13,547
<p>Performance Chemicals Company (US) Cost: £230,000</p> <p>The company predominantly provides maintenance services to the oil and gas industry in the Permian Basin (West Texas). The company performed well in the fiscal year to the end of September 2023 with EBITDA of \$4.4 million and ending cash of just under \$5 million.</p> <p>Trading in the current year has continued strong with trading twelve-month EBITDA now just under \$5.0 million.</p> <p>The company has started a sales process which is expected to achieve a price in excess of the current valuation and be completed by the third quarter.</p>	11,681
Carried forward	79,243

strategic report – unquoted investments profile

as at 31 January

	2024
	At fair value
	£'000
Brought Forward	79,243
CoventBridge Group – 9% Loan Notes (US) Cost: £9,875,400	10,406
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 2023 and the outlook for the current year is encouraging. It is expected that a proportion of the loan note will be amortised in the current year.	
Spring Investments LP (UK) Cost: £4,391,000	10,143
This is a specialty manufacturer of pharmaceuticals for the NHS. The company continues to perform very strongly. After record profits were achieved in fiscal 2022/2023, the results for 2023/2024 are substantially better and considerably ahead of budget.	
A sales process is expected to commence in the fourth quarter of the current year, and we are hopeful that this will achieve a price significantly ahead of the current valuation.	
Harwood Private Capital UK LP (UK) Cost: £9,407,000	9,251
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 six investments with two additional investments in 2023 in waste metal recycling and a children's care service provider. NASCIT's commitment to the fund is £20.0 million, of which £10.6 million is undrawn.	
Carried forward	109,043

strategic report – unquoted investments profile

as at 31 January

	2024
	At fair value
	£'000
Brought Forward	109,043
SourceBio International Limited <i>Cost: £10,894,000</i>	9,200
Source Bio International is a leading international provider of integrated laboratory services and products to clients in the healthcare, clinical, life science research and biopharma industries, with a focus on patient diagnosis, management and care. The Group is headquartered in Nottingham, with facilities in the UK, Ireland and the US. During the year the stability storage division was sold at a price ahead of expectation. The proceeds returned to shareholders through a capital distribution in March 2024 of which the Trust's share was £2.28m. The current year has started well and the outlook for the company's core businesses is promising although this can be adversely impacted by strikes in the NHS.	
Sportech Limited <i>Cost: £7,069,000</i>	5,760
The company operates sport betting and other gaming services in the United States mainly in Connecticut. The company was delisted from the stock market in October 2023 as the costs associated with the listing given the limited float was disproportionate to the size of the company. The holding is valued at a discount to management estimate of the breakup of the business. Sportech is currently in discussions with three potential acquirors although there can be no assurances that a transaction will be consummated.	
3BL Media Limited – 12.5% Loan Notes (US) <i>Cost: £5,298,000</i>	5,105
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. The loss reflects the weakness of the dollar since the investment was made.	
Jaguar Holdings Ltd (US) <i>Cost: £2,183,000</i>	3,478
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 2023 and the outlook for 2024 is encouraging as the United contract has been extended and the Federal Express relationship has benefited from a new contract at an additional airport. In addition, the company has recently won two new contracts which should add materially to the EBITDA in the current year.	
Carried forward	132,586

strategic report – unquoted investments profile

as at 31 January

	2024 At fair value £'000
Brought Forward	132,586
Specialist Components Limited (UK) Cost: £2,740,000	2,622
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 are expected to benefit from ongoing supply chain issues and higher defence spending.	
Hampton Investment Properties (UK) Cost: £2,534,000	792
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 occurred in 2023 but it has slipped back and is now likely for the third quarter of 2024.	
WEP Superior Industrial Maintenance Co (US) Cost: £1,485,000	754
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. Sadly, the results to 2023 have been worse than expected resulting in a write down.	
Trident Private Equity III LP (UK) Cost: £nil	443
The only investment in the fund was Utitec, which was sold during the year. The remaining value is in two escrow agreements which should be realised over the next three years.	
Carried forward	<u>137,197</u>
Other unquoted investments at fair value	<u>397</u>
Total value of unquoted investments at fair value*	<u><u>137,594</u></u>

* Includes unquoted loan notes in these companies with a total value of £31,680,000

strategic report

The Directors present the strategic report of the Company for the year ended 31 January 2024.

principal activity

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

objective

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

strategy

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

investment policy

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

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

investment restrictions

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

strategic report**investment approach**

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

Christopher Mills, the Company's Chief Executive and Investment Manager, is responsible for the construction of the portfolio and details of the principal investments are set out on pages 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

changes to the investment policy, investment restrictions and investment approach	Changes to the investment policy, investment restrictions and investment approach of the Company as set out above may be made by the Directors. Changes believed by the Directors to be material will be notified to investors in advance of the change taking effect.
financial instruments	The financial instruments employed by the Company primarily comprise equity and loan stock investments, although it does hold cash and liquid instruments. Further details of the Company's risk management objectives and policies relating to the use of financial instruments can be found in note 14 to the financial statements on pages 68 to 76.
delegated activities	The Company being internally managed has not delegated the provision of portfolio management and risk management functions but does rely on third party services providers to provide ancillary services to support the activities of the company. As a result, the Company will continue to act as an internally managed AIFM of the Company for the purposes of the FCA Rules in accordance with the Investment Management Agreement.
depository	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.
any conflicts of interest that may arise from such delegations	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.
performance	<p>At 31 January 2024, the NAV per share was 5,127p (2023: 5,097p), an increase of 0.6% during the year, compared to an increase of 15.2% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted).</p> <p>Net assets attributable to equity holders at 31 January 2024 amounted to £690,230,000 compared with £693,356,000 at 31 January 2023.</p> <p>The ongoing charges relating to the Company are 1.2% (2023: 1.4%), based on total expenses, excluding finance charges and non-recurring items for the year and average monthly net assets.</p>
results and dividends	The total net return after taxation for the financial year ended 31 January 2024 amounted to £2,148,000 (2023: loss £91,038,000). The Board has declared an interim dividend of 68.5p per ordinary share (2023: 22p).

