North Atlantic Smaller Companies Investment Trust plc

Annual Report

for the year ended 31 January 2007

contents

The cover depicts a painting by the artist Thomas Whitcombe (1760-1824) entitled “Battle of the Saints, 1782”.

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.

		2007	% change	2006	2005	2004	2003
revenue							
Gross income (£'000)		**3,951**		4,052	3,671	2,736	3,275
Net revenue after tax attributable to Shareholders of the Parent (£'000)		**224**		876	23	(685)	(4,897)
Basic return per Ordinary Share	– revenue	**1.65p**		6.66p	0.18p	(5.62)p	(41.09)p
	– capital	**229.52p**		339.44p	224.16p	215.77p	(185.14)p
assets							
Total assets less current liabilities (£'000)		**250,549**	13.3	221,122	177,457	144,612	132,651
Net asset value per 5p Ordinary Share:							
Basic		**1,755p**	9.9	1,597p	1,334p	1,177p	982p
Diluted		**1,217p**	14.5	1,063p	860p	723p	598p
Mid-market price of the 5p Ordinary Shares at 31 January		**1,153.0p**	12.8	1,022.5p	794.5p	621.5p	462.5p
discount to diluted net asset value		**5.3%**		3.8%	7.6%	14.0%	22.7%
indices and exchange rates at 31 January							
Standard & Poor's 500 Composite Index		**1,438.2**	12.4	1,280.1	1,181.3	1,131.1	855.7
Russell 2000		**800.3**	9.2	733.2	624.0	580.8	372.2
US Dollar/Sterling exchange rate		**1.9574**	(10.1)	1.7774	1.8861	1.8203	1.6437
Standard & Poor's 500 Composite – Sterling adjusted		**734.8**	2.0	720.2	626.3	621.4	520.6
Russell 2000 – Sterling adjusted		**408.9**	(0.9)	412.5	330.8	319.1	226.4
FTSE All-Share Index		**3,211.8**	9.7	2,928.6	2,441.2	2,187.1	1,722.3

directors

*†#• **Enrique Foster Gittes (USA) (Chairman)**, aged 67, 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 investments, 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 54, 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. Prior to joining the J O Hambro Capital Management Group in 1993, Mr Mills was a director of INVESCO MIM Limited and Samuel Montagu International Limited and operated as its head of North American Investments and its head of North American Venture Capital. 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 58, 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 61, 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 53, 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 is currently a director of Moscow Cablecom Corp, a Russian cable company operating in the city of Moscow and president of Grace Developments, Inc. He is also a director of Second London American Trust PLC (in members' voluntary liquidation) and Telecity Group PLC.

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

chairman's statement

I am glad to report that during the year ended 31 January 2007, the fully diluted net asset value of the Trust rose by 14.5% thereby outperforming the rise in the Standard & Poor's 500 Composite Index (Sterling adjusted) which rose by only 2.0%.

The revenue account showed a profit of £171,000 after taxation (2006: £843,000). Consistent with the Trust's long term policy, the Directors are not recommending a dividend for the current year.

During the year, the Trust redeemed for cancellation 215,000 units of CULS. The price paid was at a discount to net asset value and, therefore, benefited all Shareholders.

quoted portfolio

The United States portfolio suffered from the weakness of the Dollar, which fell from $1.7774 to $1.9574 at the year-end. The performance of the portfolio was mixed, with strength in Sterling Construction Inc. being offset by a substantial fall in LESCO, Inc. which, however, is in the process of being taken over at a substantial premium to the year-end valuation.

The performance of the United Kingdom portfolio was encouraging with Georgica PLC, Gleeson (MJ) Group PLC and SSL International PLC all performing well. During the year, substantial new investments were made in Inspired Gaming Group PLC and BBA Aviation Group PLC, both of which have performed satisfactorily since purchase.

unquoted portfolio

This was an outstanding year for the unquoted portfolio. Nationwide Accident Repair Services PLC went public and has subsequently performed well in the aftermarket resulting in an overall profit of around £18.5 million. The sale of Paramount Restaurants Limited during the year was the culmination of a four year process, which yielded a profit in excess of £4 million. In North America, Santa Maria Foods Inc. was sold for approximately four times over purchase price. The fair value of DM Technical Services Limited has increased due to an anticipated IPO in 2007. The fair value of Mister Car Wash Inc. was increased during the year under review in anticipation of the sale of the business which has now occurred.

Two major new unquoted investments were made during the period, Hampton Trust Group and Motherwell Bridge Limited, as well as some minor investments primarily in property trusts. Early indications on these investments are most encouraging. Details of the investment portfolio can be found on pages 6 to 13.

outlook

World markets remain buoyed by massive excess liquidity which makes it difficult to find attractive opportunities. It is my view that excess market optimism is overlooking some real problems in the major world economies, where interest rates and inflation are rising. Notwithstanding this, I would hope that the year ending January 2008 will see further progress not least of all from the unquoted portfolio which continues to offer the potential for further significant appreciation.

Enrique Foster Gittes *Chairman*
15 May 2007

sector analysis of investments at fair value

equities, convertible securities & loan stocks as a % of total portfolio valuation	United States 31.01.07 %	United Kingdom 31.01.07 %	Europe 31.01.07 %	Total 31.01.07 %	Total 31.01.06 %
Support Services	5.6	12.2	–	17.8	12.6
Investment Companies	0.2	8.9	–	9.1	6.5
Industrial Services	–	8.5	–	8.5	4.4
Construction & Materials	3.7	4.5	–	8.2	6.1
Travel & Leisure	0.3	7.8	–	8.1	6.3
Oil & Gas	6.8	0.9	–	7.7	9.6
Real Estate	–	6.7	0.3	7.0	2.2
General Financial	5.0	0.3	–	5.3	6.1
Healthcare, Equipment & Services	0.5	4.7	–	5.2	7.1
Industrial Engineering	0.7	3.3	–	4.0	0.8
Wholesale Trade	2.5	–	–	2.5	2.8
Industrial Transportation	–	2.4	–	2.4	–
Manufacturing	0.1	1.9	–	2.0	0.8
Banking	1.8	–	–	1.8	3.1
Technology Hardware & Equipment	0.9	–	–	0.9	1.0
Software & Computer Services	–	0.4	–	0.4	–
Cosmetic & Toiletries	–	0.3	–	0.3	0.4
Food Producers	0.3	–	–	0.3	9.2
Leisure Goods	0.3	–	–	0.3	–
Transport	–	0.3	–	0.3	0.1
Media	–	0.2	–	0.2	0.2
Holding & Other Investment Offices	0.1	–	–	0.1	–
Personal Goods	–	–	–	–	1.7
Non Life Insurance	–	–	–	–	1.1
Chemicals	–	–	–	–	1.0
Automotive Parts	–	–	–	–	0.9
Pharmaceuticals & Biotechnology	–	–	–	–	0.8
Defence	–	–	–	–	0.5
Wire & Cable Products	–	–	–	–	0.4
Mining	–	–	–	–	0.3
Telecommunications	–	–	–	–	0.3
Electronic & Electrical Equipment	–	–	–	–	0.2
Private Corrections	–	–	–	–	0.2
	28.8	63.3	0.3	92.4	86.7
treasury bills	7.6	–	–	7.6	13.3
total at 31 January 2007	36.4	63.3	0.3	100.0	
Total at 31 January 2006	40.4	59.6	–		100.0

twenty largest investments
as at 31 January 2007

equities (including convertibles, loan stocks and related financing)		At fair value £'000
DM Technical Services Limited	UK Unquoted	19,249
Nationwide Accident Repair Services PLC	UK Quoted on AIM	18,500
W-H Energy Services Inc.	USA Listed	15,370
Oryx International Growth Fund Limited *	UK Listed	12,949
Georgica PLC	UK Quoted on AIM	11,160
Gleeson (MJ) Group PLC	UK Listed	10,125
Mister Car Wash Inc.	USA Unquoted	9,469
Hampton Trust Group	UK Unquoted	7,676
Whatman PLC	UK Listed	7,402
Sterling Construction Inc.	USA Listed	7,126
ten largest investments		**119,026**
Worldport Communications Inc.	USA Unquoted	6,910
Inspired Gaming Group PLC	UK Quoted on AIM	6,525
LESCO, Inc.	USA Listed	5,647
BBA Aviation Group PLC	UK Listed	5,334
Communisis PLC	UK Listed	5,330
Motherwell Bridge Limited	UK Unquoted	5,000
Wichford PLC **	UK Quoted on AIM	4,500
Trident Private Equity II LP	Cayman Islands Unquoted	4,000
AssetCo Group Limited	UK Unquoted	4,000
Cardpoint PLC	UK Quoted on AIM	3,936
twenty largest investments		**170,208**
Aggregate of other investments at fair value		38,301
		208,509
USA Treasury Bills		17,135
total value of investments of the group at fair value		**225,644**

* incorporated in Guernsey.
** incorporated in the Isle of Man.

unlisted investments profile
as at 31 January 2007

	2007 Fair value £'000
DM Technical Services Limited (UK) *Cost: £8,173,000*	19,249

DM Technical Services ("DM") is a market leader in engineering calibration and refurbishment of industrial electrical equipment, including motors and generators. It also has expertise in repairing electronic control systems and associated mechanical driven units such as pumps and gearboxes. DM is the largest UK based company offering these services and has US and Australian subsidiaries with specific emphasis on the coal mining industry.

