



North Atlantic Smaller Companies Investment Trust plc
Half-Yearly Report
for the six months ended 31 July 2011

objective of the company and financial highlights

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

	31 July 2011 (unaudited)	31 January 2011 (audited)	% Change
Net asset value per 5p Ordinary Share*:			
Basic	1,614p	1,664p	(3.0)
Diluted	1,433p	1,459p	(1.8)
Mid-market price of the 5p Ordinary Shares	1,059.5p	1,146.0p	(7.5)
Discount to diluted net asset value*	26.1%	21.5%	
Standard & Poor's 500 Composite Index**	786.7	803.1	(2.0)
Russell 2000 Index **	485.2	487.9	(0.6)
FTSE All-Share Index	3,026.0	3,044.3	(0.6)
US Dollar/Sterling exchange rate	1.6415	1.6018	2.5

* Including retained revenue for the period.

** Sterling adjusted.

The cover depicts a painting by the artist Mather Brown (1825) entitled "The Battle of the Nile: Destruction of L'Orient, 1 August 1798".

© National Maritime Museum, Greenwich, London.

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

Registered in England and Wales number 1091347

chief executive's review

During the period under review, the diluted net asset value of the Company fell by 1.8%. This compares with a fall in the Standard & Poors Composite Index (Sterling adjusted) of 2.0%.

The revenue return after tax for the period to 31 July 2011 amounted to a loss of £1,161,000 (31 July 2010: profit of £1,880,000). Consistent with past policy, the directors do not propose to pay a dividend.

quoted portfolio

The quoted portfolio taken as a whole outperformed the index, principally due to excellent results from RPC which rose 30% during the period under review. Set against this, the price performance of BBA -5% and Gleeson -15% was disappointing, although the underlying performance of both of these businesses has been encouraging. The United States portfolio, albeit relatively small, also performed better than the indices.

unquoted portfolio

The principal problem during the period under review was the need to write down the holding in Assetco by 50%. The remainder of the portfolio has generally performed well but in light of uncertain market conditions, the Board feels it would be inappropriate to increase valuations at this time. The holding in Lion/Katsu has now been sold for cash in excess of the valuation as at 31 January 2011. Also, with regard to the investment in Izodia, the Company has received a liquidation payment equal to the holding cost of the investment and expects to receive a further small payment in due course. No new investments were made during the period.

outlook

Since the end of the period there has been a substantial fall in world equity markets, although the impact on the portfolio has been less than that of the overall indices. However, the nature of the Company's portfolio is such that there are catalysts that should create value, regardless of market conditions over the medium term. I am therefore hopeful that the current turmoil in markets will create opportunities which will enable the Company to prosper in the long term.

C H B Mills
Chief Executive

8 September 2011

top ten investments

as at 31 July 2011

Company		Fair value £'000	% of net assets
Bionostics Holdings Limited	UK Unquoted	20,882	9.2
Oryx International Growth Fund Limited*†	UK Listed	20,750	9.1
RPC Group PLC	UK Listed	17,840	7.8
Guinness Peat Group PLC	NZ Listed	15,331	6.7
Hampton Investment Properties Limited	UK Unquoted	14,118	6.2
Trident Private Equity Fund III LP	UK Unquoted	12,309	5.4
BBA Aviation Group PLC	UK Listed	11,627	5.1
Nationwide Accident Repair Services PLC	UK Quoted on AIM	9,200	4.0
Interxion Holding NV	USA Listed	9,041	4.0
MJ Gleeson Group PLC	UK Listed	7,477	3.3
		<u>138,575</u>	<u>60.8</u>

* Incorporated in Guernsey

† Oryx is accounted for in the Group accounts as an Associate under the equity method of accounting. The valuation shown above is the Group's share of Oryx's net assets. All other investments are valued at fair value.

interim management report

investment objective The objective of North Atlantic Smaller Companies Investment Trust plc (“the Company”) is to provide capital appreciation through investment in a portfolio of smaller companies principally based in countries bordering the North Atlantic Ocean.

material events On 14 July 2011, Mr C H B Mills was granted 420,000 options to acquire Ordinary Shares pursuant to the 2011 Share Option Scheme at a price per option of 1,467.71 pence exercisable between 14 July 2014 and 14 July 2021 providing that the necessary performance requirements have been met. The 2011 Share Option Scheme was approved by Shareholders at the Annual General Meeting of the Company held on 30 June 2011. Further details of the Scheme can be found in the Appendix to the Notice of Annual General Meeting on pages 86 to 88 of the Annual Report for the year ended 31 January 2011.

material transactions The Board do not consider that there were any material transactions during the period ended 31 July 2011.

risk profile The principal risks and uncertainties for the remaining six months of the year continue to be as described in the Annual Report for the year ended 31 January 2011 on pages 68 to 77. The principal risks arising from the Company’s financial instruments are market price risk and foreign currency risk. The Directors review and agree policies with the Joint Manager, North Atlantic Value LLP, for managing these risks. The policies have remained substantially unchanged in the six months since the year end.

