NORTH ATLANTIC SMALLER COMPANIES INVESTMENT TRUST PLC

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2008

FINANCIAL HIGHLIGHTS

| | | 2008 unaudited | % change | 2007 audited |
|---|---|---|---|---|
| Revenue | | | | |
| Gross income (£'000) | | 5,208 | 31.8 | 3,951 |
| Net revenue after tax attributable to Shareholders of the Parent (£'000) | | 1,272 | 467.9 | 224 |
| Basic return per Ordinary Share | – revenue (pence) | 8.86 | 437.0 | 1.65 |
| | – capital (pence) | (21.05) | (109.2) | 229.52 |
| Assets | | | | |
| Total assets less current liabilities (£'000) | | 238,166 | (4.9) | 250,549 |
| Net asset value per 5p Ordinary Share: | | | | |
| Basic (pence) | | 1,611 | (8.2) | 1,755 |
| Diluted (pence) | | 1,209 | (0.7) | 1,217 |
| Mid-market price of the 5p Ordinary Shares at 31 January (pence) | | 1,025.0 | (11.1) | 1,153.0 |
| Discount to diluted net asset value | | 15.2% | 9.9% | 5.3% |
| Indices and exchange rates at 31 January | | | | |
| Standard & Poor's 500 Composite Index | | 1,378.6 | (4.1) | 1,438.2 |
| Russell 2000 | | 713.3 | (10.9) | 800.3 |
| US Dollar/Sterling exchange rate | | 1.9880 | 1.6 | 1.9574 |
| Standard & Poor's 500 Composite Index – Sterling adjusted | | 693.4 | (5.6) | 734.8 |
| Russell 2000 – Sterling adjusted | | 358.8 | (12.3) | 408.9 |
| FTSE All-Share Index | | 3,000.1 | (6.6) | 3,211.8 |

**North Atlantic Smaller Companies Investment Trust PLC**

## Chairman's statement

It is somewhat frustrating to report that in the year to 31 January 2008 the fully diluted net asset value of the Company fell by 0.7% although this compares favourably with the fall in the (Sterling adjusted) Standard & Poor's Composite Index of 5.6%.

The revenue account showed a profit after taxation of £1,121,000 (2007:£171,000). Consistent with the Company's long term policy the Directors are not recommending a dividend for the current year. During the year the Company redeemed for cancellation 200,000 CULS. The price paid was at a discount to net asset value and therefore benefited all Shareholders.

The Company has supported the Association of Investment Companies' law suit against HM Revenue & Customs for VAT charges for a number of years. I am pleased to say that this was successful and the Company is expected to receive a rebate of VAT on management fees since 2001.

A commentary on the quoted and unquoted portfolios can be found in the investment managers' report below.

### outlook

The outlook for the Anglo Saxon economies is probably as challenging as at any time since the early 1990s. The subprime crisis, is in my opinion, the first of a series of problems which will hit the banking industry, with excessive debt on leveraged buyouts and reckless loans to value on commercial real estate, becoming significant issues over the coming twenty four months. In any event there is now a liquidity crisis in the banking sector, which will constrain lending to both the consumer and corporate sectors alike and will inevitably be a major factor in curtailing economic activity. The limited ability of central banks to reduce interest rates and maintain a stable currency, while commodity and food prices are soaring, means it will be hard to counteract recessionary forces. There is, in my opinion, a real risk of stagnation. The market weakness in equity prices has to some extent anticipated financial and economic uncertainty. It is however unlikely that stock markets in general will perform well. Despite this difficult background, I would hope that the Company has a year of further progress as your Chief Executive, Christopher Mills, continues to maximise the value of both the quoted and unquoted investment portfolio.

Finally, I would like to congratulate Christopher on attaining the twenty fifth anniversary of the Company. Over the period from 31 December 1983 to 31 January 2008, the unadjusted net asset value has risen by 2,364.3%. This compares with a rise in the Standard & Poor's Composite Index over the same period of 510.53%. This is an extraordinary achievement and I am sure you would all join me in thanking him and encouraging him to continue to achieve outstanding returns for our Shareholders.