The management team we selected have implemented a strategy of greater efficiency, expansion by acquisition and liquidation of certain assets to amortise debt and reduce the pension fund deficit. This strategy has progressed quicker than anticipated and the fair value has increased in anticipation of an IPO in 2007.

Information as at 31 August 2006:
Dividend cover or underlying earnings n/a
Percentage of equity held (undiluted) 22.9%
Latest audited earnings per share 21.6p
Share of latest audited net assets £8,468,606
Income received in the year from this company n/a

Mister Car Wash Inc. (USA) *Cost: £8,125,000*	9,469

Mister Car Wash is a consolidator of the car-wash industry in the US, operating in four regions: The Northwest, the upper Midwest, Texas and Southern California. It operates predominantly full service outlets (i.e. cleaning vehicles both inside and out), which, on average, command a 50% premium to exterior only washes. Operational performance was strong in 2006. A bid for the company at $129m was accepted and the sale closed in April 2007.

Information as at 31 December 2006:
Dividend cover or underlying earnings n/a
Percentage of equity held (undiluted) 21.6%
Latest audited earnings per share n/a
Share of latest audited net assets $9,551,217
Income received in the year from this company n/a

Carried forward	**28,718**

unlisted investments profile

as at 31 January 2007

	2007 Fair value £'000
Brought forward	**28,718**
Hampton Trust Group (UK) *Cost: £7,539,000*	7,676
Worldport Communications Inc. (USA) *Cost: £6,851,000*	**6,910**
Carried forward	**43,304**

Hampton Trust Group (UK) *Cost: £7,539,000* — 7,676

The Hampton Trust Group comprises the property investment and management companies created as a consequence of the restructuring of Hampton Trust Plc in December 2005. The group currently owns 17 properties with a gross value of £35 million. The portfolio of properties is predominantly secondary industrial and office accommodation. The group has identified a programme of capital expenditure and active asset management initiatives that are anticipated to impact positively on the NAV in the short term.

Information as at 31 December 2006:
Dividend cover or underlying earnings n/a
Percentage of equity held (undiluted) n/a*
Latest audited earnings per share n/a
Share of latest audited net assets n/a
Income received in the year from this company n/a

*During the year, the Company purchased the right to acquire approximately 70% of the ordinary shares and loan stock of this group of companies. Transfer of these shares and loan stock is pending the approval of the shareholders and loan stock holders at a series of extraordinary general meetings of the Hampton Trust Group of companies to be held on 21 May 2007. It is anticipated that once approval of these transfers has been obtained, the Company will hold approximately 70% of the ordinary shares and loan stock of this group of companies.

Worldport Communications Inc. (USA) *Cost: £6,851,000* — **6,910**

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.

unlisted investments profile

as at 31 January 2007

	2007 Fair value £'000
Brought forward	43,304
Motherwell Bridge Limited (UK) *Cost: £5,000,000*	5,000

Motherwell Bridge is one of the UK's foremost engineering contractors. The group, comprised of five wholly-owned subsidiaries, delivers integrated engineering solutions across a range of industries in both public and private sectors: oil and gas (on and offshore), pharmaceutical, chemical, defence, nuclear, aerospace, steel, power and utilities.

The profitable group has no pension liability, two years of tax credit and potential for earnings growth. The group's strategy includes rapid debt reduction through disposal of non-core assets and a re-rating in the oil and gas sector. Trading is in line with budget, with a stronger than anticipated cash position and negotiations are under way for the sale-and-leaseback of Motherwell Bridge's property assets. This investment is currently held at a fair value equal to its cost.

Trident Private Equity II LP (Cayman Islands) *Cost: £2,500,000*	4,000

Trident Private Equity II LP is a £64 million offshore private equity limited partnership to which North Atlantic Value LLP acts as Investment Advisor. The partnership'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 partnership concentrates primarily on leveraged buyouts and similar transactions, including public-to-private and pre IPO investments. At 31 January 2007, 39.7% of NASCIT's commitment had been drawn down and fully invested in six private equity transactions.

AssetCo Group Limited (UK) *Cost: £4,000,000*	4,000

AssetCo is a leading provider of total managed services to UK fire and rescue authorities. The company designs, builds and converts specialist vehicles and equipment for emergency and mission critical service clients. AssetCo currently has the only two outsourced total managed fire authority contracts in the UK and is well positioned to capitalise on this first mover advantage as additional contracts are put out to tender. In March 2007, the company announced a reverse takeover by AIM quoted Asfare Group PLC, to be renamed AssetCo, and a concurrent placing of new shares. NASCIT's holding of £4,000,000 convertible preference shares of AssetCo converts into ordinary shares worth £6,000,000.

Carried forward	56,304

unlisted investments profile

as at 31 January 2007

	2007 Fair value £'000
Brought forward	**56,304**
Primesco Inc. (USA) *Cost: £1,872,000* Primesco is the successful culmination of a hostile management buy-in and demutualisation of the long established Mutual Life Insurance Company of Alabama. Primesco has restructured its product portfolio and substantially reduced its cost base. Negotiations for the sale of the company are under way. There has been no change in valuation over the year.	**3,175**
Crendon Industrial (UK) *Cost: £2,597,000* 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.	**2,597**
Glass America (USA) *Cost: £2,258,000* Glass America is a consolidator of automotive glass repair companies in the United States. To date, the performance of the business has been encouraging. The company is undergoing a cost reduction plan to increase profitability prior to a sale.	**2,133**
Telos Corporation (USA) *Cost: £1,365,000* Telos continues to perform well. 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.	**2,010**
Merchant Properties Unit Trust (UK) *Cost: £2,000,000* 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%.	**2,000**
Carried forward	**68,219**

unlisted investments profile
as at 31 January 2007

	2007 Fair value £'000
Brought forward	68,219
Craegmoor Limited (UK) *Cost: £3,942,000* 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 5,000 beds. The company's performance has not met expectations due to system inefficiencies and reorganisation costs. A management and process review has highlighted areas that require change and improvement. In March 2006, shareholders, including NASCIT, contributed £8.25 million in loan notes of 10% coupon and 100% redemption premium. NASCIT has taken the prudent step of valuing the equity at zero and loan notes at the net realisable value.	1,920
BPE Holdings Ltd (UK) *Cost: £1,762,000* 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, with trading ahead of budget.	1,762
Jaffer Holdings Corporation (USA) *Cost: £923,000* Jaffer is a leading operator of water drilling rigs in the South Eastern United States. The fragmented sector will benefit from consolidation. The company's performance continues to exceed expectations and its order book is impressive. Jaffer's board recently decided to put the company up for sale and has hired Edgeview Partners to manage this process; no written offers have been received to date. There has been no change in valuation over the year.	1,533
Orthoplastics Ltd (UK) *Cost: £368,000* 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 received an indication of interest from a trade buyer, but negotiations eventually failed on price. NASCIT has reassessed the fair value up to reflect this process.	1,400
Carried forward	74,834

unlisted investments profile

as at 31 January 2007

	2007 Fair value £'000
Brought forward	**74,834**
AllianceOne Inc. (**USA**) *Cost: £2,992,000* AllianceOne is a leading provider of outsourced business services to public and private entities throughout the United States. These services include management of accounts receivable, including the recovery of traditional delinquent accounts from both consumer and commercial debtors; the management of early stage delinquencies; and the management of speciality healthcare services including medical billing services. There has been no change in valuation over the year; the slight decrease in fair value since last year is due to the poor performance of the US Dollar against the Pound Sterling.	**1,265**
Kiln Lane, Immingham (**UK**) *Cost: £1,000,000* 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.	**1,000**
Ramen Holdings Limited (**UK**) *Cost: £585,000* Ramen is the holding company for Wagamama restaurants, which continue to perform well. There has been no change in valuation over the year.	**585**
Trident Private Equity LP (**Bermuda**) *Cost: £nil* Trident Private Equity LP is a $30 million offshore private equity partnership investing in private companies in Europe, the UK and the US. North Atlantic Value LLP, the Joint Manager of the Trust, acts as Investment Advisor to Trident Private Equity LP. Launched in September 1999, the Fund has made 20 investments to date, of which 17 have been successfully realised. NASCIT's commitment has been fully drawn down and over 142% of the capital has been repaid and written off against the cost. More is likely to be returned over the next year.	**557**
Other unlisted investments	**1,131**
Total value of unlisted investments at fair value	**79,372**

unlisted investments profile (AIM quoted)

as at 31 January 2007

	2007 Bid value £'000
Nationwide Accident Repair Services PLC *Cost: £2,582,000*	**18,500**
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.	
Georgica PLC *Cost: £7,585,000*	**11,160**
Georgica is the UK's largest operator of ten pin bowling alleys and snooker halls operating under the Rileys and Tenpin brand names. In late November, management announced the proposed division of the company into separate quoted businesses, one containing all of Georgica's bowling operations and the other its poker, snooker and pool operations as well as its freehold and long leasehold properties. This is expected to facilitate the realisation of shareholder value from each of the businesses during 2007. The company continues to realise value from surplus property assets, having raised £17.3 million to 31 January 2007, including £9.3 million cash from the sale of one site in December. Trading has improved and brokers' forecasts are for the company to generate £155 million in sales and £30 million of EBITDA in 2007. We expect significant value to be achieved from the restructuring of the group during 2007.	
Inspired Gaming Group PLC *Cost: £5,400,000*	**6,525**
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.	
Carried forward	**36,185**

unlisted investments profile (AIM quoted)

as at 31 January 2007

	2007 Bid value £'000
Brought forward	36,185
Wichford PLC *Cost: £2,712,000*	4,500

Wichford, which floated on AIM in August 2004, focuses on buying properties and letting them to UK Central Government organisations. Recently the company has expanded the area in which it can invest to include Central London and Continental Europe. The properties currently in its portfolio typically have a value of between £2 million and £25 million and the company seeks to acquire them on yields in the region of 5.5 to 7 per cent. The company currently owns 68 properties with a gross value of circa £511 million with the average length of unexpired leases being 11 years. Wichford deems around 20 to 25 per cent of its portfolio to be "active" (properties where rent reviews are imminent and which offer short term opportunities for NAV enhancement) and this percentage is likely to increase in the medium term.

