

North Atlantic Smaller Companies Investment Trust plc
Half-Yearly Report for the six months ended 31 July 2017
Registered in England and Wales number 1091347

objective of the company and financial highlights

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

	31 July 2017 (unaudited)	31 January 2017 (audited)	%
			Change
Net asset value ("NAV") per 5p Ordinary Share*:			
Basic	3,180p	2,971p	7.0
Diluted	3,177p	2,968p	7.0
Basic adjusted#	3,251p	3,036p	7.1
Diluted adjusted#	3,247p	3,033p	7.1
Mid-market price of the 5p Ordinary Shares	2,606p	2,455p	6.2
Discount to diluted net asset value	18.0%	17.3%	
Discount to diluted adjusted net asset value	19.7%	19.1%	
Standard & Poor's 500 Composite Index†	1,869.3	1,811.7	3.2
Russell 2000 Index†	1,078.4	1,075.1	0.3
US Dollar/Sterling exchange rate	1.3184	1.2581	4.8
Ongoing charges (annualised)	1.0%	1.1%	

* Includes current period.

Adjusted to reflect Oryx International Growth Fund plc ("Oryx") under the equity method of accounting, which is how the Company previously accounted for its share of Oryx, prior to the adoption of IFRS 10. This is useful to the Shareholder as it shows the NAV based on valuing Oryx at NAV. See note 5.

† Sterling adjusted.

chief executive's review

During the six month period to 31 July 2017, the fully diluted net asset value (with Oryx under the equity method of accounting) rose by +7.1% as compared to a rise in the sterling adjusted Standard & Poor's 500 Composite Index of +3.2%.

Income for the period amounted to a profit of £2,592,000 (31 July 2016: loss of £1,530,000). Consistent with past policy, the Directors do not propose to pay a dividend (31 July 2016: nil).

quoted portfolio

Taken as a whole, the quoted portfolio performed well during the six month period. In particular, Bioquell Plc and EKF Diagnostics plc, both rose around 50%. MJ Gleeson Group plc and Oxford Metrics ("OMG"), prior to its sale, also performed well rising by over 20% in each case with Oryx, also up over 12%. The only investment that performed notably badly was Hayward Tyler Group plc, although overall impact on the portfolio was minimal.

Two major new investments were acquired during the period and in particular a £30m holding in Polar Capital Holdings Plc. The investment rationale behind this purchase was that the share price was supported by strong fundamentals but was giving no value to the appointment of Gavin Rochussen as CEO, whose prior experience suggests that he could add significant value to the business over the next few years.

unquoted portfolio

The principal event during the period was the IPO of Ten Entertainment Plc which has added very significant value to the fund over the past two years as the IPO was in excess of 2.5x cost. Performance Chemicals Company was also written up reflecting good operating performance. Industrial Properties Limited is very close to being liquidated at a profit to the 31 January 2017 valuation, although some of this gain will be needed to offset a write down in the continuing liquidation of Hampton Investment Properties Limited.

outlook

The Company continues to be defensively positioned with very significant, albeit reduced, cash balances which obviously adversely impacted performance in the first half of the year. Generally, I continue to believe that equity markets taken as a whole are overvalued. However, a number of our investments have the potential to be harvested at premiums to their current valuation and I look forward to building the asset value over the balance of the year.

C H B Mills

Chief Executive

13 September 2017

chief executive's review (continued)

top ten investments

as at 31 July 2017

company		Fair value £'000	% of net assets
US Treasury Bills	US Treasury Stock	65,276	14.2
MJ Gleeson Group plc	UK Listed	55,160	12.0
Oryx International Growth Fund Limited*†	UK Listed	50,632	11.1
Ten Entertainment PLC	UK Listed	31,698	6.9
Polar Capital Holdings plc	UK Unquoted on AIM	29,715	6.5
EKF Diagnostics plc	UK Unquoted on AIM	24,745	5.4
Sportech PLC	UK Listed	14,850	3.2
Sherwood Holdings Limited	UK Unquoted	14,275	3.1
Performance Chemicals Company	US Unquoted	13,781	3.0
Trident Private Equity Fund III LP	UK Unquoted	11,498	2.5
		<u>311,630</u>	<u>67.9</u>

† Incorporated in Guernsey.

* Traded price under IFRS 10.

