

**North Atlantic Smaller Companies  
Investment Trust plc  
Half-Yearly Report**

for the six months ended  
31 July 2010



## objective of the company and financial highlights

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

	31 July 2010 (unaudited)	31 January 2010 (audited)	% Change
Net asset value per 5p Ordinary Share*:			
Basic	1,521p	1,480p	2.8
Diluted	1,335p	1,169p	14.2
Mid-market price of the 5p Ordinary Shares	975.0p	814.0p	19.8
Discount to diluted net asset value*	27.0%	30.4%	
Standard & Poor's 500 Composite Index**	702.2	671.8	4.5
Russell 2000 Index **	414.9	376.6	10.2
FTSE All-Share Index	2,715.4	2,660.5	2.1
US Dollar/Sterling exchange rate	1.5661	1.6024	(2.3)

\* Including retained revenue for the period.

\*\* Sterling adjusted.

The cover depicts a painting by the artist Jacob Knyff (1638–1681) entitled “Dock scene at a British Port”.

© National Maritime Museum, Greenwich, London.

The Company is a member of the Association of Investment Companies.

Registered in England and Wales number 1091347

**chief executive's review**

It is pleasing to report that the net asset value of the Company rose by 14.2% as compared with a rise in the Sterling Adjusted Standard & Poors Composite Index of 4.5%.

Income for the period amounted to £1,880,000 (31 January 2010: £443,000; 31 July 2009: loss of £105,000). Consistent with past policy, the Directors do not intend to pay a dividend.

During the six month period the Company purchased for cancellation 1,139,000 Ordinary Shares and 1,085,000 Convertible Loan Notes. These securities were purchased at a significant discount to the net asset value and therefore benefited the net asset value of the Trust.

**quoted investments** The major achievements during the six month period were undoubtedly the takeovers of Castle Support Services and Inspired Gaming, both at premiums in excess of 40% above the end January valuation. In the case of Castle Support Services, the profit on original underlying cost exceeded £30 million.

**unquoted investments** The principal change here was the redemption of the Avanti Communications Loan Notes at a 5% premium to par value, realising over £6.0 million. No new investments were made during the period. It is, however, encouraging to note that, with the exception of Performance Chemicals, all the businesses we own are performing in line or better than expectations and I am therefore confident that further value for shareholders will be generated from this part of the portfolio over the next few years.

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

**outlook**

Equity markets continue to be highly volatile and in my opinion it will be hard to make much progress in the short term as the inevitable impact of lower Government expenditure will be at best mediocre economic growth. Corporate profits have held up well as companies have cut costs but it is unlikely that equity markets will make any meaningful progress until there is a consumer sales led recovery, which seems unlikely in the current environment.

Following the sales referred to above, the Company now has approximately £49 million of cash or short dated Treasury Bills awaiting new investment opportunities. On this basis, I believe we are well placed for the future, even if overall equity markets continue to drift.

C H B Mills  
*Chief Executive*

28 September 2010

**top ten investments**

*as at 31 July 2010*

Company		Fair value £'000	% of net assets
US Treasury Bills	US Treasury Stock	22,853	10.5
Bionostics Holdings Limited	UK Unquoted	21,112	9.7
Oryx International Growth Fund Limited*†	UK Listed	17,055	7.8
RPC Group PLC	UK Listed	10,640	4.9
BBA Aviation Group PLC	UK Listed	9,800	4.5
Nationwide Accident Repair Services PLC	UK Quoted on AIM	8,000	3.7
Orthoproducts Limited	UK Unquoted	7,787	3.6
Trident Private Equity Fund III LP	UK Unquoted	7,522	3.5
Gleeson (MJ) Group PLC	UK Listed	7,188	3.3
Assetco Limited (Abu Dhabi)	UK Unquoted	7,020	3.2
		<u>118,977</u>	<u>54.7</u>

\* 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.