The company successfully placed £75 million in February 2007, the proceeds of which will enable it to continue to expand its portfolio and to take advantage of property acquisition opportunities in Continental Europe.

Cardpoint PLC *Cost: £3,587,000*	3,936

Cardpoint is the UK's second largest owner and operator of ATMs, operating cash machines for the Bradford and Bingley, Norwich and Peterborough Building Societies. It also operates Electronic Mobile Phone Top-up Terminals and has operations in Germany and the Netherlands. Its estate comprises over 3,000 ATMs located in stores, motorway service stations, hospitals, shopping centres, railway stations, restaurants and cinemas. Cardpoint also develops, sells, distributes and supports computer-controlled electronic purse payment and permissioning systems. Following the NASCIT backed appointment of Bob Thian as the new chairman in October and the rejection of a takeover approach that materially undervalued the company, Cardpoint posted positive preliminary results in late November in which it reported (following the acquisition of Moneybox PLC) a 135% increase in underlying pre-tax profit. The new chairman has strengthened the board and has stated that he believes that a more structured approach to the management of Cardpoint's estate will generate value. We remain confident of further upside in the shares.

Other AIM quoted investments	4,951
Total value of AIM quoted investments at bid value	**49,572**

group report of the directors

for the year ended 31 January 2007

The Directors present their Report (incorporating the Business Review) and the financial statements for the year ended 31 January 2007.

results and dividends

The net total return after taxation for the financial year ended 31 January 2007 amounted to £30,222,000 (2006: £45,859,000). The Board do not propose a final dividend (2006: nil).

company's business

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 undertakings are as an investment trust and investment dealing and holding companies respectively.

objective and investment strategy

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

risk management

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

(i) *Investment risk:* many of the Company's investments are in small and medium-sized unquoted companies. By their nature, they involve a higher level of risk and lower liquidity than investments in large quoted companies. The Board endeavours to limit the risk to the portfolio as a whole by careful selection and timely realisation of investments and reviews the portfolio of unquoted companies on a quarterly basis;

(ii) *Market price risk:* the Company's exposure to market price risk comprises mainly movements in the value of the Company's investments. The Company holds investments in both quoted and unquoted companies. The Company may also invest by writing put options on shares of companies and the prices of such options tend to be more volatile than the prices of the underlying securities. The Company's investment portfolio analysed by sector can be found on page 4;

(iii) *Foreign currency risk:* the functional and presentational currency of the Company is Sterling and, therefore, the Company's principal exposure to foreign currency risk comprises investments that are priced in other currencies, mainly US Dollars.

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 58 to 66.

american opportunity trust plc

Subsequent to the year-end, 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.

overview of the year

At 31 January 2007, the diluted net asset value ("NAV") per share was 1,217p (31 January 2006: 1,063p), an increase of 14.5% during the year, compared to a rise of 2.0% during the year in the Standard & Poor's 500 Composite Index (Sterling adjusted). As stated in the Chairman's Statement on page 3, 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.

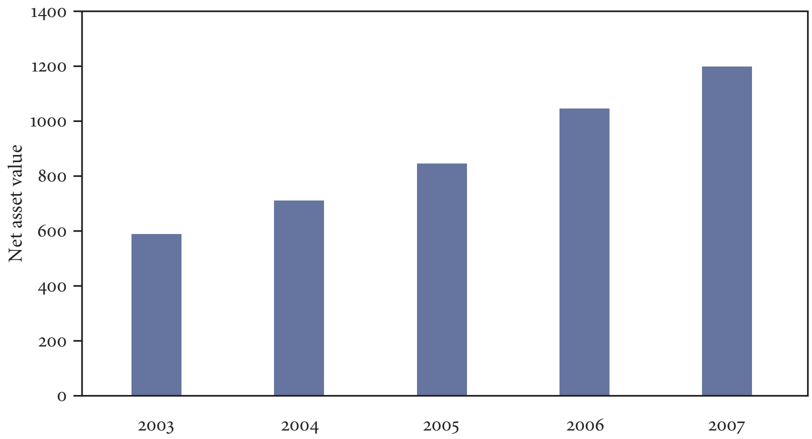
group report of the directors

for the year ended 31 January 2007

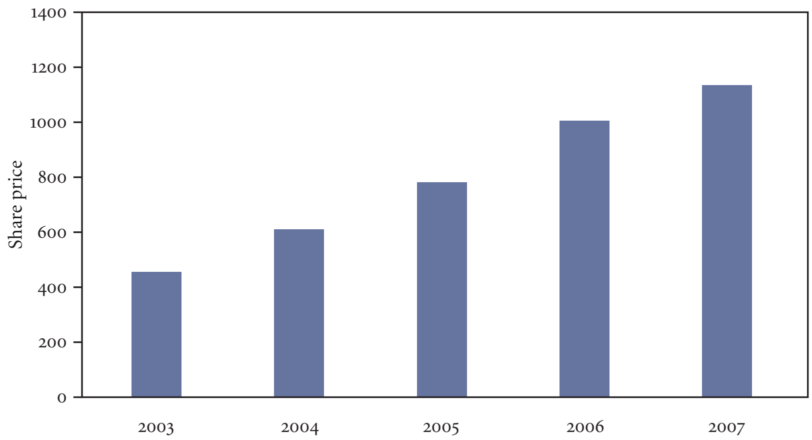
key performance indicators

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, the Company's benchmarks. A graph comparing performance can be found in the Directors' Remuneration Report on page 28.

group report of the directors

for the year ended 31 January 2007

future prospects

The Directors believe that the year ending January 2008 will see further progress, especially from the unquoted portfolio which continues to offer the potential for further significant appreciation.

taxation status

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 2007. 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 2006 has been granted.

share valuations

On 31 January 2007, the middle market quotation and the diluted net asset value per 5p Ordinary Share were 1,153.0p and 1,217p respectively. The comparable figures at 31 January 2006 were 1,022.5p and 1,063p respectively.

donations

The Company does not make any political or charitable donations.

substantial shareholders

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 Ordinary Shares	% of issued share capital
C H B Mills	2,664,000	19.33
HBOS plc	1,222,474	8.87
Findlay Park US Smaller Companies Fund Plc	795,000	5.77
Legal & General Group Plc	439,421	3.19

directors

The biographical details for Directors currently in office are shown on page 2.

In accordance with Article 87 of the Company's Articles of Association, Mr Siem retires by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-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 70 and 71.

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.

group report of the directors
for the year ended 31 January 2007

directors' interests

The interests of the Directors as notified to the Company, beneficial unless otherwise stated, in the securities and Convertible Unsecured Loan Stock ("CULS") 2013 of the Company as at 31 January 2007 and 31 January 2006 were as follows:

	31 January 2007		31 January 2006	
	5p Ordinary Shares	**Units of CULS**	5p Ordinary Shares	Units of CULS
E F Gittes	**200,000**	–	200,000	–
C H B Mills	**2,664,000**	–	2,670,899	–
K Siem*	–	–	–	2,000
C L A Irby	**22,500**	–	22,500	–
O R Grace (appointed 16 May 2006)	**80,429**	**321,135**	80,429	321,135

* 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 95,000 Ordinary Shares and 52,000 units of CULS (2006: 95,000 Ordinary Shares and 50,000 units of CULS).

Details of Directors' remuneration and interests in Share Options are described in the Directors' Remuneration Report on pages 25 to 28.

Save as disclosed, there have been no changes to the above interests between 31 January 2007 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.

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. 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 3. The Board considers that the arrangements between the Chief Executive and the Joint Manager continue to work well.

group report of the directors

for the year ended 31 January 2007

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 66 and 67 and in the Directors' Remuneration Report on pages 25 to 28. The Investment Management Fees are disclosed in note 3 on page 45. The Performance Fee payable to GFS is disclosed in the Directors' Remuneration Report on pages 25 to 28 and note 3 of the financial statements on page 45.

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.

institutional investors – use of voting rights

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.

creditors' payment policy

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 2007 had been paid (31 January 2006 – all supplier invoices paid).

soft commission

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.

auditors

A resolution to reappoint RSM Robson Rhodes LLP as the Company's Auditors will be proposed at the forthcoming Annual General Meeting.

group report of the directors

for the year ended 31 January 2007

statement as to disclosure of information to auditors

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.

explanatory notes for special business at the annual general meeting

Resolution 6 Amendment of the Articles of Association
The Directors are seeking to amend Article 96 of the Company's Articles of Association by increasing the aggregate sum of Directors' fees payable in any one year from £100,000 to £150,000. The Articles of Association state that the total fees payable can be changed from time to time by Ordinary Resolution. The Board believes that the aggregate sum of £100,000 does not allow the Company to remunerate its Directors fairly and at a rate comparable to that paid by other investment companies that are similar in size and structure and therefore wishes to increase the total fees payable to £150,000 per annum.

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.

Resolution 7 Renewal of Directors' authority to allot shares
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 £229,682, 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.

