



**North Atlantic Smaller Companies Investment Trust plc**  
**Half-Yearly Report**  
**for the six months ended 31 July 2008**

**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 2008 (unaudited)	31 January 2008 (audited)	% Change
Net asset value per 5p Ordinary Share*:			
Basic	1,448p	1,611p	(10.1)
Diluted	1,121p	1,209p	(7.3)
Mid-market price of the 5p Ordinary Shares	838.0p	1,025.0p	(18.2)
Discount to diluted net asset value*	25.2%	15.2%	
Standard & Poor's 500 Composite Index**	639.8	693.4	(7.7)
Russell 2000 **	360.7	358.8	0.5
FTSE All-Share Index	2,749.2	3,000.1	(8.4)
US Dollar/Sterling exchange rate	1.9809	1.9880	(0.4)

\* Including retained revenue for the period.

\*\* Sterling adjusted.

The cover depicts a painting by the artist Thomas Whitcombe (1760-1824) entitled "Battle of The Nile, 1798".

**chief executive's review**

During the six month period to 31 July 2008, the fully diluted net asset value of the Company fell by 7.3% marginally outperforming the Sterling adjusted Standard and Poor's Composite Index which fell by 7.7%.

Net income for the period amounted to £264,000 (2007: £972,000). Consistent with long term policy, your directors do not intend to pay a dividend. The Board continued its policy of buying back Convertible Unsecured Loan Stock when the discount is unusually high and some 520,000 units were purchased for cancellation during the six month period.

**listed equities**

In the United States, the quoted equity portfolio principally comprised two major holdings: W-H Energy Services Inc. and Sterling Construction Inc. This portfolio performed well following a takeover bid for W-H Energy in July at nearly twice the valuation as at the end of January.

On the other hand, the United Kingdom listed portfolio, despite the successful takeover of Whatman and a near doubling from cost in Filtronic, was disappointing due to the underperformance of RPC Group, BBA Aviation, Inspired Gaming and Gleeson.

**unlisted equities**

The unquoted portfolio benefited from the successful sale of Motherwell Bridge for nearly £20 million, the realisation of the cash in Worldport and a write-up in the valuation of Orthoplastics. Against this, the holding in Jaffer has now been written off and it was necessary to write down the value of the investment in Craegmoor following a disappointing sale price. Hampton Trust was also written down following weakness in the property market. No new private equity investments were made during the period.

**outlook**

The current six month period is likely to be very active. Castle Support Services and RPC are conducting strategic reviews. Inspired Gaming, Georgica, Augean and Filtronic have all publicly stated that they are in offer talks. Fayrewood, which is now a cash shell, expects to return money to its shareholders in the near future. Obviously there can be no assurance that the transactions will happen but there is the potential to add very considerably to the Company's net asset value and already substantial cash balances.

**chief executive's review** (continued)

The dire forecasts made in the Annual Report for the year ended 31 January 2008, are unfortunately becoming reality. Liquidity within the banking system remains tight and there are few, if any, signs that there will be any improvement over the next few months. The equity market almost certainly has further to fall but opportunities are arising on a selective basis. In fact, of the five new investments made in the UK market since 31 January, four are currently showing profits and the other, a relatively modest loss.

In the circumstances, our policy will be to maximise the value of our holdings, continue to buy back the Convertible Unsecured Loan Stock when it is in the interests of shareholders to do so and lay the foundations so that the Company will fully benefit during the next period of economic growth.

C H B Mills  
*Chief Executive*

22 September 2008

**top ten investments**

as at 31 July 2008

Company		Fair value £'000	% of net assets
Castle Support Services PLC	UK Quoted on AIM	23,250	10.8
US Treasury Bills	US Treasury Stock	19,366	9.0
Oryx International Growth Fund Limited *+	UK Listed	16,842	7.9
W-H Energy Services Inc.	USA Quoted	14,274	6.7
Nationwide Accident Repair Services PLC	UK Quoted on AIM	12,000	5.6
Hampton Trust Group	UK Unquoted	10,668	5.0
Inspired Gaming Group PLC	UK Listed	8,469	4.0
Trident Private Equity Fund II LP	Cayman Islands Unquoted	7,418	3.5
BBA Aviation Group PLC	UK Listed	7,395	3.4
Gleeson (MJ) Group PLC	UK Listed	6,456	3.0
		126,138	58.9

\* Incorporated in Guernsey

+ Oryx is accounted for in the Group accounts as an Associate under the equity method of accounting. The valuation shown above is the Group's share of Oryx's net assets.