**interim management report**

- investment objective** The objective of North Atlantic Smaller Companies Investment Trust PLC (“the Company”) is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean.
- material events** On 8 April 2010 the Board announced that, pursuant to the exercise of options granted under the Company’s 1994 Executive Share Option Scheme, 100,000 ordinary shares of 5p each in the Company were issued and allotted. Following this allotment, the total issued share capital of the Company increased to 14,924,227 Ordinary shares.
- On 6 July 2010 the Company purchased 1,139,000 Ordinary shares of 5p each for cancellation representing approximately 7.63% of the issued share capital at a price of 930p per share. The issued share capital following cancellation was 13,785,227 Ordinary shares.
- Upon admission of the new Ordinary shares as a result of the conversion of loan stock as set out on page 18, the new issued share capital was 14,292,252 Ordinary shares with voting rights.
- material transactions** On 2 June 2010 the Board announced an agreed takeover offer of Castle Support Services Plc. The transaction proved to be extremely successful and the impact on the net asset value at 31 May 2010 was an increase of approximately 5%.

**interim management report (continued)**

**risk profile**

The principal risks and uncertainties for the remaining six months of the year continue to be as described in the Annual Report for the year ended 31 January 2010 on pages 68–78. The principal risks arising from the Group's financial instruments are market price risk and foreign currency risk. The Directors review and agree policies with the Joint Manager, North Atlantic Value LLP, for managing these risks. The policies have remained substantially unchanged in the six months since the year end.

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

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

The Group's exposure to market price risk comprises mainly movements in the value of the Group's investments. It should be noted that the prices of options tend to be more volatile than the prices of the underlying securities.

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

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

**interim management report** (continued)

**related party  
transactions**

These are listed in note 10 to the half yearly condensed financial statements on page 20.

**CULS**

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

During the period ended 31 July 2010, 507,025 (2009: 28,679) units of CULS were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p. On 4 June 2010, the Company purchased 1,085,000 units of CULS for cancellation at a price of 875p per unit (2009: Nil). As at 31 July 2010 there were 1,995,800 units of CULS outstanding.

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 2010 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.

C H B Mills  
*Chief Executive*

28 September 2010



**responsibility statement**

The Directors confirm to the best of their knowledge that:

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

The half yearly financial report was approved by the Board on 28 September 2010 and the above responsibility statement was signed on its behalf by:

The Hon. P D Moncreiffe  
*Chairman*

**condensed consolidated statement of comprehensive income**

	Six months ended 31 July 2010 (unaudited)			Six months ended 31 July 2009 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	874	–	874	1,058	–	1,058
Net gains on investments at fair value through profit or loss	–	20,568	20,568	–	14,070	14,070
Currency exchange gains	–	559	559	–	225	225
<b>total income</b>	<b>874</b>	<b>21,127</b>	<b>22,001</b>	<b>1,058</b>	<b>14,295</b>	<b>15,353</b>
Expenses						
Investment management fee (note 2)*	(1,127)	(500)	(1,627)	(480)	(422)	(902)
Share based remuneration (note 7)	2,544	–	2,544	–	–	–
Other expenses	(320)	–	(320)	(548)	–	(548)
Share of net return of associate	–	1,350	1,350	–	2,985	2,985
<b>profit before finance costs and taxation</b>	<b>1,971</b>	<b>21,977</b>	<b>23,948</b>	<b>30</b>	<b>16,858</b>	<b>16,888</b>
Finance costs	(91)	–	(91)	(133)	–	(133)
<b>profit/(loss) before taxation</b>	<b>1,880</b>	<b>21,977</b>	<b>23,857</b>	<b>(103)</b>	<b>16,858</b>	<b>16,755</b>
Taxation	–	–	–	(2)	–	(2)
<b>profit/(loss) for the period</b>	<b>1,880</b>	<b>21,977</b>	<b>23,857</b>	<b>(105)</b>	<b>16,858</b>	<b>16,753</b>
<b>other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>total comprehensive income/ (loss) for the period</b>	<b>1,880</b>	<b>21,977</b>	<b>23,857</b>	<b>(105)</b>	<b>16,858</b>	<b>16,753</b>

**earnings per ordinary share (note 4)**

Basic	161.49p	113.22p
Diluted	132.92p	89.87p

All of the profit/(loss) for the period and the total comprehensive income/(loss) for the period is attributable to the owners of the Group.

