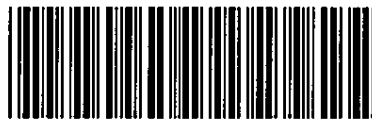


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North Atlantic  
Smaller Companies  
Investment Trust plc

Annual Report  
for the year ended 31 January 2008

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

The Company is a member of the Association of Investment Companies

## 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*

|                                                                          | 2008     | % change | 2007     | 2006     | 2005    | 2004    |
|--------------------------------------------------------------------------|----------|----------|----------|----------|---------|---------|
| <b>revenue</b>                                                           |          |          |          |          |         |         |
| Gross income (£'000)                                                     | 5,208    | 31.8     | 3,951    | 4,052    | 3,671   | 2,736   |
| Net revenue after tax attributable to Shareholders of the Parent (£'000) | 1,272    | 467.9    | 224      | 876      | 23      | (685)   |
| Basic return per Ordinary Share – revenue                                | 8.86p    | 437.0    | 1.65p    | 6.66p    | 0.18p   | (5.62)p |
| – capital                                                                | (21.05)p | (109.2)  | 229.52p  | 339.44p  | 224.16p | 215.77p |
| <b>assets</b>                                                            |          |          |          |          |         |         |
| Total assets less current liabilities (£'000)                            | 238,166  | (4.9)    | 250,549  | 221,122  | 177,457 | 144,612 |
| Net asset value per 5p Ordinary Share                                    |          |          |          |          |         |         |
| Basic                                                                    | 1,611p   | (8.2)    | 1,755p   | 1,597p   | 1,334p  | 1,177p  |
| Diluted                                                                  | 1,209p   | (0.7)    | 1,217p   | 1,063p   | 860p    | 723p    |
| Mid-market price of the 5p Ordinary Shares at 31 January                 | 1,025.0p | (11.1)   | 1,153.0p | 1,022.5p | 794.5p  | 621.5p  |
| <b>discount to diluted net asset value</b>                               | 15.2%    | 9.9%     | 5.3%     | 3.8%     | 7.6%    | 14.0%   |
| <b>indices and exchange rates at 31 January</b>                          |          |          |          |          |         |         |
| Standard & Poor's 500 Composite Index                                    | 1,378.6  | (4.1)    | 1,438.2  | 1,280.1  | 1,181.3 | 1,131.1 |
| Russell 2000 Index                                                       | 713.3    | (10.9)   | 800.3    | 733.2    | 624.0   | 580.8   |
| US Dollar/Sterling exchange rate                                         | 1.9880   | 1.6      | 1.9574   | 1.7774   | 1.8861  | 1.8203  |
| Standard & Poor's 500 Composite – Sterling adjusted                      | 693.4    | (5.6)    | 734.8    | 720.2    | 626.3   | 621.4   |
| Russell 2000 – Sterling adjusted                                         | 358.8    | (12.3)   | 408.9    | 412.5    | 330.8   | 319.1   |
| FTSE All-Share Index                                                     | 3,000.1  | (6.6)    | 3,211.8  | 2,928.6  | 2,441.2 | 2,187.1 |

corporate summary

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>introduction</b>                      | North Atlantic Smaller Companies Investment Trust plc (NASCII) is an investment trust whose shares are listed on the London Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>objective and investment strategy</b> | The objective of the Company is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. The Company invests in both listed and unlisted companies.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>company's business</b>                | The Company is an investment company within the meaning of Section 266 of the Companies Act 1985 and its business is that of an investment trust. The business of the Company's subsidiary undertaking is an investment dealing and holding company.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>risk</b>                              | 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 small and large companies. The Board believe that the Company's portfolio is diversified. Since returns from large and small companies vary, there is an opportunity for investors to reduce overall risk by holding a portfolio containing both large and small companies together.<br><br>The Company outsources all of its main operational activities to recognised third party providers. |
| <b>AIC</b>                               | The Company is a member of the Association of Investment Companies (AIC).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>joint managers</b>                    | The Joint Managers are Christopher Mills through Growth Financial Services Limited ("GFS") and North Atlantic Value LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>company secretary</b>                 | The Company Secretary is J O Hambro Capital Management Limited, Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## directors

\*†#• Enrique Foster Gittes (USA) (Chairman), aged 68, joined the Board in 1992 and was appointed Chairman on 20 July 1998. He is an American lawyer who was president of Hambro America in New York until 1983, responsible for venture capital investment and subsequently chairman of European Home Products PLC until 1988 and a director of Scholl PLC until 1994. He was a founder and a director of Denison International PLC until 1999 and is currently a director of LESCO, Inc., formerly a non-executive director of J O Hambro Capital Management (Bermuda) Limited and formerly a director of North Atlantic Value (General Partner) Limited (part of the same group as the Joint Manager).

Christopher H B Mills, aged 55, is the Company's Chief Executive and Investment Manager and joined the Board in August 1984 (formerly Consolidated Venture Trust plc). He is currently a member and Chief Investment Officer of North Atlantic Value 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 20 of the financial statements.

\*†#• Kristian Siem (Norwegian), aged 59, joined the Board in April 2001. He is chairman of Siem Industries Inc., an industrial company which includes offshore oil and gas drilling, sub-sea construction services and marine transportation worldwide. He is also a director of various companies in Norway, USA, Sweden, Portugal and the Cayman Islands.

\*†#• Charles L A Irby, aged 62, joined the Board in December 2002. He is chairman of Aberdeen Asset Management PLC and a non-executive director of Great Portland Estates PLC and QBE Insurance Group Limited. He was head of corporate finance of ING Barings from 1992 to 1999 and a managing director from 1995 to 1999. He was also a member of the Panel on Takeovers and Mergers from 1997 to 1998.

\*†#• Oliver R Grace Jr (USA), aged 54, joined the Board on 16 May 2006. He has been co-chairman of Associated Asset Management, Inc. since 1987, a company incorporated in Delaware. He was previously a director of Moscow Cablecom Corp, a Russian cable company and Redbus plc. He is a director of Second London American Trust PLC (in members' voluntary liquidation) and president of Grace Developments, Inc.

\*†#• Philip E Swinstead OBE, aged 64, joined the Board on 25 September 2007. He was a director and founder of Parity plc and was previously a founder director of two other listed European Systems Integration companies – GFI Informatique SA and SD-Scicon plc. He was also a director of a number of UK public investment trusts from 1982 to 1996 and is a director of a number of private companies in Europe.

- Non-Executive
- † Independent
- # Member of the Audit Committee
- Member of the Remuneration Committee

chairman's statement

It is somewhat frustrating to report that in the year to end 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 on page 5.

outlook

The outlook for the Anglo Saxon economies is probably as challenging as at any time since the early 1990s. The subprime crisis, in my opinion, is 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 listed 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 2364.3%. 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



## 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 IPO of Castle and 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. AllianceOne was sold 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 on pages 8 to 15.

Christopher H B Mills *Chief Executive & Investment Manager*

17 April 2008

## sector analysis of investments at fair value

|                                                                                    | United<br>States | United<br>Kingdom | Europe   | Total    | Total    |
|------------------------------------------------------------------------------------|------------------|-------------------|----------|----------|----------|
|                                                                                    | 31 01 08         | 31 01 08          | 31 01 08 | 31 01 08 | 31 01 07 |
| % of total portfolio valuation                                                     | %                | %                 | %        | %        | %        |
| equities, convertible securities & loan stocks as a % of total portfolio valuation |                  |                   |          |          |          |
| Investment Companies                                                               | 4.3              | 11.8              | —        | 16.1     | 9.1      |
| General Industrials                                                                | —                | 12.2              | —        | 12.2     | 8.5      |
| Support Services                                                                   | 0.9              | 9.8               | —        | 10.7     | 17.8     |
| Real Estate                                                                        | —                | 7.4               | 2.4      | 9.8      | 7.0      |
| Industrial Engineering                                                             | 0.5              | 8.4               | —        | 8.9      | 4.0      |
| Construction & Materials                                                           | 2.1              | 4.5               | —        | 6.6      | 8.2      |
| Travel & Leisure                                                                   | —                | 5.3               | —        | 5.3      | 8.1      |
| Healthcare, Equipment & Services                                                   | 0.5              | 4.1               | —        | 4.6      | 5.2      |
| Industrial Transportation                                                          | —                | 4.4               | —        | 4.4      | 2.4      |
| General Financial                                                                  | 3.6              | 0.1               | —        | 3.7      | 5.3      |
| Oil & Gas                                                                          | 3.0              | 0.7               | —        | 3.7      | 7.7      |
| Communications                                                                     | —                | 1.6               | —        | 1.6      | —        |
| Consumer Cyclical                                                                  | —                | 1.4               | —        | 1.4      | —        |
| Media                                                                              | —                | 1.4               | —        | 1.4      | 0.2      |
| Technology Hardware & Equipment                                                    | 0.8              | —                 | —        | 0.8      | 0.9      |
| Food Producers                                                                     | —                | 0.5               | —        | 0.5      | 0.3      |
| Manufacturing                                                                      | 0.1              | 0.1               | —        | 0.2      | 2.0      |
| Wholesale Trade                                                                    | —                | —                 | —        | —        | 2.5      |
| Banking                                                                            | —                | —                 | —        | —        | 1.8      |
| Software & Computer Services                                                       | —                | —                 | —        | —        | 0.4      |
| Cosmetic & Toiletries                                                              | —                | —                 | —        | —        | 0.3      |
| Leisure Goods                                                                      | —                | —                 | —        | —        | 0.3      |
| Transport                                                                          | —                | —                 | —        | —        | 0.3      |
| Holding & Other Investment Offices                                                 | —                | —                 | —        | —        | 0.1      |
|                                                                                    | 15.8             | 73.7              | 2.4      | 91.9     | 92.4     |
| treasury bills                                                                     | 8.1              | —                 | —        | 8.1      | 7.6      |
| total at 31 January 2008                                                           | 23.9             | 73.7              | 2.4      | 100.0    |          |
| Total at 31 January 2007                                                           | 36.4             | 63.3              | 0.3      |          | 100.0    |

**twenty largest investments***as at 31 January 2008*

| <b>equities (including convertibles,<br/>loan stocks and related financing)</b> |                         | <b>At fair value<br/>£'000</b> |
|---------------------------------------------------------------------------------|-------------------------|--------------------------------|
| Castle Support Services PLC                                                     | UK Quoted on AIM        | 26,660                         |
| Oryx International Growth Fund Limited *†                                       | UK Listed               | 18,928                         |
| Motherwell Bridge Limited                                                       | UK Unquoted             | 16,733                         |
| Hampton Trust Group                                                             | UK Unquoted             | 12,074                         |
| Nationwide Accident Repair Services PLC                                         | UK Quoted on AIM        | 11,500                         |
| Gleeson (MJ) Group PLC                                                          | UK Listed               | 11,229                         |
| BBA Aviation Group PLC                                                          | UK Listed               | 11,130                         |
| NAV Bidco Limited                                                               | UK Unquoted             | 10,702                         |
| Inspired Gaming Group PLC                                                       | UK Quoted on AIM        | 9,080                          |
| Trident Private Equity Fund II LP                                               | Cayman Islands Unquoted | 7,802                          |
| <b>ten largest investments</b>                                                  |                         | <b>135,838</b>                 |
| W-H Energy Services Inc                                                         | USA Listed              | 7,543                          |
| Worldport Communications Inc                                                    | USA Unquoted            | 6,804                          |
| Martley Limited                                                                 | Jersey Unquoted         | 5,958                          |
| Ashtead Group PLC                                                               | UK Listed               | 5,906                          |
| Whatman PLC                                                                     | UK Listed               | 5,748                          |
| Sterling Construction Inc                                                       | USA Listed              | 5,156                          |
| Communis PI C                                                                   | UK Listed               | 4,241                          |
| Georgica PLC                                                                    | UK Quoted on AIM        | 4,140                          |
| Avanti Communications                                                           | UK Quoted on AIM        | 4,075                          |
| RPC Group PLC                                                                   | UK Listed               | 4,064                          |
| <b>twenty largest investments</b>                                               |                         | <b>189,473</b>                 |
| Aggregate of other investments at fair value                                    |                         | 40,939                         |
|                                                                                 |                         | <b>230,412</b>                 |
| USA Treasury Bills                                                              |                         | 20,336                         |
| <b>total value of investments and associates of the group</b>                   |                         | <b>250,748</b>                 |

\* 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. All other investments are valued at fair value.

## unlisted investments profile

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2008<br>Fair value<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| <p><b>Motherwell Bridge Limited (UK) Cost £3,347,000</b></p> <p>Following the successful sale of three of the five wholly-owned subsidiaries, Motherwell Bridge now consists of substantial cash holdings plus the main engineering business which is a market leader in building repairing and mending oil and gas storage facilities. This business has also received a takeover approach which, if successful, will result in the sale of the company at a premium to the current holding cost</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 16,733                      |
| <p><b>Hampton Trust Group (UK) Cost £8,600,000</b></p> <p>The Hampton Trust Group comprises the property investment and management companies that were formerly part of Hampton Trust Plc. The majority of the property assets are largely contained within one company with a gross value of circa £36 million. In the financial year, the company's programme of reinvestment and active asset management has enhanced both rental yields and asset values. Given current market conditions, it is anticipated that the company will seek to create further value by way of acquisitions of assets where there is either a perceived undervalue or where it is considered that further value can be added by way of active asset management. The Company holds approximately 70% of the ordinary shares and loan stock of this group of companies</p>                                                                                                                                                        | 12,074                      |
| <p><b>NAV Bidco Limited (UK) Cost £10,638,000</b></p> <p>NAV Bidco Limited is the acquisition vehicle for Bionostics Plc, a specialist developer of medical diagnostic products. The company was previously known as Ferraris Plc, which disposed of several non-core assets throughout 2006 before officially re-branding as Bionostics Plc in February 2007. The business currently operates through two subsidiaries, Bionostics Inc (the largest of the two) a US-based provider of liquid control systems that are used to test the accuracy of blood testing devices and Oxford Cryosystems, a UK-based developer of low-temperature devices for X-ray crystallography, an important technique in markets such as drug discovery, biotechnology and materials science. Bionostics, headquartered in Birmingham, generated EBITDA of £2.2m on turnover of £13.9m for the year to end August 2007 (£5.0m of this investment was sold in February and the £5.0m advance on the balance sheet satisfied)</p> | 10,702                      |
| <p><b>Trident Private Equity Fund II LP (Cayman Islands) Cost £2,490,000</b></p> <p>Trident Private Equity Fund II LP ("TPE2") is a £64 million offshore private equity limited partnership. The fund's investment objective is to generate high absolute returns by investing in a portfolio of unquoted investments in small to medium sized companies in the UK. The fund concentrates primarily on leveraged buyouts and similar transactions, including public-to-private and pre-IPO investments. At 31 January 2008, 83% of NASCIT's commitment had been drawn down and invested in twelve private equity transactions</p>                                                                                                                                                                                                                                                                                                                                                                              | 7,802                       |
| Carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 47,311                      |

## unlisted investments profile

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2008<br>Fair value<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Brought forward                                                                                                                                                                                                                                                                                                                                                                                                                                                | 47,311                      |
| Worldport Communications Inc (USA) <i>Cost £6,851,000</i>                                                                                                                                                                                                                                                                                                                                                                                                      | 6,804                       |
| Worldport is a clean cash shell and we are considering how best to utilise the company's substantial cash balances and carried forward tax loss                                                                                                                                                                                                                                                                                                                |                             |
| There has been no change in valuation over the year                                                                                                                                                                                                                                                                                                                                                                                                            |                             |
| Martley Limited (Jersey) <i>Cost £5,411,000</i>                                                                                                                                                                                                                                                                                                                                                                                                                | 5,958                       |
| Martley Limited is a Jersey registered property company Through its Luxembourg subsidiary companies it invests in commercial property in Europe The Company part owns five properties within a Luxembourg based office park constructed in 2003 The gross lettable area totals approximately 21,500 square feet The properties are fully let and tenants include several blue chip international companies                                                     |                             |
| Crendon Industrial (UK) <i>Cost £2,597,000</i>                                                                                                                                                                                                                                                                                                                                                                                                                 | 3,526                       |
| The Crendon Industrial Park is a 30 acre site currently providing 230,545 square feet of modern and refurbished industrial and office premises                                                                                                                                                                                                                                                                                                                 |                             |
| There are around 100 businesses located within the estate and occupancy levels are close to 100% In addition to the present accommodation on the site, there is also a development area of 10.66 acres with outline planning approval for a further 80,000 square feet of industrial and office accommodation There has been no change in valuation over the year                                                                                              |                             |
| Crucible Equity Limited (UK) <i>Cost £3,500,000</i>                                                                                                                                                                                                                                                                                                                                                                                                            | 3,500                       |
| Crucible Equity Limited is the acquisition vehicle for Rileys Limited, a chain of cue sports clubs comprising more than 150 sites across the UK Revenues consist of table rentals, bar sales, food sales, membership fees and gaming machines The clubs are also licensed poker venues, which in turn drives the bar revenues Rileys also operates an online poker room business in conjunction with 888.com                                                   |                             |
| Craegmoor Limited (UK) <i>Cost £3,987,000</i>                                                                                                                                                                                                                                                                                                                                                                                                                  | 3,037                       |
| Craegmoor is one of the UK's leading providers of quality residential healthcare in two main divisions elderly and special needs, with almost 200 facilities and 5000 beds The Company has been substantially restructured and operating performance was much improved in 2007 The valuation was increased during the year to reflect the lead investors uplift The Company is currently for sale and we now expect a further premium to the current valuation |                             |
| Carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                | 70,136                      |

## unlisted investments profile

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2008         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Fair value   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | £'000        |
| Brought forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 70,136       |
| <b>Primesco Inc (USA) Cost £1,872,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>2,345</b> |
| Primesco or the Mutual Savings Life Insurance Company provides quality insurance products to businesses and individuals in the southeastern United States. Primesco has restructured its product portfolio and substantially reduced its cost base. Negotiations for the sale of the company are under way. There is a bid for the company at the current holding cost.                                                                                                              |              |
| <b>Glass America (USA) Cost £2,360,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>2,204</b> |
| Glass America is a consolidator of automotive glass repair companies in the United States. To date the performance of the business has been encouraging and the outlook for the current year is favourable.                                                                                                                                                                                                                                                                          |              |
| <b>Merchant Properties Unit Trust (UK) Cost £2,000,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>2,000</b> |
| The Merchant Properties Unit Trust is a portfolio of 30 Travis Perkins trade counter units purchased for £32.5m. The units were simultaneously let back to Travis Perkins on 25-year leases with fixed uplifts at 3% pa, reflecting an initial yield of 6%.                                                                                                                                                                                                                          |              |
| <b>Telos Corporation (USA) Cost £1,365,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>1,907</b> |
| Telos is a provider of IT solutions to federal government, the military, the intelligence community and commercial enterprises. The company has continued to perform strongly. The share price of its publicly traded preferred shares increased due to much improved operating performance. Ordinary shares in Telos are held at a discounted valuation to the preference shares.                                                                                                   |              |
| <b>BPE Holdings Ltd (UK) Cost £1,762,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>1,762</b> |
| BPE is a specialist civil engineering business focusing primarily on the gas supply industry. The company undertakes gas mains replacement and repair and the laying of new mains and is one of only three UK companies with the necessary equipment and trained operatives to undertake the inhibition of gas flow whilst 'in situ' gas mains are replaced or repaired. BPE has a dominant position in eastern Greater London. There has been no change in valuation over the year. |              |
| <b>Orthoplastics Ltd (UK) Cost £369,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>1,400</b> |
| Orthoplastics manufactures and supplies to the orthopaedic industry premium-grade Ultra High Molecular Weight Polyethylene ("UHMWPE"), gamma-irradiated UHMWPE rod and orthopaedic components. The Company is now performing well and there has been no change in valuation over the year.                                                                                                                                                                                           |              |
| Carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 81,754       |