**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** There were no material events to report during the six month period under review.

**material transactions** The Board consider the following transaction that occurred during the half year ended 31 July 2008 to be material:

In June 2008, the sale of the entire holding in Motherwell Bridge was completed resulting in a profit of £15.6 million.

There were no other material transactions during the period ended 31 July 2008.

**risk profile** The two main risks arising from the Group’s financial instruments are market price risk and foreign currency risk. The Directors review and agree policies with the Joint Manager, North Atlantic Value LLP, for managing these risks. The policies have remained substantially unchanged in the six months since the year end.

The Group does not have any significant exposure to credit risk arising from any one individual party. Credit risk is spread across a number of companies, each having an immaterial effect on the Group’s cash flows, should a default happen.

To support its investment in unquoted companies, the Group 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 Group’s exposure to market price risk comprises mainly movements in the value of the Group’s investments. It should be noted that the prices of options tend to be more volatile than the prices of the underlying securities.

**interim management report** (continued)

**risk profile** (continued) The functional and presentational currency of the Group is Sterling, and therefore, the Group's principal exposure to foreign currency risk comprises investments priced in other currencies, principally US Dollars.

The Group invests in equities and other investments that are readily realisable.

**related party transactions**

These are listed in note 9 to the accounts on page 18.

**culs**

The Convertible Loan Stock 2013 ("CULS") were issued in units of 5p each. The units are redeemable at par on 31 May 2013, unless previously redeemed, purchased by the Company, or converted at the option of the holder.

During the period ended 31 July 2008, 20,340 (2007: 994,263) units of CULS were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p. Also during the period ended 31 July 2008, the Company purchased 520,000 (2007: 200,000) units of CULS for cancellation at a total cost of £4,707,000 (2007: £2,480,000).

The CULS units are convertible into Ordinary Shares of 5p each at a rate of one Ordinary Share for every 5p unit, one month after despatch of the audited accounts in each of the years 2008 to 2013 inclusive.

Interest is payable to holders of the CULS at a rate of 0.5p gross per 5p unit per annum on 31 January each year.

The amount included above is the fair value of the financial liability element of the CULS as of its date of issue, as adjusted for the effective rate of interest, less interest paid to the unit holders, and less the amount of CULS that has been purchased for cancellation or converted into Ordinary Shares.

C H B Mills  
*Chief Executive*

22 September 2008

**responsibility statement**

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'; and
- the half yearly financial report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

The half yearly financial report was approved by the Board on 22 September 2008 and the above responsibility statement was signed on its behalf by

C H B Mills  
*Chief Executive*



**consolidated income statement**

	Six months ended 31 July 2008 (unaudited)			Six months ended 31 July 2007 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>investments</b>						
(Losses)/gains on investments	–	(17,117)	(17,117)	–	21,600	21,600
Exchange differences	–	(207)	(207)	–	(442)	(442)
<b>net investment result</b>	–	(17,324)	(17,324)	–	21,158	21,158
<b>income</b>	2,200	–	2,200	3,091	–	3,091
<b>expenses</b>						
Investment management fee	(1,238)	(11)	(1,249)	(1,265)	(663)	(1,928)
Other expenses	(351)	–	(351)	(644)	–	(644)
Share based remuneration	(90)	–	(90)	(127)	–	(127)
Interest payable and similar charges	(257)	–	(257)	(83)	–	(83)
<b>total expenses</b>	(1,936)	(11)	(1,947)	(2,119)	(663)	(2,782)
<b>share of net return of associate</b>	–	(2,063)	(2,063)	–	71	71
<b>profit before taxation</b>	264	(19,398)	(19,134)	972	20,566	21,538
Taxation	–	–	–	–	–	–
<b>transfer to reserves</b>	264	(19,398)	(19,134)	972	20,566	21,538
<b>attributable to:</b>						
Equity holders of the parent	264	(19,398)	(19,134)	1,123	20,245	21,368
Minority interest	–	–	–	(151)	321	170
	264	(19,398)	(19,134)	972	20,566	21,538
<b>return per ordinary share (note 4):</b>						
Basic			(129.46)p			153.52p
Diluted			(98.27)p			107.85p