All investments are valued at fair value.

interim management report

investment objective

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

material events

The Board do not consider that there were any material events during the period ended 31 July 2017.

material transactions

There were two material transactions during the period; the IPO of Ten Entertainment Plc and the purchase of shares in Polar Capital Holdings Plc. These holdings are valued respectively at £32m and £30m.

risk profile

The principal risks and uncertainties for the remaining six months of the year continue to be as described in the Annual Report for the year ended 31 January 2017 on pages 16 and 17 and pages 64 to 74. The principal risks arising from the Company’s financial instruments are market price risk, including currency risk, interest rate risk and other price risk, liquidity risk and credit risk. The Directors review and agree policies with the Manager, Harwood Capital LLP, for managing these risks. The policies have remained substantially unchanged in the six months since the year end.

The Company does not have any significant exposure to credit risk arising from any one individual party. Credit risk is spread across a number of counterparties, each having an immaterial effect on the Company’s cash flows, should a default happen. The Company assesses the credit worthiness of its debtors from time to time to ensure that they are neither past due or impaired.

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

The Company’s exposure to market price risk comprises mainly movements in the value of the Company’s investments. It should be noted that the prices of options tend to be more volatile than the prices of the underlying securities. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

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

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

related party transactions

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

By Order of the Board

Peregrine Moncreiffe

Chairman

13 September 2017

responsibility statement

The Directors confirm to the best of their knowledge that:

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

The half yearly financial report was approved by the Board on 13 September 2017 and the above responsibility statement was signed on its behalf by:

Peregrine Moncreiffe

Chairman

13 September 2017

condensed statement of comprehensive income

	Six months ended 31 July 2017 (unaudited)			Six months ended 31 July 2016 (unaudited)			Year ended 31 January 2017 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	4,999	–	4,999	873	–	873	6,105	–	6,105
Net gains on investments at fair value	–	28,724	28,724	–	8,465	8,465	–	30,069	30,069
Currency exchange (losses)/gains	–	(395)	(395)	–	306	306	–	626	626
total income	4,999	28,329	33,328	873	8,771	9,644	6,105	30,695	36,800
Expenses									
Investment management fee (note 10)	(2,190)	(759)	(2,949)	(2,005)	48	(1,957)	(4,009)	48	(3,961)
Other expenses	(213)	–	(213)	(389)	–	(389)	(790)	–	(790)
return before taxation	2,596	27,570	30,166	(1,521)	8,819	7,298	1,306	30,743	32,049
Taxation	(4)	–	(4)	(9)	–	(9)	(11)	–	(11)
return for the period	2,592	27,570	30,162	(1,530)	8,819	7,289	1,295	30,743	32,038
return per ordinary share (note 4)									
Basic			209.1p			50.5p			221.9
Diluted			209.1p			50.5p			221.9

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

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

condensed statement of changes in equity

	Share capital £'000	Share options reserve £'000	Share premium account £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
six months ended 31 July 2017 (unaudited)							
31 January 2017	721	55	1,301	432,444	149	(6,064)	428,606
Total comprehensive income for the period	-	-	-	27,570	-	2,592	30,162
31 July 2017	721	55	1,301	460,014	149	(3,472)	458,768
six months ended 31 July 2016 (unaudited)							
31 January 2016*	722	55	1,301	402,094	148	(7,359)	396,961
Total comprehensive income for the period	-	-	-	8,819	-	(1,530)	7,289
Shares purchased for cancellation	-	-	-	(82)	-	-	(82)
31 July 2016	722	55	1,301	410,831	148	(8,889)	404,168
year ended 31 January 2017 (audited)							
31 January 2016	722	55	1,301	402,094	148	(7,359)	396,961
Total comprehensive income for the year	-	-	-	30,743	-	1,295	32,038
Shares purchased for cancellation	(1)	-	-	(393)	1	-	(393)
31 January 2017	721	55	1,301	432,444	149	(6,064)	428,606

* Following adoption of IFRS 10 amendments in the year ended 31 January 2017, these brought forward figures are Company only. See note 8b of the Annual Report for the year ended 31 January 2017 for further details.

