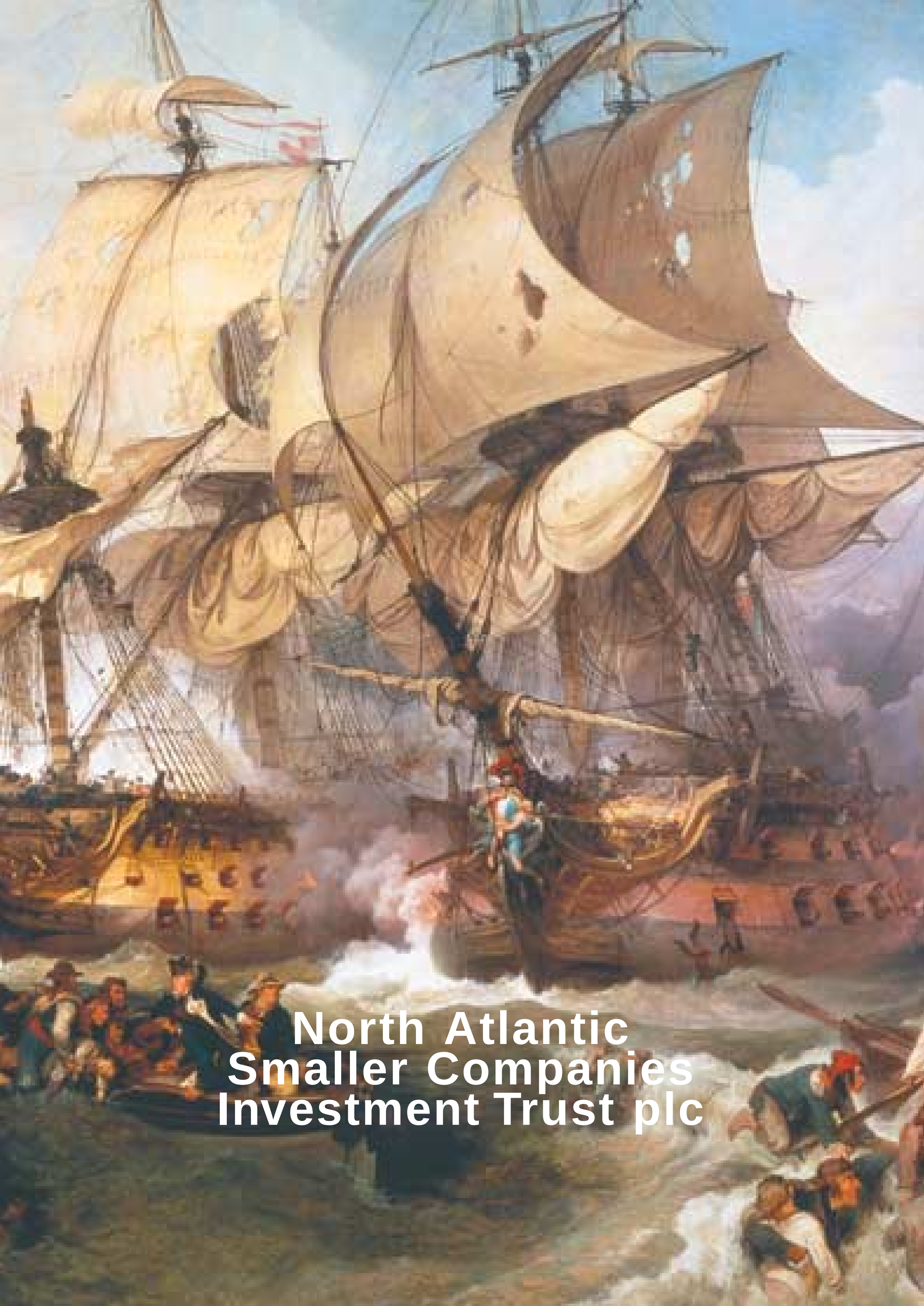


North Atlantic Smaller Companies Investment Trust plc

contents

The cover depicts a painting by Philippe-Jacques de Loutherbourg (1740 – 1812) of The Battle of the First June 1794 .