## unlisted investments profile

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                       | 2008       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                                                                                                                                                                                                                                                                                                                                                                                       | Fair value |
|                                                                                                                                                                                                                                                                                                                                                                                       | £'000      |
| Brought forward                                                                                                                                                                                                                                                                                                                                                                       | 81,754     |
| Jaffer Holdings Corporation (USA) <i>Cost £1,055,000</i>                                                                                                                                                                                                                                                                                                                              | 1,264      |
| Jaffer is a leading operator of water drilling rigs in the southeastern United States. The fragmented sector will benefit from consolidation. The company's business is loosely tied to the Florida housing market which was weak in 2007 and the outlook is not encouraging. As a result the holding has been written down. The long term outlook for the company is still positive. |            |
| Ramen Holdings Limited (UK) <i>Cost £418,000</i>                                                                                                                                                                                                                                                                                                                                      | 1,200      |
| Ramen is the holding company for Wagamama restaurants, which continues to grow and perform well. At the end of 2007 there were over 50 restaurants open in the UK, as well as 26 sites open under franchise outside the UK.                                                                                                                                                           |            |
| Kiln Lane, Immingham (UK) <i>Cost £1,000,000</i>                                                                                                                                                                                                                                                                                                                                      | 1,000      |
| This is a 53,000 square feet industrial unit on an 18.1 acre site at the Kiln Lane Industrial Estate. The property is let on two leases to Paragon Automotive Limited, expiring in 2010.                                                                                                                                                                                              |            |
| Darby Browallia LLP (UK) <i>Cost £736,000</i>                                                                                                                                                                                                                                                                                                                                         | 736        |
| Darby Browallia LLP has purchased Darby Glass Limited, the UK's largest independent supplier of insulating glass units and street furniture to both the commercial and domestic marketplace.                                                                                                                                                                                          |            |
| Other unlisted investments                                                                                                                                                                                                                                                                                                                                                            | 799        |
| Total value of unlisted investments at fair value*                                                                                                                                                                                                                                                                                                                                    | 86,753     |

\* Includes unlisted loan notes in these companies with a total value of £5,800,000

## unlisted investments profile (AIM quoted)

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2008   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Bid value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |        |
| £'000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |        |
| Castle Support Services PLC <i>Cost</i> £4,326,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 26,660 |
| <p>Castle Support Services was formed following the de-merger of Castle Acquisitions from Lonhro Africa in 2006, at which time its major asset was a statutory pension surplus of approximately £23m. The company announced its results for the ten month period ended 30 June on 27 September and reported a significant improvement in trading at Dowding &amp; Mills Technical Services, the business acquired in a reverse merger transaction in June, with operating profit rising 106% before the settlement of the pension surplus. The company achieved a £3.5m gain on the pension settlement as well as a £5.6m profit on the disposal of fixed assets and a net benefit of £1.7m relating to the waiver on acquisition of interest payable to the preference shareholders of DMIS. Performance going forward will be underpinned by the company's £14.7m pension fund surplus and management expect the coming period to reflect the benefits of the company's good position in the maintenance and repair market.</p> |        |
| Nationwide Accident Repair Services PLC <i>Cost</i> £2,582,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 11,500 |
| <p>Nationwide is the largest independent accident repair operator in the UK with 69 sites handling more than 150,000 repairs per annum. It also operates Network Services – an accident repair claims and management agency. The company was successfully quoted on the AIM market in July. NASCIT placed a small proportion of its holding but retained a 22% stake in Nationwide. The share price has performed strongly, rising 44.1% since admission.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |
| Carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 38,160 |

## unlisted investments profile (AIM quoted)

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2008         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Bid value    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | £'000        |
| Brought forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 38,160       |
| <b>Inspired Gaming Group PLC Cost £8,520,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>9,080</b> |
| <p>Inspired Gaming Group is the leading player in the UK Server Based Gaming ("SBG") market and is also the leading provider of analogue machines for the leisure and gaming markets. The group provides SBG software systems and SBG digital and networked terminals in six countries. Last year, the company reported that the number of SBG terminals deployed during the financial year increased by over 50% and that income from this sector had been strong, partially offsetting a weaker contribution from the pubs and leisure market. Inspired Gaming's service contract with Gala has been extended to cover the whole of its casino and bingo estate and further orders for Gala's gaming platform have also been secured. SBG rollout in William Hill has continued and strategic agreements with Tabcorp Holdings and the Coca Cola Company Inc were entered into. Management are reviewing a variety of strategic options including potential acquisitions and we expect a continuing appreciation in the share price.</p> |              |
| <b>Georgica PLC Cost £8,822,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>4,140</b> |
| <p>Georgica is the UK's largest operator of ten pin bowling alleys and operates under the Tenpin brand name. The company announced it had rejected several approaches to take over the business and ended talks with potential bidders, stating that offers had been received but due to both a difficult banking market and deteriorating trading conditions, none of these had resulted in an acceptable offer. Exit from this company will be pushed back to later in the year with an acceptable offer being made. Georgica is well funded and profitable and we believe the fall is overdone and the company represents very compelling value.</p>                                                                                                                                                                                                                                                                                                                                                                                    |              |
| Carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 51,380       |

## unlisted investments profile (AIM quoted)

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2008   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Bid value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | £'000  |
| Brought forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 51,380 |
| Avanti Communications Group plc Cost £4,075,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4,075  |
| <p>Avanti Communications supplies fixed satellite communications services to business institutional and residential customers in the UK, Europe and the Middle East, including broadband and data connectivity through satellite capacity leased from third parties. The company recently completed a £32m debt financing for its own HYLAS satellite programme which will mean that, from 2009, the company will be able to provide services from its own satellite capacity. The company's business model is particularly attractive as it is typically able to pre-sell satellite capacity and receive cash upfront before it has to pay third party service providers. The company, which was formed through a de-merger from Avanti Screenmedia, released its maiden preliminary results on 1 October in which it posted pre-tax profits of £20m and very encouraging pre-sales activity with a pipeline of potential sales of £168m. The launch of the HYLAS satellite has been booked for March 2009 and the company has continued to win new contracts, including an £8.75m contract with STM, announced on 3 December. The pricing environment has continued to move in the company's favour and the company has continued to extend its service offering to new markets such as India.</p> |        |
| Catalyst Media Group Plc Cost £3,450,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 3,500  |
| <p>The group's principal activities are promoting rights and/or licenses to cultural and historical video content and marketing them globally to business, educational and consumer audiences using interactive technology. It provides a range of services to enable online distribution of audio-visual content. Its clients include not just media companies, but organisations across private industry and the public sector reflecting the increasing use of streaming and download technology for operation efficiency, marketing and corporate communications. The company's main investment is a 20% holding in SIS, a highly profitable business which is the largest provider of racing services to the Bookmaking industry.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |        |
| Carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 58,955 |

## unlisted investments profile (AIM quoted)

as at 31 January 2008

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2008   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Bid value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | £'000  |
| Brought forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 58,955 |
| Payzone PLC (formerly Cardpoint PLC) Cost £5,138,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 2,865  |
| Payzone was formed from the merger of Cardpoint Plc and alphyra in December 2007. The merged entity is a European market leader in payment systems, mobile-phone top up cards and ATMs, operating in several different countries including the UK. Payzone has a particularly strong presence in Germany and a key benefit of the merger will be the upside to be gained from the roll-out of Cardpoint's ATM product in that market as well as an estimated €6.5m of cost synergies. In addition, the combined companies have a strong position in a number of Eastern European markets such as Romania, Greece and Poland, including important contacts with local government agencies that should be an important source of revenue going forward. |        |
| Other AIM quoted investments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 3,011  |
| Total value of AIM quoted investments at bid value*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 64,831 |

\* Includes unlisted loan notes in these Companies with a total value of £7,576,000

**group report of the directors**  
for the year ended 31 January 2008

The Directors present their Report (incorporating the Business Review) and the financial statements for the year ended 31 January 2008

**results and dividends**

The total net deficit after taxation for the financial year ended 31 January 2008 amounted to £1,579,000 (2007 total return £30,222,000) The Board do not propose a final dividend (2007 nil)

**Investment policy**

- 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%
- 3 The Company invests on both sides of the Atlantic, with the weighting varying from time to time
- 4 The Company will invest in unquoted securities as and when opportunities arise

**Investment approach**

The Managers invest in a diversified range of companies, both quoted and unquoted on both sides of the Atlantic in accordance with the Investment Policy

Christopher Mills, the Joint Investment Manager, is responsible for the construction of the portfolio and details of the principal investments are set out on pages 8 to 15 and the top twenty largest investments are listed on page 7

In analysing potential investments, the Managers will employ a number of valuation techniques which are dependent on their relevance to a particular company However, the primary objective is the sustainability and growth of long term cashflow

In respect of the unquoted portfolio, regular contact is maintained with the management of prospective and existing investments as well as rigorous financial and business analysis of these companies It is recognised that different types of business perform better than others depending on economic cycles and market conditions and this is reflected within the range of investments in the portfolio

The Company's activities have not changed in the year ended 31 January 2008 and the Directors anticipate that the Company will continue to operate on the same basis during the current financial year

**financial instruments**

The financial instruments employed by the Company primarily comprise equity and loan stock investments although it does also hold cash and liquid resources and various items such as debtors and creditors that arise directly from its operations Further details of the Company's risk management objectives and policies relating to the use of financial instruments can be found in note 19 to the financial statements on pages 68 to 76

**american opportunity trust plc**

On 23 February 2007, one of the Company's Subsidiaries, 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 will be the continuing company and all the assets and liabilities of AOT have been transferred to it North Atlantic Value LLP, the Company's Joint Manager, also acts as manager to Oryx and Christopher Mills is on the board of Oryx

**business review**

At 31 January 2008, the diluted net asset value ("NAV") per share was 1,209p (31 January 2007 1,217p), a decrease of 0.7% during the year, compared to a fall of 5.6% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted) As stated in the Investment Managers' Report on page 5, the US quoteds suffered during the year due to the weakness of the Dollar but the performance of the unquoted portfolio has been most encouraging

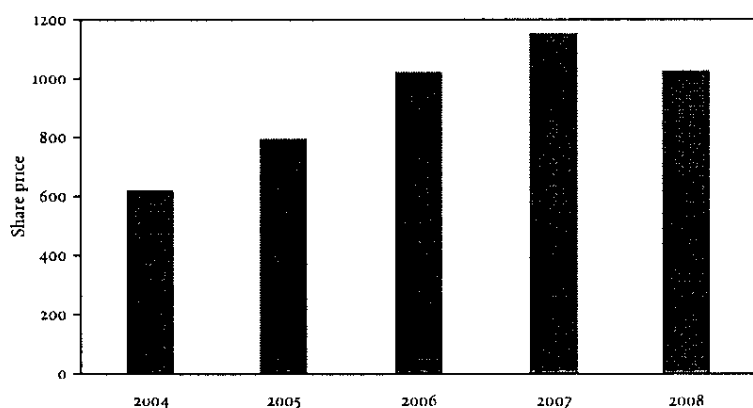
**group report of the directors***for the year ended 31 January 2008***key performance indicators**

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

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



- (ii) **total return per ordinary share** the following chart illustrates the movement in total return per Ordinary Share over the past five years



(iii) **performance against benchmark**

The performance of the Company's share price is measured against the Standard & Poor's 500 Composite Index and the Russell 2000 Index, the Company's benchmarks. A graph comparing performance can be found in the Directors' Remuneration Report on page 34.

**group report of the directors**  
for the year ended 31 January 2008

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>future prospects</b>         | The Directors believe that the year ending January 2009 will see further progress, especially from the unquoted portfolio which continues to offer the potential for further significant appreciation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>taxation status</b>          | In the opinion of the Directors, the Company has conducted its affairs so as to be able to seek approved investment trust status from Her Majesty's Revenue & Customs under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting year ended 31 January 2008 Pursuant to arrangements between The Association of Investment Companies and Her Majesty's Revenue & Customs, who have agreed that written approval of investment trust status can be granted within the Corporation Tax Self Assessment Regime, written approval for all accounting years to 31 January 2007 has been granted                                                                                                                                                                                                                                                                        |
| <b>share capital</b>            | <p>The Company's issued share capital consists of 14,775,208 Ordinary Shares of 5p nominal value each All shares hold equal rights with no restrictions and no shares carry special rights with regards to the control of the Company There are no special rights attached to the shares on winding up of the Company</p> <p>In addition, the Company has 4,466,844 Convertible Unsecured Loan Stock (CULS) of 5p nominal value in issue Holders of CUIS have the right to convert their stock into shares once a year and the Conversion Notice will be sent to the relevant holders with the Report and Accounts There are no voting rights attached to the CULS In the event of winding up the holders of CULS may be entitled to repayment of the principal amount of the stock together with accrued interest Full details are provided in the Trust Deed date 26 November 1993</p> |
| <b>share valuations</b>         | On 31 January 2008, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 1.025 op and 1.209 op respectively The comparable figures at 31 January 2007 were 1.153 op and 1.217p respectively                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>donations</b>                | The Company does not make any political or charitable donations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>substantial shareholders</b> | At the date of this report, the following interests in the Ordinary Shares of the Company which exceed 3% of the issued share capital have been notified to the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

|                                            | Number of<br>Ordinary Shares | % of issued<br>share capital |
|--------------------------------------------|------------------------------|------------------------------|
| C H B Mills                                | 2,758,000                    | 18.67                        |
| J O Hambro Investment Management Limited   | 1,490,720                    | 10.09                        |
| HBOS plc                                   | 1,239,041                    | 8.39                         |
| Legal & General Group Plc                  | 626,036                      | 4.23                         |
| Findlay Park US Smaller Companies Fund Plc | 595,000                      | 4.03                         |

**group report of the directors***for the year ended 31 January 2008***directors**

The biographical details for Directors currently in office are shown on page 3

In accordance with Article 87 of the Company's Articles of Association, Mr E F Gittes retires by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-election

In accordance with Article 86 of the Company's Articles of Association, Mr P F Swinstead, being a Director appointed during the year, retires and offers himself for election

In accordance with Listing Rule 15.2.7(3), which requires Directors or members of the Manager to be subject to annual election, Mr C H B Mills is subject to annual election as he is both Chief Executive and a member of the Joint Manager and, accordingly, a resolution to re-elect him as a Director is included in the Notice of Annual General Meeting of the Company on pages 80 and 81

The Chairman and other members of the Board recommend that the Directors retiring be re-elected. The Chairman has confirmed that all Directors retiring have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and in his view continue to responsibly fulfil their functions

**directors' interests**

The interests of the Directors as notified to the Company (beneficial unless otherwise stated) in the Ordinary Shares and Convertible Unsecured Loan Stock ("CULS") 2013 of the Company as at 31 January 2008 and 31 January 2007 were as follows

|                                  | 31 January 2008       |                  | 31 January 2007       |                  |
|----------------------------------|-----------------------|------------------|-----------------------|------------------|
|                                  | 5p Ordinary<br>Shares | Units of<br>CULS | 5p Ordinary<br>Shares | Units of<br>CULS |
| E F Gittes                       | 200,000               | –                | 200,000               | –                |
| C H B Mills                      | 2,748,000             | –                | 2,664,000             | –                |
| K Siem*                          | –                     | –                | –                     | –                |
| C I A Irby                       | 25,000                | –                | 22,500                | –                |
| O R Grace                        | 80,429                | 321,135          | 80,429                | 321,135          |
| P Swinstead (appointed 25/09/07) | 8,200                 | –                | –                     | –                |

\* Siem Capital International Limited, a company which is indirectly controlled by a trust of which Mr Siem and his family are potential beneficiaries, is ultimately interested in 145,000 Ordinary Shares and 2,000 units of CULS (2007: 95,000 Ordinary Shares and 52,000 units of CULS)

Details of Directors' remuneration and interests in Share Options are described in the Directors' Remuneration Report on pages 31 to 34

Save as disclosed, there have been no changes to the above interests between 31 January 2008 and the date of this report

Save as disclosed above or in note 20 to the Annual Report, no Director was party to or had any interest in any contract or arrangement with the Company at any time during the year

**risk profile**

The Company's risk profile is set out in note 19 to the accounts on pages 68 to 76. The principal risks to the Company and its Shareholders are investment risk, market price risk and foreign currency risk

**group report of the directors**  
*for the year ended 31 January 2008*

**Investment management  
agreements**

Pursuant to the Management, Administration and Custody Agreement dated 7 January 1993, as amended by the Amendment and Restatement Agreement on 19 March 2002 novated in November 2003 to North Atlantic Value LLP, the Joint Manager provides management and administration services to the Company

The Management, Administration and Custody Agreement continues unless thereafter terminated by either party on not less than four 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. The Board reviews the activities of both the Joint Manager and the Chief Executive. 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 Joint Manager, on the terms agreed, is in the best interests of Shareholders. Mr 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 the Joint Manager. The Company's performance over the last year is described in the Chairman's Statement on page 4. The Board considers that the arrangements between the Chief Executive and the Joint Manager continue to work well.

**related party transactions**

Mr Mills, the Chief Executive, is Chief Investment Officer and a member of North Atlantic Value LLP, Joint Manager to the Company. Mr 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 the Joint Manager. Mr Mills is a director of American Opportunity Trust PLC, which was a Subsidiary of the Company until 23 February 2007, when it merged with Oryx International Growth Fund Limited by way of a Scheme of Arrangement under Section 425 of the Companies Act 1985, and North Atlantic Value LLP is its investment manager. Mr Mills is a director and a substantial shareholder of J O Hambro Capital Management Group Limited, the holding company of the Corporate Company Secretary, J O Hambro Capital Management Limited and Designated Members of the Joint Manager. Mr Mills is a director and sole shareholder in Growth Financial Services Limited ("GFS").

Pursuant to the Secondment Services Agreement between the Company, GFS and Mr Mills and the Management, Administration and Custody Agreement between the Company and North Atlantic Value LLP, Mr Mills is responsible for the day-to-day investment decisions in conjunction with the Joint Manager, North Atlantic Value LLP. The Secondment Services Agreement continues until terminated by the Company or GFS on not less than twelve months' notice. Details of the related party transactions and fees payable are disclosed in note 20 on pages 76 to 78 and in the Directors' Remuneration Report on pages 31 to 34. The Investment Management Fees are disclosed in note 3 on pages 52 to 53. The Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report on pages 31 to 34 and note 3 of the financial statements on pages 52 to 53.

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.