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

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

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

interim management report (continued)

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

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

related party transactions

These are listed in note 10 to the half yearly condensed financial statements on page 18.

CULS

The Convertible Unsecured Loan Stock ('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. 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 CULS units are convertible into Ordinary Shares of 5p each at a rate of one Ordinary Share for every 5p unit, one month after dispatch of the audited accounts in each of the years 2011 to 2013 inclusive.

During the six months ended 31 July 2011, 171,301 (2010: 507,025) units of CULS were converted into Ordinary Shares of 5p each at the rate of one 5p Ordinary Share for every unit of 5p. The Company did not purchase any units of CULS for cancellation during the period under review (2010: 1,085,000 units were purchased by the Company for cancellation).

As at 31 July 2011, there were 1,799,499 units of CULS outstanding.

C H B Mills
Chief Executive

8 September 2011

responsibility statement

The Directors confirm to the best of their knowledge that:

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

The half yearly financial report was approved by the Board on 8 September 2011 and the above responsibility statement was signed on its behalf by:

The Hon. P D E M Moncreiffe
Chairman

condensed consolidated statement of comprehensive income

	Six months ended 31 July 2011 (unaudited)			Six months ended 31 July 2010 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	779	–	779	874	–	874
Net (losses)/gains on investments at fair value through profit or loss	–	(3,029)	(3,029)	–	20,568	20,568
Currency exchange (losses)/gains	–	(782)	(782)	–	559	559
total income	<u>779</u>	<u>(3,811)</u>	<u>(3,032)</u>	<u>874</u>	<u>21,127</u>	<u>22,001</u>
Expenses						
Investment management fee (note 2)	(1,199)	(163)	(1,362)	(1,127)	(500)	(1,627)
Share based remuneration	–	–	–	2,544	–	2,544
Other expenses	(674)	–	(674)	(320)	–	(320)
Share of net return of associate	–	426	426	–	1,350	1,350
return before finance costs and taxation	<u>(1,094)</u>	<u>(3,548)</u>	<u>(4,642)</u>	<u>1,971</u>	<u>21,977</u>	<u>23,948</u>
Finance costs	(67)	–	(67)	(91)	–	(91)
return before taxation	<u>(1,161)</u>	<u>(3,548)</u>	<u>(4,709)</u>	<u>1,880</u>	<u>21,977</u>	<u>23,857</u>
Taxation	–	–	–	–	–	–
return for the period	<u>(1,161)</u>	<u>(3,548)</u>	<u>(4,709)</u>	<u>1,880</u>	<u>21,977</u>	<u>23,857</u>
other comprehensive income	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
total comprehensive (loss)/ income for the period	<u><u>(1,161)</u></u>	<u><u>(3,548)</u></u>	<u><u>(4,709)</u></u>	<u><u>1,880</u></u>	<u><u>21,977</u></u>	<u><u>23,857</u></u>
earnings per ordinary share (note 4)						
Basic			(33.61p)			161.49p
Diluted			(29.46p)			132.92p

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

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

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

condensed consolidated statement of comprehensive income (continued)

	Year ended 31 January 2011 (audited)		
Revenue £'000	Capital £'000	Total £'000	
2,341	–	2,341	Investment income
–	37,868	37,868	Net (losses)/gains on investments at fair value through profit or loss
–	(19)	(19)	Currency exchange (losses)/gains
<u>2,341</u>	<u>37,849</u>	<u>40,190</u>	total income
			Expenses
(2,255)	(1,219)	(3,474)	Investment management fee (note 2)
–	–	–	Share based remuneration
(728)	–	(728)	Other expenses
–	4,619	4,619	Share of net return of associate
<u>(642)</u>	<u>41,249</u>	<u>40,607</u>	return before finance costs and taxation
(207)	–	(207)	Finance costs
<u>(849)</u>	<u>41,249</u>	<u>40,400</u>	return before taxation
–	–	–	Taxation
<u>(849)</u>	<u>41,249</u>	<u>40,400</u>	return for the year
–	–	–	other comprehensive income
<u>(849)</u>	<u>41,249</u>	<u>40,400</u>	total comprehensive (loss)/ income for the year
			earnings per ordinary share (note 4)
		278.84p	Basic
		236.80p	Diluted