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

		2004	% change	2003	2002	2001	2000
revenue							
Gross income (£'000)		**2,736**		3,275	5,039	4,052	3,115
Net revenue after tax (£'000)		**(685)**		(4,897)	(519)	221	52
Basic return per Ordinary Share	– revenue	**(5.62)p**		(41.09)p	(4.54)p	2.01p	0.48p
	– capital	**215.77p**		(185.14)p	(192.64)p	393.07p	82.74p
assets							
Total assets less current liabilities (£'000)		**144,612**	9.0	132,651	171,394	194,361	135,096
Net asset value per 5p Ordinary Share:							
Basic		**1,177p**	19.9	982p	1,253p	1,509p	1,156p
Fully diluted		**723p**	20.9	598p	696p	801p	598p
Mid-market price of the 5p Ordinary Shares at 31 January		**621.5p**	34.4	462.5p	575.0p	677.5p	502.5p
discount to fully diluted net asset value		**14.0%**		22.7%	17.4%	15.4%	16.0%
indices and exchange rates at 31 January							
Standard & Poor's Composite Index		**1,131.1**	32.2	855.7	1,130.2	1,366.0	1,394.5
Russell 2000		**580.8**	56.0	372.2	483.1	508.3	526.5
Sterling/US Dollar exchange rate		**1.8203**	(10.7)	1.6437	1.4133	1.4611	1.6209
Standard & Poor's Composite – Sterling adjusted		**621.4**	19.4	520.6	799.7	934.9	860.3
Russell 2000 – Sterling adjusted		**319.1**	40.9	226.4	341.8	347.9	324.8
FTSE All-Share Index		**2,187.1**	27.0	1,722.3	2,496.0	3,030.1	2,975.9

directors

*†#• **Enrique Foster Gittes (USA) (Chairman)**, aged 64, 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. and a non-executive director of J O Hambro Capital Management (Bermuda) Limited.

Christopher H B Mills, aged 51, is the Company's Chief Executive and Investment Manager and joined the Board in August 1984 (formerly Consolidated Venture Trust plc). He is also Chief Executive of American Opportunity Trust PLC (formerly the Leveraged Opportunity Trust plc). He is currently a partner and Chief Investment Officer of North Atlantic Value LLP (Joint Manager of NASCIT and manager of AOT) a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, regulated by the Financial Services Authority and part of the J O Hambro Capital Management Group. He is a director and shareholder in J O Hambro Capital Management Group Limited and a director of J O Hambro Capital Management Limited, the Corporate Company Secretary. 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. Mr Mills is a director and principal shareholder of Growth Financial Services Limited and was the winner of the Sunday Telegraph Investment Management Group of the Year Award in both 1993 and 1994. NASCIT has been the winner of numerous Micropol awards.

He is also a non executive director of the following companies which are either now or have in the past five years been publicly quoted: MidStates PLC; Jarvis Porter Group PLC; Stanelco PLC; Jubilee Investment Trust PLC; Second London American Trust PLC; Master Distributors Holdings PLC; Paramount PLC; Aberdeen Park Investments PLC; Lonrho Africa PLC; Acquisitor PLC; Nationwide Accident Repair Services PLC; United Industries PLC; Darby Group PLC, Izodia PLC, VTR PLC and The Hartstone Group PLC.

*†#• **The Hon Peregrine D E M Moncreiffe**, aged 53, joined the Board in March 1993. He is Chairman of UA Group plc and has extensive experience in the investment business in London, New York and the Far East.

*†#• **Kristian Siem (Norwegian)**, aged 55, 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 Cayman Islands.

*†#• **Charles L A Irby**, aged 58, joined the Board in December 2002. He is Chairman of Aberdeen Asset Management plc and a non-executive director of EC Harris 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.