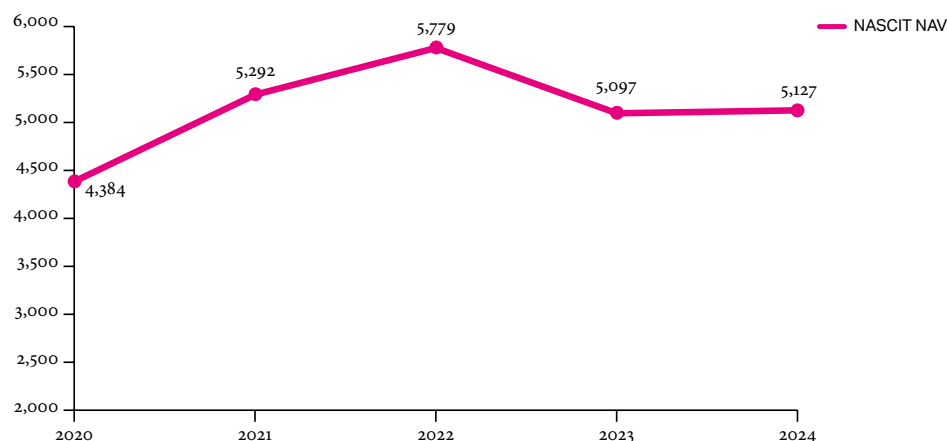
strategic report

key performance indicators

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

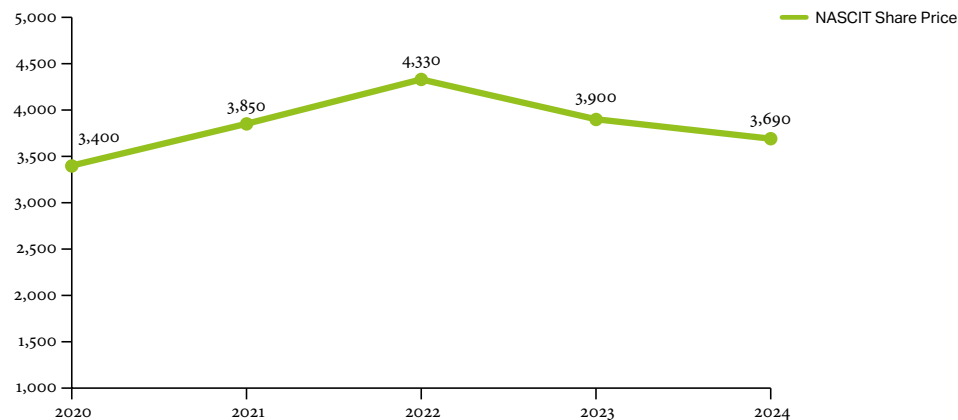
- (i) **Net asset value per Ordinary Share:** the following chart illustrates the movement in the net asset value per Ordinary Share over the past five years:

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 2029, 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;
- as at 31 March 2024, the company held 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 2029.

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.

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

SGH Company Secretaries Limited

Company Secretary

9 May 2024

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 2024. 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 13,461,575 Ordinary Shares of 5p nominal value each on 31 January 2024. Since the year end, 72,285 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 140,493 (2023: 58,932) Ordinary Shares for £5.3m (2023: £2.1m) for cancellation to improve net asset value per Share. This comprised 1.0% (2023: 0.4%) of the issued share capital.

share valuations

On 31 January 2024, the middle market quotation and the net asset value per 5p Ordinary Share were 3,690p and 5,127p respectively. The comparable figures at 31 January 2023 were 3,900p and 5,097p respectively.

substantial shareholders

As at 31 January 2024, 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*	3,817,424	28.36
CG Asset Mgt (London)	914,559	6.79
Rathbone Investment Mgt (London)	501,976	3.73
Interactive Investor (Manchester)	476,679	3.54
Butterfield Bank (Guernsey)	455,060	3.38
Hargreaves Lansdown Asset Mgt (Bristol)	448,394	3.33
Peregrine Moncrieffe	445,589	3.31
Charles Stanley Group (London)	429,590	3.19

The Company has not been informed of any changes to the above interests between 31 January 2024 and the date of this report. Since 31 January 2024, the Company has purchased and cancelled 72,285 Ordinary Shares reducing the Ordinary Shares in issue to 13,389,290, which increases the % of issued share capital held by all shareholders listed above.

* Including 600,000 shares for Harwood HoldCo Limited

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 2024 and 31 January 2023 were as follows:

	31 January 2024 5p Ordinary Shares	31 January 2023 5p Ordinary Shares*
Sir Charles Wake	8,170	8,170
Christopher Mills	3,817,424	3,849,924
Christopher Mills (non-beneficial)	355,740	355,740
Lord Howard of Rising	5,000	5,000
Professor Fiona Gilbert	3,200	–
G Walter Loewenbaum	15,000	15,000
Peregrine Moncreiffe	445,589	440,589
Julian Fagge	–	–

* or date of appointment if later.

Since 31 January 2024 and as at the date of this report, Julian Fagge and persons closely associated have purchased 523 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 2024 (31 January 2023: 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.

**task force on climate-
related financial
disclosures (TCFD)**

The Company has not included any climate-related disclosures consistent with the TCFD Recommendations and Recommended Disclosures in this annual report as the Company is a closed-ended investment company, with no premises or staff. The Board do not believe that such disclosures would be of any benefit to its shareholders or other stakeholders.

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

SGH Company Secretaries Limited

Company Secretary

Registered Office:

60 Gracechurch Street

London

EC3V 0HR

Registered No: 1091347

9 May 2024

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

9 May 2024

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). The Board considers that it has complied with the provisions of the Code throughout the year with few exceptions: these are detailed on page 34.

directors

Brief biographical details of the Directors in office are set out on page 3. The Board consists of seven Directors, five 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, Julian Fagge 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. Julian Fagge was appointed as a Director on 20 June 2023.