Enrique Foster Gittes
Chairman
17 April 2008

**North Atlantic Smaller Companies Investment Trust PLC**

**Investment managers' report**

## quoted portfolio

In last year's Annual Report the Chairman stated that it was hard to find attractive opportunities due to excess liquidity and that the stock market was overlooking some real problems in major world economies. In a few short months the housing bubble has burst, major banks have been brought to their knees and there is little doubt that both the United States and the United Kingdom economies are flirting with recession. Against this background the FTSE Small Cap Index since the end of July 2007 to 31 January 2008 fell by 20.29%. Inevitably this had a substantial impact on the Company, with a number of the major holdings in the UK such as Georgica, Ashstead, Gleeson and Nationwide Accident doing poorly over the year. This was only partially mitigated by the takeover approach and subsequent takeover of Whatman and the highly successful IPOs of Castle & AssetCo.

The performance in the United States portfolio despite further weakness in the dollar was somewhat better due to the sale of nearly half the holding in W H Energy Services at a price significantly above the level at the end of January.

## unquoted portfolio

The unquoted portfolio performed very well during the period. Castle Support Services (DM Technical Services) went public at a good premium to last year's valuation. Mister Car Wash was sold at a good profit. Despite the weakness in the property market, Hampton Trust was written up reflecting the successful letting of its major property in Talbot Gateway and recoveries from former Directors. Motherwell Bridge was also written up significantly, reflecting the successful sale of two of its three businesses. Trident Private Equity benefited from Motherwell Bridge and Castle but was also successful at selling its holding in Telecity at 3.5x cost following a successful IPO. AssetCo went public and rose significantly in the public market and Ramen Holdings was increased in value. Against this, Primesco had to be written down reflecting a disappointing bid for the company due to weakness in the bond portfolio and Jaffer was also written down reflecting the fact that no satisfactory bid was received and weakness in the housing market in the Southeast of the USA. Neither of these write downs had a significant impact on the portfolio. Alliance One was sold at around last year's holding cost. Two new private investments were made during the period and these, together with the description of the other unquoted investments, can be found in the Annual Report.

Christopher HB Mills
*Chief Executive & Investment Manager*

North Atlantic Value LLP
*Joint Manager*

17 April 2008

UNAUDITED CONSOLIDATED INCOME STATEMENT
for the year ended 31 January

| | 2008 unaudited | | | 2007 audited | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Investments | | | | | | |
| Gains on investments | - | 3,300 | 3,300 | - | 31,469 | 31,469 |
| Exchange differences | - | (540) | (540) | - | (43) | (43) |
| Net investment results | - | 2,760 | 2,760 | - | 31,426 | 31,426 |
| Income | 5,208 | - | 5,208 | 3,951 | - | 3,951 |
| Expenses | | | | | | |
| Investment management fee | (2,512) | (1,237) | (3,749) | (2,430) | (1,266) | (3,696) |
| Other expenses | (954) | - | (954) | (849) | - | (849) |
| Share based remuneration | (255) | - | (255) | (322) | (109) | (431) |
| Interest payable and similar charges | (366) | - | (366) | (145) | - | (145) |
| Total expenses | (4,087) | (1,237) | (5,324) | (3,746) | (1,375) | (5,121) |
| Share of net return of associate | - | (4,223) | (4,223) | - | - | - |
| Profit before taxation | 1,121 | (2,700) | (1,579) | 205 | 30,051 | 30,256 |
| Taxation | - | - | - | (34) | - | (34) |
| Transfer to reserves | 1,121 | (2,700) | (1,579) | 171 | 30,051 | 30,222 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 1,272 | (3,021) | (1,749) | 224 | 31,171 | 31,395 |
| Minority interest | (151) | 321 | 170 | (53) | (1,120) | (1,173) |
| | 1,121 | (2,700) | (1,579) | 171 | 30,051 | 30,222 |
| Return per Ordinary Share: | | | pence | | | pence |
| Basic | | | (12.19) | | | 231.17 |
| Diluted | | | (8.73) | | | 157.25 |