Resolution 8 Renewal of Directors' authority for the disapplication of pre-emption rights
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 £34,452 representing 689,047 Ordinary Shares of 5p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing Shareholders.

The resolutions referred to above are contained in the Notice of Annual General Meeting on pages 70 and 71.

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

15 May 2007

corporate governance

Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2003

background

The UK Listing Authority Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the Code. As a member of the Association of Investment Companies, the Company has adopted the AIC Code of Governance.

During 2005, the financial Reporting Council reviewed the Combined Code issued in 2003 and, accordingly, a revised code was issued in 2006 and will apply voluntarily to companies with reporting years beginning on or after 1 November 2006. Therefore, your Company will make a Statement of Compliance with the provisions of the Combined Code on Corporate Governance 2006 in next year's Annual Report.

application of the principles of the code

The Board considers the matters set out in the Code to be very important and is committed to maintaining its principles. The Board is accountable to the Company's Shareholders for the governance of the Company's affairs and this statement describes how the relevant principles have been applied by the Company.

compliance with the combined code

The Board considers that the Company has complied with the provisions of Section 1 of the Code throughout the year ended 31 January 2007 and thereafter as required by Listing Rule 9.8.6(6) issued by the UK Listing Authority save as disclosed below.

directors

Brief biographical details of the Directors in office are set out on page 2. The Board consists of five Directors, four 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.

board evaluations

During the year, the Board has carried out an effectiveness evaluation exercise. This was an informal exercise carried out by the Chairman in relation to the key arrangements in place and included the performance of individual Directors. The Chairman's performance was considered by the Non-Executive Directors. The results of these evaluations were considered by the Board in preparation for the disclosure reporting in respect of the Code. The informal exercise was considered by the Board to be more appropriate in the circumstances due to its size and activities rather than a more formal rigorous annual evaluation.

corporate governance

Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2003

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.

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 pursuant to the management arrangements in place carry out day-to-day activities pursuant to the terms of these contracts. 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 in year 5 Board Meetings	Total number in year 2 Audit Committees	Total number in year 1 Remuneration 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 (appointed 16 May 2006)	5	1	1

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 25 to 28 and also in note 3 on page 45. The remuneration of North Atlantic Value LLP is disclosed in note 3 on page 45.

audit committee

The Board is supported by an Audit Committee which comprises all of the Non-Executive Directors. The 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 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 Interim 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.

corporate governance

Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2003

The Committee's terms of reference are available from the Company Secretary. The Audit Committee met twice during the year to review the Interim 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 2007. 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 70 and 71. The special business is also explained more fully in the Explanatory Notes on page 19. 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 following the resignation of The Hon. P D E Moncreiffe and nominated Mr O R Grace to the Board.

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 Board's responsibilities with regard to the financial statements are set out on page 24 and a Statement of Going Concern is given on the following page. The Report of the Auditors is on pages 29 and 30.

corporate governance

Statement of Compliance with The Provisions of the Combined Code on Corporate Governance 2003

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 the 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 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 concern basis in preparing these financial statements.

statement of directors' responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a fair presentation of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable International Financial Reporting Standards ("IFRS"); and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Group Report of the Directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

The financial statements are currently published in the Manager's section on www.navalue.co.uk which is a website maintained by the Joint Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

directors' remuneration report

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 29 and 30.

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 January 2007 (2006: £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. These increases mean that the total amount of Directors' fees to be paid per annum is £100,000, also being the maximum payable per annum under the Company's Articles of Association. Therefore, the Board is seeking approval from Shareholders for the total limit on Directors fees to be paid, to be increased to £150,000 at the forthcoming Annual General Meeting. 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 page 45 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

remuneration of directors (audited)

Chief Executive	**2007**	2006
	£	£
Fees	**16,000**	16,000
Investment Management and related fees	**932,000**	750,000
Performance Fee	**1,217,000**	1,069,000
Total (excluding irrecoverable VAT)	**2,165,000**	1,835,000

The total fees of £2,165,000, in respect of Mr Mills' services as a Director and Chief Executive are payable to Growth Financial Services Limited ("GFS"), as described on page 45. 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 17 and note 3 on page 45 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	**2007**	2006
	£	£
E F Gittes (Chairman)	**20,000**	20,000
K Siem	**16,000**	16,000
C L A Irby	**16,000**	16,000
O R Grace (appointed 16 May 2006)	**12,000**	–
The Hon. P D E M Moncreiffe (resigned 27 March 2006)	**3,000**	16,000
	67,000	68,000

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.

interests in options (audited)

	No. of options at 1 February 2006	Year of grant	Price	Exercised/ cancelled during the year	Grant of options during the year	Price	No. of options at 31 January 2007
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 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.

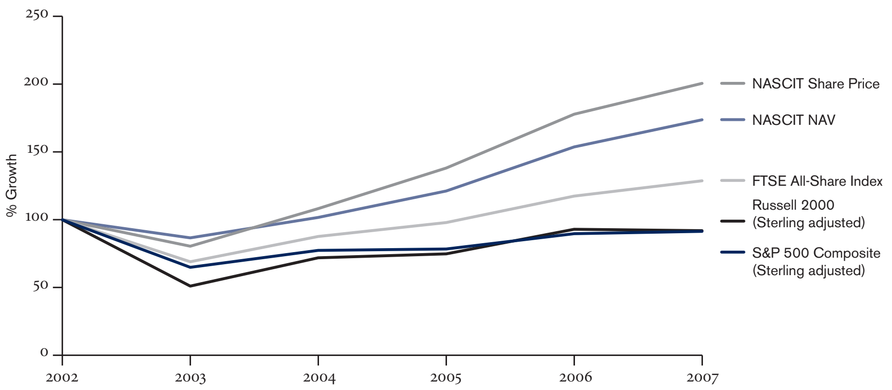
The Share Option Scheme is an unapproved scheme. Options will normally be exercisable between three and ten years from the date of grant. Options granted under the 2002 Share Executive Option Scheme may only be exercisable if the fully diluted net asset value of the Company (ignoring dilution on the 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 1,170.0p and 925.0p respectively. The mid-market price of the Company's Ordinary Shares at 31 January 2007 was 1,153.0p.

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 15 May 2007 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") on pages 31 to 68. 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 2003 FRC 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 2007, and of its profit 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 2007;
- 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.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England

15 May 2007

consolidated income statement
for the year ended 31 January

		2007			2006		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
investments							
Gains on investments	10	–	31,469	31,469	–	46,593	46,593
Exchange differences	10	–	(43)	(43)	–	(422)	(422)
net investment results		–	31,426	31,426	–	46,171	46,171
income	2	3,951	–	3,951	4,052	–	4,052
expenses							
Investment management fee	3	(2,430)	(1,266)	(3,696)	(1,981)	(1,155)	(3,136)
Interest payable and similar charges	6	(145)	–	(145)	(253)	–	(253)
Share based remuneration	5	(322)	(109)	(431)	(368)	–	(368)
Other expenses	4	(849)	–	(849)	(594)	–	(594)
total expenses		(3,746)	(1,375)	(5,121)	(3,196)	(1,155)	(4,351)
profit before taxation		205	30,051	30,256	856	45,016	45,872
Taxation	7	(34)	–	(34)	(13)	–	(13)
transfer to reserves		171	30,051	30,222	843	45,016	45,859
attributable to:							
Equity holders of the parent		224	31,171	31,395	876	44,674	45,550
Minority interest	8	(53)	(1,120)	(1,173)	(33)	342	309
		171	30,051	30,222	843	45,016	45,859
return per ordinary share:							
Basic	9			231.17p			346.10p
Diluted	9			157.25p			227.13p

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 40 to 43.

All items in the above statement derive from continuing operations.

The notes on pages 40 to 68 form part of these financial statements.

consolidated statement of changes in equity

for the year ended 31 January

group	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve – realised £'000
2007					
31 January 2006	**666**	**48**	**764**	**629**	**168,946**
Total recognised income and expenses for the year	–	–	**322**	–	**17,419**
Arising on conversion of CULS	**23**	(3)	–	–	–
Premium paid on repurchase of CULS	–	(2)	–	–	(2,359)
Loss on deemed disposal of AOT	–	–	–	–	(119)
31 January 2007	**689**	**43**	**1,086**	**629**	**183,887**

	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000	Capital reserve – realised £'000
2006					
31 January 2005	647	–	–	629	141,956
Opening reserves adjusted for IFRS 2	–	–	396	–	–
Restated as at 31 January 2005	647	–	396	629	141,956
Restatement of opening reserves for IAS 32 and 39	–	52	–	–	–
	647	52	396	629	141,956
Total recognised income and expenses for the year	–	–	368	–	22,738
Arising on conversion of CULS	19	(3)	–	–	–
Premium paid on repurchase of CULS	–	(1)	–	–	(2,129)
Arising on acquisition of majority interest in AOT	–	–	–	–	6,381
31 January 2006	666	48	764	629	168,946

The financial statements have been prepared in accordance with the accounting policies on pages 40 to 43.