Following the appointment of Julian Fagge, the Board comprises of 6 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 0 Remuneration Committee
Peregrine Moncreiffe	4	N/A	N/A
Christopher Mills	4	N/A	N/A
Lord Howard of Rising	4	2	N/A
G Walter Loewenbaum	4	2	N/A
Sir Charles Wake	4	N/A	N/A
Fiona Gilbert	4	2	N/A
Julian Fagge*	1	1	N/A

* Julian Fagge was appointed as a Director as at 20 June 2023

remuneration committee

The Remuneration Committee is chaired by G Walter Loewenbaum and the other members are Lord Howard of Rising and Fiona Gilbert. 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 Julian Fagge and during the year the other members were G Walter Loewenbaum and Fiona Gilbert. Since Julian Fagge's appointment as Chairman of the Audit Committee on 4 September 2023, Lord Howard of Rising 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.

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

shareholder relations	<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 15 at the 2023 AGM) and the Directors continue to engage positively with interested parties on this matter.</p>
ESG committee	<p>The ESG Committee was established to enhance the Board's oversight of environmental, social and governance issues. The committee, currently chaired by Fiona Gilbert with members Julian Fagge and Nicholas Mills, a Director and Fund Manager at Harwood Capital, has met several times to review the governance structure and environmental policy. Board training has been undertaken in governance to ensure all procedures are in place.</p>
nominations committee	<p>The Board is a small Board and fulfils the function of the Nominations Committee 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. 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 Julian Fagge as a Director to the Board, effective from 20 June 2023. 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.</p>
diversity	<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>
the company secretary	<p>The Board has direct access to the advice and services of the Company Secretary, SGH Company Secretaries 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>
accountability and audit	<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>

corporate governance**share capital**

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.

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.

corporate governance

compliance statement

Throughout the year ended 31 January 2024 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 20 – The Company elected not to openly advertise or engage an external search firm for the appointment of the new Non-Executive Director as the Board decided that it would be more effective to directly approach candidates for the new Non-Executive Director role which was ultimately filled by Julian Fagge.

Provision 21 and 22 – 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

SGH Company Secretaries Limited

Company Secretary

Registered Office:

60 Gracechurch Street

London

EC3V 0HR

Registered No: 1091347

9 May 2024

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. 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 did not hold a meeting for the year to 31 January 2024, however a meeting was held on 23 April 2024 to discuss the policy on Directors Remuneration. This resulted in no Remuneration Committee meetings being held for the year to 31 January 2024.

**directors' interests
(audited)**

	31 January 2024 5p Ordinary Shares	31 January 2023 5p Ordinary Shares*
Sir Charles Wake	8,170	8,170
Christopher Mills	3,817,424	3,849,924
Christopher Mills (non-beneficial)	355,740	355,740
Lord Howard of Rising	5,000	5,000
Professor Fiona Gilbert	3,200	–
G Walter Loewenbaum	15,000	15,000
Peregrine Moncreiffe	445,589	440,589
Julian Fagge**	–	–

* or date of appointment if later.

** Since the reporting date, Julian Fagge purchased 523 shares in the Company on 26 February 2024.

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 per annum which reflect his contribution to stakeholder engagement and supporting Sir Charles Wake in transitioning to his new role as Chairman. The Directors' Remuneration Policy was last presented to the shareholders for approval in 2021 and therefore will be presented for approval by the shareholders at the Company's AGM in June 2024.

directors' remuneration report
for the year ended 31 January

directors' remuneration table (audited)

	2024				Total £
	Fees & Salary £	Change from 2023 %	Annual Incentives £	Change from 2023 %	
Executive					
Christopher Mills	30,000	-	2,849,000	(11.0)	2,879,000
Non-Executive					
Sir Charles Wake	30,000	-	-	-	30,000
Peregrine Moncreiffe	37,500	-	-	-	37,500
Lord Howard of Rising	30,000	-	-	-	30,000
G Walter Loewenbaum	30,000	-	-	-	30,000
Professor Fiona Gilbert	30,000	146.1*	-	-	30,000
Julian Fagge (appointed 20 June 2023)	18,538	-	-	-	18,538
	206,038		2,849,000		3,055,038

* This figure reflects the change in total pay Professor Gilbert received given that the appointment was part way through the year ending 31 January 2023

	2023				Total £
	Fees & Salary £	Change from 2022 %	Annual Incentives £	Change from 2022 %	
Executive					
Christopher Mills	30,000	9.1	3,200,000	6.5	3,230,000
Non-Executive					
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
	169,692		3,200,000		3,369,692

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 2024	Year ended 31 January 2023
	£	£
Director's fees	30,000	30,000
Investment Management and related fees	2,849,000	3,200,000
Performance fee	–	–
	<hr/>	<hr/>
Total (excluding irrecoverable VAT)	2,879,000	3,230,000
	<hr/> <hr/>	<hr/> <hr/>

The total fees of £2,879,000, 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.

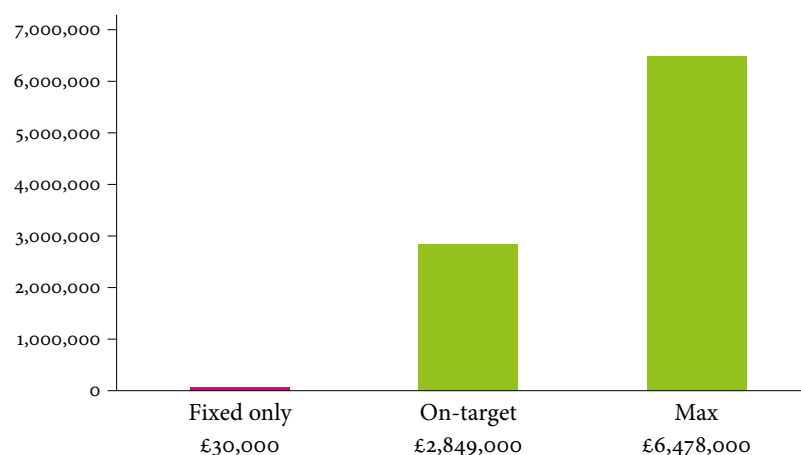
The Performance Fee is a contractual entitlement pursuant to the Secondment Services Agreement dated 7 January 1993 as amended and is paid to GFS. Calculation of the Performance Fee includes Oryx at the adjusted price (using equity accounting methods).