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.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January

| | Share capital £'000 | CULS reserve £'000 | Share options reserve £'000 | Share premium account £'000 | Capital reserve - realised £'000 |
|---|---|---|---|---|---|
| 2008 - unaudited | | | | | |
| 31 January 2007 | 689 | 43 | 1,086 | 629 | 183,887 |
| Income and expenses as shown in the consolidated income statement | - | - | - | - | 4,802 |
| Premium paid on repurchase of CULS | - | - | - | - | (2,475) |
| Total recognised income and expense for the year | - | - | - | - | 2,327 |
| Share options expense | - | - | 255 | - | - |
| Arising on deconsolidation of AOT | - | - | - | - | (6,181) |
| Arising on conversion of CULS | 50 | (9) | - | - | - |
| 31 January 2008 | 739 | 34 | 1,341 | 629 | 180,033 |

| | Share capital £'000 | CULS reserve £'000 | Share options reserve £'000 | Share premium account £'000 | Capital reserve - realised £'000 |
|---|---|---|---|---|---|
| 2007 - audited | | | | | |
| 31 January 2006 | 666 | 48 | 764 | 629 | 168,946 |
| Income and expenses as shown in the consolidated income statement | - | - | - | - | 17,419 |
| Premium paid on repurchase of CULS | - | (2) | - | - | (2,359) |
| Loss on deemed disposal of AOT | - | - | - | - | (119) |
| Total recognised income and expense for the year | - | (2) | | - | 14,941 |
| Share options expense | - | - | 322 | - | - |
| Arising on conversion of CULS | 23 | (3) | - | - | - |
| 31 January 2007 | 689 | 43 | 1,086 | 629 | 183,887 |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January (continued)

| | Capital reserve - unrealised £'000 | Revenue reserve £'000 | Total £'000 | Minority interest £'000 | Total £'000 |
|---|---|---|---|---|---|
| 2008 - unaudited | | | | | |
| 31 January 2007 | 60,476 | (4,908) | 241,902 | 7,740 | 249,642 |
| Income and expenses as shown in the consolidated income statement | (7,823) | 1,272 | (1,749) | 170 | (1,579) |
| Premium paid on repurchase of CULS | - | - | (2,475) | - | (2,475) |
| Total recognised income and expense for the year | (7,823) | 1,272 | (4,224) | 170 | (4,054) |
| Share options expense | - | - | 255 | - | 255 |
| Arising on deconsolidation of AOT | 5,475 | 706 | - | (7,910) | (7,910) |
| Arising on conversion of CULS | - | - | 41 | - | 41 |
| 31 January 2008 | 58,128 | (2,930) | 237,974 | - | 237,974 |

| | Capital reserve - unrealised £'000 | Revenue reserve £'000 | Total £'000 | Minority interest £'000 | Total £'000 |
|---|---|---|---|---|---|
| 2007 - audited | | | | | |
| 31 January 2006 | 46,724 | (5,132) | 212,645 | 8,205 | 220,850 |
| Income and expenses as shown in the consolidated income statement | 13,752 | 224 | 31,395 | (1,173) | 30,222 |
| Premium paid on repurchase of CULS | - | - | (2,361) | - | (2,361) |
| Loss on deemed disposal of AOT | - | - | (119) | 708 | 589 |
| Total recognised income and expense for the year | 13,752 | 224 | 28,915 | (465) | 28,450 |
| Share options expense | - | - | 322 | - | 322 |
| Arising on conversion of CULS | - | - | 20 | - | 20 |
| 31 January 2007 | 60,476 | (4,908) | 241,902 | 7,740 | 249,642 |