**group report of the directors**  
for the year ended 31 January 2008

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>institutional investors –<br/>use of voting rights</b>                           | The Chief Executive and the Joint Manager, in the absence of explicit instruction from the Board, are 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 have considered whether it was appropriate to adopt a voting policy and an investment policy with regard to social, ethical and environmental issues and concluded that it was not appropriate to change the existing arrangements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>creditors' payment policy</b>                                                    | 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 by 31 January 2008 had been paid (31 January 2007 – all supplier invoices paid).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>soft commission</b>                                                              | The Joint Manager receives indirect benefits for certain investment services in the form of soft commission as a result of an agreement with a broker. The value of services supplied may depend upon a minimum threshold of commissions or a percentage of such commissions arising on dealings in securities for all clients including the Company. The practice of best execution is not compromised by this arrangement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>auditors</b>                                                                     | <p>Following the merger of RSM Robson Rhodes LLP and Grant Thornton UK LLP on 2 July 2007, RSM Robson Rhodes LLP resigned as Auditors of the Company and thus created a casual vacancy which was filled by Grant Thornton UK LLP.</p> <p>Special notice is given of a resolution to reappoint Grant Thornton UK LLP as the Company's Auditors which will be proposed at the forthcoming Annual General Meeting.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>statement as to disclosure<br/>of information to auditors</b>                    | So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>explanatory notes for<br/>special business at the<br/>annual general meeting</b> | <p>The following resolutions (if passed) would allow the Board to issue Shares without first offering them to existing Shareholders. Although the Directors have no current intention of exercising either of the authorities (if renewed) to allot Shares or disapply pre-emption rights, they reserve the right to allot Shares at any time.</p> <p><i>Resolution 7 Renewal of Directors' authority to allot shares</i></p> <p>The authority given to the Directors at the last Annual General Meeting to allot Shares expires at the conclusion of this year's meeting. Resolution 7 will renew the authority to allot Shares of the Company on similar terms. If Resolution 7 is passed the Directors will have the authority to allot Shares up to the aggregate nominal amount of £246,253, representing one third of the current issued share capital. This authority will expire at the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this resolution.</p> <p><i>Resolution 8 Renewal of Directors' authority for the disapplication of pre-emption rights</i></p> <p>The authority given to Directors to disapply pre-emption rights expires at the Annual General Meeting. Resolution 8 will renew the disapplication of pre-emption rights thereby authorising the Directors to allot equity securities for cash up to a maximum aggregate renewal amount of £36,938 representing 738,760 Ordinary Shares of 5p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing Shareholders.</p> |

**group report of the directors**  
*for the year ended 31 January 2008*

*Resolution 9 – New articles of association*

It is proposed to adopt new articles of association (the New Articles) with effect from 1 October 2008. The New Articles update the Company's current articles of association (the Current Articles) primarily to take account of changes in English company law brought about by certain provisions of the Companies Act 2006 (CA 2006) that will be in force by or on 1 October 2008.

The principal changes introduced in the New Articles are set out below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the CA 2006 have not been noted.

*1 articles which duplicate statutory provisions*

Provisions in the Current Articles which replicate provisions contained in the CA 2006 are in the main amended to bring them into line with the CA 2006. Certain examples of such provisions, including provisions as to the convening and notice of general meetings and proxies, are detailed below.

*2 form of resolution*

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the CA 2006.

*3 convening and notice of general meetings*

It is proposed that the provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings be amended to conform to the new provisions in the CA 2006. In particular, a general meeting (other than an annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The New Articles also provide the flexibility for general meetings to be held in more than one place.

*4 quorum requirements*

The CA 2006 provides that in general terms the quorum for a general meeting be calculated by reference to the numbers of "qualifying persons" who are present at the meeting, which includes an individual who is a member of the Company, a person authorised under section 323 of the CA 2006 to act as the representative of a corporation, and a person appointed as proxy of a member. As before, it is proposed that the quorum for a general meeting will be two but, in line with the CA 2006, the New Articles make clear that there will be no double counting for qualifying persons who are representatives of the same corporation or proxies of the same member.

**group report of the directors***for the year ended 31 January 2008***5** *proxies*

Under the CA 2006, proxies are entitled to speak at general meetings and to vote on a show of hands. The CA 2006 allows multiple proxies to be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. The New Articles reflect these new rules, as appropriate.

**6** *election of directors by the company*

The opportunity is being taken to propose an update to the provisions on the election of directors so that a member proposing the appointment or re-appointment of a director at a general meeting must give notice of the proposed appointment not less than 14 nor more than 42 days before the date of the relevant meeting. The notice period in the Current Articles is not less than 7 nor more than 42 days before the relevant meeting.

**7** *retirement of directors*

The opportunity is being taken to propose an update to the provisions on retirement of directors so that there is no automatic requirement for the retirement by rotation of one third of the Company's directors at each annual general meeting. The New Articles provide, in accordance with the Combined Code on Corporate Governance, that at each annual general meeting a director shall retire from office if he has been appointed by the board since the previous annual general meeting or it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected.

**8** *vacation of office of director*

The New Articles include updated wording which tightens up the circumstances in which a director must vacate office where the director has become physically or mentally ill. The changes apply a test of whether in the opinion of a medical practitioner the director is rendered incapable by his illness of acting as a director for more than three months or is personally prevented from exercising any powers or rights by a court order.

**9** *expenses*

The New Articles include updated wording in line with the Combined Code on Corporate Governance to the effect that, subject to procedures and guidelines established by the board, a director may be paid out of the funds of the Company all expenses incurred by him in obtaining professional advice in connection with the affairs of the Company or the discharge of his duties as a director.

**group report of the directors**  
*for the year ended 31 January 2008*

*10 directors' interests*

The CA 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the CA 2006, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The CA 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. These include, first, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and second, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation or subsequently if they think this is appropriate.

It is proposed to include provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the board's intention to report annually on the Company's procedures for ensuring that the board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

*11 capitalisation of reserves- employees' share schemes*

The opportunity is being taken to include a new provision which clarifies the approach the Company would take to employees' share schemes in the context of a capitalisation of reserves.

*12 electronic and web communications*

Provisions of the CA 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on a website and a member can always request a hard copy version of the document or information.

**group report of the directors**  
*for the year ended 31 January 2008*

*13 directors' indemnities*

The CA 2006 has in some areas widened the scope of the powers of a company to indemnify directors. In particular, a company can now indemnify a director of a company that is a trustee of an occupational pension scheme against liability incurred in connection with the company's activities as trustee of that scheme. This is reflected in the New Articles. The opportunity is also being taken to clarify that, subject to the applicable legislation, the Company may grant indemnities to directors of associated companies.

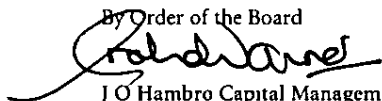
*14 general*

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles to the language of the CA 2006.

Copies of the New Articles will be available for inspection: (a) during normal business hours at the Company's registered office and at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AO, from the date of this circular until the close of the AGM, and (b) at the AGM for at least 15 minutes before and during the meeting.

The resolutions referred to above are contained in the Notice of Annual General Meeting on pages 80 and 81.

By Order of the Board



J O Hambro Capital Management Limited

*Company Secretary*

Registered Office

Ground Floor

Ryder Court

14 Ryder Street

London SW1Y 6QB

Registered No 1091347

14 May 2008

**corporate governance***Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2006*

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code"), issued by the Financial Reporting Council in July 2003 and revised in June 2006, have been applied to the affairs of the company. In applying the principles of the Code, the directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code"), which established the frame work of the best practice specifically for the Boards of investment trust companies.

**directors**

Brief biographical details of the Directors in office are set out on page 3. The Board consists of six Directors, five of whom are Non Executive and considered by the Board to be independent of the Company's Joint Manager for the purposes of the Code. The Board considers that it has the appropriate balance of skills, experience, ages and length of service in the circumstances. The majority of the Board is considered to be independent.

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 a small Board and individual members 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 Directors have no service contracts. The contract for Mr Mills' services as a Director is with Growth Financial Services Limited. The Articles of Association provide that newly appointed Directors are required to submit themselves for election by Shareholders at the General Meeting following their appointment and for all Directors to be re-elected at least once every three years. Your Board has considered the need to appoint a senior independent director but believes that this is not necessary as the majority of the Directors are independent. The Board lays down guidelines within which the Chief Executive and the Joint Manager implement investment policy and has a Schedule of Matters reserved to it. The Chief Executive and the Joint Manager are responsible for managing the Company and its portfolio of assets on a discretionary basis, subject to the supervision of the Board.

The Chairman and other members of the Board recommend that the Directors retiring be re-elected. The Chairman has confirmed that all Directors retiring have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and in his view continue to responsibly fulfil their functions.

**corporate governance**

*Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2006*

**board meetings**

The Board has a schedule of matters reserved to it and sets down matters which require prior approval of the Board. The Chief Executive and Joint Manager carry out day-to-day activities pursuant to the terms of the management arrangements in place. 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<br>in year<br>5 Board<br>Meetings | Total number<br>in year<br>2 Audit<br>Committees | Total number<br>in year<br>1 Remuneration<br>Committee |
|----------------------------------|------------------------------------------------|--------------------------------------------------|--------------------------------------------------------|
| E F Gittes                       | 5                                              | 2                                                | 1                                                      |
| C H B Mills                      | 5                                              | N/A                                              | N/A                                                    |
| K Siem                           | 4                                              | 2                                                | 1                                                      |
| C L A Irby                       | 5                                              | 2                                                | 1                                                      |
| O R Grace                        | 5                                              | 2                                                | 1                                                      |
| P Swinstead (appointed 25/09/07) | 1                                              | N/A                                              | N/A                                                    |

**remuneration committee**

All of the Non-Executive Directors comprise the Remuneration Committee. The Remuneration Committee reviews the remuneration paid to North Atlantic Value LLP and GFS pursuant to the Management Agreements. The remuneration of GFS is disclosed in the Directors' Remuneration Report on pages 31 to 34 and also in note 3 on pages 52 to 53. The remuneration of North Atlantic Value LLP is disclosed in note 3 on pages 52 to 53.

**audit committee**

The Board is supported by an Audit Committee which comprises all of the Non-Executive Directors. The Audit Committee meets representatives of the Joint Manager twice a year, who report on the proper conduct of business in accordance with the regulatory environment in which both the Company and the Joint Manager operate. The Company's Auditors also attend the Committee at its request, at least once a year and comment on their work procedures, the quality and effectiveness of the Company's accounting procedures and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include a review of the risk analysis, effectiveness of the internal control environment, accounting policies and the terms of appointment of the Auditors. 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, their findings and the provision of any non-audit services. The Audit Committee is satisfied that the Auditors are independent.

The Board is satisfied that Grant Thornton UK LLP has adequate policies and safeguards in place to ensure that their objectivity and independence is maintained. The Auditors provide some non-audit services, primarily in the provision of taxation advice. The Audit Committee receive each year a report from the Auditors as to any matters the Auditors consider bear on their independence and which require disclosure to the Company.

**corporate governance**

*Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2006*

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 Joint Manager. 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 Auditors, the Audit Plan, Audit Reports and Corporate Governance Report including the Code. The Audit Committee has considered the need to take out separate insurance cover for Mr Mills. The Audit Committee considers that the Committee as a whole has the relevant and recent financial experience required to carry out its duties and does not consider it appropriate to rely on any one member with financial expertise. The Audit Committee is satisfied that the Auditors are independent notwithstanding the proportion of non audit fees in the year to 31 January 2008. The Audit Committee considers that the Auditors' objectivity and independence is not impaired by the performance by the Auditors of non audit services. The Audit Committee does not consider that the appointment of a third party unfamiliar with the Company to carry out non audit services would benefit Shareholders since they would incur unnecessary additional expense.

The Company carries out its activities using the services of third party service providers, it has no staff of its own.

**shareholder relations**

The Company, through the Chief Executive and Joint Manager, 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 the Chairman and the Chief Executive.

The Notice of the Annual General Meeting sets out the business of the meeting and can be found on pages 80 and 81. The special business is also explained more fully in the Explanatory Notes on pages 21 to 25. Separate resolutions are proposed for each substantive issue.

**nominations committee**

The Board is a small Board and fulfills the function of the Nominations Committee as a whole. The Nominations Committee considers the leadership needs and succession of the Board when making decisions on new appointments. Compatibility with each and every Director is considered a priority. The Board considers that the current size of the Board is the optimum size and does not consider that there are any vacancies. The Nominations Committee met and nominated Mr P E Swinstead to the Board during the year.

**the company secretary**

The Board has direct access to the advice and services of the Corporate Company Secretary, J O Hambro Capital Management Limited, responsible for ensuring that the Board and Committee procedures are followed and that the applicable regulations are complied with. The Corporate Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports.

**Independent professional advice**

There is an agreed procedure for the Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense, having first notified the Chairman.

**accountability and audit**

The Statement of Going Concern is given on the following page and the Board's responsibilities with regard to the financial statements are set out on page 30. The Independent Auditors Report is on pages 35 and 36.

**corporate governance**

*Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2006*

**internal control**

The Board is responsible for the Group'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 Group'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. 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 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.

**going concern**

After making enquiries, 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 concerns basis in preparing these financial statements.

Throughout the year ended 31 January 2008 the Company has complied with the Code, except as follows:

The Company did not comply with the following provisions at any time during the year ended 31 January 2008: A 1.3, A 3.3, A 4.6, A 6.1 as the Board consists of five Non Executive Independent Directors and the Chief Executive, the Board do not consider it appropriate to comply with these Code provisions.

A 7.2 This provision is complied with save that, Non Executive Directors are not appointed for specific terms but their appointment is terminable on one month's notice.

D 1.2 This provision is not strictly complied with insofar as it is the Chief Executive and Joint Manager, who has regular contact with major Shareholders. All Directors attend the Annual General Meeting and are available to communicate with Shareholders.

## statement of directors' responsibilities

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. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors, to the best of their knowledge, state that

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company and Group, and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and Group together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware

- there is no relevant audit information of which the Company's Auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**directors' remuneration report**  
*for the year ended 31 January 2008*

The Board has prepared this Report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An Ordinary Resolution for the approval of this Report will be put to the Members at the forthcoming Annual General Meeting. This is an advisory vote only.

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 35 and 36.

**role and composition**

The Remuneration Committee consists of the Chairman and the Independent Non Executive Directors.

The Remuneration Committee is responsible for determining all aspects of Directors' remuneration. No Director participates in discussions on his own remuneration. The Committee takes independent professional advice where it considers this is appropriate. No such advice has been received in the year.

**non-executive directors**

The fees payable to Non-Executive Directors are agreed by the Board, following the recommendation of the Chairman of the Board and with the assistance of independent external advice on comparable organisations and appointments. Non-Executive Directors' fees are determined by the Board, or by a Committee authorised by the Board, subject to the limits set out in the Company's Articles of Association. During the year, the Board agreed to increase their fees to £19,000 p.a. for Directors and £24,000 p.a. for the Chairman with effect from 1 February 2007 along with a further increase to £20,000 p.a. for Directors with effect from 1 July 2007 (2007: £16,000 p.a. for Directors and £20,000 p.a. for the Chairman). The Board felt that these increases in fees were justifiable as its policy is that the remuneration of Non-Executive Directors should fairly reflect the experience of the Board, the amount of time spent on the business of the Company and be comparable to that of other investment companies that are similar in size and structure. Non-Executive Directors do not have service contracts nor do they have the benefit of notice periods, termination payments, benefits in kind or option schemes.

**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 Growth Financial Services Limited. The Remuneration Committee has no plans to alter the remuneration structure for the Chief Executive. As stated in note 3 on pages 52 to 53 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 since it allows the Chief Executive to monitor the performance of the investee company more closely than would be possible under other circumstances.

**directors' remuneration report***for the year ended 31 January 2008***remuneration of directors (audited)**

| Chief Executive                        | 2008      | 2007      |
|----------------------------------------|-----------|-----------|
|                                        | £         | £         |
| Fees                                   | 19,500    | 16,000    |
| Investment Management and related fees | 1,017,000 | 932,000   |
| Performance fee                        | 1,197,000 | 1,217,000 |
| Total (excluding irrecoverable VAT)    | 2,233,500 | 2,165,000 |

The total fees of £2,233,500, in respect of Mr Mills' services as a Director and Chief Executive are payable to Growth Financial Services Limited ("GFS"), as described on pages 52 to 53. GFS receives, and is contractually entitled to receive, part of the Annual Fee payable to the Joint Managers, (GFS and North Atlantic Value LLP) in respect of the investment management activities of the Chief Executive pursuant to the Investment Management Agreements described on page 20 and note 3 on pages 52 to 53 to the financial statements.

The Performance Fee is a contractual entitlement pursuant to the Secondment Services Agreement dated 7 January 1993 as amended and is paid to GFS.

No pension or other benefits are paid to the Chief Executive.

| Non-Executive Directors                             | 2008   | 2007   |
|-----------------------------------------------------|--------|--------|
|                                                     | £      | £      |
| E F Gittes (Chairman)                               | 24,000 | 20,000 |
| K Siem                                              | 19,500 | 16,000 |
| C L A Irby                                          | 19,500 | 16,000 |
| O R Grace                                           | 19,500 | 12,000 |
| The Hon P D F M Moncreiffe (resigned 27 March 2006) | -      | 3,000  |
| P Swinstead (appointed 25 September 2007)           | 7,000  | -      |
|                                                     | 89,500 | 67,000 |

No Directors receive any benefits in kind.

**service contracts**

No Director has a service contract. The contract for the Chief Executive's services and the carrying on of 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.