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

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

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

condensed consolidated statement of changes in equity

	Share redemption capital £'000	Capital reserve £'000	CULS reserve £'000	Share options reserve £'000	Share premium account £'000
six months ended 31 July 2011					
(unaudited)					
31 January 2011	703	69	15	229	1,301
Total comprehensive income for the period	–	–	–	–	–
Shares purchased for cancellation	(6)	6	–	–	–
Arising on conversion of CULS	9	–	(2)	–	–
Transfer between reserves	–	–	–	4,447	–
Settlement of outstanding share options	–	–	–	(120)	–
	<u>706</u>	<u>75</u>	<u>13</u>	<u>4,556</u>	<u>1,301</u>
six months ended 31 July 2010					
(unaudited)					
31 January 2010	741	–	27	1,348	629
Total comprehensive income for the period	–	–	–	–	–
New issue of ordinary shares	5	–	–	–	673
Shares purchased for cancellation	(57)	57	–	–	–
Premium paid on repurchase of CULS for cancellation	–	–	(8)	–	–
Arising on conversion of CULS	26	–	(4)	–	–
Exercise of management options	–	–	–	(5,891)	–
Share options expense	–	–	–	(504)	–
	<u>715</u>	<u>57</u>	<u>15</u>	<u>(5,047)</u>	<u>1,302</u>
year ended 31 January 2011					
(audited)					
31 January 2010	741	–	27	1,348	629
Total comprehensive income for the year	–	–	–	–	–
New issue of ordinary shares	5	–	–	–	672
Shares purchased for cancellation	(69)	69	–	–	–
Premium paid on repurchase of CULS for cancellation	–	–	(8)	–	–
Arising on conversion of CULS	26	–	(4)	–	–
Settlement of outstanding share options	–	–	–	–	–
Transfer between reserves	–	–	–	(1,119)	–
	<u>703</u>	<u>69</u>	<u>15</u>	<u>229</u>	<u>1,301</u>

condensed consolidated statement of changes in equity (continued)

Capital reserve £'000	Revenue reserve £'000	Total £'000	
			six months ended 31 July 2011
			(unaudited)
234,377	(2,798)	233,896	31 January 2011
(3,548)	(1,161)	(4,709)	Total comprehensive income for the period
(1,266)	–	(1,266)	Shares purchased for cancellation
–	–	7	Arising on conversion of CULS
(4,447)	–	–	Transfer between reserves
–	–	(120)	Settlement of outstanding share options
<u>225,116</u>	<u>(3,959)</u>	<u>227,808</u>	31 July 2011
			six months ended 31 July 2010
			(unaudited)
218,665	(1,949)	219,461	31 January 2010
21,977	1,880	23,857	Total comprehensive income for the period
–	–	678	New issue of ordinary shares
(10,667)	–	(10,667)	Shares purchased for cancellation
			Premium paid on repurchase of CULS
(9,496)	–	(9,504)	for cancellation
–	–	22	Arising on conversion of CULS
–	–	(5,891)	Exercise of management options
–	–	(504)	Share options expense
<u>220,479</u>	<u>(69)</u>	<u>217,452</u>	31 July 2010
			year ended 31 January 2011
			(audited)
218,665	(1,949)	219,461	31 January 2010
41,249	(849)	40,400	Total comprehensive income for the year
–	–	677	New issue of ordinary shares
(13,029)	–	(13,029)	Shares purchased for cancellation
			Premium paid on repurchase of CULS
(9,740)	–	(9,748)	for cancellation
–	–	22	Arising on conversion of CULS
(3,887)	–	(3,887)	Settlement of outstanding share options
1,119	–	–	Transfer between reserves
<u>234,377</u>	<u>(2,798)</u>	<u>233,896</u>	31 January 2011