The notes on pages 40 to 68 form part of these financial statements.

consolidated statement of changes in equity

for the year ended 31 January

Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000	Minority interest £'000	Total £'000	group
					2007
46,724	**(5,132)**	**212,645**	**8,205**	**220,850**	31 January 2006
13,752	**224**	**31,717**	**(1,173)**	**30,544**	Total recognised income and expenses for the year
–	–	**20**	–	**20**	Arising on conversion of CULS
–	–	**(2,361)**	–	**(2,361)**	Premium paid on repurchase of CULS
–	–	**(119)**	**708**	**589**	Loss on deemed disposal of AOT
60,476	**(4,908)**	**241,902**	**7,740**	**249,642**	31 January 2007

Capital reserve – unrealised £'000	Reserve revenue £'000	Total £'000	Minority interest £'000	Total £'000	
					2006
34,550	(5,241)	172,541	–	172,541	31 January 2005
–	(396)	–	–	–	Opening reserves adjusted for IFRS 2
34,550	(5,637)	172,541	–	172,541	Restated as at 31 January 2005
(3,555)	(3)	(3,506)	–	(3,506)	Restatement of opening reserves for IAS 32 and 39
30,995	(5,640)	169,035	–	169,035	
21,936	876	45,918	309	46,227	Total recognised income and expenses for the year
–	–	16	–	16	Arising on conversion of CULS
–	–	(2,130)	–	(2,130)	Premium paid on repurchase of CULS
(6,207)	(368)	(194)	7,896	7,702	Arising on acquisition of majority interest in AOT
46,724	(5,132)	212,645	8,205	220,850	31 January 2006

The financial statements have been prepared in accordance with the accounting policies on pages 40 to 43.

The notes on pages 40 to 68 form part of these financial statements.

company statement of changes in equity

for the year ended 31 January

company	**Share capital £'000**	**CULS reserve £'000**	**Share options reserve £'000**	**Share premium account £'000**
2007				
31 January 2006	**666**	**48**	**764**	**629**
Total recognised income and expenses for the year	–	–	**322**	–
Arising on conversion of CULS	**23**	**(3)**	–	–
Premium paid on repurchase of CULS	–	**(2)**	–	–
31 January 2007	**689**	**43**	**1,086**	**629**

	Share capital £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000
2006				
31 January 2005	647	–	–	629
Opening reserves adjusted for IFRS 2	–	–	396	–
Restated as at 31 January 2005	647	–	396	629
Restatement of opening reserves for IAS 32 and 39	–	52	–	–
	647	52	396	629
Total recognised income and expenses for the year	–	–	368	–
Arising on conversion of CULS	19	(3)	–	–
Premium paid on repurchase of CULS	–	(1)	–	–
31 January 2006	666	48	764	629

The financial statements have been prepared in accordance with the accounting policies on pages 40 to 43.

The notes on pages 40 to 68 form part of these financial statements.

company statement of changes in equity

for the year ended 31 January

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000	company
				2007
160,405	**54,213**	**(4,401)**	**212,324**	31 January 2006
18,010	**13,248**	**340**	**31,920**	Total recognised income and expenses for the year
–	**–**	**–**	**20**	Arising on conversion of CULS
(2,359)	**–**	**–**	**(2,361)**	Premium paid on repurchase of CULS
176,056	**67,461**	**(4,061)**	**241,903**	31 January 2007

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Reserve revenue £'000	Total £'000	
				2006
141,532	34,621	(5,127)	172,302	31 January 2005
–	–	(396)	–	Opening reserves adjusted for IFRS 2
141,532	34,621	(5,523)	172,302	Restated as at 31 January 2005
–	(3,555)	–	(3,503)	Restatement of opening reserves for IAS 32 and 39
141,532	31,066	(5,523)	168,799	
21,002	23,147	1,122	45,639	Total recognised income and expenses for the year
–	–	–	16	Arising on conversion of CULS
(2,129)	–	–	(2,130)	Premium paid on repurchase of CULS
160,405	54,213	(4,401)	212,324	31 January 2006

The financial statements have been prepared in accordance with the accounting policies on pages 40 to 43.

The notes on pages 40 to 68 form part of these financial statements.

consolidated and company balance sheets

as at 31 January

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
non current assets					
Investments at fair value through profit or loss	10	**225,644**	214,822	**213,187**	194,433
Investment in Subsidiary (AOT)		**–**	–	**10,805**	12,281
		225,644	214,822	**223,992**	206,714
current assets					
Investments held for trading in Subsidiary Companies		**386**	382	**–**	–
Trade and other receivables	11	**18,595**	7,039	**21,428**	7,072
Cash and cash equivalents		**9,497**	6,429	**542**	5,581
		28,478	13,850	**21,970**	12,653
total assets		**254,122**	228,672	**245,962**	219,367
current liabilities					
Bank loans and overdrafts	12	**(1,407)**	(4,975)	**(1,407)**	(4,975)
Investments held for trading – derivatives	10d	**(29)**	(239)	**(29)**	(184)
Trade and other payables	13	**(2,137)**	(2,336)	**(1,716)**	(1,612)
		(3,573)	(7,550)	**(3,152)**	(6,771)
total assets less current liabilities		**250,549**	221,122	**242,810**	212,596
non current liabilities					
Bank loans	14	**(664)**	–	**(664)**	–
CULS	15	**(243)**	(272)	**(243)**	(272)
		(907)	(272)	**(907)**	(272)
total liabilities		**(4,480)**	(7,822)	**(4,059)**	(7,043)
net assets		**249,642**	220,850	**241,903**	212,324

The financial statements have been prepared in accordance with the accounting policies on pages 40 to 43.

The notes on pages 40 to 68 form part of these financial statements.

consolidated and company balance sheets

as at 31 January

	Notes	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
represented by:					
Share capital	16	**689**	666	**689**	666
Equity component of CULS		**43**	48	**43**	48
Share options reserve		**1,086**	764	**1,086**	764
Share premium account		**629**	629	**629**	629
Capital reserve – realised		**183,887**	168,946	**176,056**	160,405
Capital reserve – unrealised		**60,476**	46,724	**67,461**	54,213
Revenue reserve		**(4,908)**	(5,132)	**(4,061)**	(4,401)
equity attributable to equity holders of the parent		**241,902**	212,645	**241,903**	212,324
Minority interest	8	**7,740**	8,205	**–**	–
total equity		**249,642**	220,850	**241,903**	212,324
net asset value per ordinary share:					
Basic	9	**1,755p**	1,597p		
Diluted	9	**1,217p**	1,063p		

The financial statements have been prepared in accordance with the accounting policies on pages 40 to 43.

These financial statements were approved by the Board of Directors on 15 May 2007 and signed on its behalf by:

Enrique Foster Gittes, *Chairman*

The notes on pages 40 to 68 form part of these financial statements.

consolidated cash flow statement
for the year ended 31 January

group	Notes	2007 £'000	2006 £'000
cash flows from operating activities			
Investment income received		**2,628**	2,391
Bank deposit interest received		**630**	428
Underwriting commission received		**–**	14
Other income		**24**	3
Sale of investments by Subsidiary		**18**	36
Investment manager's fees paid		**(3,569)**	(2,894)
Other cash payments		**(998)**	(713)
cash expended from operations	17	**(1,267)**	(735)
Bank interest paid		**(117)**	(205)
CULS interest paid		**(29)**	(32)
Loan renewal expenses		**(6)**	(9)
net cash outflow from operating activities		**(1,419)**	(981)
cash flows from investing activities			
Purchases of investments		**(180,307)**	(182,869)
Sales of investments		**189,613**	162,596
Realised gain on forward currency contracts		**–**	764
Cost of additional shares purchased in AOT		**–**	(1,945)
net cash inflow/(outflow) from investing activities		**9,306**	(21,454)
cash flows from financing activities			
Repayment of fixed term borrowings		**(3,459)**	–
Increase in fixed term borrowings		**673**	–
Repurchase of CULS for cancellation		**(2,370)**	(2,140)
Management options exercised and repurchased (AOT)		**480**	–
net cash outflow from financing activities		**(4,676)**	(2,140)
increase/(decrease) in cash and cash equivalents for the year		**3,211**	(24,575)
cash and cash equivalents at the start of the year		**6,429**	28,862
Cash and cash equivalents acquired on acquisition		**–**	2,040
Revaluation of foreign currency balances		**(143)**	102
cash and cash equivalents at the end of the year	18	**9,497**	6,429

The notes on pages 40 to 68 form part of these financial statements.

company cash flow statement

for the year ended 31 January

company	Note	2007 £'000	2006 £'000
cash flows from operating activities			
Investment income received		2,373	2,321
Bank deposit interest received		465	337
Underwriting commission received		–	14
Other income		24	3
Investment manager's fees paid		(3,369)	(2,739)
Other cash payments		(758)	(590)
cash expended from operations	17	(1,265)	(654)
Bank interest paid		(114)	(205)
CULS interest paid		(29)	(32)
Loan renewal expenses		(6)	(9)
net cash outflow from operating activities		(1,414)	(900)
cash flows from investing activities			
Purchases of investments		(155,161)	(167,921)
Sales of investments		162,582	147,571
net cash inflow/(outflow) from investing activities		7,421	(20,350)
cash flows from financing activities			
Repayment of fixed term borrowings		(3,459)	–
Increase in fixed term borrowings		673	–
Repurchase of CULS for cancellation		(2,370)	(2,140)
Transfers to Subsidiary		(30,351)	(5,565)
Transfers from Subsidiary		24,558	25,697
net cash (outflow)/inflow from financing activities		(10,949)	17,992
decrease in cash and cash equivalents for the year		(4,942)	(3,258)
cash and cash equivalents at the start of the year		5,581	8,790
Revaluation of foreign currency balances		(97)	49
cash and cash equivalents at the end of the year		542	5,581

The notes on pages 40 to 68 form part of these financial statements.

notes to the financial statements

1 accounting policies

North Atlantic Smaller Companies Investment Trust PLC (“NASCIT”) is a Company incorporated and registered in England and Wales under the Companies Acts 1948 to 1967. The consolidated Annual Report for the Group for the year ended 31 January 2007 comprises the results of the Company and its Subsidiaries – Consolidated Venture Finance Limited, American Opportunity Trust PLC and LOT Limited (together referred to as the “Group”).