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, £2,849,000 and performance fee of zero that are payable to GFS and Harwood Capital LLP for the year ended 31 January 2024.

The difference between the "On-target" bar and the "Max" bar is the maximum payment under the performance fee arrangements which could have fallen due in respect of the year. This is explained in more detail in note 3(iii) to the financial statements.

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 2024 and 31 January 2023 received the following emoluments:

	Total Fees £ 31 January 2024	Total Fees £ 31 January 2023
Peregrine Moncreiffe	37,500	37,500
Lord Howard of Rising	30,000	30,000
G Walter Loewenbaum	30,000	30,000
Sir Charles Wake	30,000	30,000
Christopher Mills	2,879,000	3,230,000
Professor Fiona Gilbert	30,000	12,192
Julian Fagge	18,538	–
Total	3,055,038	3,369,692

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

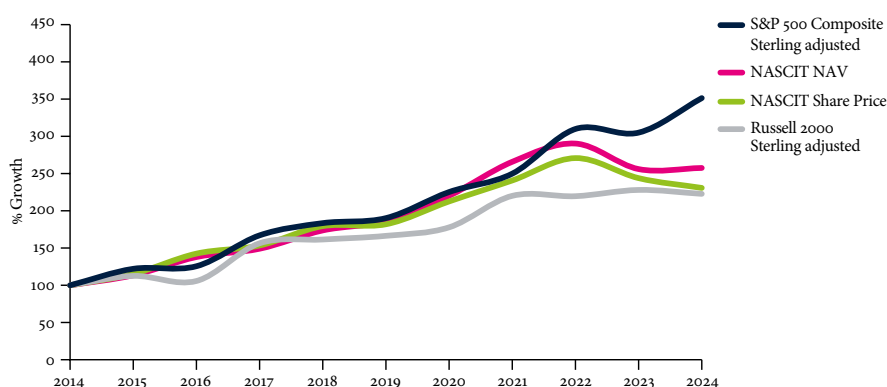
service contracts

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.

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 2023 was approved by shareholders at the Annual General Meeting held on 20 June 2023. The votes cast by proxy were as follows:

	Directors' Remuneration Report	
	Number of votes	Percentage
For	8,514,125	99.76
Against	1,015	0.01
At Chairman's discretion	20,000	0.23
total votes cast	8,535,140	100.00
Number of votes withheld	2,835	

This Report was approved by the Board on 9 May 2024 and signed by:

On behalf of the Board
G Walter Loewenbaum
Remuneration Committee Chairman

9 May 2024

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 2024 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 2024 and of its return 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**

As at 31 January 2024, unquoted investments (including loan stock) were £138m (2023: £135m), which was 20% (2023: 19%) of the company's net assets at that date. These investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These valuations involve material judgements and estimation and is a significant audit risk and for this reason it is considered to be a key audit matter.

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

independent auditor's report

to the members of North Atlantic Smaller Companies Investment Trust plc

How the matter was addressed in the audit	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the company's unquoted investments held at the year end, including attendance at valuation meetings with the investment manager and reviewing underlying investment agreements and other relevant documentation. • Understanding and challenging the key assumptions and judgements affecting investee company valuations, including consultation with an expert from our valuations team and consideration of the appropriateness of the valuation basis and sensitivities. • Considering whether events that occurred subsequent to the period end affect the underlying assumptions of the valuations at 31 January 2024; and • Considering of the appropriateness of the disclosures in the financial statements in respect of unquoted investments.
Key observations	We concluded that the carrying value of unquoted investments is acceptable.
Carrying Value of Quoted Investments	
Key audit matter description	<p>As at 31 January 2024, quoted investments (including treasury bills) were £475m (2023: £551m), which was 69% (2023: 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>Our audit procedures included:</p> <ul style="list-style-type: none"> • Agreeing 100% of year end investment holdings (including treasury bills) to independently received confirmations from the depositary. • Checking 100% of the year end valuations to externally quoted prices.
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 (2023: £6.9m)
Basis for determining overall materiality	1% of net assets (2023: 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 (2023: £5.2m)
Basis for determining performance materiality	75% of overall materiality (2023: 75%)
Reporting of misstatements to the Audit Committee	Quantitative misstatements in excess of £345,000 (2023: £346,000) 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 2024 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 20;
- 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 pages 18 and 19;
- 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:

Legislation/Regulation	Additional audit procedures performed by the audit engagement team included:
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	Audit procedures performed by the audit engagement team:
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 fifth period of engagement, so the period of total uninterrupted engagement is five years covering the years ended 31 January 2020 to 2024.

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 Rules, these financial statements will form part of the Annual Financial Report prepared in Extensible Hypertext Markup Language (XHTML) format and filed on the National Storage Mechanism of the UK FCA. This auditor's report provides no assurance over whether the annual financial report has been prepared in XHTML format.