The total column of the statement is the Statement of Comprehensive Income of the Group prepared in accordance with IFRS. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

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

\* Six months ended 31 July 2009 and year ended 31 January 2010 net of VAT refund.

**condensed consolidated statement of comprehensive income (continued)**

	Year ended 31 January 2010 (audited)		
Revenue £'000	Capital £'000	Total £'000	
3,525	–	3,525	Investment income
–	38,531	38,531	Net gains on investments at fair value through profit or loss
–	1,087	1,087	Currency exchange gains
<u>3,525</u>	<u>39,618</u>	<u>43,143</u>	<b>total income</b>
			Expenses
(1,862)	(1,225)	(3,087)	Investment management fee (note 2)*
–	–	–	Share based remuneration (note 7)
(973)	–	(973)	Other expenses
–	4,477	4,477	Share of net return of associate
<u>690</u>	<u>42,870</u>	<u>43,560</u>	<b>profit before finance costs and taxation</b>
(242)	–	(242)	Finance costs
<u>448</u>	<u>42,870</u>	<u>43,318</u>	<b>profit before taxation</b>
(5)	–	(5)	Taxation
<u>443</u>	<u>42,870</u>	<u>43,313</u>	<b>profit for the year</b>
–	–	–	<b>other comprehensive income</b>
<u>443</u>	<u>42,870</u>	<u>43,313</u>	<b>total comprehensive income for the year</b>
			<b>earnings per ordinary share (note 4)</b>
		292.44p	Basic
		233.42p	Diluted

All of the profit for the year and the total comprehensive income for the year is attributable to the owners of the Group.

The total column of the statement is the Statement of Comprehensive Income of the Group prepared in accordance with IFRS. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

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

**condensed consolidated statement of changes in equity**

	Share redemption capital £'000	Capital reserve £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000
<b>six months ended 31 July 2010</b>					
<b>(unaudited)</b>					
31 January 2010	741	—	27	1,348	629
Total comprehensive income for the period	—	—	—	—	—
Issue of new ordinary shares	5	—	—	—	673
Shares purchased for cancellation	(57)	57	—	—	—
Arising on conversion of CULS	26	—	(4)	—	—
Premium paid on repurchase of CULS for cancellation	—	—	(8)	—	—
Exercise of management options	—	—	—	(5,891)	—
Share options expense	—	—	—	(504)	—
31 July 2010	<u>715</u>	<u>57</u>	<u>15</u>	<u>(5,047)</u>	<u>1,302</u>
<b>year ended 31 January 2010</b>					
<b>(audited)</b>					
31 January 2009	740	—	29	1,348	629
Total comprehensive income for the year	—	—	—	—	—
Premium paid on repurchase of CULS for cancellation	—	—	—	—	—
Arising on conversion of CULS	1	—	(2)	—	—
31 January 2010	<u>741</u>	<u>—</u>	<u>27</u>	<u>1,348</u>	<u>629</u>
<b>six months ended 31 July 2009</b>					
<b>(unaudited)</b>					
31 January 2009	740	—	29	1,348	629
Total comprehensive income for the period	—	—	—	—	—
Arising on conversion of CULS	1	—	—	—	—
31 July 2009	<u>741</u>	<u>—</u>	<u>29</u>	<u>1,348</u>	<u>629</u>

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

Capital reserve £'000	Revenue reserve £'000	Total £'000
218,665	(1,949)	219,461
21,977	1,880	23,857
–	–	678
(10,667)	–	(10,667)
–	–	22
(9,496)	–	(9,504)
–	–	(5,891)
–	–	(504)
<u>220,479</u>	<u>(69)</u>	<u>217,452</u>