**directors' remuneration report**  
for the year ended 31 January 2008

**Interests in options (audited)**

|             | No of<br>options at<br>1 February<br>2007 | Year<br>of grant | Price   | Exercised/<br>cancelled<br>during the<br>year | Grant of<br>options<br>during the<br>year | Price | No of<br>options at<br>31 January<br>2008 |
|-------------|-------------------------------------------|------------------|---------|-----------------------------------------------|-------------------------------------------|-------|-------------------------------------------|
| C H B Mills | 100,000                                   | 2000             | 677 57p | —                                             | —                                         | —     | 100,000*                                  |
|             | 300,000                                   | 2002             | 645 54p | —                                             | —                                         | —     | 300,000                                   |
|             | 200,000                                   | 2003             | 663 80p | —                                             | —                                         | —     | 200,000                                   |
|             | 300,000                                   | 2005             | 875 60p | —                                             | —                                         | —     | 300,000                                   |

\* These Options were granted for nil consideration under the 1994 Executive Share Option Scheme and are exercisable at any time between 30 October 2003 and 30 October 2010

The Options granted in 2002, 2003 and 2005 were granted for nil consideration under the 2002 Executive Share Option Scheme which replaced the 1994 Scheme

The Options granted in 2002 are exercisable at any time between 6 December 2005 and 6 December 2012

The Options granted in 2003 are exercisable at any time between 25 September 2006 and 25 September 2013

The Options granted in 2005 are exercisable at any time between 9 June 2008 and 9 June 2015, subject to the criteria below being met

The 2002 Executive Share Option Scheme is designed to incentivise the Chief Executive and provide the Remuneration Committee with the flexibility to incentivise those individuals contributing to the performance of the Company to achieving exceptional results through stretching performance targets and to deliver success for Shareholders

The 2002 Executive Share Option Scheme permits options to be granted to a maximum of 5% of the current issued Share Capital

The Share Option Scheme is an unapproved scheme. Options will normally be exercisable between three and ten years from the date of grant. Options granted under the 2002 Share Executive Option Scheme may only be exercisable if the fully diluted net asset value of the Company (ignoring dilution on the exercise of Share Options) has grown at a compound rate of five per cent per annum over a period of at least three years following the grant of options and has grown by a percentage at least equal to sixty per cent of the percentage increase in the Sterling adjusted Standard & Poor's 500 Composite Index in the three year period between the date of grant and the third anniversary of the date of the grant of Options. The criteria for the 300,000 Options issued in 2002 and the 200,000 Options issued in 2003 have been met and they are, therefore, now exercisable at any time

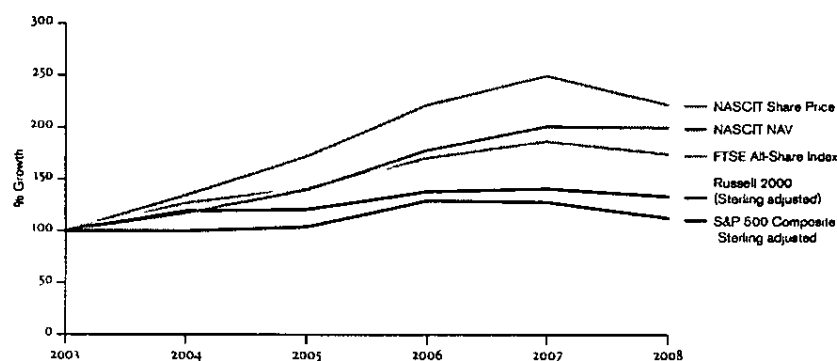
The highest and lowest mid-market price of the Company's Ordinary Shares during the year was 969 5p and 1258 0p respectively. The mid-market price of the Company's Ordinary Shares at 31 January 2008 was 1025 0p

**directors' remuneration report**  
for the year ended 31 January 2008

**company's performance**

The following graph compares over a five 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 5 years as compared to total Shareholder return of a broad equity market index over the last 5 years (Source Financial Data/Datastream)*



The equity market indexes chosen are the Sterling adjusted Russell 2000 and the Sterling adjusted Standard & Poor's 500 Composite Index. After consultation with major Shareholders, 60% of this latter index was selected as the additional equity index-related benchmark to supplement the absolute five per cent per annum growth rate hurdle for the 2002 Executive Option Scheme. The FTSE All-Share Index is also included for comparative purposes as the portfolio currently consists of UK incorporated companies as well as US companies.

This Report was approved by the Board on 14 May 2008 and signed by Enrique Foster Gittes, Chairman

**independent auditors' report**

*to the shareholders of north atlantic smaller companies investment trust plc*

We have audited the Group and Parent Company financial statements ("the financial statements") of North Atlantic Smaller Companies Investment Trust plc for the year ended 31 January 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and Notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This Report is made solely to the Company's Shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Shareholders those matters we are required to state to them in an Auditors' 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 Shareholders as a body, for our audit work, for this Report, or for the opinions we have formed.

**respective responsibilities  
of directors and auditors**

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Group Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Group Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Corporate Governance Statement, Objective of the Company and Financial Highlights, the Sector Analysis of Investments at Fair Value, Twenty Largest Investments and the Unlisted Investments Profile. We consider the implications for our Report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**independent auditors' report**

*to the shareholders of north atlantic smaller companies investment trust plc*

**basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

**opinion**

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the Group as at 31 January 2008, and of its loss for the year then ended,
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of affairs of the Parent Company as at 31 January 2008,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Group Report of the Directors is consistent with the financial statements



Grant Thornton UK LLP

*Chartered Accountants and Registered Auditors*

London, England

14 May 2008

**consolidated income statement**  
for the year ended 31 January

|                                         |       | 2008             |                  |                | 2007             |                  |                |
|-----------------------------------------|-------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                         | Notes | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | total<br>£'000 |
| <b>investments</b>                      |       |                  |                  |                |                  |                  |                |
| Gains on investments                    | 10    | –                | 3,300            | 3,300          | –                | 31,469           | 31,469         |
| Exchange differences                    | 10    | –                | (540)            | (540)          | –                | (43)             | (43)           |
| <b>net investment results</b>           |       | –                | 2,760            | 2,760          | –                | 31,426           | 31,426         |
| <b>income</b>                           | 2     | 5,208            | –                | 5,208          | 3,951            | –                | 3,951          |
| <b>expenses</b>                         |       |                  |                  |                |                  |                  |                |
| Investment management fee               | 3     | (2,512)          | (1,237)          | (3,749)        | (2,430)          | (1,266)          | (3,696)        |
| Other expenses                          | 4     | (954)            | –                | (954)          | (849)            | –                | (849)          |
| Share based remuneration                | 5     | (255)            | –                | (255)          | (322)            | (109)            | (431)          |
| Interest payable and similar charges    | 6     | (366)            | –                | (366)          | (145)            | –                | (145)          |
| <b>total expenses</b>                   |       | <u>(4,087)</u>   | <u>(1,237)</u>   | <u>(5,324)</u> | <u>(3,746)</u>   | <u>(1,375)</u>   | <u>(5,121)</u> |
| <b>share of net return of associate</b> | 10    | –                | (4,223)          | (4,223)        | –                | –                | –              |
| <b>profit before taxation</b>           |       | 1,121            | (2,700)          | (1,579)        | 205              | 30,051           | 30,256         |
| Taxation                                | 7     | –                | –                | –              | (34)             | –                | (34)           |
| <b>transfer to reserves</b>             |       | <u>1,121</u>     | <u>(2,700)</u>   | <u>(1,579)</u> | <u>171</u>       | <u>30,051</u>    | <u>30,222</u>  |
| <b>attributable to</b>                  |       |                  |                  |                |                  |                  |                |
| Equity holders of the parent            |       | 1,272            | (3,021)          | (1,749)        | 224              | 31,171           | 31,395         |
| Minority interest                       | 8     | <u>(151)</u>     | <u>321</u>       | <u>170</u>     | <u>(53)</u>      | <u>(1,120)</u>   | <u>(1,173)</u> |
|                                         |       | <u>1,121</u>     | <u>(2,700)</u>   | <u>(1,579)</u> | <u>171</u>       | <u>30,051</u>    | <u>30,222</u>  |
| <b>return per ordinary share.</b>       |       |                  |                  |                |                  |                  |                |
| Basic                                   | 9     |                  |                  | (12.19)p       |                  |                  | 231.17p        |
| Diluted                                 | 9     |                  |                  | (8.73)p        |                  |                  | 157.25p        |

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").

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51.

All items in the above statement derive from continuing operations.

The notes on pages 46 to 78 form part of these financial statements.

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

| group                                             | Share<br>capital<br>£'000 | CULS<br>reserve<br>£'000 | Share<br>options<br>reserve<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>reserve –<br>realised<br>£'000 |
|---------------------------------------------------|---------------------------|--------------------------|--------------------------------------|--------------------------------------|-------------------------------------------|
| 2008                                              |                           |                          |                                      |                                      |                                           |
| 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)                                   |
| Total recognised income and expense for the year  | –                         | –                        | –                                    | –                                    | 2,327                                     |
| Share Option 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                                   |
| 2007                                              |                           |                          |                                      |                                      |                                           |
| 31 January 2006                                   | 666                       | 48                       | 764                                  | 629                                  | 168,946                                   |
| Total recognised income and expenses for the year | –                         | –                        | –                                    | –                                    | 17,419                                    |
| Premium paid on repurchase of CULS                | –                         | (2)                      | –                                    | –                                    | (2,359)                                   |
| Loss on deemed partial 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                                   |

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51

The notes on pages 46 to 78 form part of these financial statements

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

| Capital<br>reserve –<br>unrealised<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 | Minority<br>interest<br>£'000 | Total<br>£'000 | group                                             |
|---------------------------------------------|-----------------------------|----------------|-------------------------------|----------------|---------------------------------------------------|
| 60,476                                      | (4,908)                     | 241,902        | 7,740                         | 249,642        | 2008<br>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                |
| (7,823)                                     | 1,272                       | (4,224)        | 170                           | (4,054)        | Total recognised income and expenses for the year |
| –                                           | –                           | 255            | –                             | 255            | Share Options expense                             |
| 5,475                                       | 706                         | –              | (7,910)                       | (7,910)        | Arising on deconsolidation of AOT                 |
| –                                           | –                           | 41             | –                             | 41             | Arising on conversion of CULS                     |
| 58,128                                      | (2,930)                     | 237,974        | –                             | 237,974        | 31 January 2008                                   |
| Capital<br>reserve –<br>unrealised<br>£'000 | Reserve<br>revenue<br>£'000 | Total<br>£'000 | Minority<br>interest<br>£'000 | Total<br>£'000 |                                                   |
| 46,724                                      | (5,132)                     | 212,645        | 8,205                         | 220,850        | 2007<br>31 January 2006                           |
| 13,752                                      | 224                         | 31,395         | (1,173)                       | 30,222         | Total recognised income and expenses for the year |
| –                                           | –                           | (2,361)        | –                             | (2,361)        | Premium paid on repurchase of CULS                |
| –                                           | –                           | (119)          | 708                           | 589            | Loss on deemed partial disposal of AOT            |
| 13,752                                      | 224                         | 28,915         | (465)                         | 28,450         | Total recognised income and expenses for the year |
| –                                           | –                           | 322            | –                             | 322            | Share Options expense                             |
| –                                           | –                           | 20             | –                             | 20             | Arising on conversion of CULS                     |
| 60,476                                      | (4,908)                     | 241,902        | 7,740                         | 249,642        | 31 January 2007                                   |

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

| company                                           | Share<br>capital<br>£'000 | CULS<br>reserve<br>£'000 | Share<br>options<br>reserve<br>£'000 | Share<br>premium<br>account<br>£'000 |
|---------------------------------------------------|---------------------------|--------------------------|--------------------------------------|--------------------------------------|
| <b>2008</b>                                       |                           |                          |                                      |                                      |
| 31 January 2007                                   | 689                       | 43                       | 1,086                                | 629                                  |
| Total recognised income and expense for the year  | —                         | —                        | —                                    | —                                    |
| Premium paid on repurchase of CULS                | —                         | —                        | —                                    | —                                    |
| Total recognised income and expenses for the year | —                         | —                        | —                                    | —                                    |
| Share Options expense                             | —                         | —                        | 255                                  | —                                    |
| Arising on conversion of CULS                     | 50                        | (9)                      | —                                    | —                                    |
| 31 January 2008                                   | <u>739</u>                | <u>34</u>                | <u>1,341</u>                         | <u>629</u>                           |
|                                                   | Share<br>capital<br>£'000 | CULS<br>reserve<br>£'000 | Share<br>options<br>reserve<br>£'000 | Share<br>premium<br>account<br>£'000 |
| <b>2007</b>                                       |                           |                          |                                      |                                      |
| 31 January 2006                                   | 666                       | 48                       | 764                                  | 629                                  |
| Total recognised income and expense for the year  | —                         | —                        | —                                    | —                                    |
| Premium paid on repurchase of CULS                | —                         | (2)                      | —                                    | —                                    |
| Total recognised income and expenses for the year | —                         | (2)                      | —                                    | —                                    |
| Share Options expense                             | —                         | —                        | 322                                  | —                                    |
| Arising on conversion of CULS                     | 23                        | (3)                      | —                                    | —                                    |
| 31 January 2007                                   | <u>689</u>                | <u>43</u>                | <u>1,086</u>                         | <u>629</u>                           |

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51

The notes on pages 46 to 78 form part of these financial statements

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

| Capital<br>reserve –<br>realised<br>£'000 | Capital<br>reserve –<br>unrealised<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 | company                                           |
|-------------------------------------------|---------------------------------------------|-----------------------------|----------------|---------------------------------------------------|
| 176,056                                   | 67,461                                      | (4,061)                     | 241,903        | 2008<br>31 January 2007                           |
| 4,759                                     | (8,018)                                     | 1,509                       | (1,750)        | Total recognised income and expenses for the year |
| (2,475)                                   | –                                           | –                           | (2,475)        | Premium paid on repurchase of CULS                |
| 2,284                                     | (8,018)                                     | 1,509                       | (4,225)        | Total recognised income and expenses for the year |
| –                                         | –                                           | –                           | 255            | Share Options expense                             |
| –                                         | –                                           | –                           | 41             | Arising on conversion of CULS                     |
| 178,340                                   | 59,443                                      | (2,552)                     | 237,974        | 31 January 2008                                   |
| Capital<br>reserve –<br>realised<br>£'000 | Capital<br>reserve –<br>unrealised<br>£'000 | Reserve<br>revenue<br>£'000 | Total<br>£'000 |                                                   |
| 160,405                                   | 54,213                                      | (4,401)                     | 212,324        | 2007<br>31 January 2006                           |
| 18,010                                    | 13,248                                      | 340                         | 31,598         | Total recognised income and expense for the year  |
| (2,359)                                   | –                                           | –                           | (2,361)        | Premium paid on repurchase of CULS                |
| 15,651                                    | 13,248                                      | 340                         | 29,237         | Total recognised income and expense for the year  |
| –                                         | –                                           | –                           | 322            | Share Options expense                             |
| –                                         | –                                           | –                           | 20             | Arising on conversion of CULS                     |
| 176,056                                   | 67,461                                      | (4,061)                     | 241,903        | 31 January 2007                                   |

## consolidated and company balance sheets

as at 31 January

|                                                      |       | Group           | Group          | Company         | Company        |
|------------------------------------------------------|-------|-----------------|----------------|-----------------|----------------|
|                                                      |       | 2008            | 2007           | 2008            | 2007           |
|                                                      | Notes | £'000           | £'000          | £'000           | £'000          |
| <b>non current assets</b>                            |       |                 |                |                 |                |
| Investments at fair value through profit or loss     | 10    | 231,820         | 225,644        | 250,748         | 213,187        |
| Investments accounted for using the equity method    | 10    | 18,928          | —              | —               | —              |
| Investment in Subsidiary (AOT)                       |       | —               | —              | —               | 10,805         |
|                                                      |       | <u>250,748</u>  | <u>225,644</u> | <u>250,748</u>  | <u>223,992</u> |
| <b>current assets</b>                                |       |                 |                |                 |                |
| Investments held for trading in Subsidiary Companies |       | 308             | 386            | —               | —              |
| Trade and other receivables                          | 11    | 4,169           | 18,595         | 4,477           | 21,428         |
| Cash and cash equivalents                            |       | 8,504           | 9,497          | 8,504           | 542            |
|                                                      |       | <u>12,981</u>   | <u>28,478</u>  | <u>12,981</u>   | <u>21,970</u>  |
| <b>total assets</b>                                  |       | <u>263,729</u>  | <u>254,122</u> | <u>263,729</u>  | <u>245,962</u> |
| <b>current liabilities</b>                           |       |                 |                |                 |                |
| Bank loans and overdrafts                            | 12    | (9,356)         | (1,407)        | (9,356)         | (1,407)        |
| Investments held for trading – derivatives           | 10    | (612)           | (29)           | (612)           | (29)           |
| Trade and other payables                             | 13    | (15,595)        | (2,137)        | (15,595)        | (1,716)        |
|                                                      |       | <u>(25,563)</u> | <u>(3,573)</u> | <u>(25,563)</u> | <u>(3,152)</u> |
| <b>total assets less current liabilities</b>         |       | <u>238,166</u>  | <u>250,549</u> | <u>238,166</u>  | <u>242,810</u> |
| <b>non current liabilities</b>                       |       |                 |                |                 |                |
| Bank loans                                           | 14    | —               | (664)          | —               | (664)          |
| CULS                                                 | 15    | (192)           | (243)          | (192)           | (243)          |
|                                                      |       | <u>(192)</u>    | <u>(907)</u>   | <u>(192)</u>    | <u>(907)</u>   |
| <b>total liabilities</b>                             |       | <u>(25,755)</u> | <u>(4,480)</u> | <u>(25,755)</u> | <u>(4,059)</u> |
| <b>net assets</b>                                    |       | <u>237,974</u>  | <u>249,642</u> | <u>237,974</u>  | <u>241,903</u> |

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51

The notes on pages 46 to 78 form part of these financial statements

## consolidated and company balance sheets

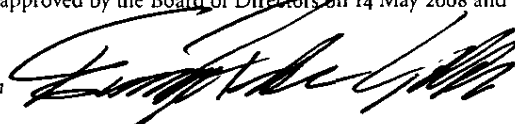
as at 31 January

|                                                            |       | Group          | Group          | Company        | Company        |
|------------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                                            |       | 2008           | 2007           | 2008           | 2007           |
|                                                            | Notes | £'000          | £'000          | £'000          | £'000          |
| <b>represented by:</b>                                     |       |                |                |                |                |
| Share capital                                              | 16    | 739            | 689            | 739            | 689            |
| Equity component of CULS                                   |       | 34             | 43             | 34             | 43             |
| Share options reserve                                      |       | 1,341          | 1,086          | 1,341          | 1,086          |
| Share premium account                                      |       | 629            | 629            | 629            | 629            |
| Capital reserve – realised                                 |       | 180,033        | 183,887        | 178,340        | 176,056        |
| Capital reserve – unrealised                               |       | 58,128         | 60,476         | 59,443         | 67,461         |
| Revenue reserve                                            |       | (2,930)        | (4,908)        | (2,552)        | (4,061)        |
| <b>equity attributable to equity holders of the parent</b> |       | <b>237,974</b> | <b>241,902</b> | <b>237,974</b> | <b>241,903</b> |
| Minority interest                                          |       | –              | 7,740          | –              | –              |
| <b>total equity</b>                                        |       | <b>237,974</b> | <b>249,642</b> | <b>237,974</b> | <b>241,903</b> |
| <b>net asset value per ordinary share</b>                  |       |                |                |                |                |
| Basic                                                      | 9     | 1,611p         | 1,755p         |                |                |
| Diluted                                                    | 9     | 1,209p         | 1,217p         |                |                |

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51

These financial statements were approved by the Board of Directors on 14 May 2008 and signed on its behalf by