condensed balance sheet

	As at 31 July 2017 (unaudited) £'000	As at 31 July 2016* (unaudited) £'000	As at 31 January 2017 (audited) £'000
non current assets			
Investments at fair value through profit or loss	440,394	367,596	414,618
	440,394	367,596	414,618
current assets			
Trade and other receivables	3,808	2,553	2,516
Cash and cash equivalents	15,815	34,461	11,829
	19,623	37,014	14,345
total assets	460,017	404,610	428,963
current liabilities			
Trade and other payables	(1,249)	(442)	(357)
total liabilities	(1,249)	(442)	(357)
total assets less current liabilities	458,768	404,168	428,606
net assets	458,768	404,168	428,606
represented by:			
Share capital	721	722	721
Capital redemption reserve	55	55	55
Share premium account	1,301	1,301	1,301
Capital reserve	460,014	410,831	432,444
Share options reserve	149	148	149
Revenue reserve	(3,472)	(8,889)	(6,064)
total equity attributable to equity holders of the company	458,768	404,168	428,606
net asset value per ordinary share (note 5):			
Basic	3,180p	2,799p	2,971p
Diluted	3,177p	2,796p	2,968p

* Following adoption of IFRS 10 amendments in the year ended 31 January 2017, these figures are Company only. See note 8b of the Annual Report for the year ended 31 January 2017 for further details.

condensed cash flow statement

	Six months ended 31 July 2017 (unaudited) £'000	Six months ended 31 July 2016 (unaudited) £'000	Year ended 31 January 2017 (audited) £'000
cash flows from operating activities			
Investment income received	2,902	950	2,112
Other income	192	38	2,438
Investment Manager's fees paid	(2,208)	(3,986)	(6,058)
Other cash payments	(363)	(1,045)	(821)
	<hr/>	<hr/>	<hr/>
cash generated/(expended) from operations (note 7)	523	(4,043)	(2,329)
Taxation paid	(4)	(9)	(11)
	<hr/>	<hr/>	<hr/>
net cash inflow/(outflow) from operating activities	519	(4,052)	(2,340)
	<hr/>	<hr/>	<hr/>
cash flows from investing activities			
Purchases of investments	(244,178)	(223,729)	(446,923)
Sales of investments	247,782	231,382	430,274
	<hr/>	<hr/>	<hr/>
net cash inflow/(outflow) from investing activities	3,604	7,653	(16,649)
	<hr/>	<hr/>	<hr/>
cash flows from financing activities			
Repurchase of Ordinary Shares for cancellation	–	(82)	(393)
	<hr/>	<hr/>	<hr/>
net cash outflow from financing activities	–	(82)	(393)
	<hr/>	<hr/>	<hr/>
increase/(decrease) in cash and cash equivalents for the period	4,123	3,519	(19,382)
cash and cash equivalents at the start of the period	11,829	30,839	30,839
Revaluation of foreign currency balances	(137)	103	372
	<hr/>	<hr/>	<hr/>
cash and cash equivalents at the end of the period	15,815	34,461	11,829
	<hr/>	<hr/>	<hr/>

notes

1. a) general information

North Atlantic Smaller Companies Investment Trust plc ("NASCIT") is a Company incorporated and domiciled in Great Britain and registered in England and Wales.

The Company operates as an investment trust company within the meaning of Section 833 of the Companies Act 2006 and has 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. The Company is managed in such a way to ensure that it continues 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.

b) basis of preparation

The condensed interim financial statements for the six months ended 31 July 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all financial information required for full annual financial statements and have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 January 2017. Those financial statements were prepared in accordance with IFRS and with the SORP for Investment Companies and Venture Capital Trusts issued by the AIC in November 2014 and updated in January 2017 with consequential amendments.

The condensed interim financial information includes the financial statements of the Company, for the six months ended 31 July 2017.

c) significant accounting policies

The accounting policies applied are consistent with those of the Annual Financial Report for the year ended 31 January 2017. Since the year end no new standards have been adopted.

d) segmental reporting

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

e) going concern

The Company has adequate financial resources and no significant investment commitments and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing this half yearly financial report.

2. investment management and performance fees

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

In accordance with the SORP for investment trust companies, an amount would be included in these financial statements for the Performance Fee that could be payable based on investment performance to 31 July 2017.

At that date, a Performance Fee of £759,000 including irrecoverable VAT has been accrued for in the accounts (31 July 2016: £nil; 31 January 2017: £nil).

notes (continued)

3. taxation

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

During the half year to 31 July 2017, the Company recognised a total charge of £4,000 (half year to 31 July 2016: £9,000, year ended 31 January 2017: £11,000), representing irrecoverable withholding tax paid on overseas investment income.