177,766	(2,392)	178,120
42,870	443	43,313
(1,971)	–	(1,971)
–	–	(1)
<u>218,665</u>	<u>(1,949)</u>	<u>219,461</u>

177,766	(2,392)	178,120
16,858	(105)	16,753
–	–	1
<u>194,624</u>	<u>(2,497)</u>	<u>194,874</u>

**six months ended 31 July 2010**

**(unaudited)**

31 January 2010  
 Total comprehensive income for the period  
 Issue of new ordinary shares  
 Shares purchased for cancellation  
 Arising on conversion of CULS  
 Premium paid on repurchase of CULS  
 for cancellation  
 Exercise of management options  
 Share options expense

31 July 2010

**year ended 31 January 2010**

**(audited)**

31 January 2009  
 Total comprehensive income for the year  
 Premium paid on repurchase of CULS  
 for cancellation  
 Arising on conversion of CULS

31 January 2010

**six months ended 31 July 2009**

**(unaudited)**

31 January 2009  
 Total comprehensive income for the period  
 Arising on conversion of CULS

31 July 2009

**condensed consolidated balance sheet**

	31 July 2010 (unaudited) £'000	31 January 2010 (audited) £'000	31 July 2009 (unaudited) £'000
<b>non current assets</b>			
Investments at fair value through profit or loss	164,951	179,670	153,294
Investments accounted for using the equity method	17,055	15,705	14,213
	<u>182,006</u>	<u>195,375</u>	<u>167,507</u>
<b>current assets</b>			
Investments held by Subsidiary Companies for trading	367	634	367
Trade and other receivables	15,266	2,018	3,582
Cash and cash equivalents	26,421	29,600	35,604
	<u>42,054</u>	<u>32,252</u>	<u>39,553</u>
<b>total assets</b>	<u>224,060</u>	<u>227,627</u>	<u>207,060</u>
<b>current liabilities</b>			
Bank loans and overdrafts	(5,624)	(5,864)	(7,358)
Investments held for trading – derivatives	–	(624)	(533)
Trade and other payables	(899)	(1,526)	(4,132)
	<u>(6,523)</u>	<u>(8,014)</u>	<u>(12,023)</u>
<b>total assets less current liabilities</b>	<u>217,537</u>	<u>219,613</u>	<u>195,037</u>
<b>non current liabilities</b>			
CULS	(85)	(152)	(163)
	<u>(85)</u>	<u>(152)</u>	<u>(163)</u>
<b>total liabilities</b>	<u>(6,608)</u>	<u>(8,166)</u>	<u>(12,186)</u>
<b>net assets</b>	<u>217,452</u>	<u>219,461</u>	<u>194,874</u>

**condensed consolidated balance sheet (continued)**

	31 July 2010 (unaudited) £'000	31 January 2010 (audited) £'000	31 July 2009 (unaudited) £'000
<b>represented by:</b>			
Share capital	715	741	741
Capital redemption reserve	57	—	—
Equity component of CULS	15	27	29
Share options reserve	(5,047)	1,348	1,348
Share premium account	1,302	629	629
Capital reserve	220,479	218,665	194,624
Revenue reserve	(69)	(1,949)	(2,497)
	<hr/>	<hr/>	<hr/>
<b>equity attributable to equity holders of the parent</b>	<b>217,452</b>	<b>219,461</b>	<b>194,874</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>net asset value per ordinary share (note 5):</b>			
Basic	1,521p	1,480p	1,315p
Diluted	1,335p	1,169p	1,029p