The total column of this statement represents the Group's income statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies ("AIC").

All items in the above statement derive from continuing operations.

**consolidated income statement** (continued)

	Year ended 31 January 2008 (audited)		
Revenue £'000	Capital £'000	Total £'000	
–	3,300	3,300	<b>investments</b>
–	(540)	(540)	Gains on investments
–	2,760	2,760	Exchange differences
5,208	–	5,208	<b>net investment result</b>
			<b>income</b>
(2,512)	(1,237)	(3,749)	<b>expenses</b>
(954)	–	(954)	Investment management fee
(255)	–	(255)	Other expenses
(366)	–	(366)	Share based remuneration
(4,087)	(1,237)	(5,324)	Interest payable and similar charges
–	(4,223)	(4,223)	<b>total expenses</b>
1,121	(2,700)	(1,579)	<b>share of net return of associate</b>
–	–	–	<b>profit before taxation</b>
1,121	(2,700)	(1,579)	Taxation
–	–	–	<b>transfer to reserves</b>
1,272	(3,021)	(1,749)	<b>attributable to:</b>
(151)	321	170	Equity holders of the parent
1,121	(2,700)	(1,579)	Minority interest
		(12.19)p	<b>return per ordinary share (note 4):</b>
		(8.73)p	Basic
			Diluted

The total column of this statement represents the Group's income statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies ("AIC").

All items in the above statement derive from continuing operations.

**consolidated statement of changes in equity**

	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve – realised £'000
<b>six months ended 31 July 2008</b>					
<b>(unaudited)</b>					
31 January 2008	739	34	1,341	629	180,033
Total recognised income and expenses for the period	–	–	–	–	13,258
Premium paid on repurchase of CULS	–	(4)	–	–	(4,680)
Share option expenses	–	–	90	–	–
Arising on conversion of CULS	1	–	–	–	–
	<u>740</u>	<u>30</u>	<u>1,431</u>	<u>629</u>	<u>188,611</u>
<b>year ended 31 January 2008</b>					
<b>(audited)</b>					
31 January 2007	689	43	1,086	629	183,887
Total recognised income and expenses for the year	–	–	–	–	4,802
Premium paid on repurchase of CULS	–	–	–	–	(2,475)
Share Option expense	–	–	255	–	–
Arising on deconsolidation of AOT	–	–	–	–	(6,181)
Arising on conversion of CULS	50	(9)	–	–	–
	<u>739</u>	<u>34</u>	<u>1,341</u>	<u>629</u>	<u>180,033</u>
<b>six months ended 31 July 2007</b>					
<b>(unaudited)</b>					
31 January 2007	689	43	1,086	629	183,887
Total recognised income and expenses for the period	–	–	–	–	(2,741)
Share Option expense	–	–	127	–	–
Arising on deconsolidation of AOT	–	–	–	–	(6,181)
Arising on conversion of CULS	50	(9)	–	–	–
Premium paid on repurchase of CULS	–	–	–	–	(2,475)
	<u>739</u>	<u>34</u>	<u>1,213</u>	<u>629</u>	<u>172,490</u>