4. return per ordinary share

	Net return	Revenue Ordinary Shares	Per Share	Net return	Capital Ordinary Shares	Per Share	Net return	Total Ordinary Shares	Per Share
six months ended 31 July 2017 (unaudited)									
Basic return per share	2,592	14,425,620	18.0	27,570	14,425,620	191.1	30,162	14,425,620	209.1
Share options*	–	2,846		–	2,846		–	2,846	
Diluted return per share	2,592	14,428,466	18.0	27,570	14,428,466	191.1	30,162	14,428,466	209.1
six months ended 31 July 2016 (unaudited)									
Basic return per share	(1,530)	14,440,412	(10.6)	8,819	14,440,412	61.1	7,289	14,440,412	50.5
Share options*	–	–		–	–		–	–	
Diluted return per share	(1,530)	14,440,412	(10.6)	8,819	14,440,412	61.1	7,289	14,440,412	50.5
year ended 31 January 2017 (audited)									
Basic return per share	1,295	14,436,637	9.0	30,743	14,436,637	212.9	32,038	14,436,637	221.9
Share options*	–	–		–	–		–	–	
Diluted return per share	1,295	14,436,637	9.0	30,743	14,436,637	212.9	32,038	14,436,637	221.9

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

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

5. net asset value per ordinary share

The basic net asset value per Ordinary Share is based on net assets of £458,768,000 (31 July 2016: £404,168,000; 31 January 2017: £428,606,000) and on 14,425,620 Ordinary Shares (31 July 2016: 14,438,520; 31 January 2017: 14,425,620) being the number of Ordinary Shares in issue at the period end.

The diluted net asset value per Ordinary Share is calculated on the assumption that all 30,000 (31 July 2016: 30,000; 31 January 2017: 30,000) Share Options in-the-money were exercised at the prevailing exercise prices, giving a total of 14,455,620 issued Ordinary Shares (31 July 2016: 14,468,520; 31 January 2017: 14,455,620).

During the period, there was no change to the Ordinary Shares in issue.

notes (continued)

5. net asset value per ordinary share (continued)

adjustment for Oryx

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

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

	31 July 2017 (unaudited) £'000	31 July 2016 (unaudited) £'000	31 January 2017 (audited) £'000
Oryx at Fair value (traded price) using IFRS 10	50,632	42,638	45,303
Oryx value using Equity Accounting	60,830	51,378	54,647
Increase in net assets using Equity Accounting	10,198	8,740	9,344

	31 July 2017 (unaudited)	31 July 2016 (unaudited)	31 January 2017 (audited)
Net asset value per Share			
– Basic	3,180p	2,799p	2,971p
– Diluted	3,177p	2,796p	2,968p
Net asset value per Share adjusted			
– Basic	3,251p	2,860p	3,036p
– Diluted	3,247p	2,857p	3,033p

6. share based remuneration

As at 31 July 2017 and as at the date of this report, there were a total of 30,000 options in issue with an estimated fair value of £0.4m (31 July 2016: 30,000; 31 January 2017: 30,000). 10,000 options are under the 2011 options scheme and 20,000 options are under the 2012 option scheme.

7. reconciliation of total return from ordinary activities before taxation to cash generated/(expended) from operations

	Six months ended 31 July 2017 (unaudited) £'000	Six months ended 31 July 2016 (unaudited) £'000	Year ended 31 January 2017 (audited) £'000
Return before taxation	30,166	7,298	32,049
Gains on investments	(28,329)	(8,771)	(30,695)
Dividends and interest reinvested	(870)	–	(647)
Subsidiary dealing gains	(89)	–	–
Increase in debtors and accrued income	(1,247)	(258)	(639)
Increase/(decrease) in creditors and accruals	892	(2,312)	(2,397)
Cash generated/(expended) from operations	523	(4,043)	(2,329)

notes (continued)

8. investments

financial assets at fair value through profit or loss

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

The Company's main unobservable inputs are earnings multiples, recent transactions and net asset basis. The market value would be sensitive to movements in these unobservable inputs. Movements in these inputs, individually or in aggregate could have a significant effect on the market value. The effect of such a change or a reasonable possible alternative would be difficult to quantify as such data is not available.