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

chairman's statement

During the year ended 31 January 2004, the basic net asset value of the Company rose by 19.9%; thereby out-performing the Sterling adjusted Standard & Poor's Composite Index which rose by 19.4%. The Company's share price also rose sharply, increasing from 462.5p to 621.5p over the same period.

The Revenue account showed a much reduced loss for the year of £685,000 after taxation (2003: loss £4,897,000). Consistent with the Company's long term policy, the Directors are not recommending a dividend for the current year.

quoted investments

The United States portfolio suffered from the weakness of the dollar to the pound which fell from $1.6437 to $1.8203 at the year end. Denison, LKQ and Sterling Construction performed notably well, although, this was to some extent offset by the weakness in Lesco. American Opportunity Trust performed marginally worse than the Standard & Poor's index, having substantially outperformed in previous years.

Very substantial profits were, however, made in the United Kingdom. Stocks that did particularly well include Charter (now sold), Jarvis Porter, Paramount, Primary Health Properties, Whatman, Mentmore and Oryx International Growth. In addition, Biocompatibles and Infast were sold at values significantly higher than shown in last year's Annual Report.

unquoted investments

The value of the unquoted portfolio was severely hit by the decline of the United States dollar, which is estimated to have cost circa £4 million, or 20p per share. Notwithstanding this, the year was not a bad one. LKQ successfully floated, Atrium was sold, whilst Worldport benefited from the successful mitigation of its tax liabilities. The outlook for the current year is also favourable. Denison has been sold. An unusually large percentage of our unquoted portfolio finds itself in discussions which may lead to our liquidating our positions at current valuations or higher. Waterbury, Hi-tech, Santa Maria Foods and Nationwide are all considering offers significantly in excess of our carrying values. Executive Air Support is in the process of being sold at an uplift in excess of 100% of our valuation. Finally, although AllianceOne had a somewhat disappointing year in 2003, the outlook for the current year is good and a satisfactory exit is anticipated in 2005.

In the UK, it was necessary to write down the value of GEI as it failed to meet expectations; however, we nonetheless expect the company to be sold at our current valuation. The current year should, however, see a good performance for the portfolio. Nationwide Accident and Wagamama (both of which are performing extremely well) are in discussions to achieve investor liquidity at substantial premiums to our current valuations.

Further details of these investments can be found on pages 7 to 11.

outlook

Both the United States and the United Kingdom equity markets have had a substantial recovery since the low in the market in March 2003. I am pleased to report that the Company has fully participated in this despite the fact that approximately a third of our assets is in unquoted investments.

Regrettably, equity valuations are no longer cheap and as storm clouds start to gather on the economic front, the Company has reduced its equity positions and repaid debt. Indeed, at the time of writing, the Company has a modest net cash position which is expected to increase still further when the recently announced offer for Mentmore by Safestore Acquisition Limited is completed and if some or all of the above-mentioned approaches and discussions bear fruit.

Despite high valuations, we are optimistic for our Equity Portfolio during the current year. Charter rose over 40% in February, prior to our sale. Dowding & Mills is up 50% and Sterling Construction a further 50%. The impact of these realisations will also significantly boost the Company's liquid resources.

The American, and to a lesser extent the United Kingdom, economies have been bolstered by excessive money supply growth and highly accommodating low interest rate policies. In the United States, lower taxation has also fuelled consumer expenditures, whereas in the United Kingdom, higher taxes have been funnelled into a public spending boom.

The economic impact has been predictable – stronger than expected economic growth coupled with burgeoning consumer debt, rising house prices, excessive government borrowing and increased trade deficits. In the United States, this had led to a significant decline in the US dollar whose value is now almost totally dependent on the willingness of China and Japan to finance the current account deficit.

The dilemma facing investors is to what extent the United States attempts to put its house in order post the November Presidential elections. A rise in US interest rates seems almost inevitable in the short term but whether such a rise will be sufficient to comfort foreign investors that the currency is attractive, given the continuing flood of dollars required to support US imports is another matter.