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 classified as fair value through profit or loss.

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 2007. In addition, the Group financial statements consolidate American Opportunity Trust PLC (“AOT”) and its wholly owned Subsidiary undertaking LOT Limited, drawn up to 31 January 2007, as the Group had a 58.26% holding in AOT at the year-end.

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own income statement. The amount of the Company’s profit for the financial year dealt with in the accounts of the Group is £31,598,000 (2006: £45,271,000).

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 investments

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

1 accounting policies continued

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 as '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.

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.

As the Group acquired a majority shareholding in AOT during the year ended 31 January 2006, the portfolio valuation of the Group includes the shareholdings owned directly by AOT rather than the shareholding in AOT owned by the Group.

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 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', with the exception of AOT whose investments are classified as non current assets, and are valued at fair value in accordance with the policies set out in 1.e(i) and 1.e(iii) above for quoted and unquoted holdings respectively.

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

1 accounting policies continued

f 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, 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.

g foreign currency

The currency of the primary economic environment in which the Group Companies operate (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.

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.

h 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.

i 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.

j 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.

notes to the financial statements

1 accounting policies continued

k 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.

l 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.

m 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.

n 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.

o 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.

notes to the financial statements

2 income

	2007 £'000	2006 £'000
income from investments		
UK dividend income	**1,048**	1,386
Unfranked investment income		
– dividends	**228**	93
– dividends reinvested	**1,044**	234
– interest	**1,296**	1,333
– interest reinvested	**621**	835
	4,237	3,881
other income		
Interest receivable	**624**	434
Dealing losses of Subsidiary	**(934)**	(281)
Warranty fee for investee company	**21**	–
Indemnity fee for investee company	**3**	–
Underwriting commission	**–**	14
Sundry income	**–**	4
	(286)	171
Total income	**3,951**	4,052

	2007 £'000	2006 £'000
total income comprises		
Dividends	**2,320**	1,713
Interest	**2,541**	2,602
Other income	**(910)**	(263)
	3,951	4,052

	2007 £'000	2006 £'000
income from investments		
Listed UK	**1,048**	1,386
Listed overseas	**227**	91
Unlisted	**2,962**	2,404
	4,237	3,881

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 17 and the Directors' Remuneration Report on page 26, 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 17 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:

	2007			2006		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Annual fee	**2,342**	**–**	**2,342**	1,838	–	1,838
Performance Fee	**–**	**1,217**	**1,217**	–	1,069	1,069
Irrecoverable VAT thereon	**88**	**49**	**137**	143	86	229
	2,430	**1,266**	**3,696**	1,981	1,155	3,136

At 31 January 2007, £109,000 plus VAT was payable to the Joint Manager in respect of outstanding management fees (2006: £89,000 plus VAT) and £1,217,000 plus VAT was payable to GFS in respect of the outstanding Performance Fee (2006: £1,069,000 plus VAT).

The annual fee of £2,342,000 above includes £163,000 in relation to AOT for the year ended 31 January 2007 (16 September 2005 to 31 January 2006: £63,000).

notes to the financial statements

4 other expenses

	2007 £'000	2006 £'000
Directors' fees (see pages 25 to 28)	83	84
Investment management related fee (see note 3)	100	100
Activity fees (see note 3)	128	91
Other expenses	538	319
	849	594

Auditors' remuneration	2007 £'000	2006 £'000
Fees payable to the Company's Auditor for the audit of the financial statements	25	24
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	15	15
– Other services relating to taxation	13	5
– All other services	7	6
	60	50

Fees payable to the Company's Auditor, RSM Robson Rhodes 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.

5 share based remuneration

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Charge for year per IFRS 2 (see note 1.k)	322	–	322	368	–	368
Cost of repurchasing AOT management options (see below)	–	109	109	–	–	–
	322	109	431	368	–	368

During the 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 above represents the cost to AOT of repurchasing these options.

notes to the financial statements

6 interest payable and similar charges

	2007 £'000	2006 £'000
On bank loans and overdrafts	**109**	210
Interest on CULS	**29**	32
Amortisation of loan issue expenses	**–**	3
Loan amendment fee	**7**	8
	145	253

7 taxation on ordinary activities

	2007 £'000	2006 £'000
Overseas taxation	**34**	13
	34	13

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.

	2007 Total £'000	2006 Total £'000
Total return on ordinary activities before taxation	**30,256**	45,872
Theoretical tax at UK Corporation tax rate of 30% (2006: 30%)	**9,077**	13,762
Effects of:		
Non taxable capital return	**(9,395)**	(13,852)
UK dividends which are not taxable	**(314)**	(463)
Increase in tax losses, disallowable expenses and offshore income gains	**642**	550
Expenditure which is not tax deductible	**–**	7
Relief for irrecoverable overseas tax suffered	**(10)**	(4)
Overseas tax which is not recoverable	**34**	13
Actual current tax charge	**34**	13

Factors that may affect future tax charges:

The Group has tax losses of £15,516,000 (2006: £14,628,000) 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.

notes to the financial statements

7 taxation on ordinary activities continued

Of the Group tax losses shown on the previous page, the parent Company has tax losses of £13,648,000 (2006: £13,305,000) 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.

8 minority interest

During the year, American Opportunity Trust PLC's ("AOT") management options reached their exercise date and some were exercised into ordinary shares. Therefore, the Company now owns 58.26% of the issued share capital of AOT and a minority interest exists which represents the 41.74% of the issued share capital of AOT not owned by the Company.

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

	2007 £'000	2006 £'000
As at 1 February	8,205	–
Arising on acquisition of 60.49% shareholding in AOT	–	7,896
Share of AOT's revenue return to 31 January	(53)	(33)
Share of AOT's capital return to 31 January	(1,120)	342
Cash received on exercise of options	589	–
Gain on deemed disposal of AOT from NASCIT	119	–
As at 31 January	7,740	8,205

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

Consolidated return per Ordinary Share:

	Revenue			Capital			Total		
	*Net return £'000	Ordinary Shares	Per Share pence	*Net return £'000	Ordinary Shares	Per Share pence	*Net return £'000	Ordinary Shares	Per Share pence
2007									
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 per Share	254	19,984,177	1.27	31,171	19,984,177	155.98	31,425	19,984,177	157.25

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

	Revenue			Capital			Total		
	*Net return £'000	Ordinary Shares	Per Share pence	*Net return £'000	Ordinary Shares	Per Share pence	*Net return £'000	Ordinary Shares	Per Share pence
2006									
Basic return per Share	876	13,161,125	6.66	44,674	13,161,125	339.44	45,550	13,161,125	346.10
Option conversion**	–	188,069		–	188,069		–	188,069	
CULS***	34	6,719,899		–	6,719,899		34	6,719,899	
Diluted return per Share	910	20,069,093	4.53	44,674	20,069,093	222.60	45,584	20,069,093	227.13

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.

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 per Share **2007**	2006
Ordinary Shares	– Basic	**1,755p**	1,597p
	– Diluted	**1,217p**	1,063p

The basic net asset value per Ordinary Share is based on net assets of £241,902,000 (2006: £212,645,000) and on 13,780,945 Ordinary Shares (2006: 13,313,427) 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 (2006: 1,030,000) Share Options were exercised at the prevailing exercise prices, giving a total of 20,522,052 issued Ordinary Shares (2006: 20,737,052).

notes to the financial statements

10 investments

a. Investments at fair value through profit or loss

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Quoted at fair value:				
United Kingdom	**91,296**	60,008	**99,570**	71,939
Overseas	**37,841**	53,585	**27,915**	35,784
Total quoted investments	**129,137**	113,593	**127,485**	107,723
Unlisted at fair value	**96,507**	101,229	**96,507**	98,991
Total investments at fair value	**225,644**	214,822	**223,992**	206,714

group	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements						
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
opening valuation as at 1 February 2006	93,838	19,755	58,116	14,266	28,847	214,822
Movements in year:						
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 (depreciation)/appreciation	(9,963)	18,929	3,328	(232)	367	12,429
closing valuation as at 31 January 2007	**79,565**	**49,572**	**68,939**	**10,433**	**17,135**	**225,644**
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**
	79,565	**49,572**	**68,939**	**10,433**	**17,135**	**225,644**

notes to the financial statements

10 investments continued

company	Listed equities £'000	AIM quoted £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements						
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
opening valuation as at 1 February 2006	88,318	19,405	58,116	14,266	26,609	206,714
Movement in year:						
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 (depreciation)/appreciation	(9,220)	18,786	3,328	(232)	380	13,042
closing valuation as at 31 January 2007	78,738	48,747	68,939	10,433	17,135	223,992
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
	78,738	48,747	68,939	10,433	17,135	223,992

notes to the financial statements

10 investments continued

	2007 £'000	2006 £'000
analysis of capital gains and losses		
Realised gains on sales	**18,555**	22,329
Losses on sale to Subsidiary (included above)	**–**	1,493
Appreciation dealt with last year	**(7,734)**	(7,618)
	10,821	16,204
Additional unrealised appreciation	**20,163**	30,038
	30,984	46,242
Net premiums on sale of options held for trading	**440**	227
Movement in valuation of unexpired put options	**214**	212
Losses on loan repayment	**(83)**	–
Movement in valuation of escrow	**(86)**	(88)
gains on investments	**31,469**	46,593

	2007 £'000	2006 £'000
Realised exchange (losses)/gains on capital items	**(133)**	2
Realised exchange losses on escrow	**(29)**	–
Unrealised exchange gains/(losses) on capital items and currency	**99**	(424)
Unrealised exchange gains on forward currency contract	**20**	–
exchange differences	**(43)**	(422)

	2007 £'000	2006 £'000
portfolio analysis		
Equity shares	**176,812**	160,001
Convertible preference securities	**21,264**	11,708
Fixed interest securities	**10,433**	14,266
Treasury Bills	**17,135**	28,847
	225,644	214,822

10 investments continued

b. Subsidiary undertaking

The Company has the following Subsidiaries.