condensed consolidated cash flow statement

		Six months ended 31 July 2010 (unaudited) £'000	Six months ended 31 July 2009 (unaudited) £'000	Year ended 31 January 2010 (audited) £'000
	Note			
<b>cash flows from operating activities</b>				
Investment income received		895	1,133	2,191
Bank deposit interest received		24	17	136
Other income		202	29	392
Purchase of investments by dealing Subsidiary		–	(341)	(839)
Sale of investments by dealing subsidiary		–	–	8
Investment Manager's fees paid		(2,299)	(1,219)	(2,188)
Other cash payments		(344)	(53)	(472)
<b>cash expended from operations</b>	9	(1,522)	(434)	(772)
Bank interest paid		(87)	(188)	(306)
CULS interest paid		–	–	(18)
<b>net cash outflow from operating activities</b>		(1,609)	(622)	(1,096)
<b>cash flows from investing activities</b>				
Purchases of investments		(37,885)	(71,870)	(120,767)
Sales of investments		58,811	82,218	128,383
<b>net cash inflow from investing activities</b>		20,926	10,348	7,616
<b>cash flows from financing activities</b>				
Repayment of fixed term borrowings		–	(282)	(1,884)
Conversion of options		(3,851)	–	–
Issue of new shares		678	–	–
Shares purchased for cancellation		(10,667)	–	–
Repurchase of CULS for cancellation		(9,551)	–	(1,984)
<b>net cash outflow from financing activities</b>		(23,391)	(282)	(3,868)
<b>(decrease)/increase in cash and cash equivalents for the period</b>		(4,074)	9,444	2,652
<b>cash and cash equivalents at the start of the period</b>		29,600	25,514	25,514
Revaluation of foreign currency balances		895	646	1,434
<b>cash and cash equivalents at the end of the period</b>		26,421	35,604	29,600



**notes****1. basis of preparation**

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

The condensed consolidated interim financial information for the six months ended 31 July 2010 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all financial information required for full annual financial statements. They have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 January 2010. Those financial statements were prepared in accordance with International Financial Reporting Standards except as disclosed in note 2 of that report, and with the Statement of Recommended Practice (‘SORP’) for Investment Companies and Venture Capital Trusts issued by the Association of Investment Companies in January 2009.

The condensed consolidated interim financial information consolidate the financial statements of the Company and its wholly owned Subsidiary, Consolidated Venture Finance Limited, for the six months ended 31 July 2010.

**2. investment management and performance fees**

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

In accordance with the Statement of Recommended Practice (‘SORP’) for investment trust companies, an amount is included in these financial statements for the Performance Fee that could be payable based on investment performance to 31 July 2010.

At that date, a Performance Fee of £500,000 including irrecoverable VAT has been accrued for in the accounts (31 July 2009: £422,000; 31 January 2010: £1,225,000) and is allocated 100% to capital. A £66,000 adjustment to irrecoverable VAT on the performance fee for the year to January 2010 has been made due to a change in the recoverable VAT rate of the Company.

**3. taxation**

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

**notes (continued)**

**4. earnings per ordinary share**

	*Net return £'000	Revenue Ordinary Shares	Per Share pence	*Net return £'000	Capital Ordinary Shares	Per Share pence
<b>six months ended 31 July 2010</b>						
<b>(unaudited)</b>						
Basic return per Share	1,880	14,772,954	12.72	21,977	14,772,954	148.77
CULS**	16	3,186,922		–	3,186,922	
Diluted return per Share	<u>1,896</u>	<u>17,959,876</u>	10.55	<u>21,977</u>	<u>17,959,876</u>	122.37
<b>six months ended 31 July 2009</b>						
<b>(unaudited)</b>						
Basic return per Share	(105)	14,796,974	(0.71)	16,858	14,796,974	113.93
CULS**	19	3,865,078		–	3,865,078	
Diluted return per Share	<u>(86)</u>	<u>18,662,052</u>	(0.46)	<u>16,858</u>	<u>18,662,052</u>	90.33
<b>year ended 31 January 2010</b>						
<b>(audited)</b>						
Basic return per Share	443	14,810,713	2.99	42,870	14,810,713	289.45
CULS**	19	3,753,120		–	3,753,120	
Diluted return per Share	<u>462</u>	<u>18,563,833</u>	2.49	<u>42,870</u>	<u>18,563,833</u>	230.93

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

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

\*\* CULS interest cost and excess of the total number of potential shares on CULS conversion over the number that could be issued at the average market price from the conversion proceeds, as calculated in accordance with IAS 33: Earnings per share.