**consolidated statement of changes in equity (continued)**

Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000	Minority interest £'000	Total £'000	
					<b>six months ended 31 July 2008</b>
					<b>(unaudited)</b>
58,128	(2,930)	237,974	–	237,974	31 January 2008
(32,656)	264	(19,134)	–	(19,134)	Total recognised income and expenses for the period
–	–	(4,684)	–	(4,684)	Premium paid on repurchase of CULS
–	–	90	–	90	Share option expenses
–	–	1	–	1	Arising on conversion of CULS
<u>25,472</u>	<u>(2,666)</u>	<u>214,247</u>	<u>–</u>	<u>214,247</u>	31 July 2008
					<b>year ended 31 January 2008</b>
					<b>(audited)</b>
60,476	(4,908)	241,902	7,740	249,642	31 January 2007
(7,823)	1,272	(1,749)	170	(1,579)	Total recognised income and expenses for the year
–	–	(2,475)	–	(2,475)	Premium paid on repurchase of CULS
–	–	255	–	255	Share Option expense
5,475	706	–	(7,910)	(7,910)	Arising on deconsolidation of AOT
–	–	41	–	41	Arising on conversion of CULS
<u>58,128</u>	<u>(2,930)</u>	<u>237,974</u>	<u>–</u>	<u>237,974</u>	31 January 2008
					<b>six months ended 31 July 2007</b>
					<b>(unaudited)</b>
60,476	(4,908)	241,902	7,740	249,642	31 January 2007
22,986	1,123	21,368	170	21,538	Total recognised income and expenses for the period
–	–	127	–	127	Share Option expense
5,475	706	–	(7,910)	(7,910)	Arising on deconsolidation of AOT
–	–	41	–	41	Arising on conversion of CULS
–	–	(2,475)	–	(2,475)	Premium paid on repurchase of CULS
<u>88,937</u>	<u>(3,079)</u>	<u>260,963</u>	<u>–</u>	<u>260,963</u>	31 July 2007

**consolidated balance sheet**

	31 July 2008 (unaudited) £'000	31 January 2008 (audited) £'000	31 July 2007 (unaudited) £'000
<b>non current assets</b>			
Investments at fair value through profit or loss	188,574	231,820	227,489
Investments accounted for using the equity method	16,842	18,928	24,077
	<u>205,416</u>	<u>250,748</u>	<u>251,566</u>
<b>current assets</b>			
Investments held for trading in Subsidiary Companies	1	308	705
Trade and other receivables	4,386	4,169	3,823
Cash and cash equivalents	13,533	8,504	13,054
	<u>17,920</u>	<u>12,981</u>	<u>17,582</u>
<b>total assets</b>	<u>223,336</u>	<u>263,729</u>	<u>269,148</u>
<b>current liabilities</b>			
Bank loans and overdrafts	(7,285)	(9,356)	(6,495)
Investments held for trading – derivatives	(122)	(612)	(217)
Trade and other payables	(1,513)	(15,595)	(1,281)
	<u>(8,920)</u>	<u>(25,563)</u>	<u>(7,993)</u>
<b>total assets less current liabilities</b>	<u>214,416</u>	<u>238,166</u>	<u>261,155</u>
<b>non current liabilities</b>			
CULS	(169)	(192)	(192)
	<u>(169)</u>	<u>(192)</u>	<u>(192)</u>
<b>total liabilities</b>	<u>(9,089)</u>	<u>(25,755)</u>	<u>(8,185)</u>
<b>net assets</b>	<u>214,247</u>	<u>237,974</u>	<u>260,963</u>

**consolidated balance sheet** (continued)

	31 July 2008 (unaudited) £'000	31 January 2008 (audited) £'000	31 July 2007 (unaudited) £'000
<b>represented by:</b>			
Share capital	740	739	739
Equity component of CULS	30	34	34
Share options reserve	1,431	1,341	1,213
Share premium account	629	629	629
Capital reserve – realised	188,611	180,033	172,490
Capital reserve – unrealised	25,472	58,128	88,937
Revenue reserve	(2,666)	(2,930)	(3,079)
	<hr/>	<hr/>	<hr/>
<b>equity attributable to equity holders of the parent</b>	214,247	237,974	260,963
	<hr/>	<hr/>	<hr/>
Minority interest	–	–	–
	<hr/>	<hr/>	<hr/>
<b>total equity</b>	<u>214,247</u>	<u>237,974</u>	<u>260,963</u>
	<hr/>	<hr/>	<hr/>
<b>net asset value per ordinary share (note 5):</b>			
Basic	1,448p	1,611p	1,766p
Diluted	1,121p	1,209p	1,322p