Subsidiary	Principal activity	% equity held	Country of registration
Consolidated Venture Finance Limited*	Security trading	100.00	England and Wales
American Opportunity Trust PLC	Investment trust	58.26	England and Wales
LOT Limited (indirect Subsidiary)	Security trading	100.00	England and Wales

The Subsidiaries were active during the year.

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

c. Significant holdings

On 16 September 2005, the Company purchased a further holding of shares in American Opportunity Trust PLC ("AOT") to take its total holding to over 50% (allowing for the exercise of outstanding management options). Accordingly, the investment in AOT has been treated as a Subsidiary undertaking since that date.

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 2007 %	31 January 2006 %
Worldport Communications Inc. (USA)	– Common Stock	**45.9**	45.9
Orthoplastics Ltd	– Ordinary Shares	**40.0**	–
Motherwell Bridge Limited	– Ordinary Shares	**33.3**	–
Jaffer Holdings Corporation (USA)	– Common Stock	**33.0**	33.0
Oryx International Growth Fund Limited (incorporated in Guernsey)	– Ordinary Shares	**29.2**	38.0
	– Ordinary "C" Shares	**10.0**	–
Jarvis Porter Group PLC	– Ordinary Shares	**27.6**	20.9
DM Technical Services Limited	– Ordinary Shares	**22.9**	22.9
Nationwide Accident Repair Services PLC	– Ordinary Shares	**22.3**	25.7
Mid-States PLC	– Ordinary Shares	–	22.7
Santa Maria Foods Inc. (Canada)	– Common Stock	–	27.3
Mister Car Wash Inc. (USA)	– Common Stock	**21.6**	21.6

notes to the financial statements

10 investments continued

d. Investments held for trading – derivatives

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Valuation of unexpired put options	**(29)**	(239)	**(29)**	(184)
	(29)	(239)	**(29)**	(184)

e. 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 2007, US Treasury Bills with a market value of £3,302,000 were deposited with brokers (2006: £3,783,000).

f. Transaction costs

During the year, the Group incurred transaction costs of £196,000 (2006: £210,000) and £162,000 (2006: £47,000) on purchases and sales of investments respectively. These amounts are included in gains on investments as disclosed in the income statement.

11 trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts due from brokers	**13,417**	3,552	**9,961**	3,269
Amounts owed by Subsidiary	**–**	–	**6,846**	365
Accrued income	**762**	856	**713**	840
Forward currency contract accrual	**20**	–	**–**	–
Other debtors	**4,396**	2,631	**3,908**	2,598
	18,595	7,039	**21,428**	7,072

notes to the financial statements

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

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Canadian $3.25 million term bank loan 07/02/07	1,407	1,599	1,407	1,599
US $6 million term bank loan 31/03/06	–	3,376	–	3,376
	1,407	4,975	1,407	4,975

On 31 March 2006, the US $6 million loan was repaid in full.

On 7 February 2007, Canadian $850,000 was repaid and the remaining amount was rolled to 31 December 2007.

13 trade and other payables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts due to brokers	347	616	–	–
Other creditors and accruals	1,790	1,720	1,716	1,612
	2,137	2,336	1,716	1,612

14 bank loans: falling due after more than one year

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Euro 1 million term loan 27/06/08	664	–	664	–
	664	–	664	–

On 4 December 2006, Euro 1 million was drawn down and is due for repayment on 27 June 2008.

notes to the financial statements

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

	2007 No units	2007 £'000	2006 No units	2006 £'000
group and company				
Balance at beginning of year	6,393,625	272	6,999,380	350
Restatement for IFRS (see below)	–	–	–	(52)
As restated	6,393,625	272	6,999,380	298
Converted during the year	(467,518)	(20)	(380,755)	(16)
Bought back in year	(215,000)	(9)	(225,000)	(10)
Balance at end of year	5,711,107	243	6,393,625	272

Following the introduction of IFRS, the CULS are deemed to include an equity component as well as debt. As explained in note 1.n, 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 2007, 467,518 (2006: 380,755) 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 2007, 215,000 (2006: 225,000) CULS units were purchased for cancellation at an average rate of 1,102p per unit. (2006: 951p)

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 2007 to 2013 inclusive. Interest at the rate of 0.5p gross per 5p unit per annum is payable on 31 January each year.

16 share capital

	2007 Number	2007 £'000	2006 Number	2006 £'000
– authorised:				
As at 31 January:				
Ordinary Shares of 5p	27,000,000	1,350	27,000,000	1,350
– issued and fully paid:				
Ordinary Shares of 5p:				
Balance at beginning of year	13,313,427	666	12,932,672	647
Conversion of CULS	467,518	23	380,755	19
Balance at end of year	13,780,945	689	13,313,427	666

16 share capital continued

During the year, 467,518 (2006: 380,755) 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 27. 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 (2006: 1,030,000), include those granted to the Chief Executive, details of which are given on page 27 in the Directors' Remuneration Report. The balance of the options have been granted to investment management employees of the Joint Manager.

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

	Group 2007 £'000	Group 2006 £'000	**Company 2007 £'000**	Company 2006 £'000
Total return from ordinary activities before finance costs and taxation	**30,401**	46,125	**31,743**	45,527
Gain on investments	**(31,426)**	(46,171)	**(32,524)**	(45,303)
Share based remuneration	**322**	368	**322**	368
Reverse provision for Subsidiary	**–**	–	**756**	–
AOT management options	**109**	–	**–**	–
Dividends and interest reinvested	**(1,665)**	(1,069)	**(1,665)**	(1,069)
Increase in debtors and accrued income	**(4)**	(478)	**(7)**	(492)
Changes relating to investments of dealing Subsidiary	**951**	280	**–**	–
Increase in creditors and accruals	**79**	223	**113**	319
Tax on investment income	**(34)**	(13)	**(3)**	(4)
Cash expended from operations	**(1,267)**	(735)	**(1,265)**	(654)

18 analysis of net cash

	At 1 February 2006 £'000	Cash flow £'000	Exchange movement £'000	At 31 January 2007 £'000
Cash and cash equivalents	6,429	3,211	(143)	9,497

19 financial instruments and risk profile

The investment objective of the Group is to provide investors with capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean. The Group's financial instruments comprise quoted and unquoted investments. In addition, the Group holds cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations.

The Group may also invest by writing put options on shares of companies that are of fundamental interest as an investment and would otherwise be considered for acquisition. The Group thereby gains exposure to these companies, whilst at the same time following the rationale that writing options can be an efficient and cheaper way of buying the stock. The Group may also occasionally enter into derivative and swap contracts including short sales in order to manage the risks arising from its investment activities. On occasions, the Group may also write call options on shares of companies that are already owned.

The Company, as stated in the Group Report of the Directors on page 16, conducts its affairs so as to enable it to qualify as an investment trust. As part of the rules governing this status, no investment at the time of purchase can represent more than 15% by value of the Group's portfolio of investments.

The two main risks arising from the Group's financial instruments are market price risk and foreign currency risk. The Directors review and agree policies with the Joint Manager, North Atlantic Value LLP, for managing these risks. The policies have remained substantially unchanged since 31 January 2006.

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.

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.

market price risk

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. As at the year-end, the spread of the Group's investment portfolio analysed by sector was as set out on page 4.

19 financial instruments and risk profile continued

foreign 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. At 31 January 2007, the Group had one open forward currency contract which expired on 1 February 2007 (2006: none).

liquidity risk

The Group invests in equities and other investments that are readily realisable. The Group had a multi-currency loan facility of £6 million and an overdraft facility of US$15.6 million as at 31 January 2007.

19 financial instruments and risk profile continued

interest rate risk

As at 31 January 2007, the Group's financial instruments, analysed by maturity date was as follows:

	In 1 year or less £'000	In more than 1 year but less than 2 years £'000	In more than 2 years but less than 3 years £'000	In more than 3 years £'000	Total £'000
fair value interest rate risk					
Financial assets at fair value through profit or loss					
– Non current investments at fair value through profit or loss	24,563*	343	2,262	4,529	31,697**
Financial liabilities					
– Multi-currency loan facility	(1,407)	(664)	–	–	(2,071)
– CULS	–	–	–	(243)	(243)
cash flow interest rate risk					
Financial assets at fair value through profit or loss					
– Non current investments at fair value through profit or loss	17,135	–	–	–	17,135
Loans and receivables					
– Cash and cash equivalents	9,497	–	–	–	9,497
no interest rate risk					
Financial assets at fair value through profit or loss					
– Non current investments at fair value through profit or loss	176,812	–	–	–	176,812
Financial assets at fair value through profit or loss and held for trading					
– Current asset investments	386	–	–	–	386
– Put options on investments	(29)	–	–	–	(29)
Loans and receivables					
– Trade and other receivables	18,595	–	–	–	18,595
Other financial liabilities					
– Trade and other payables	(2,137)	–	–	–	(2,137)
	243,415	(321)	2,262	4,286	249,642

* This amount relates to stocks with no fixed maturity date.