Enrique Foster Gittes, *Chairman*



The notes on pages 46 to 78 form part of these financial statements

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

|                                                                      | Notes | 2008<br>£'000 | 2007<br>£'000 |
|----------------------------------------------------------------------|-------|---------------|---------------|
| <b>group</b>                                                         |       |               |               |
| <b>cash flows from operating activities</b>                          |       |               |               |
| Investment income received                                           |       | 4,147         | 2,628         |
| Bank deposit interest received                                       |       | 690           | 630           |
| Other income                                                         |       | 78            | 24            |
| Sale of investments by dealing Subsidiary                            |       | (220)         | 18            |
| Investment Manager's fees paid                                       |       | (3,772)       | (3,569)       |
| Other cash payments                                                  |       | (705)         | (998)         |
| <b>cash received/(expended) from operations</b>                      | 17    | 218           | (1,267)       |
| Bank interest paid                                                   |       | (282)         | (117)         |
| CULS interest paid                                                   |       | (23)          | (29)          |
| Loan renewal expenses                                                |       | —             | (6)           |
| <b>net cash outflow from operating activities</b>                    |       | (87)          | (1,419)       |
| <b>cash flows from investing activities</b>                          |       |               |               |
| Purchases of investments                                             |       | (171,086)     | (180,307)     |
| Sales of investments                                                 |       | 167,098       | 189,613       |
| <b>net cash (outflow)/inflow from investing activities</b>           |       | (3,988)       | 9,306         |
| <b>cash flows from financing activities</b>                          |       |               |               |
| 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           |
| <b>net cash inflow/(outflow) from financing activities</b>           |       | 4,074         | (4,676)       |
| <b>(decrease)/increase in cash and cash equivalents for the year</b> |       | (1)           | 3,211         |
| <b>cash and cash equivalents at the start of the year</b>            |       | 9,497         | 6,429         |
| Arising on deconsolidation of AOT                                    |       | (1,091)       | —             |
| Revaluation of foreign currency balances                             |       | 99            | (143)         |
| <b>cash and cash equivalents at the end of the year</b>              | 18    | <u>8,504</u>  | <u>9,497</u>  |

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51

The notes on pages 46 to 78 form part of these financial statements

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

|                                                                      | Note | 2008<br>£'000 | 2007<br>£'000 |
|----------------------------------------------------------------------|------|---------------|---------------|
| <b>company</b>                                                       |      |               |               |
| <b>cash flows from operating activities</b>                          |      |               |               |
| Investment income received                                           |      | 4,147         | 2,373         |
| Bank deposit interest received                                       |      | 595           | 465           |
| Other income                                                         |      | 78            | 24            |
| Investment Manager's fees paid                                       |      | (3,777)       | (3,369)       |
| Other cash payments                                                  |      | (693)         | (758)         |
| <b>cash received/(expended) from operations</b>                      | 17   | 350           | (1,265)       |
| Bank interest paid                                                   |      | (282)         | (114)         |
| CULS interest paid                                                   |      | (23)          | (29)          |
| Loan renewal expenses                                                |      | —             | (6)           |
| <b>net cash inflow/(outflow) from operating activities</b>           |      | 45            | (1,414)       |
| <b>cash flows from investing activities</b>                          |      |               |               |
| Purchases of investments                                             |      | (165,368)     | (155,161)     |
| Sales of investments                                                 |      | 163,148       | 162,582       |
| <b>net cash (outflow)/inflow from investing activities</b>           |      | (2,220)       | 7,421         |
| <b>cash flows from financing activities</b>                          |      |               |               |
| 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)       |
| Transfers to Subsidiary                                              |      | (7,598)       | (30,351)      |
| Transfers from Subsidiary                                            |      | 13,569        | 24,558        |
| <b>net cash inflow/(outflow) from financing activities</b>           |      | 10,045        | (10,949)      |
| <b>increase/(decrease) in cash and cash equivalents for the year</b> |      | 7,870         | (4,942)       |
| <b>cash and cash equivalents at the start of the year</b>            |      | 542           | 5,581         |
| Revaluation of foreign currency balances                             |      | 92            | (97)          |
| <b>cash and cash equivalents at the end of the year</b>              | 18   | 8,504         | 542           |

The financial statements have been prepared in accordance with the accounting policies on pages 46 to 51

The notes on pages 46 to 78 form part of these financial statements

## notes to the financial statements

## 1 accounting policies

North Atlantic Smaller Companies Investment Trust plc ("NASCII") is a Company incorporated and registered in England and Wales under the Companies Acts 1948 to 1967. The consolidated Annual Report 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")

**Standards that have been adopted during the year**

IFRS 7 Financial Instrument Disclosures

IAS 1 (amendment) Presentation of Financial Statements

**New standards and interpretations not applied**

At the date of authorisation of these financial statements, the following standards and interpretations have not been applied in these financial statements since they were in issue but not yet effective

| <i>International Accounting Standards (IAS/IFRS)</i>                                                                                |                                                                                                   | <i>Effective date</i> |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------|
| IAS 1 (revised) Presentation of Financial Statements Comprehensive revision including requiring a statement of comprehensive income |                                                                                                   | 1 January 2009        |
| IFRS 8                                                                                                                              | Operating Segments                                                                                | 1 January 2009        |
| IAS 23                                                                                                                              | Borrowing Costs (revised March 2007)                                                              | 1 January 2009        |
| <i>International Financial Reporting Interpretations Committee (IFRIC)</i>                                                          |                                                                                                   |                       |
| IFRIC 12                                                                                                                            | Service Concession Arrangements                                                                   | 1 January 2008        |
| IFRIC 13                                                                                                                            | Customer Loyalty Programmes                                                                       | 1 July 2008           |
| IFRIC 14                                                                                                                            | IAS 19 – The Limit on a Defined Benefit Asset, minimum funding requirements and their interaction | 1 January 2008        |

The Directors have chosen not to early adopt these standards and interpretations as they do not anticipate that they would have a material impact on the Group's financial statements in the period of initial application

**(a) basis of preparation/statement of compliance**

The consolidated annual financial statements of the Group and the annual financial statements of the Company have been prepared in conformity with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Accounting Standards and Standing Interpretation Committee, interpretations approved by the International Accounting Standards Committee that remain in effect and to the extent they have been adopted by the European Union. They have also been prepared in accordance with applicable requirements of England and Wales company law and reflect the following policies which have been adopted and applied consistently. The financial statements 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.

**(b) convention**

The financial statements are presented in Sterling rounded to the nearest thousand. The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investments and derivatives designated at fair value through profit or loss.

## notes to the financial statements

1

## accounting policies continued

**(c) basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its wholly owned Subsidiary undertaking, Consolidated Venture Finance Limited, drawn up to 31 January 2008 and the results of its majority owned subsidiary, American Opportunity Trust PLC up to 22 February 2007

Except as shown in (e) below, in accordance with IAS 28 (Investments in Associates), investments where the Company holds, directly or indirectly, more than 20% or more of the voting power of the investee, or otherwise has significant influence, are not accounted for as associates. Instead they are accounted for in the same way as other investments designated as at fair value through profit or loss.

In accordance with the exemptions given by s230 of the Companies Act 1985, the Company has not presented its own Income Statement. The amount of the Company's loss for the financial year dealt with in the accounts of the Group is £1,750,000 (2007: £31,598,000 profit).

**(d) segmental reporting**

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

**(e) oryx**

NASCIT is in position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of Oryx. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of Oryx are incorporated in the consolidated accounts using the equity method of accounting. Oryx is carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of Oryx, less any impairment in the value of individual investments. Losses in Oryx in excess of the Group's interest are not recognised.

**(f) investments**

All non current investments held by the Group are designated at 'fair value through profit or loss'. Investments are initially recognised at cost, being the fair value of the consideration given.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company at 'fair value through profit or loss'.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments recognised in the Income Statement and (apart from those on current asset investments) allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

## notes to the financial statements

## 1 accounting policies continued

## (f) investments continued

Investments are included in the Balance Sheet on the following basis

## (i) quoted at market value on a recognised stock exchange

Securities quoted on recognised stock exchanges are valued at the market bid price and exchange rates ruling at the balance sheet date. With the exception of AIM quoted sets stocks, which are valued at fair value.

Unexpired traded put and call options are held in current liabilities as investments held for trading – derivatives and are revalued to the prevailing fair value at the year-end date.

## (ii) unlisted at market value

Treasury Bills are valued at market value having been adjusted for movements in exchange rates between the dates of purchase and the year-end. Accrued income arising from them is included in debtors.

## (iii) unquoted at directors' estimate of fair value

Unquoted investments, including the subsidiary, included at Directors' estimate of fair value are valued at what the Directors consider to be their fair value and follow the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. This valuation incorporates all factors that market participants would consider in setting a price. Valuations in local currency are translated into Sterling at the exchange rate ruling on the balance sheet date.

## (iv) current asset investments

Investments held by the Subsidiary undertakings are classified as 'held for trading' and are valued at fair value in accordance with the policies set out in 1(f)(i) and 1(f)(iii) above for quoted and unquoted holdings respectively.

Profits or losses on investments 'held for trading' are taken to revenue.

## (g) options

Where put and call option transactions are entered into for investment purposes, the premiums received are taken to the Income Statement and included as capital and the gains or losses arising on their revaluations are recognised in the Income Statement and included as capital likewise.

Premiums received are transferred to the Capital Reserve – realised and gains or losses on revaluation are taken to the Capital Reserve – unrealised. Where an option transaction is in profit at the year-end, the premium received on any open option is spread over the life of that option.

## (h) foreign currency

The currency of the primary economic environment in which the Group operates (the functional currency) is pounds Sterling ("Sterling"), which is also the presentational currency of the Group. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange.

## notes to the financial statements

### 1 accounting policies continued

#### (h) foreign currency continued

Exchange differences arise on settlement of monetary items and from retranslating at the balance sheet date

- investments and other financial instruments measured at fair value through profit or loss, and
- other monetary items

are included in the Income Statement and allocated as capital if they are of a capital nature, or as revenue if they are of a revenue nature

Exchange differences allocated as capital are included in the transfer to Capital Reserve – realised or Capital Reserve – unrealised as appropriate

#### (i) trade date accounting

All “regular way” purchases and sales of financial assets are recognised on the “trade date” i.e. the day that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within a time frame generally established by regulation or convention in the market place

#### (j) income

Dividends receivable on quoted equity shares are taken into account on the ex-dividend date. Where no ex-dividend date is quoted, they are brought into account when the Group’s right to receive payment is established. Other investment income and interest receivable are included in the financial statements on an accruals basis. Dividends received from UK registered companies are accounted for net of imputed tax credits

#### (k) expenses

All expenses are accounted for on an accruals basis and are allocated wholly to revenue with the exception of Performance Fees which are allocated wholly to capital, as the fee is payable by reference to the capital performance of the Group and transaction costs which are allocated to capital

#### (l) share based payments

In accordance with IFRS 2 Share Based Payments, an expense is now recognised in the financial statements relating to the value of share options awarded under the 2002 Executive Share Option Scheme to the Chief Executive and employees of North Atlantic Value LLP

The accounting charge is based on the fair value of each grant, measured at the grant date and is spread over the vesting period. The deemed expense is transferred to the Share Options Reserve

#### (m) cash and cash equivalents

Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand, which form an integral part of the Group’s cash management, are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement

## notes to the financial statements

## 1 accounting policies continued

**(n) bank loans and borrowings**

All bank loans and borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost. Any difference between cost and redemption value has been recognised in the Income Statement over the period of the borrowings on an effective interest basis.

**(o) convertible unsecured loan stock ("CULS") 2013**

Under IFRS, the CULS are deemed to comprise of an equity element and a debt element, rather than just being treated as debt. The equity element was identified when the CULS were issued and reduces as the CULS are either converted or bought back. A CULS Reserve has been created to recognise the equity component.

**(p) taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Corporation tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in Equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates, using the Company's effective rate of tax, as applied to those items allocated to revenue, for the accounting period.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**(q) share capital and reserves**

Share Capital represents the nominal value of equity shares.

Equity component of CULS represents the equity component of convertible unsecured loan stock issued.

Share Options Reserve represents the expense of share based payments. The fair value of Share Options is measured at grant date and spread over the vesting period. The deemed expense is transferred to the Share Options Reserve.

Share Premium Account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Capital Reserve – realised represents capital and exchange gains and losses on the disposal of investments and realisation of foreign currency transactions. In addition, performance fee costs are charged to the Capital Reserve – realised.

## notes to the financial statements

## 1 accounting policies continued

## (q) share capital and reserves continued

Capital Reserve – unrealised represents capital and exchange gains and losses on the revaluation of investments and foreign currency assets and liabilities held at the balance sheet date

Revenue Reserve represents retained profits from the income derived from holding investment assets less the costs associated with running the Company

## 2 income

|                                    | 2008<br>£'000       | 2007<br>£'000       |
|------------------------------------|---------------------|---------------------|
| <b>income from investments</b>     |                     |                     |
| UK dividend income                 | 2,316               | 1,048               |
| Unfranked investment income        |                     |                     |
| – dividends                        | 10                  | 228                 |
| – dividends reinvested             | 228                 | 1,044               |
| – interest                         | 1,609               | 1,296               |
| – interest reinvested              | 477                 | 621                 |
|                                    | <u>4,640</u>        | <u>4,237</u>        |
| <b>other income</b>                |                     |                     |
| Interest receivable                | 694                 | 624                 |
| Dealing losses of Subsidiary       | (204)               | (934)               |
| Warranty fee for investee company  | 15                  | 21                  |
| Indemnity fee for investee company | 1                   | 3                   |
| Sundry income                      | 62                  | –                   |
|                                    | <u>568</u>          | <u>(286)</u>        |
| <b>total income</b>                | <u><u>5,208</u></u> | <u><u>3,951</u></u> |

|                               | 2008<br>£'000 | 2007<br>£'000 |
|-------------------------------|---------------|---------------|
| <b>total income comprises</b> |               |               |
| Dividends                     | 2,554         | 2,320         |
| Interest                      | 2,780         | 2,541         |
| Other income                  | (126)         | (910)         |
|                               | <u>5,208</u>  | <u>3,951</u>  |

|                                | 2008<br>£'000 | 2007<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>income from investments</b> |               |               |
| Listed UK                      | 2,316         | 1,048         |
| Listed overseas                | 3             | 227           |
| Unlisted                       | 2,321         | 2,962         |
|                                | <u>4,640</u>  | <u>4,237</u>  |

## notes to the financial statements

## 3 Investment management fee

- (i) Pursuant to the Secondment Services Agreement, described in the Group Report of the Directors on page 20 and the Directors' Remuneration Report on page 31, Growth Financial Services Limited ("GFS") provides the services of Mr Mills as Chief Executive of the Company, who is responsible for day-to-day investment decisions. Mr Mills is the sole shareholder and a director of GFS. GFS is entitled to receive part of the investment management and related fees payable to GFS and North Atlantic Value LLP as may be agreed between them from time to time.
- (ii) Pursuant to the terms of the Management, Administration and Custody Agreement, described on page 20 of the Group Report of the Directors, North Atlantic Value LLP is entitled to receive a fee (the "Annual Fee") in respect of each financial period equal to the difference between (a) 1% per annum plus VAT based on 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 20, no formal arrangements exist to avoid double charging on investments managed or advised by North Atlantic Value LLP.

- (iii) The Performance Fee, calculated annually to 31 January, is only payable if the investment portfolio outperforms the Sterling adjusted Standard & Poors' 500 Composite Index and 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.
- (iv) In addition to the management fees disclosed in note 3(ii) above, North Atlantic Value LLP is also paid the following:
- an activity fee of £225 per transaction as reimbursement of custodian and related transaction costs incurred on the Company's behalf (see note 4)
  - an investment management related fee of £100,000 per annum (see note 4)

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

|                           | 2008         |              |              | 2007         |              |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                           | Revenue      | Capital      | Total        | Revenue      | Capital      | Total        |
|                           | £'000        | £'000        | £'000        | £'000        | £'000        | £'000        |
| Annual fee                | 2,454        | –            | 2,454        | 2,342        | –            | 2,342        |
| Performance fee           | –            | 1,197        | 1,197        | –            | 1,217        | 1,217        |
| Irrecoverable VAT thereon | 58           | 40           | 98           | 88           | 49           | 137          |
|                           | <u>2,512</u> | <u>1,237</u> | <u>3,749</u> | <u>2,430</u> | <u>1,266</u> | <u>3,696</u> |

At 31 January 2008, £122,000 was payable to the Joint Manager in respect of outstanding management fees (2007: £109,000 plus VAT) and £1,197,000 plus VAT was payable to GFS in respect of the outstanding Performance Fee (2007: £1,217,000 plus VAT).

## notes to the financial statements

**3 investment management fee continued**

In 2004, the Association of Investment Companies ("AIC") and JP Morgan Claverhouse Investment Trust plc launched a case against HM Revenue & Customs ("HMRC") in which they claimed that management fees charged 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 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 Joint Manager and are still to be determined. On the basis of this, no contingent asset has been disclosed.

The irrecoverable VAT charged during the year has been affected as a consequence of the above ruling. The Company was charged VAT on fees for the quarters to 30 April, 31 July and 31 October 2007, but no VAT was charged for the quarter to 31 January 2008.

**4 other expenses**

|                                                   | 2008<br>£'000 | 2007<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| Directors' fees (see pages 31 to 34)              | 109           | 83            |
| Investment management related fee (see note 3)    | 100           | 100           |
| Activity fees (see note 3)                        | 75            | 128           |
| AOT Liquidation costs                             | 350           | —             |
| Other expenses (including Auditors' remuneration) | 320           | 538           |
|                                                   | <u>954</u>    | <u>849</u>    |

|                                                                                           | 2008<br>£'000 | 2007<br>£'000 |
|-------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Auditors' remuneration</b>                                                             |               |               |
| Fees payable to the Company's Auditor for the audit of the financial statements           | 28            | 25            |
| Fees payable to the Company's Auditor and its associates for other services               |               |               |
| – Audit of the financial statements of the Company's Subsidiaries pursuant to legislation | 1             | 15            |
| – Other services relating to taxation                                                     | 13            | 13            |
| – All other services                                                                      | 3             | 7             |
|                                                                                           | <u>45</u>     | <u>60</u>     |

Fees payable to the Company's Auditor, Grant Thornton UK LLP and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Company's Group financial statements are required by the Companies (Disclosure of Auditor Remuneration) Regulations 2005, regulation 5 (1), to disclose such fees on a consolidated basis.

## notes to the financial statements

## 5 share based remuneration

|                                                            | 2008       |          |            | 2007       |            |            |
|------------------------------------------------------------|------------|----------|------------|------------|------------|------------|
|                                                            | Revenue    | Capital  | Total      | Revenue    | Capital    | Total      |
|                                                            | £'000      | £'000    | £'000      | £'000      | £'000      | £'000      |
| Charge for year per IFRS 2 (see note 1(l))                 | 255        | –        | 255        | 322        | –          | 322        |
| Cost of repurchasing AOT management options<br>(see below) | –          | –        | –          | –          | 109        | 109        |
|                                                            | <u>255</u> | <u>–</u> | <u>255</u> | <u>322</u> | <u>109</u> | <u>431</u> |

A list of the Options in issue are shown below,

| No of options<br>at 1 February 2007 | Year of<br>grant | Price   | Exercised/<br>cancelled<br>during the year | Grant of<br>options during<br>the year | Price | No of Options<br>at 31 January 2008 |
|-------------------------------------|------------------|---------|--------------------------------------------|----------------------------------------|-------|-------------------------------------|
| 100,000                             | 2000             | 677 57p | –                                          | –                                      | –     | 100,000                             |
| 355,000                             | 2002             | 654 54p | –                                          | –                                      | –     | 355,000                             |
| 237,500                             | 2003             | 663 80p | –                                          | –                                      | –     | 237,500                             |
| 337,500                             | 2005             | 875 60p | –                                          | –                                      | –     | 337,500                             |

Further details of Options are disclosed on page 33 and in note 16 on page 67

During the previous year the AOT Management Options reached their exercise date and, accordingly, some Options were exercised and some were repurchased by AOT. The £109,000 charge represents the cost to AOT of repurchasing these Options.