**notes (continued)**

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

*Net return £'000	Total Ordinary Shares	Per Share pence	
			<b>six months ended 31 July 2010</b>
			<b>(unaudited)</b>
23,857	14,772,954	161.49	Basic return per Share
16	3,186,922		CULS**
<u>23,873</u>	<u>17,959,876</u>	132.92	Diluted return per Share
			<b>six months ended 31 July 2009</b>
			<b>(unaudited)</b>
16,753	14,796,974	113.22	Basic return per Share
19	3,865,078		CULS**
<u>16,772</u>	<u>18,662,052</u>	89.87	Diluted return per Share
			<b>year ended 31 January 2010</b>
			<b>(audited)</b>
43,313	14,810,713	292.44	Basic return per Share
19	3,753,120		CULS**
<u>43,332</u>	<u>18,563,833</u>	233.42	Diluted return per Share

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

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

\*\* CULS interest cost and excess of the total number of potential shares on CULS conversion over the number that could be issued at the average market price from the conversion proceeds, as calculated in accordance with IAS 33: Earnings per share.

**notes (continued)****5. net asset value per ordinary share**

The basic net asset value per Ordinary Share is based on net assets of £217,452,000 (31 January 2010: £219,461,000; 31 July 2009: £194,874,000) and on 14,292,252 Ordinary Shares (31 January 2010: 14,824,227; 31 July 2009: 14,824,227) being the number of Ordinary Shares in issue at the period end.

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 2013 CULS are fully converted at par and that all 20,000 (31 January 2010: 1,017,500; 31 July 2009: 1,017,500) Share Options in-the-money were exercised at the prevailing exercise prices, giving a total of 16,308,052 issued Ordinary Shares (31 January 2010: 19,429,552; 31 July 2009: 19,679,552).

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

On 4 June 2010 1,085,000 CULS units were purchased for cancellation.

On 13 July 2010 507,025 CULS units were converted into 507,025 Ordinary shares of 5p each at a rate of one 5p Ordinary share for every unit of 5p.

At 31 July 2010 1,995,800 CULS units remained outstanding.

**7. share based remuneration**

On 15 March 2010 C H B Mills (Mr Mills) exercised 100,000 share options granted in 2000 under the NASCIT 1994 Executive Share Option Scheme at an exercise price of 677.57p per share. With the approval of the Board, Mr Mills exercised these options at the strike price of 677.57p.

Accordingly, application was made and accepted, for 100,000 Ordinary Shares to be admitted to the Official List and be admitted to trading on the main market of the London Stock Exchange. Admission took place on 15 April 2010.

Further to a review of the NASCIT 2002 Executive Share Option Scheme, a majority of the option holders waived their rights to future participation. As part of the review of the incentive scheme, it was agreed that, subject to the proceeds being reinvested in NASCIT shares and those shares being held for a period of not less than two years, an ex gratia payment totalling £3.9 million be paid to Mr Mills and to those eligible employees of North Atlantic Value LLP.

The carrying value of these options was £6.4 million, resulting in a credit to the Statement of Comprehensive Income of £2.5 million.

**notes (continued)**

**8. bank loans**

The Company's multi-currency loan Revolving Credit Facility of up to £9 million was due to expire on 31 July 2010. During the period the Company negotiated an extension on this facility to 31 July 2011.

During the period the Company made no repayments. The Company currently has 6.8 million Euros drawn down which is due for repayment within the next six months.