** The weighted average interest rate for loan stocks is 4.9% and preference shares is 13.4%.

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

19 financial instruments and risk profile continued

Cash balances are held on call deposit and earn interest at the bank's daily rate.

As at 31 January 2006, the Group's financial instruments, analysed by maturity date was as follows:

	In 1 year or less £'000	In more than 1 year but less than 2 years £'000	In more than 2 years but less than 3 years £'000	In more than 3 years £'000	Total £'000
fair value interest rate risk					
Financial assets at fair value through profit or loss					
– Non current investments at fair value through profit or loss	12,240*	–	10,940	2,770	25,950**
Financial liabilities					
– Multi-currency loan facility	(4,975)	–	–	–	(4,975)
– CULS	–	–	–	(272)	(272)
cash flow interest rate risk					
Financial assets at fair value through profit or loss					
– Non current investments at fair value through profit or loss	28,847	–	–	–	28,847
Loans and receivables					
– Cash and cash equivalents	6,429	–	–	–	6,429
no interest rate risk					
Financial assets at fair value through profit or loss					
– Non current investments at fair value through profit or loss	160,037	–	–	–	160,037
Financial assets at fair value through profit or loss and held for trading					
– Current asset investments	382	–	–	–	382
– Put options on investments	(239)	–	–	–	(239)
– Call options on investments	(12)	–	–	–	(12)
Loans and receivables					
– Trade and other receivables	7,039	–	–	–	7,039
Other financial liabilities					
– Trade and other payables	(2,336)	–	–	–	(2,336)
	207,412	–	10,940	2,498	220,850

* This amount includes £11,000,000 relating to stocks with no fixed maturity date.

** The weighted average interest rate for loan stocks is 13.5% and preference shares is 9.2%.

19 financial instruments and risk profile continued

financial assets

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

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

	Sterling £'000	US Dollar £'000	Canadian Dollar £'000	Euro £'000	Total £'000
Non current investments at fair value through profit or loss	**142,635**	**82,345**	**–**	**664**	**225,644**
Investments held for trading in Subsidiary Company	**381**	**5**	**–**	**–**	**386**
Trade and other receivables	**2,820**	**4,052**	**11,723**	**–**	**18,595**
Cash and cash equivalents	**8,049**	**794**	**654**	**–**	**9,497**
	153,885	**87,196**	**12,377**	**664**	**254,122**

At 31 January 2006, the currency cash flow profile of those financial assets was:

	Sterling £'000	US Dollar £'000	Canadian Dollar £'000	Euro £'000	Total £'000
Non current investments at fair value through profit or loss	106,938	95,441	12,420	23	214,822
Investments held for trading in Subsidiary Company	357	25	–	–	382
Trade and other receivables	6,287	152	600	–	7,039
Cash and cash equivalents	5,051	1,247	131	–	6,429
	118,633	96,865	13,151	23	228,672

19 financial instruments and risk profile continued

financial liabilities

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 2007, the currency cash flow profile of those financial liabilities was:

	Sterling £'000	US Dollar £'000	Canadian Dollar £'000	Euro £'000	Total £'000
Multi-currency loan facility	–	–	1,407	664	2,071
CULS	243	–	–	–	243
Trade and other payables	1,929	197	6	5	2,137
Put options on investments	–	29	–	–	29
	2,172	226	1,413	669	4,480

At 31 January 2006, the currency cash flow profile of those financial liabilities was:

	Sterling £'000	US Dollar £'000	Canadian Dollar £'000	Euro £'000	Total £'000
Multi-currency loan facility	–	3,376	1,599	–	4,975
CULS	272	–	–	–	272
Trade and other payables	1,701	15	620	–	2,336
Put options on investments	–	239	–	–	239
	1,973	3,630	2,219	–	7,822

19 financial instruments and risk profile continued

fair value of financial assets and financial liabilities

The fair value for each class of financial assets, 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 2007 Fair value £'000	31 January 2007 Balance sheet value £'000	31 January 2006 Fair value £'000	31 January 2006 Balance sheet value £'000
financial assets				
Financial assets at fair value through profit or loss				
– Non current assets	**225,644**	**225,644**	214,822	214,822
Financial assets at fair value through profit or loss and held for trading				
– Current asset investments	**386**	**386**	382	382
Loans and receivables				
– Cash and cash equivalents	**9,497**	**9,497**	6,429	6,429
	235,527	**235,527**	221,633	221,633

	31 January 2007 Fair value £'000	31 January 2007 Balance sheet value £'000	31 January 2006 Fair value £'000	31 January 2006 Balance sheet value £'000
financial liabilities				
Financial assets at fair value through profit or loss and held for trading				
– Put options on investments	**29**	**29**	239	239
Other financial liabilities				
– Multi-currency loan	**2,071**	**2,071**	4,975	4,975
– CULS	**65,549**	**243**	64,751	272
	67,649	**2,343**	69,965	5,486

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 40 to 43.

– 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.

19 financial instruments and risk profile continued

loans and borrowings

	Effective interest rate	Maturity	31 January 2007 £'000	31 January 2006 £'000
group and company				
current				
Bank overdraft	8.46%	On demand	–	–
Term loan – Canadian $3.25 million	5.37%	7 February 2007	**1,407**	1,599
Term loan – US $6 million	4.36%	31 March 2006	–	3,376
non current				
Term loan – Euro 1 million	4.85%	27 June 2008	**664**	–
CULS	5.00%	31 May 2013	**243**	272
			2,314	5,247

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 (2006: £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 2007, 467,518 (2006: 380,755) 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 2007, the Company purchased 215,000 (2006: 225,000) units of CULS for cancellation at a total cost of £2,370,000 (2006: £2,140,000).

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 2007 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.

19 financial instruments and risk profile continued

term bank loans

As at 31 January 2007, the Company has a multi-currency loan Revolving Credit Facility of up to £6 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.

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 14 to 19.

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

	Services	Fees
American Opportunity Trust PLC	Administration and Investment Management	£222,000
Oryx International Growth Fund Limited	Investment Advisory	£555,000
Trident Private Equity LP	Investment Advisory	£58,000
Worldport Communications Inc.	Investment Management	£nil
Trident Private Equity II LP	Investment Advisory	£1,280,000

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
Second London American Trust PLC (in members' voluntary liquidation)	Administration	£63,000
Wichford PLC	Joint Management and Administration	£1,383,000

J O Hambro Capital Management Limited has a 50% interest in Wichford Property Management Limited which provides property management services to Wichford PLC 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 PLC.

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 LLP) and the holding company of the Corporate Company Secretary.

20 related party transactions continued

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 LP 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: Hampton Trust Group, GEI Group Limited, Izodia PLC, Jarvis Porter Group PLC, Mid-States PLC, Nationwide Accident Repair Services PLC, Paramount Restaurants Limited, DM Technical Services 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.

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 (2006: 63,550).

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.

DM Technical Services Limited is a company incorporated to acquire the issued share capital of Dowding & Mills PLC not already owned by the Company. The Company owns 22.9% of its issued share capital.

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).

21 commitments and contingent liabilities

(i) At the year-end, there were no unexpired call options (2006: one), 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 (2006: £281,000).

(ii) At the year-end, there were two unexpired put options (2006: four), 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 2007, changes in the put option valuations showed a net gain of £214,000 (2006: £212,000). The maximum potential liability to which the Group was exposed at the balance sheet date, in respect of put options, totalled £2,727,000 (2006: £3,663,000).

22 post balance sheet event

american opportunity trust plc

Subsequent to the year-end, 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.

As at 23 February 2007 and as result of the above merger, NASCIT held 39.19% of the Ordinary Shares of Oryx. This company is not a subsidiary of NASCIT, so the holding is included in investments at fair value through profit or loss. Accordingly, AOT will no longer be consolidated in the Group's financial statements from next year.

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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Telephone: 020 7747 5678

Company Secretary & Registered Office
J O Hambro Capital Management Limited
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Telephone: 020 7747 5682

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

Auditors
RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2YU

Bankers
Allied Irish Bank, p.l.c.
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 Wednesday 27 June 2007, 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 2007.
2. To approve the Directors' Remuneration Report.
3. To re-elect Mr Siem as a Director of the Company.
4. To re-elect Mr C H B Mills as a Director of the Company.
5. To re-appoint RSM Robson Rhodes LLP as Auditors and authorise the Directors to determine their remuneration.
6. To amend Article 96 of the Company's the Articles of Association by increasing the aggregate sum of fees able to be paid to the Directors per annum from £100,000 to £150,000.

special business:

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

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 £229,682 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:

(i) 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

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £34,452;

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.

Dated this 15th day of May 2007

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.

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 4TU 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 25 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

financial calendar

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

share price

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

It also appears on:

Reuters:	convertible Loan Stock NASp.L
Bloomberg:	NAS. LN
SEAQ Ordinary Shares:	NAS
Trustnet:	www.trustnet.ltd.uk

net asset value

The latest net asset value of the Company can be found on the North Atlantic Value LLP website : www.navalue.co.uk

share dealing

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

The Company's registrars are Capita Registrars. In the event of any queries regarding your holding of shares, please contact the registrars on: 0870 458 4577, or by email on ssd@capitaregistrars.com

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