Richard Coates (*Senior Statutory Auditor*)

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

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

9 May 2024

statement of comprehensive income
for the year ended 31 January

		2024			2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	20,817	–	20,817	14,068	–	14,068
Net losses on investments at fair value	8	–	(9,539)	(9,539)	–	(99,450)	(99,450)
Currency (losses)/gains	8	–	(523)	(523)	–	3,954	3,954
total income		20,817	(10,062)	10,755	14,068	(95,496)	(81,428)
Expenses							
Investment management fee	3	(7,122)	–	(7,122)	(8,000)	–	(8,000)
Other expenses	4	(1,449)	–	(1,449)	(1,560)	–	(1,560)
return before finance costs and taxation		12,246	(10,062)	2,184	4,508	(95,496)	(90,988)
Finance costs		(6)	–	(6)	–	–	–
return before taxation		12,240	(10,062)	2,178	4,508	(95,496)	(90,988)
Taxation	6	(30)	–	(30)	(50)	–	(50)
return for the year		12,210	(10,062)	2,148	4,458	(95,496)	(91,038)
basic and diluted earnings per ordinary share	7	90.39	(74.49)	15.90	32.65	(699.41)	(666.76)

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
2024						
31 January 2023	680	190	1,301	685,504	5,681	693,356
Total comprehensive (loss)/income for the year	-	-	-	(10,062)	12,210	2,148
Shares purchased for cancellation	(7)	7	-	(5,274)	-	(5,274)
31 January 2024	673	197	1,301	670,168	17,891	690,230
	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
2023						
31 January 2022	683	187	1,301	783,080	4,215	789,466
Total comprehensive (loss)/income for the year	-	-	-	(95,496)	4,458	(91,038)
Shares purchased for cancellation	(3)	3	-	(2,080)	-	(2,080)
Dividend	-	-	-	-	(2,992)	(2,992)
31 January 2023	680	190	1,301	685,504	5,681	693,356

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

balance sheet

as at 31 January

	Notes	2024 £'000	2023 £'000
non current assets			
Investments at fair value through profit or loss	8	612,425	685,491
		<u>612,425</u>	<u>685,491</u>
current assets			
Trade and other receivables	9	69,272	2,553
Cash and cash equivalents		9,203	9,010
		<u>78,475</u>	<u>11,563</u>
total assets		<u>690,900</u>	<u>697,054</u>
current liabilities			
Trade and other payables	10	(670)	(706)
Dividend payable	5	-	(2,992)
		<u>(670)</u>	<u>(3,698)</u>
total liabilities		<u>(670)</u>	<u>(3,698)</u>
total assets less current liabilities		<u>690,230</u>	<u>693,356</u>
net assets		<u>690,230</u>	<u>693,356</u>
represented by:			
Share capital	11	673	680
Capital redemption reserve		197	190
Share premium account		1,301	1,301
Capital reserve		670,168	685,504
Revenue reserve		17,891	5,681
		<u>690,230</u>	<u>693,356</u>
total equity attributable to equity holders of the company		<u>690,230</u>	<u>693,356</u>
net asset value per ordinary share:			
Basic and Diluted	7	5,127P	5,097P

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 9 May 2024 and signed on its behalf by:

Sir Charles Wake, *Chairman*

Company Registered Number:

1091347

cash flow statement*for the year ended 31 January*

	Notes	2024 £'000	2023 £'000
cash flows from operating activities			
Investment income received		17,362	12,903
Deposit interest received		765	152
Investment Manager's and performance fees paid		(7,078)	(8,025)
Other cash payments		(1,581)	(1,356)
cash generated from operations	12	<u>9,468</u>	<u>3,674</u>
Taxation paid		(30)	(50)
net cash inflow from operating activities		<u>9,438</u>	<u>3,624</u>
cash flows from investing activities			
Purchases of investments*		(424,801)	(592,922)
Sales of investments		424,503	520,245
net cash outflow from investing activities		<u>(298)</u>	<u>(72,677)</u>
cash flows from financing activities			
Dividend paid		(2,992)	–
Repurchase of Ordinary Shares for cancellation		(5,274)	(2,080)
net cash outflow from financing activities		<u>(8,266)</u>	<u>(2,080)</u>
increase/(decrease) in cash and cash equivalents for the year		<u>874</u>	<u>(71,133)</u>
cash and cash equivalents at the start of the year		<u>9,010</u>	<u>76,029</u>
Revaluation of foreign currency balances		(681)	4,114
cash and cash equivalents at the end of the year	13	<u><u>9,203</u></u>	<u><u>9,010</u></u>

* Including investment of £22.8 million completed post year end (see note 9).

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

notes to the financial statements**1 accounting policies**

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

a) basis of preparation

The financial statements of the Company have been prepared in accordance with 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 2023. The adoption of these has not had any material impact on these financial statements.

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 other quoted 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.

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.

This is a non-distributable reserve.

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

	2024 £'000	2023 £'000
income from investments		
Dividend income	11,785	9,386
Interest	7,928	4,532
Other investment income	339	–
	<u>20,052</u>	<u>13,918</u>
other income		
Interest receivable	765	152
Realised losses on income	–	(2)
	<u>765</u>	<u>150</u>
Total income	<u><u>20,817</u></u>	<u><u>14,068</u></u>
total income comprises		
Dividends	11,785	9,386
Interest	8,693	4,684
Other investment income	339	–
Other realised losses	–	(2)
	<u>20,817</u>	<u>14,068</u>
income from investments		
Listed UK	9,501	8,524
Other listed	2,284	862
Unquoted UK	859	–
Other unquoted	7,408	4,532
	<u>20,052</u>	<u>13,918</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 & Poors' 500 Composite Index. It is calculated as 10% of the outperformance and paid as a percentage of shareholders' Funds. It is limited to a maximum payment of 0.5% of shareholders' Funds. The Performance Fee arrangements payable to GFS have been in place since 1984 when they were approved by shareholders.

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

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Annual fee payable to Harwood Capital	4,273	-	4,273	4,800	-	4,800
Annual fee payable to GFS	2,849	-	2,849	3,200	-	3,200
Performance fee	-	-	-	-	-	-
	<u>7,122</u>	<u>-</u>	<u>7,122</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>

At 31 January 2024, £356,000 was payable to Harwood Capital LLP in respect of outstanding management fees (2023: £400,000). At 31 January 2024, there was no fee payable to GFS in respect of outstanding performance fees (2023: £nil).

notes to the financial statements

4 other expenses

	2024 £'000	2023 £'000
Auditor's remuneration – audit – RSM UK Audit LLP	80	74
Directors' fees (see page 37)	206	170
Administration fee*	460	373
Legal and Professional fees	76	308
Registrar's fees	48	37
Stock Exchange related fees	55	59
Irrecoverable VAT	212	262
Depositary fees	92	107
Custody fees	38	37
Directors' insurance	44	41
Other expenses	138	92
	<u>1,449</u>	<u>1,560</u>

* Included within the administration fee are amounts of £338,000 (2023: £278,000) due to companies ultimately controlled by Harwood Capital Management Ltd.