UNAUDITED CONSOLIDATED BALANCE SHEET
as at 31 January

| | 2008 unaudited £'000 | 2007 audited £'000 |
|---|---|---|
| Non current assets | | |
| Investments at fair value through profit or loss | 231,820 | 225,644 |
| Investments accounted for using the equity method | 18,928 | - |
| | 250,748 | 255,644 |
| Current assets | | |
| Investments held for trading in Subsidiary Companies | 308 | 386 |
| Trade and other receivables | 4,169 | 18,595 |
| Cash and cash equivalents | 8,504 | 9,497 |
| | 12,981 | 28,478 |
| Total assets | 263,729 | 254,122 |
| Current liabilities | | |
| Bank loans and overdrafts | (9,356) | (1,407) |
| Investments held for trading - derivatives | (612) | (29) |
| Trade and other payables | (15,595) | (2,137) |
| | (25,563) | (3,573) |
| Total assets less current liabilities | 238,166 | 250,549 |
| Non current liabilities | | |
| Bank loans | - | (664) |
| CULS | (192) | (243) |
| | (192) | (907) |
| Total liabilities | (25,755) | (4,480) |
| Net assets | 237,974 | 249,642 |
| Represented by: | | |
| Share capital | 739 | 689 |
| Equity component of CULS | 34 | 43 |
| Share options reserve | 1,341 | 1,086 |
| Share premium account | 629 | 629 |
| Capital reserve – realised | 180,033 | 183,887 |
| Capital reserve – unrealised | 58,128 | 60,476 |
| Revenue reserve | (2,930) | (4,908) |
| Equity attributable to equity holders of the parent | 237,974 | 241,902 |
| Minority interest | - | 7,740 |
| Total equity | 237,974 | 249,642 |
| Net asset value per Ordinary Share: | pence | pence |
| Basic | 1,611 | 1,755 |
| Diluted | 1,209 | 1,217 |

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 January

| | 2008 unaudited £'000 | 2007 audited £'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Investment income received | 4,147 | 2,628 |
| Bank deposit interest received | 690 | 630 |
| Other income | 78 | 24 |
| Sale of investments by Subsidiary | (220) | 18 |
| Investment manager's fees paid | (3,772) | (3,569) |
| Other cash payments | (705) | (998) |
| Cash received/(expended) from operations | 218 | (1,267) |
| Bank interest paid | (282) | (117) |
| CULS interest paid | (23) | (29) |
| Loan renewal expenses | - | (6) |
| Net cash outflow from operating activities | (87) | (1,419) |
| Cash flows from investing activities | | |
| Purchases of investments | (171,086) | (180,307) |
| Sales of investments | 167,098 | 189,613 |
| Net cash (outflow)/inflow from investing activities | (3,988) | 9,306 |
| Cash flows from financing activities | | |
| Repayment of fixed term borrowings | (554) | (3,459) |
| Increase in fixed term borrowings | 7,113 | 673 |
| Repurchase of CULS for cancellation | (2,485) | (2,370) |
| Management options exercised and repurchased (AOT) | - | 480 |
| Net cash inflow/(outflow) from financing activities | 4,074 | (4,676) |
| (Decrease)/increase in cash and cash equivalents for the year | (1) | 3,211 |
| Cash and cash equivalents at the start of the year | 9,497 | 6,429 |
| Arising on deconsolidation of AOT | (1,091) | - |
| Revaluation of foreign currency balances | 99 | (143) |
| Cash and cash equivalents at the end of the year | 8,504 | 9,497 |

Notes:

1. 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 consolidated preliminary announcement for the Group for the year ended 31 January 2008 comprises the results of the Company and its Subsidiary – Consolidated Venture Finance Limited (together referred to as the "Group").

On 23 February 2007, NASCIT's majority owned subsidiary American Opportunity Trust PLC ("AOT") merged with Oryx International Growth Fund Limited ("Oryx") by way of a Scheme of Arrangement under Section 425 of the Companies Act 1985. Under the Scheme of Arrangement, Oryx acquired AOT and is the continuing company and all of the assets and liabilities of AOT have been transferred to it. The results of AOT to 22 February 2007 are consolidated in the consolidated financial statements.