**consolidated cash flow statement**

	Six months ended 31 July 2008 (unaudited) £'000	Six months ended 31 July 2007 (unaudited) £'000	Year ended 31 January 2008 (audited) £'000
<b>cash flows from operating activities</b>			
Investment income received	1,892	2,438	4,147
Bank deposit interest received	161	380	690
Other income	78	18	78
Sale of investments by dealing Subsidiary	–	(249)	(220)
Investment management fees paid	(2,486)	(2,501)	(3,772)
Other cash payments	(378)	(305)	(705)
	<hr/>	<hr/>	<hr/>
<b>cash expended from operations</b>	(733)	(219)	(218)
Bank interest paid	(280)	(39)	(282)
CULS interest paid	–	–	(23)
	<hr/>	<hr/>	<hr/>
<b>net cash outflow from operating activities</b>	(1,013)	(258)	(87)
	<hr/>	<hr/>	<hr/>
<b>cash flows from investing activities</b>			
Purchases of investments	(85,219)	(85,702)	(171,086)
Sales of investments	97,803	89,036	167,098
	<hr/>	<hr/>	<hr/>
<b>net cash inflow/(outflow) from investing activities</b>	12,584	3,334	(3,988)
	<hr/>	<hr/>	<hr/>
<b>cash flows from financing activities</b>			
Repayment of fixed term borrowings	(3,506)	(364)	(554)
Increase in fixed term borrowings	1,108	4,713	7,113
Repurchase of CULS for cancellation	(3,995)	(2,485)	(2,485)
	<hr/>	<hr/>	<hr/>
<b>net cash (outflow)/inflow from financing activities</b>	(6,393)	1,864	4,074
	<hr/>	<hr/>	<hr/>
<b>increase/(decrease) in cash and cash equivalents for the period</b>	5,178	4,940	(1)
	<hr/>	<hr/>	<hr/>
<b>cash and cash equivalents at the start of the period</b>	8,504	9,497	9,497
Arising on deconsolidation of AOT	–	(1,091)	(1,091)
Revaluation of foreign currency balances	(149)	(292)	99
	<hr/>	<hr/>	<hr/>
<b>cash and cash equivalents at the end of the period</b>	<u>13,533</u>	<u>13,054</u>	<u>8,504</u>

**notes**

**1. basis of preparation**

North Atlantic Smaller Companies Investment Trust PLC (“NASCIT”) is a Company incorporated and registered in England and Wales under the Companies Acts 1948 to 1967.

The condensed consolidated interim financial information for the six months ended 31 July 2008 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all financial information required for full annual financial statements. They have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 January 2008. Those financial statements were prepared in accordance with International Financial Reporting Standards.

The condensed consolidated interim financial information consolidate the financial statements of the Company and its wholly owned Subsidiary, Consolidated Venture Finance Limited, for the six months ended 31 July 2008.

**2. performance fees**

A Performance Fee is only payable if the investment portfolio 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.

In accordance with the Statement of Recommended Practice (“SORP”) for investment trust companies, an amount is included in these financial statements for the Performance Fee that could be payable based on investment performance to 31 July 2008.

At that date, a Performance Fee of £11,000, including irrecoverable VAT, has been accrued for in the accounts (31 July 2007: £663,000 including irrecoverable VAT; 31 January 2008: £1,237,000 including irrecoverable VAT) and is allocated 100% to capital.