5 dividends

	2024 £'000	2023 £'000
Dividend for the year ended 31 January 2024 of nil pence per share (2023: 22p)	–	2,992
	<u>–</u>	<u>2,992</u>

Subsequent to the year end, the Directors have declared an interim dividend totalling £9.2m (2023: £2.9m) from the revenue reserves, in respect of the year ended 31 January 2024 of 68.5p per share (2023: 22p), payable 28 March 2024 to shareholders of ordinary shares on the Company's register at the close of business on 1 March 2024.

6 taxation

	2024 £'000	2023 £'000
Withholding tax	30	50
	<u>30</u>	<u>50</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, which was 19% up to 31 March 2023 and 25% subsequent to that date. The differences are explained below.

	2024 £'000	2023 £'000
Total return before taxation	<u>2,178</u>	(90,988)
Theoretical tax at UK Corporation tax rate of 24% (2023: 19%)	523	(17,288)
Effects of:		
Non taxable capital return	2,415	18,144
UK and overseas dividends which are not taxable	(2,695)	(1,728)
Withholding tax	30	50
(Increase)/decrease in tax losses, disallowable expenses and excess management expenses	<u>(243)</u>	872
actual current tax charge	<u><u>30</u></u>	<u><u>50</u></u>

Factors that may affect future tax charges:

As at 31 January 2024, the company had tax losses of £79,096,000 (2023: £80,109,000) that are available to offset against future taxable revenue, comprising excess management expenses of £70,101,000 and a non-trade loan relationship deficit of £8,995,000 (2023: excess management expenses of £71,114,000 and a non-trade loan relationship deficit of £8,995,000). A deferred tax asset has not been recognised in respect of those losses as the company is not expected to generate taxable income in the future in excess of the deductible expenses of future periods and, accordingly, it is unlikely that the company will be able to reduce future tax liabilities through the use of those losses.

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

notes to the financial statements

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

a) return per ordinary share:

	Revenue			Capital			Total		
	Net return £'000	Ordinary Shares	Per Share pence	Net return £'000	Ordinary Shares	Per Share pence	Net return £'000	Ordinary Shares	Per Share pence
2024									
Basic and diluted									
return per Share	<u>12,210</u>	<u>13,508,610</u>	90.39	<u>(10,062)</u>	<u>13,508,610</u>	(74.49)	<u>2,148</u>	<u>13,508,610</u>	15.90
	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
2023									
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)

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
2024			
Ordinary Shares – Basic and diluted	690,230	13,461,575	5,127p
Ordinary Shares* – Basic and diluted	725,778	13,461,575	5,391p
	Net assets £'000	Number of Ordinary Shares	Net asset value per Share
2023			
Ordinary Shares – Basic and diluted	693,356	13,602,068	5,097p
Ordinary Shares* – Basic and diluted	712,162	13,602,068	5,236p

* Adjusted for Oryx using equity accounting.

There is no dilutive effect for 31 January 2024 or 31 January 2023.

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:

	2024 £'000	2023 £'000
Oryx at Fair value (traded price) using IFRS 10	83,706	91,819
Oryx value using Equity Accounting	119,254	110,625
Increase in net assets using Equity Accounting	35,548	18,806

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

	2024 £'000	2023 £'000
Quoted at fair value:		
United Kingdom	408,377	441,316
Overseas	5,697	8,778
Total quoted investments	414,074	450,094
Treasury bills at fair value	60,757	100,413
Unlisted and loan stock at fair value	137,594	134,984
investments at fair value through profit or loss	612,425	685,491

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
2024					
analysis of investment portfolio movements					
Opening bookcost as at 1 February 2023	285,154	65,544	31,404	100,663	482,765
Opening unrealised appreciation/(depreciation)	164,940	37,971	65	(250)	202,726
opening fair value as at 1 February 2023	450,094	103,515	31,469	100,413	685,491
Movements in year:					
Transfer – at cost	(7,069)	7,069	–	–	–
– unrealised depreciation at date of transfer	4,650	(4,650)	–	–	–
Purchases at cost	77,505	4,575	7,800	312,667	402,547
Sales – proceeds	(90,599)	(18,992)	(6,515)	(349,968)	(466,074)
– realised gains/(losses) on sales	51,680	950	151	(3,021)	49,760
(Decrease)/increase in appreciation on assets held	(72,187)	13,447	(1,225)	666	(59,299)
closing fair value as at 31 January 2024	414,074	105,914	31,680	60,757	612,425
Closing bookcost as at 31 January 2024	316,671	59,146	32,840	60,341	468,998
Closing appreciation/(depreciation)	97,403	46,768	(1,160)	416	143,427
	414,074	105,914	31,680	60,757	612,425
2023					
analysis of investment portfolio movements					
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
opening fair value as at 1 February 2022	552,008	72,778	16,855	70,783	712,424
Movements in year:					
Transfer – at cost	(10,894)	10,894	–	–	–
– unrealised depreciation at date of transfer	2,494	(2,494)	–	–	–
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	(121,068)	12,074	(623)	(1,051)	(110,668)
closing fair value as at 31 January 2023	450,094	103,515	31,469	100,413	685,491
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
	450,094	103,515	31,469	100,413	685,491