The problems facing the next US administration will be compounded by the anaemic growth in the non-farm payroll despite the current economic recovery, coupled with the rapidly increasing costs of Medicare and Social Security.

Against this background, we believe that equities are fully priced and will not perform particularly well in the months ahead. It is, therefore, our intention to repay the Company's debt as it falls due and build up cash balances in anticipation of funding attractive opportunities.

Enrique Foster Gittes
Chairman

5 May 2004

fixed assets at valuation

equities, convertible securities & loan stocks as a % of total portfolio valuation	USA & Canada 31.01.04 %	United Kingdom 31.01.04 %	Europe 31.01.04 %	Total 31.01.04 %	Total 31.01.03 %
Investment Trusts	7.7	5.9	–	13.6	12.8
Financial Services	4.6	5.9	–	10.5	6.1
Healthcare	–	9.1	–	9.1	9.0
Support Services	–	8.6	–	8.6	2.0
Engineering	3.5	4.5	–	8.0	6.1
Property	–	5.0	–	5.0	3.7
Food Manufacturing	4.6	–	–	4.6	4.9
Construction	2.1	2.3	–	4.4	4.2
Transport	1.7	2.2	0.5	4.4	6.5
Chemicals	4.3	–	–	4.3	5.8
Consumer/Commercial Services	0.7	3.1	–	3.8	5.7
Stores & Retail	3.5	–	–	3.5	4.6
Oil & Gas	3.2	–	–	3.2	3.9
Insurance	–	2.5	–	2.5	4.0
Automotive Parts	2.4	–	–	2.4	–
Packaging & Paper	–	2.3	–	2.3	2.9
Industrial Materials	1.3	0.9	–	2.2	1.4
Telephone Network	2.1	–	–	2.1	0.8
Electronic & Electrical Equipment	–	1.0	–	1.0	1.4
Media	–	1.0	–	1.0	1.4
Hotel & Leisure	–	0.9	–	0.9	1.1
Textiles	–	0.9	–	0.9	0.8
Technology	0.6	–	–	0.6	0.7
Drugs	0.2	–	–	0.2	0.3
	42.5	**56.1**	**0.5**	**99.1**	90.1
treasury bills	**0.9**	–	–	**0.9**	9.9
total at 31 January 2004	**43.4**	**56.1**	**0.5**	**100.0**	
Total at 31 January 2003	46.8	52.5	0.7		100.0

twenty largest investments

as at 31 January 2004

equities (including convertibles, loan stocks and related financing)		At valuation £'000
Whatman PLC	UK Listed	10,091
Mentmore PLC	UK Listed	9,382
Paramount PLC	UK Listed	8,802
American Opportunity Trust PLC	UK Listed	8,555
Santa Maria Foods Inc.*	Canadian Unquoted	6,967
Waterbury Inc.	USA Unquoted	6,440
Oryx International Growth Fund Limited **	UK Listed	6,300
Primary Health Properties PLC	UK Listed	5,593
LESCO, Inc.	USA Listed	5,358
Denison International Limited ***	USA Listed	5,253
ten largest investments		**72,741**
AllianceOne Inc.	USA Unquoted	5,224
W-H Energy Services Inc.	USA Listed	4,800
Nationwide Accident Repair Services PLC	UK Unquoted	4,743
Highway Insurance Holdings PLC	UK Listed	3,768
Craegmoor Limited	UK Unquoted	3,698
LKQ Corporation Inc.	USA Listed	3,575
Simon Group PLC	UK Listed	3,560
Ennstone PLC	UK Listed	3,517
Charter PLC	UK Listed	3,424
United Industries PLC	UK Unquoted	3,360
twenty largest investments		**112,410**
Aggregate of other fixed asset investments		37,407
		149,817
USA Treasury Bills		1,372
total value of all fixed asset investments of the company		**151,189**