North Atlantic Value LLP, the Company's Joint Manager, also acts as Manager to Oryx and Christopher Mills is on the board of Oryx. As a result of the merger the Company held shares with 21.72% of the total voting rights of Oryx. At 31 January 2008, the Company held shares with 28.67% of the total voting rights in Oryx. Oryx is recognised in the consolidated accounts as an Associate under the equity method of accounting. It is valued at NASCIT's share in the net assets of Oryx.

The consolidated financial statements have been prepared in conformity with IFRS to the extent that they have been adopted by the EU. They have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trust companies, except to any extent where it conflicts with IFRS.

2. The above results for the year to 31 January 2008 are unaudited.

3. The Directors do not recommend the payment of a dividend for the year (2007: nil).

4. Consolidated 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 |
| 2008 - unaudited | | | | | | | | | |
| Basic return per Share | 1,272 | 14,350,263 | 8.86 | (3,021) | 14,350,263 | (21.05) | (1,749) | 14,350,263 | (12.19) |
| Options conversion** | - | 377,878 | | - | 377,878 | | - | 377,878 | |
| CULS*** | 25 | 5,019,049 | | - | 5,019,049 | | 25 | 5,019,049 | |
| Diluted return per Share | 1,297 | 19,747,190 | 6.57 | (3,021) | 19,747,190 | (15.30) | (1,724) | 19,747,190 | (8.73) |
| 2007 - audited | | | | | | | | | |
| Basic return per Share | 224 | 13,581,129 | 1.65 | 31,171 | 13,581,129 | 229.52 | 31,395 | 13,581,129 | 231.17 |
| Options conversion** | - | 310,700 | | - | 310,700 | | - | 310,700 | |
| CULS*** | 30 | 6,092,348 | | - | 6,092,348 | | 30 | 6,092,348 | |
| Diluted return per Share 2007 | 254 | 19,984,177 | 1.27 | 31,171 | 19,984,177 | 155.98 | 31,425 | 19,984,177 | 157.25 |

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

* 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 the share price during the year was greater than the conversion price.

5. Consolidated net asset value per Ordinary Share:

The basic net asset value per Ordinary Share is based on net assets of £237,974,000 (2007: £241,902,000) and on 14,775,208 Ordinary Shares (2007: 13,780,945) being the number of Ordinary Shares in issue at the year 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 (2007: 1,030,000) Share Options were exercised at the prevailing exercise prices, giving a total of 20,322,052 issued Ordinary Shares (2007: 20,522,052).

6. In 2004 the Association of Investment Companies ("AIC") and JP Morgan Claverhouse Investment Trust plc launched a case against HM Revenue and Customs ("HMRC") in which they claimed that the management fees charges to UK investment trusts should be exempt from VAT. ON 28 June 2007, the European Court of Justice found in favour of the AIC/Claverhouse case in respect of the specific questions referred to it by the UK VAT Tribunal. HMRC accepted this judgement in November 2007. Your Company is taking appropriate steps to reclaim the relevant VAT that has been paid on management fees since 2001. The timing and quantum of this repayment, together with the status of pre-2001 VAT payments, are being discussed with the Manager and are still to be determined. On the basis of this, no contingent asset has been disclosed.

7. This preliminary statement is not the company's statutory accounts. The statutory accounts for the financial year ended 31 January 2007 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. The statutory accounts for the financial year ended 31 January 2008 have not yet been approved, audited or filed.

8. The statutory financial statements for the year ended 31 January 2008 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Annual General Meeting will be held on 26 June 2008 at 12 noon in the Board Room, Ground Floor, Ryder Court, 14 Ryder Street, London, SW1Y 6QB. The Annual Report will be posted to Shareholders and those individuals on the Company's mailing list as soon as practicable after printing and will also be available on request from the Company Secretary, J O Hambro Capital Management Limited, Ground Floor, Ryder Court, 14 Ryder Street, London, SW1Y 6QB.