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

	2024 £'000	2023 £'000
analysis of capital gains and losses		
Gains on sales	49,760	11,218
Unrealised losses	(59,299)	(110,668)
Losses on investments at fair value	<u>(9,539)</u>	<u>(99,450)</u>
	2024 £'000	2023 £'000
Exchange gains/(losses) on capital items	158	(160)
Exchange (losses)/gains on currency	(681)	4,114
exchange (losses)/gains	<u>(523)</u>	<u>3,954</u>
	2024 £'000	2023 £'000
portfolio analysis		
Equity shares	518,198	551,757
Convertible preference securities	1,790	1,852
Fixed interest/Loan note securities	31,680	31,469
Treasury Bills	60,757	100,413
	<u>612,425</u>	<u>685,491</u>

notes to the financial statements

8 investments at fair value through profit or loss continued

b) subsidiary undertakings

At 31 January 2024 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	84.22%	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	Profit/(loss) for the last financial year £'000	Company holding 31 January 2024 %	Company holding 31 January 2023 %
Consolidated Venture Finance Limited 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 January 2023	(740)	–	100.00	100.00
EKF Diagnostics Holdings Plc Avon House, 19 Stanwell Road, Penarth, Cardiff, CF64 2EZ	England and Wales	31 December 2022	74,523	(8,861)	21.16	21.10
Frenkel Topping Group Plc Frenkel House 15 Carolina Way, Salford, Manchester, United Kingdom, M50 2ZY	England and Wales	31 December 2022	40,093	1,976	29.96	29.81
Hampton Investment Properties 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2022	12,088	(19)	79.65	79.65
Hargreaves Services Plc West Terrace, Esh Winning, Durham, DH7 9PT	England and Wales	31 May 2023	200,991	27,484	20.32	20.36
Harwood Private Capital UK LP 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 March 2023	26,517	2,100	28.57	28.57
Harwood Private Equity IV LP 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2023	77,409	(176)	26.28	26.28
Harwood Private Equity V LP 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2023	133,580	(116)	25.00	25.00
Oryx International Growth Fund Limited BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA	Guernsey	31 March 2023	206,432	(12,976)	52.68	52.68
Performance Chemical Company 9105 W Interstate 20 Midland, TX 79706	United States of America	30 September 2022	11,448	478	53.12	53.12
Trident Private Equity Fund III LP 6 Stratton Street, Mayfair, London, W1J 8LD	England and Wales	31 December 2022	2,893	(257)	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	29.96
EKF Diagnostics Holdings Plc	21.16
Hargreaves Services Plc	20.32
Bigblu Broadband Plc	14.12
Odyssean Investment Trust Plc	13.25
Verici DX Plc	12.28
AssetCo Plc	12.05
Carr's Group Plc	10.78
Real Estate Investors Plc	9.48
MJ Gleeson Plc	9.42
Niox Group Plc	8.91
Trellus Health	7.43
Renalytix AI Plc	7.00
Polar Capital Holdings Plc	6.92
Palace Capital Plc	6.66
Esken Limited	6.52
Mountain Comm Bancorp	6.13
Pinewood Technologies Group Plc	5.13
Redcentric Plc	4.87
Conduit Holdings Limited	3.03

d) investments in US treasury bills

At 31 January 2024, the Company held US Treasury Bills with a market value of £60,757,000 (2023: £100,413,000).

e) transaction costs

During the year, the Company incurred total transaction costs of £371,000 (2023: £198,000) comprising £363,000 (2023: £168,000) and £8,000 (2023: £30,000) 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 2024 NASCIT had undrawn capital commitments to invest £6 million (2023: £6.0 million) in Harwood Private Equity V LP and £10.6 million (2023: £15.1 million) in Harwood Private Capital U.K. LP.

9 trade and other receivables

	2024 £'000	2023 £'000
Accrued income	3,696	1,526
Amounts due from brokers	41,729	–
Prepayments and other receivables	23,694	986
Recoverable withholding tax	153	41
	<u>69,272</u>	<u>2,553</u>

Amounts due from brokers was the sale of an investment for which the funds were remitted 6 February 2024. Prepayments and other debtors included £22.8 million paid for an investment which completed 2 February 2024.

10 trade and other payables

	2024 £'000	2023 £'000
Investment Manager's fees	356	400
Other payables and accruals	314	306
	<u>670</u>	<u>706</u>

11 share capital

	2024 Number	2024 £'000	2023 Number	2023 £'000
allotted, called up and fully paid:				
Ordinary Shares of 5p:				
Balance at beginning of year	13,602,068	680	13,661,000	683
Cancellation of shares	(140,493)	(7)	(58,932)	(3)
Balance at end of year	<u>13,461,575</u>	<u>673</u>	<u>13,602,068</u>	<u>680</u>

Since 31 January 2024, 72,285 Ordinary Shares have been purchased by the Company for cancellation for total consideration of £2,655,397. As at the date of this report, the Company's issued share capital consists of 13,389,290 Ordinary Shares of 5p nominal value each.

notes to the financial statements

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

	2024 £'000	2023 £'000
Total return before taxation	2,178	(90,988)
Loss on investments and currency	10,062	95,496
Income reinvested	(549)	-
Increase in trade and other receivables	(2,186)	(1,005)
(Decrease)/increase in trade and other payables	(37)	171
	<u>9,468</u>	<u>3,674</u>
Cash received from operations	<u>9,468</u>	<u>3,674</u>

13 analysis of net cash

	At 1 February 2023 £'000	Cash flow £'000	Exchange movement £'000	At 31 January 2024 £'000
Cash and cash equivalents	<u>9,010</u>	<u>874</u>	<u>(681)</u>	<u>9,203</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, receivables and 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 2024, the Company had no open forward currency contracts (2023: 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 2024			31 January 2023		
	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
US Dollar	111,822	26,237	138,059	152,143	1,131	153,274
	111,822	26,237	138,059	152,143	1,131	153,274

Sensitivity analysis is based on the Company's monetary foreign currency exposure 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 2023.