condensed consolidated balance sheet

	31 July 2011 (unaudited) £'000	31 July 2010 (unaudited) £'000	31 January 2011 (audited) £'000
non current assets			
Investments at fair value through profit or loss	190,231	164,951	187,447
Investments accounted for using the equity method	20,750	17,055	20,324
	<u>210,981</u>	<u>182,006</u>	<u>207,771</u>
current assets			
Investments held by Subsidiary Companies for trading	404	367	550
Trade and other receivables	1,327	15,266	2,818
Cash and cash equivalents	15,425	26,421	30,343
	<u>17,156</u>	<u>42,054</u>	<u>33,711</u>
total assets	<u>228,137</u>	<u>224,060</u>	<u>241,482</u>
current liabilities			
Bank loans and overdrafts	–	(5,624)	(5,786)
Trade and other payables	(253)	(899)	(1,716)
	<u>(253)</u>	<u>(6,523)</u>	<u>(7,502)</u>
total assets less current liabilities	<u>227,884</u>	<u>217,537</u>	<u>233,980</u>
non current liabilities			
CULS	(76)	(85)	(84)
	<u>(76)</u>	<u>(85)</u>	<u>(84)</u>
total liabilities	<u>(329)</u>	<u>(6,608)</u>	<u>(7,586)</u>
net assets	<u><u>227,808</u></u>	<u><u>217,452</u></u>	<u><u>233,896</u></u>

condensed consolidated balance sheet (continued)

	31 July 2011 (unaudited) £'000	31 July 2010 (unaudited) £'000	31 January 2011 (audited) £'000
represented by:			
Share capital	706	715	703
Capital redemption reserve	75	57	69
Equity component of CULS	13	15	15
Share options reserve	4,556	(5,047)	229
Share premium account	1,301	1,302	1,301
Capital reserve	225,116	220,479	234,377
Revenue reserve	(3,959)	(69)	(2,798)
	<u> </u>	<u> </u>	<u> </u>
equity attributable to equity holders of the parent	<u>227,808</u>	<u>217,452</u>	<u>233,896</u>
 net asset value per ordinary share (note 5):			
Basic	1,614p	1,521p	1,664p
Diluted	1,433p	1,335p	1,459p

condensed consolidated cash flow statement

	Six months ended 31 July 2011 (unaudited) £'000	Six months ended 31 July 2010 (unaudited) £'000	Year ended 31 January 2011 (audited) £'000
Note			
cash flows from operating activities			
Investment income received	709	895	1,788
Bank deposit interest received	18	24	58
Other income	524	202	339
Sale of investments by dealing subsidiary	58	–	–
Investment Manager's fees paid	(2,446)	(2,299)	(3,476)
Other cash receipts/(payments)	364	(4,195)	(5,742)
cash expended from operations	9	(773)	(5,373)
Bank interest paid	(73)	(87)	(179)
CULS interest paid	–	–	(10)
Loan revenue expenses	–	–	(9)
net cash outflow from operating activities	(846)	(5,460)	(7,231)
cash flows from investing activities			
Purchases of investments	(70,879)	(37,885)	(109,056)
Sales of investments	64,293	58,811	138,648
net cash (outflow)/inflow from investing activities	(6,586)	20,926	29,592
cash flows from financing activities			
Repayment of fixed term borrowings	(5,960)	–	–
New issue of ordinary shares	–	678	677
Shares purchased for cancellation	(1,266)	(10,667)	(13,029)
Repurchase of CULS for cancellation	–	(9,551)	(9,795)
net cash outflow from financing activities	(7,226)	(19,540)	(22,147)
(decrease)/increase in cash and cash equivalents for the period	(14,658)	(4,074)	214
cash and cash equivalents at the start of the period	30,343	29,600	29,600
Revaluation of foreign currency balances	(260)	895	529
cash and cash equivalents at the end of the period	15,425	26,421	30,343

notes

1. general information and basis of preparation

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

The Company operates as an investment trust company within the meaning of Section 833 of the Companies Act 2006 and is managed in such a way to ensure the Company meets the requirements of Sections 1158 and 1159 of the Corporation Tax Act 2010 for which the Company seeks annual approval from HM Revenue and Customs.

The condensed consolidated interim financial statements for the six months ended 31 July 2011 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all financial information required for full annual financial statements and have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 January 2011. Those financial statements were prepared in accordance with International Financial Reporting Standards except as disclosed in note 2 of that report, and with the Statement of Recommended Practice (‘SORP’) for Investment Companies and Venture Capital Trusts issued by the Association of Investment Companies in January 2009.