* includes £5,129,000 invested in Ontario Inc., a subsidiary of Santa Maria Foods Inc.
** incorporated in Guernsey.
*** incorporated in the United Kingdom.

unlisted investments profile

	2004 Valuation £'000
Santa Maria Foods Inc. (Canada) *Cost: £3,726,000*	**6,967**
Santa Maria is the leading manufacturer and wholesaler of prosciutto and salami in Canada, with a small export business to the US. It also imports and distributes leading branded Italian foodstuffs, such as olive oil and dry pasta. It has a strong position in the specialty retail sector and has expanded into supermarkets, including manufacturing supermarkets' own-label products. The company had an excellent year in 2003 with earnings before interest, taxation, depreciation and amortisation ("EBITDA") rising by nearly 30%. A further substantial increase is expected for 2004. The company is currently in discussions which could lead to an offer above our current valuation.	
Information as at 31 December 2003: Dividend cover or underlying earnings. $no dividend Percentage of equity held (undiluted). 37.0% Latest audited earnings per share. $1.40 Share of latest audited net assets. $16,130,520 Income received in the year from this company. Can$nil	
Waterbury Inc. (USA) *Cost: £1,442,000*	**6,440**
Waterbury focuses on the manufacture and marketing of branded, commercial sanitation and pest-control products. Operating results have consistently exceeded expectations. The company refinanced itself at five times our purchase price during the course of 2002. Since that time, the company has won major new contracts that significantly increased profits in 2003. The outlook for 2004 is also good. The company has recently received an offer at a significant premium to our current valuation.	
Information as at 31 December 2002: Dividend cover or underlying earnings. $no dividend Percentage of equity held (undiluted). 23.5% Latest audited earnings per share. $1.25 Share of latest audited net assets. $2,806,370 Income received in the year from this company. $nil	
Carried forward	**13,407**

unlisted investments profile

	2004 Valuation £'000
Brought forward	13,407
AllianceOne Inc. (USA) *Cost: £5,173,000*	5,224

This Philadelphia based consolidator comprises a number of debt collection (including receivables management) companies in the US. AllianceOne provides third-party contingent fee collection services to customers in the financial services, healthcare, retail and utility industries. The results for 2003 were not as good as originally expected for AllianceOne, principally due to a major customer loss. This business has now been replaced and the company has recently completed a number of acquisitions at favourable prices. The outlook for the current year appears favourable.

Nationwide Accident Repair Services PLC (UK) *Cost: £4,267,000*	4,743

Nationwide was taken private in 2002 through a management buy-in. Nationwide is the largest chain of automobile bodyshops in the United Kingdom. Since its purchase, loss making operations and peripheral assets have been disposed of. All debt has now been repaid and the company has significant cash balances.

Nationwide had a good year in 2003 and the outlook for 2004 is also favourable. Nationwide has had an approach which could result in the sale of the business at a significant premium to the current valuation.

Craegmoor Limited (UK) *Cost: £3,103,000*	3,698

Craegmoor is one of the UK's leading providers of quality healthcare, specialising in the area of services to the elderly and other special needs clients. Last year, the company successfully grew its EBITDA by nearly 35% and a further similar increase is expected in the current year as the government continues to increase healthcare expenditures in real terms. It is now anticipated that investor liquidity will be achieved over the next eighteen months. During the year, there was a third party transaction which produced a modest increase in the current valuation.

Carried forward	27,072

unlisted investments profile

	2004 Valuation £'000
Brought forward	27,072
United Industries PLC (UK) *Cost: £3,392,000*	3,360

United is a mini conglomerate, the principal subsidiary being the world's largest manufacturer of specialty materials for the orthopaedics industry. The division specialising in hose manufacturing applications has completed a secondary buy-out. United is also in discussions to dispose of its components business for the naval and marine industries. These businesses have on the whole performed reasonably well, however United has not been helped by the weakness of the dollar relative to sterling.