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

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

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

six months ended 31 July 2017 (unaudited)

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	340,746	291,445	–	49,301
Fixed interest investments	109,846	65,276	–	44,570
Total	450,592	356,721	–	93,871

notes (continued)

8. investments (continued)

six months ended 31 July 2016 (unaudited)

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	235,045	166,624	–	68,421
Fixed interest investments	132,551	101,243	–	31,308
Total	367,596	267,867	–	99,729

year ended 31 January 2017 (audited)

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity investments	238,464	168,482	3,720	66,262
Fixed interest investments	176,154	116,747	–	59,407
Total	414,618	285,229	3,720	125,669

level 3 financial assets at fair value through profit or loss

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

at 31 July 2017

	Total £'000	Equity investments £'000	Fixed interest investments £'000
Opening balance at 31 January 2017	125,669	66,262	59,407
Purchases	11,109	5,239	5,870
Sales	(25,642)	(13,440)	(12,202)
Transfers between levels	(549)	6,711	(7,260)
Total (losses)/gains included in gains on investments in the statement of comprehensive income:			
on assets sold	(4,082)	(4,231)	149
on assets held at the end of the period	(12,634)	(11,240)	(1,394)
Closing balance	93,871	49,301	44,570

notes (continued)

8. investments (continued)

unquoted at directors' estimate of fair value

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

Included within the Statement of Comprehensive Income as at 31 July 2017, is a loss of £13,588,000 relative to the movement in the fair value of the unquoted investments valued using IPEV valuation techniques.

the valuation techniques applied are based on the following assumptions:

Unquoted investments are usually valued by reference to the valuation multiples of similar listed companies, transactions in the entity itself, or from transactions of similar businesses. Where appropriate, discounts are then applied to those comparable multiples to reflect differences in size and liquidity. These enterprise values are then adjusted for net debt to arrive at an equity valuation. Where companies are in compliance with the loan note terms these loans are generally held at par plus accrued interest (where applicable) unless the enterprise value suggests that the debt cannot be recovered, or where this is not deemed to be equal to fair value.

9. principal risk profile

The principal risks which the Company faces include exposure to:

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

Further details of the Company's management of these risks and exposure to them is set out in Note 14 of the Company's Annual Report for the year ended 31 January 2017, as issued on 19 May 2017. There have been no changes to the management of or exposure to these risks since that date.

notes (continued)

10. related party transactions

There have been no changes to the related party arrangements or transactions as reported in the Statutory Annual Financial Report for the year ended 31 January 2017.

The Manager, Harwood Capital LLP, is regarded as a related party of the Company. The amounts payable to the Manager and Growth Financial Services Limited in respect of investment management for the six months to 31 July 2017 are as follows:

	Six months ended 31 July 2017 (unaudited) £'000	Six months ended 31 July 2016 (unaudited) £'000	Year ended 31 January 2017 (audited) £'000
Annual fee	2,190	2,005	4,009
Performance fee	745	–	–
Irrecoverable VAT thereon	14	(48)*	(48)*
	2,949	1,957	3,961

* Adjustment to 2016 VAT based on actual amount of VAT recovered in VAT return.

Shareholders should also note any payments made under share based remuneration as disclosed in note 6 to these financial statements.

11. financial information

The financial information contained in this half yearly report does not constitute full Statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the periods ended 31 July 2017 and 31 July 2016 is not a financial year and has not been audited. The information for the financial year ended 31 January 2017 has been extracted from the latest published Financial Statements, which have been delivered to the Registrar of Companies. The Report of the Auditors on those Financial Statements contained no qualification or statement under Section 498 of the Companies Act 2006.

shareholder information

financial calendar

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

share price

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

It also appears on:

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

net asset value

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

www.harwoodcapital.co.uk

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 Capita Asset Services. In the event of any queries regarding your holding of shares, please contact the registrars on: 0871 664 0300, or by email on shareholderenquiries@capita.co.uk

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

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

shareholder information *(continued)*

Directors

Peregrine Moncreiffe (Chairman)
Christopher Mills (Chief Executive)
Kristian Siem
Lord Howard of Rising
Enrique Foster Gittes

Manager

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

Financial Adviser and Stockbroker

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

Registered Office

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

Registrars

Capita Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

KPMG LLP
15 Canada Square
London E14 5GL

Company Secretary

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