	31 January 2024		31 January 2023	
	10% weakening £'000	10% strengthening £'000	10% weakening £'000	10% strengthening £'000
US Dollar	15,340	(12,551)	17,030	(13,934)
	15,340	(12,551)	17,030	(13,934)

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 2024 on its quoted and unquoted investments and options on investments was as follows:

	2024 £'000	2023 £'000
Financial assets at fair value through profit or loss		
– Non current investments at fair value through profit or loss	<u>612,425</u>	<u>685,491</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 2024.

	Method of fair value valuation	2024 fair value £'000	2023 fair value £'000
3BL Media USD 12.5% Loan Notes	Cost	5,105	4,063
CoventBridge Group Limited 9% Loan USD	Cost	10,406	10,767
Hampton Investment Properties Ltd GBP	Adjusted Net Assets	792	742
Harwood Private Capital UK L.P. GBP	Net Assets	9,251	4,857
Harwood Private Equity IV LP	Net Assets	20,419	23,139
Harwood Private Equity V LP	Net Assets	33,596	45,342
Jaguar Holdings Limited Ordinary Shares – USD	EBITDA Multiple	1,688	1,584
Jaguar Holdings Limited Preference Shares – USD	Cost	1,790	1,852
Performance Chemical Holding Common Stock USD	EBITDA Multiple	11,681	8,633
SMT Corporation 11% USD Loan Notes	Cost	13,547	14,017
SourceBio International Ordinary Shares GBP	EBITDA Multiple	9,200	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
Sportech Limited – Ordinary Shares GBP	EBITDA Multiple	5,760	–
Spring Investment LP (Duke Street) GBP	Net Assets	10,143	4,391
Trident Private Equity Fund LP3 GBP	Net Assets	443	1,621
WEP Fund II SIMCO Co-Investment USD	Net Assets	754	1,625
		<u>137,197</u>	<u>134,573</u>
Other investments		<u>397</u>	<u>411</u>
		<u><u>137,594</u></u>	<u><u>134,984</u></u>

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 2023, as the underlying investments within HPE4 and HPE5 are valued on a fair value basis and adjusted for Fund transactions between 1 January 2024 to 31 January 2024. As the funds have no debts, a change of 10% in the underlying assets would have a 10% impact on the Funds' carrying value.

Harwood Private Capital LP (HPC):

Held at net asset value, derived from the monthly management accounts of the Fund as at 31 January 2024. HPC invests mainly in debt instruments which accrue payment in kind and cash interest, and also holds some minority equity positions which are fair valued. As the Fund has 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 5x. A reduction in the multiple by a factor of 1x would reduce the carrying value of the investment by US\$2.5 million, or -17%. An increase in the multiple by a factor of 1x would increase the value of the investment by US\$2.5 million, or -17%.

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 £0.654 million, or -7%. An increase in the multiple by a factor of 1x would increase the value of the total investment by £0.654 million, or 7%.

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 12.5x. 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

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 8.1x. Neither a reduction nor an increase in the multiple by a factor of 1x would impact the carry value of the loan.

Spring Investment LP

Held at net asset value derived from the audited financial statements of the Fund as at 31 December 2023 as the underlying investment is at fair value using an EBITDA multiple of 7.0x. As the fund has no debt, a change of 10% in the underlying assets would have a 10% impact on the Fund's carrying value.

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.

	2024		2023	
	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>61,243</u>	<u>(61,243)</u>	<u>68,549</u>	<u>(68,549)</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 2024, £60,757,000 (2023: £100,413,000) of the Company's investments are held in short-term Treasury Bills, which are highly liquid and could be accessed 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 receivables from time to time to ensure they are neither past due or impaired.

notes to the financial statements

14 financial instruments and risk profile continued

The maximum exposure of the financial assets to credit risk at the Balance Sheet date was as follows:

	2024 £'000	2023 £'000
financial assets neither past due or impaired		
Fixed income securities	31,680	31,469
Preference shares	1,790	1,852
Treasury Bills	60,757	100,413
Accrued income and other receivables	45,425	1,526
Cash and cash equivalents	9,203	9,010
	<u>148,855</u>	<u>144,270</u>

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 2024.

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 2024

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	519,988	414,074	–	105,914
Fixed interest investments	92,437	60,757	–	31,680
total	612,425	474,831	–	137,594

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
total	685,491	550,507	–	134,984

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 2024

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening fair value	134,984	103,515	31,469
Purchases	12,375	4,575	7,800
Sales	(25,507)	(18,992)	(6,515)
Transfer from level 1:			
– at cost	7,069	7,069	–
– unrealised depreciation at date of transfer	<u>(4,650)</u>	(4,650)	–
Total gains/(losses) included in gains on investments in the Statement of Comprehensive Income:			
– on assets sold	1,101	950	151
– on assets held at the end of the year	12,222	13,447	(1,225)
closing fair value	137,594	105,914	31,680

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:

	2024 £'000	2023 £'000
debt	–	–
equity		
Equity share capital	673	680
Retained earnings and other reserves	689,557	692,676
	<u>690,230</u>	<u>693,356</u>
debt as a % of net assets	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.

	Services	2024 £'000	2023 £'000
Oryx International Growth Fund Limited	Investment Advisory	2,582	2,215
Trident Private Equity III LP	Investment Advisory	–	60
Harwood Private Equity IV LP	Investment Advisory	883	1,027
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.

During the year, a loan was made to Oryx for £4.5m. This was wholly repaid in the year and income on the loan was £21,945.

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, Trelus Health plc and Utitec Holdings Inc. Employees of the Manager may hold options over shares in investee companies. A total of £469,202 (2023: £482,073) 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 (2023: 51,424).

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
Julian Fagge

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
Riverbank House
2 Swan Lane
London EC4R 3GA

Registered Office

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

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Auditors

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

Company Secretary

SGH Company Secretaries Limited
60 Gracechurch Street
London EC3V 0HR

shareholder information

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



Front Cover: 'The Battle of Cape Passaro, 11 August 1718' (Peter Monamy)
© National Maritime Museum, Greenwich, London, Caird Collection