The condensed consolidated interim financial information consolidate the financial statements of the Company and its wholly owned Subsidiary, Consolidated Venture Finance Limited, for the six months ended 31 July 2011.

The Company has adequate financial resources and no significant investment commitments and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing this half yearly financial report.

2. investment management and performance fees

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

In accordance with the Statement of Recommended Practice (“SORP”) for investment trust companies, an amount is included in these financial statements for the Performance Fee that could be payable based on investment performance to 31 July 2011.

At that date, a Performance Fee of £163,000 including irrecoverable VAT has been accrued for in the accounts (31 July 2010: £500,000; 31 January 2011: £1,219,000) and is allocated 100% to capital. The performance fee of £163,000 includes a £155,000 adjustment to irrecoverable VAT on the performance fee for the year to January 2011, due to a change in the recoverable VAT rate of the Company.

notes (continued)

3. taxation

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

4. earnings per ordinary share

	*Net return £'000	Revenue Ordinary Shares	Per Share pence	*Net return £'000	Capital Ordinary Shares	Per Share pence
six months ended 31 July 2011						
(unaudited)						
Basic return per Share	(1,161)	14,011,093	(8.29)	(3,548)	14,011,093	(25.32)
CULS**	10	1,941,461		–	1,941,461	
	<u>(1,151)</u>	<u>15,952,554</u>	<u>(7.22)</u>	<u>(3,548)</u>	<u>15,952,554</u>	<u>(22.24)</u>
six months ended 31 July 2010						
(unaudited)						
Basic return per Share	1,880	14,772,954	12.72	21,977	14,772,954	148.77
CULS**	16	3,186,922		–	3,186,922	
	<u>1,896</u>	<u>17,959,876</u>	<u>10.55</u>	<u>21,977</u>	<u>17,959,876</u>	<u>122.37</u>
year ended 31 January 2011						
(audited)						
Basic return per Share	(849)	14,488,339	(5.86)	41,249	14,488,339	284.70
CULS**	13	2,577,905		–	2,577,905	
	<u>(836)</u>	<u>17,066,244</u>	<u>(4.90)</u>	<u>41,249</u>	<u>17,066,244</u>	<u>241.70</u>

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

* Net return on ordinary activities attributable to Ordinary Shareholders.

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

notes (continued)

*Net return £'000	Total Ordinary Shares	Per Share pence	
			six months ended 31 July 2011
			(unaudited)
(4,709)	14,011,093	(33.61)	Basic return per Share
10	1,941,461		CULS**
<u>(4,699)</u>	<u>15,952,554</u>	<u>(29.46)</u>	Diluted return per Share
			six months ended 31 July 2010
			(unaudited)
23,857	14,772,954	161.49	Basic return per Share
16	3,186,922		CULS**
<u>23,873</u>	<u>17,959,876</u>	<u>132.92</u>	Diluted return per Share
			year ended 31 January 2011
			(audited)
40,400	14,488,339	278.84	Basic return per Share
13	2,577,905		CULS**
<u>40,413</u>	<u>17,066,244</u>	<u>236.80</u>	Diluted return per Share

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

* Net return on ordinary activities attributable to Ordinary Shareholders.

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

notes (continued)

5. net asset value per ordinary share

The basic net asset value per Ordinary Share is based on net assets of £227,808,000 (31 July 2010: £217,452,000; 31 January 2011: £233,896,000) and on 14,113,553 Ordinary Shares (31 July 2010: 14,292,252; 31 January 2011: 14,057,252) being the number of Ordinary Shares in issue at the period end.

The diluted net asset value per Ordinary Share is calculated on the assumption that the outstanding 2013 CULS are fully converted at par and that all 430,000 (31 July 2010: 20,000; 31 January 2011: 20,000) Share Options in-the-money were exercised at the prevailing exercise prices, giving a total of 16,343,052 issued Ordinary Shares (31 July 2010: 16,308,052; 31 January 2011: 16,048,052).

There were 3 buybacks of Ordinary 5p shares for cancellation during the period:

On 25 March 2011, 10,000 bought back at a cost of £109,000.

On 1 April 2011, 25,000 bought back at a cost of £275,000.

On 5 April 2011, 80,000 bought back at a cost of £882,000.

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

On 30 June 2011 171,301 CULS units were converted into 171,301 Ordinary shares of 5p each at a rate of one 5p Ordinary share for every unit of 5p.

At 31 July 2011, 1,799,499 CULS units remained outstanding.