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

	Six months ended 31 July 2010 (unaudited) £'000	Six months ended 31 July 2009 (unaudited) £'000	Year ended 31 January 2010 (audited) £'000
Profit before finance costs and taxation*	23,948	16,888	43,560
Gains on investments	(21,127)	(14,295)	(39,618)
Share based remuneration	(2,544)	–	–
Share of net return of associate	(1,350)	(2,985)	(4,477)
Dividends and interest reinvested	(588)	(297)	(837)
Decrease/(increase) in debtors and accrued income	59	157	(90)
Changes relating to investments of dealing Subsidiaries	710	(280)	(568)
(Decrease)/increase in creditors and accruals	(630)	380	1,263
Tax on investment income	–	(2)	(5)
<b>cash expended from operations</b>	<b>(1,522)</b>	<b>(434)</b>	<b>(772)</b>

\* Including share of net return of associate.

**notes (continued)**

**10. related party transactions**

There have been no changes to the related party arrangements or transactions as reported in the Statutory Annual Financial Report for the year ended 31 January 2010.

The Joint Manager, North Atlantic Value LLP, is regarded as a related party of the Company. The amounts payable to the Joint Manager and Growth Financial Services Limited (“GFS”) in respect of investment management for the six months to 31 July 2010 are as follows:

	Six months ended 31 July 2010 (unaudited) £'000	Six months ended 31 July 2009 (unaudited) £'000	Year ended 31 January 2010 (audited) £'000
Annual fee	1,127	938	1,862
VAT reclaimed on Investment Management fees	–	(458)	–
Performance fee	472	422	1,102
Irrecoverable VAT thereon	28	–	123
	<u>1,627</u>	<u>902</u>	<u>3,087</u>

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

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

Shareholders should also note the payments made under share base remuneration as disclosed in note 7 to these financial statements.

**11. financial information**

The annual financial information contained in this half yearly report does not constitute full Statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the periods ended 31 July 2010 and 31 July 2009 is not a financial year and has not been audited. The statutory accounts for the financial year ended 31 January 2010 have been delivered to the Registrar of Companies. Those accounts received a qualified audit opinion arising from the non consolidation of Bionostic Holdings and TPE III. The Audit Report did not include any other reference to any matters to which the Auditors drew attention by way of emphasis without qualifying the Report and did not contain statements under Section 498(2) of the Companies Act 2006.

**shareholder information****financial calendar**

Preliminary results	May
Annual Report	May
Annual General Meeting	June
Half Yearly figures announced	September
Half Yearly Report posted	September

**share price**

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

They also appear on:

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

**net asset value**

The latest net asset value of the Company can be found on the North Atlantic Value LLP website:  
[www.navalu.co.uk](http://www.navalu.co.uk)

**share dealing**

Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.

The Company's registrars are Capita Registrars. In the event of any queries regarding your holding of shares, please contact the registrars on: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm, Monday – Friday), or by email on [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire  
HD8 0GA

**shareholder information** (continued)

**Directors**

The Hon. P D Moncreiffe (Chairman)

C H B Mills (Chief Executive)

K Siem

C L A Irby

O R Grace

E F Gittes

**Joint Manager**

North Atlantic Value LLP

*(Authorised and regulated by the Financial Services Authority)*

Ground Floor

Ryder Court

14 Ryder Street

London SW1Y 6QB

Telephone: 020 7747 5678

**Financial Adviser and Stockbroker**

Arbuthnot Securities Limited

Arbuthnot House

20 Ropemaker Street

London EC2Y 9AR

**Company Secretary and Registered Office**

J O Hambro Capital Management Limited

Ground Floor

Ryder Court

14 Ryder Street

London SW1Y 6QB

Telephone: 020 7747 5681

**Registrars**

Capita Registrars

Northern House

Woodsome Park

Fenay Bridge

Huddersfield

West Yorkshire HD8 0GA

**Auditors**

Grant Thornton UK LLP

30 Finsbury Square

London EC2P 2YU

**Bankers**

Allied Irish Banks, p.l.c.

St Helen's

1 Undershaft

London EC3A 8AB