## 6 interest payable and similar charges

|                              | 2008       | 2007       |
|------------------------------|------------|------------|
|                              | £'000      | £'000      |
| On bank loans and overdrafts | 343        | 109        |
| Interest on CULS             | 23         | 29         |
| Loan amendment fee           | –          | 7          |
|                              | <u>366</u> | <u>145</u> |

## notes to the financial statements

## 7 taxation on ordinary activities

|                   | 2008     | 2007      |
|-------------------|----------|-----------|
|                   | £'000    | £'000     |
| Overseas taxation | —        | 34        |
|                   | <u>—</u> | <u>34</u> |

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below

|                                                                            | 2008     | 2007      |
|----------------------------------------------------------------------------|----------|-----------|
|                                                                            | Total    | Total     |
|                                                                            | £'000    | £'000     |
| Total return on ordinary activities before taxation                        | (1,579)  | 30,256    |
| Theoretical tax at UK Corporation tax rate of 30% (2007 30%)               | (473)    | 9,077     |
| Effects of                                                                 |          |           |
| Non taxable capital return                                                 | 439      | (9,395)   |
| UK dividends which are not taxable                                         | (695)    | (314)     |
| Increase in tax losses, disallowable expenses<br>and offshore income gains | 729      | 642       |
| Relief for irrecoverable overseas tax suffered                             | —        | (10)      |
| Overseas tax which is not recoverable                                      | —        | 34        |
| Actual current tax charge                                                  | <u>—</u> | <u>34</u> |

## Factors that may affect future tax charges

The Group has tax losses of £15,377,000 (2007 £15,516,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those losses which will be recoverable only to the extent that the Group has sufficient future taxable revenue.

Of the Group tax losses shown above, the Parent Company has tax losses of £15,377,000 (2007 £13,648,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those losses, which will be recoverable only to the extent that the Company has sufficient future taxable revenue.

The Company carries out its activities as an investment trust and the intention is to continue meeting the conditions required to obtain approval in the foreseeable future. Therefore, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

## notes to the financial statements

## 8 minority interest

On 23 February 2007 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. All the assets and liabilities of AOT have been transferred to it. Under the terms of the scheme, AOT shareholders received 322 New Oryx ordinary shares for every 1,000 AOT shares, and thus the Company received 3,254,741 New Oryx ordinary shares. No cash consideration was received. As a result of the merger, the Company held 21.72% of the total voting rights in Oryx.

In the Company's accounts, as a result of the merger, the value of the Company's investment in AOT at close of 22 February 2007 has been transferred to the investment in Oryx at nil gain or loss. In the Group accounts, the effect of the consolidation of AOT in the Group accounts has been removed and replaced with the investment in Oryx accounted for using the equity method as it is an Associate of the Group.

The movements in the minority interest during the year are as follows:

|                                                                     | 2008     | 2007         |
|---------------------------------------------------------------------|----------|--------------|
|                                                                     | £        | £            |
| As at 1 February                                                    | 7,740    | 8,205        |
| Share of AOT's revenue return to 22 February 2007 (31 January 2007) | (151)    | (53)         |
| Share of AOT's capital return to 22 February 2007 (31 January 2007) | 321      | (1,120)      |
| Cash received on exercise of options                                | —        | 589          |
| Gain on deemed disposal of AOT from NASCIT                          | —        | 119          |
| Arising on deconsolidation of AOT                                   | (7,910)  | —            |
|                                                                     | <u>—</u> | <u>7,740</u> |

## notes to the financial statements

## 9 return per ordinary share and net asset value per ordinary share

## Consolidated return per Ordinary Share

|                             | Revenue              |                    |                    | Capital              |                    |                    | Total                |                    |                    |
|-----------------------------|----------------------|--------------------|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
|                             | *Net return<br>£'000 | Ordinary<br>Shares | Per Share<br>pence | *Net return<br>£'000 | Ordinary<br>Shares | Per Share<br>pence | *Net return<br>£'000 | Ordinary<br>Shares | Per Share<br>pence |
| <b>2008</b>                 |                      |                    |                    |                      |                    |                    |                      |                    |                    |
| 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)            |
| Option conversion**         | –                    | 377,878            |                    | –                    | 377,878            |                    | –                    | 377,878            |                    |
| CULS***                     | 25                   | 5,019,049          |                    | –                    | 5,019,049          |                    | 25                   | 5,019,049          |                    |
| Diluted return<br>per Share | <u>1,297</u>         | <u>19,747,190</u>  | <u>6.57</u>        | <u>(3,021)</u>       | <u>19,747,190</u>  | <u>(15.30)</u>     | <u>(1,724)</u>       | <u>19,747,190</u>  | <u>(8.73)</u>      |
| <b>2007</b>                 |                      |                    |                    |                      |                    |                    |                      |                    |                    |
| Basic return per Share      | 224                  | 13,581,129         | 1.65               | 31,171               | 13,581,129         | 229.52             | 31,395               | 13,581,129         | 231.17             |
| Option conversion**         | –                    | 310,700            |                    | –                    | 310,700            |                    | –                    | 310,700            |                    |
| CULS***                     | 30                   | 6,092,348          |                    | –                    | 6,092,348          |                    | 30                   | 6,092,348          |                    |
| Diluted return<br>per Share | <u>254</u>           | <u>19,984,177</u>  | <u>1.27</u>        | <u>31,171</u>        | <u>19,984,177</u>  | <u>155.98</u>      | <u>31,425</u>        | <u>19,984,177</u>  | <u>157.25</u>      |

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 average share price during the year was greater than the conversion price

## notes to the financial statements

## 9 return per ordinary share and net asset value per ordinary share continued

## Consolidated net asset value per Ordinary Share

The consolidated net asset value per Ordinary Share calculated in accordance with the Articles of Association is as follows

|                 |           | Net asset value<br>per Share |        |
|-----------------|-----------|------------------------------|--------|
|                 |           | 2008                         | 2007   |
| Ordinary Shares | – Basic   | 1,611p                       | 1,755p |
|                 | – Diluted | 1,209p                       | 1,217p |

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)

## 10 investments

## a Investments at fair value through profit or loss

|                                 | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|---------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Quoted at fair value            |                        |                        |                          |                          |
| United Kingdom                  | 103,173                | 91,296                 | 122,101                  | 99,570                   |
| Overseas                        | 13,982                 | 37,841                 | 13,982                   | 27,915                   |
| Total quoted investments        | 117,155                | 129,137                | 136,083                  | 127,485                  |
| Treasury bills at fair value    | 20,336                 | 17,135                 | 20,336                   | 17,135                   |
| Unlisted at fair value          | 94,329                 | 79,372                 | 94,329                   | 79,372                   |
| Total investments at fair value | 231,820                | 225,644                | 250,748                  | 223,992                  |

## notes to the financial statements

## 10 investments continued

| group                                                         | Listed<br>equities<br>£'000 | AIM<br>quoted<br>£'000 | Unlisted<br>equities<br>£'000 | Loan<br>stocks<br>£'000 | Treasury<br>Bills<br>£'000 | Total<br>£'000 |
|---------------------------------------------------------------|-----------------------------|------------------------|-------------------------------|-------------------------|----------------------------|----------------|
| <b>analysis of investment portfolio movements</b>             |                             |                        |                               |                         |                            |                |
| Opening bookcost as at 1 February 2007                        | 55,192                      | 28,534                 | 52,517                        | 12,322                  | 16,949                     | 165,514        |
| Opening unrealised appreciation/(depreciation)                | 24,373                      | 21,038                 | 16,422                        | (1,889)                 | 186                        | 60,130         |
| <b>opening valuation as at 1 February 2007</b>                | <b>79,565</b>               | <b>49,572</b>          | <b>68,939</b>                 | <b>10,433</b>           | <b>17,135</b>              | <b>225,644</b> |
| Movements in year                                             |                             |                        |                               |                         |                            |                |
| Transfers                                                     | 2,712                       | 2,456                  | 115                           | (5,283)                 | –                          | –              |
| Purchases at cost                                             | 38,562                      | 8,773                  | 25,499                        | 11,430                  | 98,046                     | 182,310        |
| Sales – proceeds                                              | (25,482)                    | (6,987)                | (23,447)                      | (4,166)                 | (90,689)                   | (150,771)      |
| – realised gains/(losses) on sales                            | 6,375                       | 1,096                  | (511)                         | (59)                    | (957)                      | 5,944          |
| Transfer to equity accounted investments                      |                             |                        |                               |                         |                            |                |
| – bookcost                                                    | (11,285)                    | –                      | –                             | –                       | –                          | (11,285)       |
| – unrealised appreciation                                     | (12,721)                    | –                      | –                             | –                       | –                          | (12,721)       |
| On deconsolidation of AOT                                     |                             |                        |                               |                         |                            |                |
| – bookcost                                                    | (6,703)                     | (763)                  | –                             | –                       | (3,486)                    | (10,952)       |
| – unrealised appreciation/(depreciation)                      | 5,959                       | (87)                   | –                             | –                       | –                          | 5,872          |
| (Decrease)/increase in unrealised appreciation/(depreciation) | (17,082)                    | 3,195                  | 10,358                        | 1,021                   | 287                        | (2,221)        |
| <b>closing valuation as at 31 January 2008</b>                | <b>59,900</b>               | <b>57,255</b>          | <b>80,953</b>                 | <b>13,376</b>           | <b>20,336</b>              | <b>231,820</b> |
| Closing bookcost as at 31 January 2008                        | 59,371                      | 33,109                 | 54,173                        | 14,244                  | 19,863                     | 180,760        |
| Closing unrealised appreciation/(depreciation)                | 529                         | 24,146                 | 26,780                        | (868)                   | 473                        | 51,060         |
|                                                               | <u>59,900</u>               | <u>57,255</u>          | <u>80,953</u>                 | <u>13,376</u>           | <u>20,336</u>              | <u>231,820</u> |
| <b>company</b>                                                |                             |                        |                               |                         |                            |                |
| <b>analysis of investment portfolio movements</b>             |                             |                        |                               |                         |                            |                |
| Opening bookcost as at 1 February 2007                        | 47,968                      | 27,771                 | 52,560                        | 12,322                  | 16,949                     | 157,570        |
| Opening unrealised appreciation/(depreciation)                | 30,770                      | 20,976                 | 16,379                        | (1,889)                 | 186                        | 66,422         |
| <b>opening valuation as at 1 February 2007</b>                | <b>78,738</b>               | <b>48,747</b>          | <b>68,939</b>                 | <b>10,433</b>           | <b>17,135</b>              | <b>223,992</b> |
| Movement in year                                              |                             |                        |                               |                         |                            |                |
| Transfers                                                     | 2,712                       | 2,456                  | 115                           | (5,283)                 | –                          | –              |
| Purchases at cost                                             | 38,543                      | 8,773                  | 25,524                        | 11,430                  | 94,559                     | 178,829        |
| Sales – proceeds                                              | (25,719)                    | (6,987)                | (23,447)                      | (4,166)                 | (90,689)                   | (151,008)      |
| – realised gains/(losses) on sales                            | 6,362                       | 1,096                  | (512)                         | (59)                    | (956)                      | 5,931          |
| (Decrease)/increase in unrealised appreciation/(depreciation) | (21,808)                    | 3,170                  | 10,334                        | 1,021                   | 287                        | (6,996)        |
| <b>closing valuation as at 31 January 2008</b>                | <b>78,828</b>               | <b>57,255</b>          | <b>80,953</b>                 | <b>13,376</b>           | <b>20,336</b>              | <b>250,748</b> |
| Closing bookcost as at 31 January 2008                        | 69,866                      | 33,109                 | 54,240                        | 14,244                  | 19,863                     | 191,322        |
| Closing unrealised appreciation/(depreciation)                | 8,962                       | 24,146                 | 26,713                        | (868)                   | 473                        | 59,426         |
|                                                               | <u>78,828</u>               | <u>57,255</u>          | <u>80,953</u>                 | <u>13,376</u>           | <u>20,336</u>              | <u>250,748</u> |

## notes to the financial statements

## 10 investments continued

|                                                                  | Listed<br>equities<br>£'000 | AIM<br>quoted<br>£'000 | Unlisted<br>equities<br>£'000 | Loan<br>stocks<br>£'000 | Treasury<br>Bills<br>£'000 | Total<br>£'000 |
|------------------------------------------------------------------|-----------------------------|------------------------|-------------------------------|-------------------------|----------------------------|----------------|
| <b>group</b>                                                     |                             |                        |                               |                         |                            |                |
| <b>analysis of investment portfolio movements</b>                |                             |                        |                               |                         |                            |                |
| Opening bookcost as at 1 February 2006                           | 59,502                      | 17,646                 | 45,022                        | 15,923                  | 29,028                     | 167,121        |
| Opening unrealised appreciation/(depreciation)                   | 34,336                      | 2,109                  | 13,094                        | (1,657)                 | (181)                      | 47,701         |
| <b>opening valuation as at 1 February 2006</b>                   | <b>93,838</b>               | <b>19,755</b>          | <b>58,116</b>                 | <b>14,266</b>           | <b>28,847</b>              | <b>214,822</b> |
| <b>Movements in year</b>                                         |                             |                        |                               |                         |                            |                |
| Transfers                                                        | (1,342)                     | 4,322                  | 5,012                         | (7,992)                 | —                          | —              |
| Purchases at cost                                                | 29,613                      | 15,346                 | 20,714                        | 9,216                   | 107,861                    | 182,750        |
| Sales – proceeds                                                 | (38,297)                    | (12,410)               | (29,944)                      | (4,335)                 | (117,926)                  | (202,912)      |
| – realised gains/(losses) on sales                               | 5,716                       | 3,630                  | 11,713                        | (490)                   | (2,014)                    | 18,555         |
| (Decrease)/increase in unrealised<br>appreciation/(depreciation) | (9,963)                     | 18,929                 | 3,328                         | (232)                   | 367                        | 12,429         |
| <b>closing valuation as at 31 January 2007</b>                   | <b>79,565</b>               | <b>49,572</b>          | <b>68,939</b>                 | <b>10,433</b>           | <b>17,135</b>              | <b>225,644</b> |
| Closing bookcost as at 31 January 2007                           | 55,192                      | 28,534                 | 52,517                        | 12,322                  | 16,949                     | 165,514        |
| Closing unrealised appreciation/(depreciation)                   | 24,373                      | 21,038                 | 16,422                        | (1,889)                 | 186                        | 60,130         |
|                                                                  | <b>79,565</b>               | <b>49,572</b>          | <b>68,939</b>                 | <b>10,433</b>           | <b>17,135</b>              | <b>225,644</b> |
| <b>company</b>                                                   |                             |                        |                               |                         |                            |                |
| <b>analysis of investment portfolio movements</b>                |                             |                        |                               |                         |                            |                |
| Opening bookcost as at 1 February 2006                           | 48,328                      | 17,215                 | 45,065                        | 15,923                  | 26,803                     | 153,334        |
| Opening unrealised appreciation/(depreciation)                   | 39,990                      | 2,190                  | 13,051                        | (1,657)                 | (194)                      | 53,380         |
| <b>opening valuation as at 1 February 2006</b>                   | <b>88,318</b>               | <b>19,405</b>          | <b>58,116</b>                 | <b>14,266</b>           | <b>26,609</b>              | <b>206,714</b> |
| <b>Movement in year</b>                                          |                             |                        |                               |                         |                            |                |
| Transfers                                                        | (1,342)                     | 4,322                  | 5,012                         | (7,992)                 | —                          | —              |
| Purchases at cost                                                | 16,348                      | 14,583                 | 20,714                        | 9,216                   | 97,053                     | 157,914        |
| Sales – proceeds                                                 | (21,270)                    | (12,214)               | (29,944)                      | (4,335)                 | (104,987)                  | (172,750)      |
| – realised gains/(losses) on sales                               | 5,904                       | 3,865                  | 11,713                        | (490)                   | (1,920)                    | 19,072         |
| (Decrease)/increase in unrealised<br>appreciation/(depreciation) | (9,220)                     | 18,786                 | 3,328                         | (232)                   | 380                        | 13,042         |
| <b>closing valuation as at 31 January 2007</b>                   | <b>78,738</b>               | <b>48,747</b>          | <b>68,939</b>                 | <b>10,433</b>           | <b>17,135</b>              | <b>223,992</b> |
| Closing bookcost as at 31 January 2007                           | 47,968                      | 27,771                 | 52,560                        | 12,322                  | 16,949                     | 157,570        |
| Closing unrealised appreciation/(depreciation)                   | 30,770                      | 20,976                 | 16,379                        | (1,889)                 | 186                        | 66,422         |
|                                                                  | <b>78,738</b>               | <b>48,747</b>          | <b>68,939</b>                 | <b>10,433</b>           | <b>17,135</b>              | <b>223,992</b> |

## notes to the financial statements

## 10 investments continued

|                                                                     | 2008           | 2007           |
|---------------------------------------------------------------------|----------------|----------------|
|                                                                     | £'000          | £'000          |
| <b>analysis of capital gains and losses</b>                         |                |                |
| Realised gains on sales                                             | 5,944          | 18,555         |
| Appreciation dealt with last year                                   | (1,906)        | (7,734)        |
|                                                                     | <u>4,038</u>   | <u>10,821</u>  |
| Additional unrealised (depreciation)/appreciation                   | (315)          | 20,163         |
|                                                                     | <u>3,723</u>   | <u>30,984</u>  |
| Net premiums on sale of options held for trading                    | 141            | 440            |
| Movement in valuation of unexpired put options                      | (587)          | 214            |
| Losses on loan repayment                                            | (13)           | (83)           |
| Movement in valuation of escrow                                     | 36             | (86)           |
|                                                                     | <u>3,300</u>   | <u>31,469</u>  |
| <b>gains on investments</b>                                         |                |                |
| Realised gains on sales                                             | 65             | —              |
| Unrealised appreciation                                             | (4,288)        | —              |
|                                                                     | <u>(4,223)</u> | <u>—</u>       |
| <b>gains on equity accounted investments</b>                        |                |                |
|                                                                     | <u>(4,223)</u> | <u>—</u>       |
|                                                                     |                |                |
|                                                                     | 2008           | 2007           |
|                                                                     | £'000          | £'000          |
| Realised exchange losses on capital items                           | (67)           | (133)          |
| Realised exchange losses on escrow                                  | —              | (29)           |
| Unrealised exchange (losses)/gains on capital items<br>and currency | (473)          | 99             |
| Unrealised exchange gains on forward currency contract              | —              | 20             |
|                                                                     | <u>(540)</u>   | <u>(43)</u>    |
| <b>exchange differences</b>                                         |                |                |
|                                                                     | <u>(540)</u>   | <u>(43)</u>    |
|                                                                     |                |                |
|                                                                     | 2008           | 2007           |
|                                                                     | £'000          | £'000          |
| <b>portfolio analysis</b>                                           |                |                |
| Equity shares                                                       | 182,215        | 176,812        |
| Convertible preference securities                                   | 15,893         | 21,264         |
| Fixed interest securities                                           | 13,376         | 10,433         |
| Treasury Bills                                                      | 20,336         | 17,135         |
|                                                                     | <u>231,820</u> | <u>225,644</u> |

## notes to the financial statements

## 10 investments continued

## b Subsidiary undertaking

At 31 January 2008 the Company has the following Subsidiary

| Subsidiary                            | Principal activity | %<br>equity held | Country of registration |
|---------------------------------------|--------------------|------------------|-------------------------|
| Consolidated Venture Finance Limited* | Security trading   | 100.00%          | England and Wales       |

This Subsidiary was active during the year

\* Directly held by the Company at a cost of less than £1,000

At 31 January 2007, the Company also had the following Subsidiaries

| Subsidiary                        | Principal Activity | %<br>equity held | Country of registration |
|-----------------------------------|--------------------|------------------|-------------------------|
| American Opportunity Trust PLC    | Investment trust   | 58.26%           | England and Wales       |
| LOT Limited (indirect Subsidiary) | Security trading   | 100.00%          | England and Wales       |

On 23 February 2007 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. All of the assets and liabilities of AOT have been transferred to it. 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.