7. share based remuneration

On 14 July 2011 C H B Mills (Mr Mills) was granted 420,000 share options under the NASCIT 2011 Executive Share Option Scheme at an exercise price of 1,467.71p per share. A further 10,000 options were granted to other employees. These are exercisable providing the necessary performance requirements are met between 14 July 2014 and 14 July 2021.

Further to a review of the NASCIT 2002 Executive Share Option Scheme, all of the remaining option holders waived their rights to future participation. As part of the review of the incentive scheme, it was agreed that, subject to the proceeds being reinvested in NASCIT shares and those shares being held for a period of not less than two years, an ex gratia payment totalling £120,000 be paid to those eligible employees of North Atlantic Value LLP.

notes (continued)

8. bank loans

The Company's multi-currency loan Revolving Credit Facility of up to £9 million expired on 29 July 2011.

During the period the Company made two repayments in order to fully repay the €6.8 million loan by 29 July 2011.

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

	Six months ended 31 July 2011 (unaudited) £'000	Six months ended 31 July 2010 (unaudited) £'000	Year ended 31 January 2011 (audited) £'000
Return before finance costs and taxation*	(4,642)	23,948	40,607
Losses/(gains) on investments	3,811	(21,127)	(37,849)
Settlement of outstanding share options	(120)	(3,851)	(3,887)
Share based remuneration	–	(2,544)	–
Share of net return of associate	(426)	(1,350)	(4,619)
Dividends and interest reinvested	–	(588)	(649)
Decrease/(increase) in debtors and accrued income	1,470	59	(1,324)
Changes relating to investments of dealing Subsidiaries	569	710	530
(Decrease)/increase in creditors and accruals	(1,435)	(630)	158
cash expended from operations	<u>(773)</u>	<u>(5,373)</u>	<u>(7,033)</u>

* Including share of net return of associate.

notes (continued)

10. related party transactions

There have been no changes to the related party arrangements or transactions as reported in the Statutory Annual Financial Report for the year ended 31 January 2011.

The Joint Manager, North Atlantic Value LLP, is regarded as a related party of the Company. The amounts payable to the Joint Manager and Growth Financial Services Limited (“GFS”) in respect of investment management for the six months to 31 July 2011 are as follows:

	Six months ended 31 July 2011 (unaudited) £'000	Six months ended 31 July 2010 (unaudited) £'000	Year ended 31 January 2011 (audited) £'000
Annual fee	1,199	1,127	2,255
Performance fee	7	538	1,176
Irrecoverable VAT thereon	1	28	36
Irrecoverable VAT adjustment on prior year performance fee	155	(66)	7
	1,362	1,627	3,474

In addition to the management fees disclosed above, North Atlantic Value LLP is also paid an investment management related fee of £125,000 per annum.

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

11. financial information

The annual financial information contained in this half yearly report does not constitute full Statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the periods ended 31 July 2011 and 31 July 2010 is not a financial year and has not been audited. The statutory accounts for the financial year ended 31 January 2011 have been delivered to the Registrar of Companies. Those accounts received a qualified audit opinion arising from the non consolidation of Hampton Investment Properties Limited. The Audit Report did not include any other reference to any matters to which the Auditors drew attention by way of emphasis without qualifying the Report and did not contain statements under Section 498(2) of the Companies Act 2006.

shareholder information

financial calendar	Preliminary results	May
	Annual Report	May
	Annual General Meeting	June
	Half-Yearly figures announced	September
	Half-Yearly Report posted	September
share price	The Company's mid-market share price is quoted daily in the Financial Times appearing under "Investment Companies".	
	They also appear on:	
	Reuters:	Convertible Loan Stock NASp.L
	Bloomberg:	NAS. LN
	SEAG 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.navalu.co.uk	
share dealing	Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.	
	The Company's registrars are Capita Registrars. In the event of any queries regarding your holding of shares, please contact the registrars on: 0870 458 4577, or by email on ssd@capitaregistrars.com	
	Changes of name or address must be notified to the registrars in writing at:	
	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

shareholder information (continued)

Directors

The Hon. P D E M Moncreiffe (Chairman)
C H B Mills (Chief Executive)
K Siem
C L A Irby
O R Grace Jr.
E F Gittes

Joint Manager

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Company Secretary and Registered Office

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London SW1Y 6QB
Telephone: 020 7747 5681

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Bankers

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Destruction of 'l'Orient', 1 August 1798"
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