**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.



notes (continued)

**4. return per ordinary share**

	*Net return £'000	Revenue Ordinary Shares	Per Share pence	*Net return £'000	Capital Ordinary Shares	Per Share pence
<b>six months ended 31 July 2008</b>						
<b>(unaudited)</b>						
Basic return per Share	264	14,779,454	1.79	(19,398)	14,779,454	(131.25)
Options conversion**	–	268,431		–	268,431	
CULS***	22	4,401,141		–	4,401,141	
Diluted return per Share	<u>286</u>	<u>19,449,026</u>	1.47	<u>(19,398)</u>	<u>19,449,026</u>	(99.74)
<b>six months ended 31 July 2007</b>						
<b>(unaudited)</b>						
Basic return per Share	1,123	13,918,275	8.07	20,245	13,918,275	145.46
Options conversion**	–	390,770		–	390,770	
CULS***	27	5,529,579		–	5,529,579	
Diluted return per Share	<u>1,150</u>	<u>19,838,624</u>	5.80	<u>20,245</u>	<u>19,838,624</u>	102.05
<b>year ended 31 January 2008</b>						
<b>(audited)</b>						
Basic return per Share	1,272	14,350,263	8.86	(3,021)	14,350,263	(21.05)
Options conversion**	–	377,878		–	377,878	
CULS***	25	5,019,049		–	5,019,049	
Diluted return per Share	<u>1,297</u>	<u>19,747,190</u>	6.57	<u>(3,021)</u>	<u>19,747,190</u>	(15.30)

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

\* Net return on ordinary activities attributable to Ordinary Shareholders.

\*\* Excess of the total number of potential Shares on option conversion over the number that could be issued at average market price, as calculated in accordance with IAS 33: Earnings per Share.

\*\*\* CULS assumed converted as average share price during the period was greater than the conversion price.

notes (continued)

**4. return per ordinary share (continued)**

*Net return £'000	Total Ordinary Shares	Per Share pence	
<b>six months ended 31 July 2008</b>			
<b>(unaudited)</b>			
(19,134)	14,779,454	(129.46)	Basic return per Share
–	268,431		Options conversion**
22	4,401,141		CULS***
<u>(19,112)</u>	<u>19,449,026</u>	(98.27)	Diluted return per Share
<b>six months ended 31 July 2007</b>			
<b>(unaudited)</b>			
21,368	13,918,275	153.53	Basic return per Share
–	390,770		Options conversion**
27	5,529,579		CULS***
<u>21,395</u>	<u>19,838,624</u>	107.85	Diluted return per Share
<b>year ended 31 January 2008</b>			
<b>(audited)</b>			
(1,749)	14,350,263	(12.19)	Basic return per Share
–	377,878		Options conversion**
25	5,019,049		CULS***
<u>(1,724)</u>	<u>19,747,190</u>	(8.73)	Diluted return per Share

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

\* Net return on ordinary activities attributable to Ordinary Shareholders.

\*\* Excess of the total number of potential Shares on option conversion over the number that could be issued at average market price, as calculated in accordance with IAS 33: Earnings per Share.

\*\*\* CULS assumed converted as average share price during the period was greater than the conversion price.

**notes** (continued)

**5. net asset value per ordinary share**

The basic net asset value per Ordinary Share is based on net assets of £214,247,000 (31 January 2008: £237,974,000; 31 July 2007: £260,963,000) and on 14,795,548 Ordinary Shares (31 January 2008: 14,775,208; 31 July 2007: 14,775,208) 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 the outstanding 2013 CULS are fully converted at par and that all 1,030,000 (31 January 2008: 1,030,000; 31 July 2007: 1,030,000) Share Options were exercised at the prevailing exercise prices, giving a total of 19,802,052 issued Ordinary Shares (31 January 2008: 20,322,052; 31 July 2007: 20,322,052).

**6. debenture loan – convertible unsecured loan stock ('CULS') 2013**

On 18 April 2008 50,000 CULS units were purchased for cancellation at a rate of 1,000p per unit.

On 16 June 2008 250,000 CULS units were purchased for cancellation at a rate of 910p per unit.

On 27 June 2008 100,000 CULS units were purchased for cancellation at a rate of 915p per unit.

On 21 July 2008 35,000 CULS units were purchased for cancellation at a rate of 850p per unit.

On 30 July 2008 85,000 CULS units were purchased for cancellation at a rate of 835p per unit.

On 23 June 2008 20,340 CULS units were converted into 20,340 Ordinary shares of 5p each at a rate of one 5p Ordinary share for every unit of 5p.