## c Associates

As a result of the merger of AO1 and Oryx, in the Group accounts Oryx is recognised as an Associate and the results of that Company have been accounted for in the Group accounts as an Associate under the equity method of accounting.

At 31 January 2008, the Company held 7,115,690 Ordinary shares representing 28.67% of the total voting rights in Oryx.

## notes to the financial statements

## 10 investments continued

## c Associates continued

The carrying value of the investment in associate in the Consolidated Balance Sheet using the equity method is as follows

|                                                         | £'000          |
|---------------------------------------------------------|----------------|
| Cost of share of Oryx on recognition as Associate       | 11,285         |
| Unrealised appreciation                                 | <u>12,721</u>  |
| Valuation of share of Oryx on recognition as Associate* | 24,006         |
| Sales – proceeds                                        | (855)          |
| – realised gains on sales                               | 65             |
| Decrease in unrealised appreciation                     | <u>(4,288)</u> |
| Closing valuation at 31 January 2008                    | <u>18,928</u>  |

\* Valuation 28 February 2007 being closest available valuation

The following financial information for Oryx has been extracted from its unaudited interim results for the six months ended 30 September 2007

|                         | £'000   |
|-------------------------|---------|
| Net assets              | 79,289  |
| Net loss for the period | (2,615) |

Oryx is traded on the London Stock Exchange. The value at bid price at 31 January 2008 was £17,362,000

## notes to the financial statements

## 10 investments continued

## d Significant holdings

At the year-end, the Group and Company held 20% or over of the aggregate nominal value of voting equity of the following companies, all of which are incorporated and registered in England and Wales, unless stated

|                                                                         |                       | 31 January<br>2008<br>% | 31 January<br>2007<br>% |
|-------------------------------------------------------------------------|-----------------------|-------------------------|-------------------------|
| BPE Holdings                                                            | – Ordinary Shares     | 21.4                    | –                       |
| Castle Support Services PLC                                             | – Ordinary Shares     | 24.6                    | –                       |
| DM Technical Services Limited                                           | – Ordinary Shares     | –                       | 22.9                    |
| Hampton Trust Group                                                     | – units               | 72.0                    | –                       |
| Jaffer Holdings Corporation (USA)                                       | – Common Stock        | 33.0                    | 33.0                    |
| Jarvis Porter Group PLC                                                 | – Ordinary Shares     | 27.6                    | 27.6                    |
| Mister Car Wash Inc (USA)                                               | – Common Stock        | –                       | 21.6                    |
| Motherwell Bridge Limited                                               | – Ordinary Shares     | 33.3                    | 33.3                    |
| Nationwide Accident Repair<br>Services PLC                              | – Ordinary Shares     | 23.2                    | 22.3                    |
| NAV Bidco Limited                                                       | – Ordinary Shares     | 37.2                    | –                       |
| Orthoplastics Ltd                                                       | – Ordinary Shares     | 40.0                    | 40.0                    |
| Oryx International Growth<br>Fund Limited<br>(incorporated in Guernsey) | – Ordinary Shares     | 28.7                    | 29.2                    |
|                                                                         | – Ordinary “C” Shares | –                       | 10.0                    |
| Worldport Communications<br>Inc (USA)                                   | – Common Stock        | 45.9                    | 45.9                    |

## e Investments held for trading – derivatives

|                                       | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|---------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Valuation of unexpired<br>put options | (612)                  | (29)                   | (612)                    | (29)                     |
|                                       | <u>(612)</u>           | <u>(29)</u>            | <u>(612)</u>             | <u>(29)</u>              |

## f Investments deposited as collateral

Where US Treasury Bills or investments are required in accordance with United States SEC regulations to be deposited with brokers as cover for option transactions, these may be held to the order of these brokers until the relevant option positions are closed. At 31 January 2008, US Treasury Bills with a market value of £3,264,000 were deposited with brokers (2007: £3,302,000).

## notes to the financial statements

## 10 investments continued

## g Transaction costs

During the year, the Group incurred total transaction costs of £301,000 (2007 £358,000) comprising £56,000 (2007 £196,000) and £45,000 (2007 £162,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the Consolidated Income Statement.

## 11 trade and other receivables

|                                   | Group        | Group         | Company      | Company       |
|-----------------------------------|--------------|---------------|--------------|---------------|
|                                   | 2008         | 2007          | 2008         | 2007          |
|                                   | £'000        | £'000         | £'000        | £'000         |
| Amounts due from brokers          | –            | 13,417        | –            | 9,961         |
| Amounts owed by Subsidiary        | –            | –             | 789          | 6,846         |
| Accrued income                    | 486          | 762           | 486          | 713           |
| Forward currency contract accrual | –            | 20            | –            | –             |
| Other debtors                     | 3,683        | 4,396         | 3,202        | 3,908         |
|                                   | <u>4,169</u> | <u>18,595</u> | <u>4,477</u> | <u>21,428</u> |

## 12 bank loans and overdrafts falling due in less than one year

|                                               | Group        | Group        | Company      | Company      |
|-----------------------------------------------|--------------|--------------|--------------|--------------|
|                                               | 2008         | 2007         | 2008         | 2007         |
|                                               | £'000        | £'000        | £'000        | £'000        |
| Canadian \$2 million term bank loan 27/06/08  | 998          | 1,407        | 998          | 1,407        |
| Euro €8 million term bank loan 27/06/08       | 5,958        | –            | 5,958        | –            |
| Sterling £2.4 million term bank loan 14/02/08 | 2,400        | –            | 2,400        | –            |
|                                               | <u>9,356</u> | <u>1,407</u> | <u>9,356</u> | <u>1,407</u> |

During the year repayments totalling Canadian \$1,250,000 were made. The remaining amount of Canadian \$2,000,000 is due for repayment on 27 June 2008.

During the year, further Euro draw downs of €7,000,000 were made. The loan is due for repayment on 27 June 2008.

During the year £2,400,000 was drawn down. On 14 February 2008, this loan was rolled to 27 June 2008.

## notes to the financial statements

## 13 trade and other payables

|                              | Group         | Group        | Company       | Company      |
|------------------------------|---------------|--------------|---------------|--------------|
|                              | 2008          | 2007         | 2008          | 2007         |
|                              | £'000         | £'000        | £'000         | £'000        |
| Amounts received in advance  | 5,000         | –            | 5,000         | –            |
| Amounts due to brokers       | 8,883         | 347          | 8,883         | –            |
| Other creditors and accruals | 1,712         | 1,790        | 1,712         | 1,716        |
|                              | <u>15,595</u> | <u>2,137</u> | <u>15,595</u> | <u>1,716</u> |

## 14 bank loans falling due after more than one year

|                                    | Group    | Group      | Company  | Company    |
|------------------------------------|----------|------------|----------|------------|
|                                    | 2008     | 2007       | 2008     | 2007       |
|                                    | £'000    | £'000      | £'000    | £'000      |
| Euro €1 million term loan 27/06/08 | –        | 664        | –        | 664        |
|                                    | <u>–</u> | <u>664</u> | <u>–</u> | <u>664</u> |

On 4 December 2006, Euro €1 million was drawn down and is due for repayment on 27 June 2008. It is now falling due in less than one year so is included in note 12.

## 15 debenture loan – convertible unsecured loan stock ("CULS") 2013

|                              | 2008             | 2008       | 2007             | 2007       |
|------------------------------|------------------|------------|------------------|------------|
|                              | No units         | £'000      | No units         | £'000      |
| <b>group and company</b>     |                  |            |                  |            |
| Balance at beginning of year | 5,711,107        | 243        | 6,393,625        | 272        |
| Converted during the year    | (994,263)        | (41)       | (467,518)        | (20)       |
| Bought back in year          | (200,000)        | (10)       | (215,000)        | (9)        |
| Balance at end of year       | <u>4,516,844</u> | <u>192</u> | <u>5,711,107</u> | <u>243</u> |

Following the introduction of IFRS, the CULS are deemed to include an equity component as well as debt. As explained in note 1 (o), an adjustment is made to the book value of these CULS, accordingly and this is transferred to a CULS Reserve.

The CULS were issued in units of 5p. The CULS 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 year ended 31 January 2008, 994,263 (2007: 467,518) CULS units were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p.

Also during the year ended 31 January 2008, 200,000 (2007: 215,000) CULS units were purchased for cancellation at an average rate of 1.242p per unit (2007: 1.102p).

The remaining CULS units are convertible into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p one month after despatch of the audited accounts in each of the years 2008 to 2013 inclusive. Interest at the rate of 0.5p gross per 5p unit per annum is payable on 31 January each year.

## notes to the financial statements

## 16 share capital

|                                | 2008<br>Number | 2008<br>£'000 | 2007<br>Number | 2007<br>£'000 |
|--------------------------------|----------------|---------------|----------------|---------------|
| <b>- authorised</b>            |                |               |                |               |
| As at 31 January               |                |               |                |               |
| Ordinary Shares of 5p          | 27,000,000     | 1,350         | 27,000,000     | 1,350         |
| <b>- issued and fully paid</b> |                |               |                |               |
| Ordinary Shares of 5p          |                |               |                |               |
| Balance at beginning of year   | 13,780,945     | 689           | 13,313,427     | 666           |
| Conversion of CULS             | 994,263        | 50            | 467,518        | 23            |
| Balance at end of year         | 14,775,208     | 739           | 13,780,945     | 689           |

During the year, 994,263 (2007 467,518) CULS units were converted into Ordinary Shares of 5p as detailed in note 15

There are contingent rights to subscribe for Ordinary Shares of 5p each pursuant to

- (i) 1994 Executive Share Option Scheme 100,000 Ordinary Shares at 677.57p per share exercisable at any time between 30 October 2003 and 30 October 2010, and
- (ii) 2002 Executive Share Option Scheme (a) 355,000 Ordinary Shares at 645.54p per share exercisable at any time between 6 December 2005 and 6 December 2012, (b) 237,500 options were granted at 663.80p exercisable at any time between 25 September 2006 and 25 September 2013, (c) 337,500 Ordinary Shares at 875.60p per share exercisable at any time between 9 June 2008 and 9 June 2015

The exercise of Options under the 2002 Executive Share Option Scheme is subject to certain performance criteria as detailed in the Director's Remuneration Report on page 33. At the date of this report, both the criteria for the 355,000 Options exercisable at 645.54p per Share and for the 237,500 Options exercisable at 663.80p per Share had been met.

These Options totalling 1,030,000 (2007 1,030,000), include those granted to the Chief Executive, details of which are given on page 33 in the Directors' Remuneration Report. The balance of the Options have been granted to investment management employees of the Joint Manager.

## notes to the financial statements

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

|                                                                            | Group<br>2008<br>£'000 | Group<br>2007<br>£'000 | Company<br>2008<br>£'000 | Company<br>2007<br>£'000 |
|----------------------------------------------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Total return from ordinary activities<br>before finance costs and taxation | (1,213)                | 30,401                 | (1,385)                  | 31,743                   |
| (Gains)/losses on investments                                              | (2,760)                | (31,426)               | 2,023                    | (32,524)                 |
| Share based remuneration                                                   | 255                    | 322                    | 255                      | 322                      |
| Share of net return of associate                                           | 4,223                  | –                      | –                        | –                        |
| Reverse provision for Subsidiary                                           | –                      | –                      | 85                       | 756                      |
| AOT management options                                                     | –                      | 109                    | –                        | –                        |
| Dividends and interest reinvested                                          | (705)                  | (1,665)                | (705)                    | (1,665)                  |
| Decrease/(increase) in debtors and<br>accrued income                       | 70                     | (4)                    | 140                      | (7)                      |
| Changes relating to investments of<br>dealing Subsidiary                   | (15)                   | 951                    | –                        | –                        |
| Increase/(decrease) in creditors and accruals                              | 363                    | 79                     | (63)                     | 113                      |
| tax on investment income                                                   | –                      | (34)                   | –                        | (3)                      |
| Cash expended from operations                                              | <u>218</u>             | <u>(1,267)</u>         | <u>350</u>               | <u>(1,265)</u>           |

**18 analysis of net cash**

|                           | At<br>1 February<br>2007<br>£'000 | Arising on<br>deconsolidation<br>of AOT<br>£'000 | Cash<br>flow<br>£'000 | Exchange<br>movement<br>£'000 | At<br>31 January<br>2008<br>£'000 |
|---------------------------|-----------------------------------|--------------------------------------------------|-----------------------|-------------------------------|-----------------------------------|
| Group                     |                                   |                                                  |                       |                               |                                   |
| Cash and cash equivalents | <u>9,497</u>                      | <u>(1,091)</u>                                   | <u>(1)</u>            | <u>99</u>                     | <u>8,504</u>                      |
| Company                   |                                   |                                                  |                       |                               |                                   |
| Cash and cash equivalents | <u>542</u>                        | <u>–</u>                                         | <u>7,870</u>          | <u>92</u>                     | <u>8,504</u>                      |

**19 financial instruments and risk profile**

An explanation of the Group's financial risk management objectives, policies and strategy can be found in the Group Report of the Directors on pages 16 to 25

The Group's financial instruments comprise its investment portfolio, cash balances, derivatives contracts, borrowing facilities, loan stock and trade receivables and trade payables that arise directly from its operations. Note 1 (on pages 46 to 51) sets out the accounting policies, including criteria for recognition and the basis for measurement, applied to significant financial instruments excluding cash at bank and bank loans which are carried at fair value. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised.

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.

## notes to the financial statements

**19 financial instruments and risk profile continued**

The main risks arising from the Group'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 Company Secretary in close cooperation with the Board of Directors and the Joint Managers, coordinates the Group's risk management. The policies for managing each of these risks are summarised below and have been applied throughout the year.

**(i) market price risk**

The fair value or future cash flows of a financial instrument held by the Group 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 reviews and agrees policies for managing these risks, which policies have remained substantially unchanged from those applying in the year ended 31 January 2007. The Joint Managers assess 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.

**currency risk**

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 Joint Managers monitor the Group's exposure to foreign currencies on a daily basis and reports to the Board on a regular basis. The Joint Managers measure the risk to the Group of the foreign currency exposure by considering the effect on the net asset value and income of a movement in the rates of exchange to which the Group's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings and forward currency contracts are used to limit the Group's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are used also to achieve the portfolio characteristics that assist the Group in meeting its investment objectives. These borrowings and contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies. At 31 January 2008, the Group had one open forward currency contract which expired on 14 May 2008 (2007: two).

Income denominated in foreign currencies is converted to Sterling on receipt. The Group does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

## notes to the financial statements

## 19 financial instruments and risk profile continued

The Group's financial assets comprise equity investments, fixed interest securities, derivatives, trade receivables and cash balances

The Group finances its investment activities through the Group's Ordinary Share Capital, Reserves, derivatives and borrowings. The Group's financial liabilities comprise its multi-currency loan facility, bank overdraft, CULS, derivatives and trade payables

At 31 January 2008, the currency cash flow profile of those financial assets and liabilities was

|                                                              | US Dollar     | Canadian        | Euro        |
|--------------------------------------------------------------|---------------|-----------------|-------------|
|                                                              | £'000         | Dollar<br>£'000 | £'000       |
| Non current investments at fair value through profit or loss | 62,244        | –               | 5,958       |
| Trade and other receivables                                  | 1,694         | 1,377           | –           |
| Cash and cash equivalents                                    | 1,059         | 1               | 1           |
| Multi-currency loan facility                                 | –             | (998)           | (5,958)     |
| Trade and other payables                                     | (5)           | (5)             | (32)        |
| Put options on investments                                   | (612)         | –               | –           |
| Total net foreign currency exposure                          | <u>64,380</u> | <u>375</u>      | <u>(31)</u> |

At 31 January 2007, the currency cash flow profile of those financial assets and liabilities was

|                                                              | US Dollar     | Canadian        | Euro       |
|--------------------------------------------------------------|---------------|-----------------|------------|
|                                                              | £'000         | Dollar<br>£'000 | £'000      |
| Non current investments at fair value through profit or loss | 82,345        | –               | 664        |
| Investments held for trading in                              |               |                 |            |
| Subsidiary Company                                           | 5             | –               | –          |
| Trade and other receivables                                  | 4,052         | 11,723          | –          |
| Cash and cash equivalents                                    | 794           | 654             | –          |
| Multi-currency loan facility                                 | –             | (1,407)         | (664)      |
| Trade and other payables                                     | (197)         | (6)             | (5)        |
| Put options on investments                                   | (29)          | –               | –          |
| Total net foreign currency exposure                          | <u>86,970</u> | <u>10,964</u>   | <u>(5)</u> |

## notes to the financial statements

**19 financial instruments and risk profile** continued

Sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at each balance sheet date and takes account of forward currency contracts that offset the effects of changes in currency exchange rates

If Sterling had weakened against the US Dollar by 10%, this would have increased the net assets by £7,153,000 (2007 £9,663,000)

If Sterling had strengthened against the US Dollar by 10%, this would have decreased the net assets by £5,853,000 (2007 decrease of £7,906,000)

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 Group's objectives

**interest rate risk**

Interest rate movements may affect,

- the fair value of the investments in fixed interest rate securities (including unquoted loans),
- the level of income receivable on cash deposits,
- the fair value of the Company's issued CULS, and
- the interest payable on the Group's variable rate borrowings

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 and borrowing under the multi-currency loan facility

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

The Group finances part of its activities through borrowings at levels approved and monitored by the Board

Derivative contracts are not used to hedge against the exposure to interest rate risk

At 31 January 2008 the Company has investments with exposure to fixed rate interest rate risk totalling £16,619,000 (2007 £24,563,000) and investments with exposure to floating rate interest rate risk totalling £20,336,000 (2007 £17,135,000)

The Company also has borrowings with exposure to fixed rate interest rate risk totalling £9,356,000 (2007 £1,407,000)

## notes to the financial statements

## 19 financial instruments and risk profile continued

## loans and borrowings

| group and company                 | Effective<br>interest rate | Maturity         | 31 January<br>2008<br>£'000 | 31 January<br>2007<br>£'000 |
|-----------------------------------|----------------------------|------------------|-----------------------------|-----------------------------|
| <b>current</b>                    |                            |                  |                             |                             |
| Bank overdraft                    | 7.00%                      | On demand        | —                           | —                           |
| Term loan – Canadian \$2 million  | 5.37%                      | 27 June 2008     | 998                         | 1,407                       |
| Term loan – Euro €8 million       | 4.85%                      | 27 June 2008     | 5,958                       | —                           |
| Term loan – Sterling £2.4 million | 6.58%                      | 14 February 2008 | 2,400                       | —                           |
| <b>non current</b>                |                            |                  |                             |                             |
| Term loan – Euro €1 million       | 4.85%                      | 27 June 2008     | —                           | 664                         |
| CULS                              | 5.00%                      | 31 May 2013      | 192                         | 243                         |
|                                   |                            |                  | <u>9,548</u>                | <u>2,314</u>                |

**bank overdraft**

The Company has a facility of up to US\$15.6 million with the Bank of New York, which is repayable on demand. At the year-end, the bank overdraft was £nil (2007: £nil). Any interest due is payable on a monthly basis.

**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 year ended 31 January 2008, 994,263 (2007: 467,518) 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 year ended 31 January 2008, the Company purchased 200,000 (2007: 215,000) units of CULS for cancellation at a total cost of £2,485,000 (2007: £2,370,000).

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.

## notes to the financial statements

## 19 financial instruments and risk profile continued

**term bank loans**

As at 31 January 2008, the Company has a multi-currency loan Revolving Credit Facility of up to £9 million (which expires on 31 July 2008). All loan drawdowns are repayable in full on maturity, unless rolled over for a further agreed period.

Interest is payable on the loans on a quarterly basis and the rate is fixed for the duration of the drawdown.

Both the interest due and the principal are payable in the relevant currency of the drawdown.

Further information on the financial liabilities is given in notes 12 and 14 (multi-currency loan facility and bank overdraft) and note 15 (CULS).

Sensitivity analysis is based on the Group's monetary financial instruments held at each balance sheet date with all other variables held constant.

If interest rates rose by 100 basis points this would decrease net assets by £9,000 (2007: £15,000).

If interest rates fell by 100 basis points this would increase net assets by £9,000 (2007: £15,000).

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 borrowings are drawn down and repaid during the year.

**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 Group's exposure to 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. As at the year-end, the spread of the Group's investment portfolio analysed by sector was as set out on page 6.

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 Joint Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Joint Managers' compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation.

When appropriate, derivative contracts are used to hedge against the exposure to price risk.

## notes to the financial statements

## 19 financial instruments and risk profile continued

The Group's exposure to other changes in market prices at 31 January 2008 on its quoted and unquoted investments and options on investments was as follows

|                                                                            | 2008    | 2007    |
|----------------------------------------------------------------------------|---------|---------|
|                                                                            | £'000   | £'000   |
| Financial assets at fair value through profit or loss                      |         |         |
| – Non current investments at fair value through profit or loss             | 231,820 | 225,644 |
| Financial assets at fair value through profit or loss and held for trading |         |         |
| – Current asset investments                                                | 308     | 386     |
| Current liabilities                                                        |         |         |
| – Put options on investments                                               | (612)   | (29)    |

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 Group's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Group's equities and equity exposure through options at each balance sheet date, with all other variables held constant.

|                                | 2008                               |                                    | 2007                               |                                    |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                | Increase in<br>fair value<br>£'000 | Decrease in<br>fair value<br>£'000 | Increase in<br>fair value<br>£'000 | Decrease in<br>fair value<br>£'000 |
| Increase/(decrease) net assets | 23,213                             | (23,213)                           | 22,603                             | (22,603)                           |

## (ii) liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not significant as the Group invests in equities and other investments that are readily realisable. The Group had a multi-currency loan facility of £9 million and an overdraft facility of US\$15.6 million as at 31 January 2008. Details of contractual maturities of the financial liabilities are shown on page 65.

## (iii) credit risk

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 counterparties, each having an immaterial effect on the Group's cash flows, should a default happen.

## notes to the financial statements

## 19 financial instruments and risk profile continued

## fair value of financial assets and financial liabilities

The fair value for each class of financial assets and liabilities, compared with the corresponding amount in the balance sheet were as follows (trade receivables and trade payables, are excluded from the comparison, as their carrying amounts are a reasonable approximation of their fair value)

|                                                                            | 31 January 2008 |                     | 31 January 2007 |                     |
|----------------------------------------------------------------------------|-----------------|---------------------|-----------------|---------------------|
|                                                                            | Fair value      | Balance sheet value | Fair value      | Balance sheet value |
|                                                                            | £'000           | £'000               | £'000           | £'000               |
| <b>financial assets</b>                                                    |                 |                     |                 |                     |
| Financial assets at fair value through profit or loss                      |                 |                     |                 |                     |
| – Non current assets                                                       | 231,820         | 231,820             | 225,644         | 225,644             |
| Financial assets at fair value through profit or loss and held for trading |                 |                     |                 |                     |
| – Current asset investments                                                | 308             | 308                 | 386             | 386                 |
| Loans and receivables                                                      |                 |                     |                 |                     |
| – Cash and cash equivalents                                                | 8,504           | 8,504               | 9,497           | 9,497               |
|                                                                            | <u>240,632</u>  | <u>240,632</u>      | <u>235,527</u>  | <u>235,527</u>      |
| <b>financial liabilities</b>                                               |                 |                     |                 |                     |
| Financial assets at fair value through profit or loss and held for trading |                 |                     |                 |                     |
| – Put options on investments                                               | (612)           | (612)               | (29)            | (29)                |
| Other financial liabilities                                                |                 |                     |                 |                     |
| – Multi-currency loan                                                      | (9,356)         | (9,356)             | (2,071)         | (2,071)             |
| – CULS                                                                     | (45,259)        | (192)               | (65,549)        | (243)               |
|                                                                            | <u>(55,227)</u> | <u>(10,160)</u>     | <u>(67,649)</u> | <u>(2,343)</u>      |

## fair values are derived as follows

- Where assets and liabilities are denominated in a foreign currency, they are converted into Sterling using year-end rates of exchange
- Financial assets (non current and held for trading) – as set out in the accounting policies on pages 46 to 51
- Cash and cash equivalents, bank overdraft and multi-currency loan – at face value of the account
- The Company's CULS – at the offer price at which they are quoted on the London Stock Exchange

## 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

## notes to the financial statements

The Company's capital at 31 January comprises

|                                                   | 2008<br>£'000  | 2007<br>£'000  |
|---------------------------------------------------|----------------|----------------|
| <b>Debt</b>                                       |                |                |
| Borrowings under the multi-currency loan facility | 9,356          | 2,071          |
| CULS                                              | 192            | 243            |
| <b>Equity</b>                                     |                |                |
| Equity share capital                              | 739            | 689            |
| Retained earnings and other reserves              | 237,235        | 248,953        |
|                                                   | <u>247,522</u> | <u>251,956</u> |
| Debt as a % of net assets                         | 4%             | 1%             |

The Board, with the assistance of the Joint Managers 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 Joint Managers' 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

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

The Company is subject to several externally imposed capital requirements, including

- the bank borrowings under the multi-currency loan facility are not to exceed 35% of the adjusted net asset value and the minimum adjusted net asset value is £135m

These requirements are unchanged since last year, and the Company has complied with them

## 20 related party transactions

The Joint Manager, North Atlantic Value LLP, is regarded as a related party of the Company and acts as Investment Manager or Investment Adviser of the following companies in which the Company has an investment and from which companies the Joint Manager receives fees or other incentives for its services. The amounts payable to the Joint Manager are disclosed in note 3. The relationships between the Company, its Directors and the Joint Managers are disclosed in the Group Report of the Directors on pages 16 to 25.

## notes to the financial statements

## 20 related party transactions continued

The relevant companies and the annual fees receivable as derived from the last audited accounts are

|                                        | Services                                    | Fees       |
|----------------------------------------|---------------------------------------------|------------|
| American Opportunity Trust PLC         | Administration and<br>Investment Management | £272,000   |
| Oryx International Growth Fund Limited | Investment Advisory                         | £710,000   |
| Trident Private Equity I P             | Investment Advisory                         | \$67,000   |
| Worldport Communications Inc           | Investment Management                       | £nil       |
| Trident Private Equity II LP           | Investment Advisory                         | £1,523,000 |

J O Hambro Capital Management Limited (the Corporate Company Secretary) is a Designated Member of North Atlantic Value LLP and receives fees from the following entities in which the Company has an investment

|                | Services                               | Fees       |
|----------------|----------------------------------------|------------|
| Wichford P L C | Joint Management<br>and Administration | £1,523,000 |

J O Hambro Capital Management Limited has a 50% interest in Wichford Property Management Limited which provides property management services to Wichford P L C in which the Company invests. Wichford Property Management Limited receives an annual management fee of 0.6% of assets under management for the services it provides to Wichford P L C.

Christopher Mills is Chief Investment Officer and a member of North Atlantic Value LLP. He is also a substantial shareholder of J O Hambro Capital Management Group Limited (one of the two Designated Members of North Atlantic Value I LP) and the holding company of the Corporate Company Secretary.

**disclosure of interests**

Christopher Mills, the Chief Executive and Investment Manager is also a director of Oryx International Growth Fund Limited ("Oryx").

North Atlantic Value LLP is investment manager to Oryx and investment adviser to Trident Private Equity I P and Trident Private Equity II LP and receives fees from them.

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 options or shares: Castle Support Services plc, Catalyst Media Group plc, Sunlink Health Systems Inc, Darby Glass Ltd, NAV Bidco Limited, Crucible Equity Limited, Bionostics Limited, Hampton Trust Group, GEI Group Limited, Izodia PLC, Jarvis Porter Group PLC, Mid-States PLC, Nationwide Accident Repair Services PLC, Paramount Restaurants Limited, Second London American Trust PLC (in members' voluntary liquidation), VTR PLC, LESCO, Inc, AllianceOne, Inc, Santa Maria Foods, Inc, Trident North Atlantic Fund, Oryx International Growth Fund Limited, Primesco, Inc, W-H Energy Services, Inc, Mister Car Wash, Inc, Worldport Communications, Inc, Glass America, Inc, Sterling Construction, Inc, Progeny, Inc, Inspired Gaming Group PLC, Cross Border Limited and Jaffer Holdings Inc. Employees of the Joint Manager may hold options over shares in investee companies. A total of £124,000 in directors fees from these companies was received by Christopher Mills during the year under review.

## notes to the financial statements

**20 related party transactions continued**

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 the Joint Manager Members and private clients of the Joint Manager (excluding Christopher Mills and the Chairman) hold 84,050 shares in the Company (2007 84,050)

Members and employees of the Joint Manager, and institutional and private clients of the Joint Manager, North Atlantic Value LLP may co-invest in the same investments as the Company

Enrique Foster Gittes is a director of LESCO, Inc in which the Company has an interest

From time to time Directors may co-invest in the same investments as the Company

Oliver Grace is a director of Second London American Trust PLC (in members' voluntary liquidation) and Oliver Grace and his associates hold 21,238,447 shares in Second London American Trust PLC (in members' voluntary liquidation)

**transaction with other companies in the group**

At 31 January 2008 amounts due from the wholly owned subsidiary Consolidated Venture Finance Limited ("CVF") were £789,000 (2007 £6,846,000)

**21 commitments and contingent liabilities**

- (i) At the year-end, there were no unexpired call options (2007 none), giving the holder at any time prior to expiry, the right to purchase investments from the Group at the stated exercise price As set out in note 1(f), the premiums received for writing such options and the movements in valuation of call options unexpired at the balance sheet date are recognised in the Capital reserve The maximum potential liability to which the Group was exposed at the balance sheet date, in respect of call options, totalled £nil (2007 £nil)
- (ii) At the year-end, there was one unexpired put option (2007 two), giving the holders at any time prior to expiry, the right to require the Group to purchase investments at the stated exercise price As set out in note 1(f), the premiums received for writing such options and the movements in valuation of put options unexpired at the balance sheet date are recognised in the Capital reserve At 31 January 2008, changes in the put option valuations showed a net loss of £587,000 (2007 £214,000 gain) The maximum potential liability to which the Group was exposed at the balance sheet date, in respect of put options, totalled £2,259,000 (2007 £2,727,000)

directors and advisers

**Directors**

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

**Joint Manager**

North Atlantic Value LLP  
*(Authorised and regulated by the Financial Services Authority)*  
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**Company Secretary & Registered Office**

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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**

Allied Irish Bank, plc  
St Helen's  
1 Undershaft  
London EC3A 8AB

## notice of annual general meeting

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of North Atlantic Smaller Companies Investment Trust PLC will be held on Thursday 26 June 2008, at 12 noon in the Board Room, Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB for the following purposes

**ordinary business**

- 1 To receive and approve the Group Report of the Directors and the audited financial statements for the year ended 31 January 2008
- 2 To approve the Directors' Remuneration Report
- 3 To re-elect Mr E F Gittes as a Director of the Company
- 4 To elect Mr P E Swinstead as a Director of the Company
- 5 To re-elect Mr C H B Muls as a Director of the Company

**special business**

To consider the following resolutions of which resolution 8 will be proposed as a special resolution

**6 special resolution – re-appointment of auditors**

To re-appoint Grant Thornton UK LLP as Auditors and authorise the Directors to determine their remuneration, special notice having been given

**7 ordinary resolution – renewal of Directors' authority to allot shares**

THAT the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £246,253 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to Section 80 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities

**8 special resolution – renewal of Directors' authority for the disapplication of pre-emption rights**

THAT, subject to and conditional upon the passing of resolution number 7 above, the Directors be empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash as if Section 89 of the Act did not apply to any such allotment provided that this power shall be limited to

- (1) the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all the Ordinary shareholders are proportionate (as nearly as may be) to the respective number of equity securities held by them subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body, and

notice of annual general meeting

- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £36,938, and shall expire at the conclusion of the Annual General Meeting of the Company after the date of the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired

9 **special resolution - new articles of association**

That with effect from 1 October 2008 the articles of association produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the current articles of association of the Company

Dated this 14th day of May 2008

By order of the Board

J O Hambro Capital Management Limited  
Company Secretary

Registered Office  
Ground Floor, Ryder Court  
14 Ryder Street  
London  
SW1Y 6QB

Registered No 1091347

**notes**

- 1 Any member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her place. A proxy need not be a member of the Company. A form of proxy is enclosed. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 2 To be valid, completed forms must be received at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4LU not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.
- 3 The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
  - a) the register of Directors' interests in shares of the Company,
  - b) there are no service contracts.
- 4 The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those Shareholders registered in the register of members of the Company as at 6pm on 24 June 2007 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

## shareholder information

|                           |                                                                                                                                                                                                                                                     |                               |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| <b>financial calendar</b> | Preliminary results                                                                                                                                                                                                                                 | May                           |
|                           | Annual Report                                                                                                                                                                                                                                       | May                           |
|                           | Annual General Meeting                                                                                                                                                                                                                              | June                          |
|                           | Interim figures announced                                                                                                                                                                                                                           | September                     |
|                           | Interim Report posted                                                                                                                                                                                                                               | September                     |
| <b>share price</b>        | The Company's mid-market share price is quoted daily in the Financial Times appearing under "Investment Companies"                                                                                                                                  |                               |
|                           | It also appears on                                                                                                                                                                                                                                  |                               |
|                           | Reuters                                                                                                                                                                                                                                             | convertible Loan Stock NASp L |
|                           | Bloomberg                                                                                                                                                                                                                                           | NAS LN                        |
|                           | SEAQ Ordinary Shares                                                                                                                                                                                                                                | NAS                           |
| <b>net asset value</b>    | Trustnet                                                                                                                                                                                                                                            | www.trustnet.ltd.uk           |
|                           | The latest net asset value of the Company can be found on the North Atlantic Value LLP website <a href="http://www.navalueltd.co.uk">www.navalueltd.co.uk</a>                                                                                       |                               |
|                           |                                                                                                                                                                                                                                                     |                               |
|                           |                                                                                                                                                                                                                                                     |                               |
|                           |                                                                                                                                                                                                                                                     |                               |
| <b>share dealing</b>      | Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.                                                                                  |                               |
|                           | The Company's registrars are 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 <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a> |                               |
|                           | 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                                                                                                                                                                                                                                        |                               |
|                           |                                                                                                                                                                                                                                                     |                               |
|                           |                                                                                                                                                                                                                                                     |                               |

## form of proxy

I/We, the undersigned, being (a) members(s) of the above-named Company,

Name(s) in full

(BLOCK LETTERS PLEASE)

hereby appoint the Chairman of the Meeting or

(see note 3)

as my/own proxy to vote for me/us and on my/our behalf at the Annual General Meeting on the Company to be held on 26 June 2008 and at any adjournment thereof, in the following manner

- |                                                                                                                                            | For* | Against* | Vote Withheld |
|--------------------------------------------------------------------------------------------------------------------------------------------|------|----------|---------------|
| 1 the resolution to receive and approve the Group Report of the Directors and the financial statements for the year ended 31 January 2008, |      |          |               |
| 2 the resolution to approve the Directors' Remuneration Report,                                                                            |      |          |               |
| 3 the resolution to re-elect Mr E F Gittes as a Director of the Company,                                                                   |      |          |               |
| 4 the resolution to elect Mr P E Swinstead as a Director of the Company,                                                                   |      |          |               |
| 5 the resolution to re-elect Mr C H B Mills as a Director of the Company,                                                                  |      |          |               |
| 6 the special resolution to re-appoint Grant Thornton UK LLP as Auditors and to authorise the Directors to determine their remuneration,   |      |          |               |
| 7 the ordinary resolution to renew the annual authority to allot Shares,                                                                   |      |          |               |
| 8 the special resolution to renew the disapplication of pre-emption rights,                                                                |      |          |               |
| 9 the special resolution to adopt new Articles of Association of the Company                                                               |      |          |               |

\* PLEASE INDICATE BY MARKING 'X' IN THE APPROPRIATE SPACE HOW YOU WISH YOUR VOTE TO BE CAST UNLESS SO INDICATED THE PROXY WILL VOTE OR ABSTAIN AS HE/SHE THINKS FIT

As WITNESS my/our hand(s) this

day of

2008

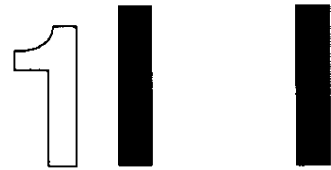
Signature

## Notes

- 1 If this form is returned without any indication as to how the person appointed as proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting
- 2 This form of proxy, duly signed, and any power of attorney under which it is executed must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or an adjourned meeting
- 3 A member may appoint one or more proxies of his own choice by deleting the reference to the Chairman and inserting the name of his proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 4 A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney.
- 5 In the case of joint holders, this form may be signed by any one of the holders, but the names of all of them should be stated.

Third fold and tuck in

BUSINESS REPLY SERVICE  
Licence No MB 122



First  
fold

Capita Registrars  
The Proxy Department  
PO Box 25  
Beckenham  
Kent  
BR3 4BR

Second fold