At 31 July 2008 3,976,504 CULS units were remaining.

**7. bank loans**

The Company's multi-currency loan Revolving Credit Facility of up to £9 million was due to expire on 31 July 2008. During the period the Company negotiated an extension on this facility to 31 July 2009.

During the period the Company repaid its £2,400,000 loan and drew down and repaid €1,400,000. The Company currently has 8 million Euros and 2 million Canadian Dollars drawn down which are due for repayment on 25 September 2008.

notes (continued)

**8. reconciliation of total return from ordinary activities before finance costs and taxation to cash expended from operations**

	Six months ended 31 July 2008 (unaudited) £'000	Six months ended 31 July 2007 (unaudited) £'000	Year ended 31 January 2008 (audited) £'000
Total return from ordinary activities before finance costs and taxation	(18,877)	21,621	(1,213)
Gains on investments	17,324	(21,158)	(2,760)
Share based remuneration	90	127	255
Share of net return of associate	2,063	(71)	4,223
Dividends and interest reinvested	(433)	(338)	(705)
Decrease in debtors and accrued income	206	118	70
Changes relating to investments of dealing Subsidiaries (Decrease)/increase in creditors and accruals	(1,411)	(215)	363
Tax on investment income	-	-	-
<b>cash expended from operations</b>	<u><u>(733)</u></u>	<u><u>(219)</u></u>	<u><u>218</u></u>

**9. related party transactions**

The Joint Manager, North Atlantic Value LLP, is regarded as a related party of the Company. The amounts payable to the Joint Manager and Growth Financial Services Limited (“GFS”) in respect of investment management for the six months to 31 July 2008 are as follows:

	Six months ended 31 July 2008 (unaudited) £'000	Six months ended 31 July 2007 (unaudited) £'000	Year ended 31 January 2008 (audited) £'000
Annual fee	1,238	1,233	2,454
Performance fee	10	646	1,197
Irrecoverable VAT thereon	1	49	98
	<u><u>1,249</u></u>	<u><u>1,928</u></u>	<u><u>3,749</u></u>

In addition to the management fees disclosed above, North Atlantic Value LLP is also paid:

- an activity fee of £225 per transaction as reimbursement of custodian and related transaction costs incurred on the Company’s behalf.
- an investment management related fee of £100,000 per annum.

**notes** (continued)

**10. financial information**

The financial information contained in this Half Yearly Report does not constitute full Statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the periods ended 31 July 2008 and 31 July 2007 is not a financial year and has not been audited. The statutory accounts for the financial year ended 31 January 2008 have been delivered to the Registrar of Companies and received an Audit Report which was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying the Report and did not contain statements under Section 237(2) and (3) of the Companies Act 1985.

**shareholder information**

<b>financial calendar</b>	Preliminary results	May
	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 and CULS price are quoted daily in the Financial Times appearing under "Investment Companies".

They also appear on:

Reuters:	Convertible Loan Stock NASp.L
Bloomberg:	NAS. LN
SEAQ Ordinary Shares:	NAS
Trustnet:	<a href="http://www.trustnet.ltd.uk">www.trustnet.ltd.uk</a>

**net asset value** The latest net asset value of the Company can be found on the North Atlantic Value LLP website:  
[www.navalu.co.uk](http://www.navalu.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 Registrars. In the event of any queries regarding your holding of shares, please contact the registrars on: 0870 458 4577, or by email on [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**shareholder information** (continued)

**Directors**

E F Gittes (Chairman)  
C H B Mills (Chief Executive)  
K Siem  
C L A Irby  
O R Grace  
P E Swinstead

**Joint Manager**

North Atlantic Value LLP  
*(Authorised and regulated by the Financial Services Authority)*  
Ground Floor  
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14 Ryder Street  
London SW1Y 6QB  
Telephone: 020 7747 5678

**Company Secretary and Registered Office**

J O Hambro Capital Management Limited  
Ground Floor  
Ryder Court  
14 Ryder Street  
London SW1Y 6QB  
Telephone: 020 7747 5682

**Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Auditors**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

**Bankers**

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