Worldport Communications Inc. (USA) *Cost: £5,809,000*	3,235

Worldport was successful in its discussions with the US Revenue authorities in securing its tax rebate. As a consequence, it was possible to significantly uplift the valuation during the course of the financial year. Worldport is now considering how best to utilise its very substantial cash balances.

Trident Private Equity LP (USA) *Cost: £2,014,000*	3,000

This is a $30 million offshore private equity partnership, which invests in private companies in Europe, the UK and US. Launched in September 1999, the Fund has made nineteen investments to date of which four have been successfully realised. The offshore element is important in some of the manager's strategies, particularly with regard to public to private transactions where an offshore vehicles helps to minimise tax and optimise the uplift. The Fund has a seven year life and the commitment has now been fully drawn down and nearly 50% of the capital repaid. The internal rate of return on our investment currently exceeds 35%.

The Wichford Property Limited Partnership (UK) *Cost: £2,000,000*	2,000

The Company has committed to invest £4 million in total in Wichford which is a limited partnership investing in properties let to UK Government or Government institutions, with long leases on yields averaging circa 7%. Since the portfolio was acquired, the yield basis has fallen and this is expected to be reflected in a reasonable uplift in attributable net asset value during 2004.

Carried forward	38,667

unlisted investments profile

	2004 Valuation £'000
Brought forward	**38,667**
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 now restructured its product portfolio and is in the process of substantially reducing its cost base. Primesco had a good year in 2003, assisted by an acquisition. Further progress is anticipated in the current year.	**1,707**
GEI Group Limited (UK) *Cost: £900,000* GEI is a management buy-out of GEI International plc, which went into receivership in late 2000. GEI has now returned to profitability and is in discussions to be sold at a price approximate to the current valuation.	**1,450**
Carwash Partners Inc. (USA) *Cost: £1,734,000* Carwash 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. The company had its best year ever in 2003 as EBITDA rose by nearly 20%. A further improvement is expected in the current year.	**1,430**
Wagamama Group Limited (UK) *Cost: £439,000* Wagamama continues to perform well and now has some eighteen restaurants throughout the United Kingdom. Despite an uncertain restaurant environment and start-up costs in some provincial cities, the company performed in line with targets during 2003. The outlook for the current year appears favourable as the new restaurants achieve sustained profitability and the full benefits of the highly successful international franchising operations contribute to the group. The company is in discussions which may lead to investor liquidity and a substantial premium to our current valuation during the current year.	**1,427**
Carried forward	**44,681**

unlisted investments profile

	2004 Valuation £'000
Brought forward	**44,681**
Progeny Inc. (USA) *Cost: £1,186,000* Progeny Holdings Inc is the ultimate controlling entity of Winnfield Inc. which is a chain of African-American funeral homes in the Southern United States. The African-American niche is particularly attractive given this community's historically higher spend on funerals which, with their loyalty to local homes, creates a significant barrier to entry.	**1,104**
Executive Air Support Inc. (USA) *Cost: £1,254,000* EAS is a consolidator of Fixed Base Operations ("FBOs") which provide fuelling and other services to the civil aviation industry. EAS's acquisition programme has been highly successful and it is believed that EAS is now the second largest owner of FBOs in the United States. EAS had an excellent year in 2003 with EBITDA rising by approximately 15% to just under $21 million. Further progress is expected in the current year. The company is currently in discussions which may lead to an offer significantly above the current valuation.	**1,099**
Hi-tech Hose, Inc. (USA) *Cost: £1,269,000* Hi-tech is a leading manufacturer of industrial and medical hose based in Massachusetts USA. Hi-tech's business is very stable and generates good cashflow. Hi-tech has recently received an approach which may lead to an offer at significantly above the current valuation.	**1,098**
Telos Corporation (USA) *Cost: £1,365,000* Telos continues to perform well. As a consequence, all bank debt has been repaid and the modest amount of mezzanine debt should be repaid in the current year. Telos is considering ways to enhance shareholder value and it expects this issue will be addressed by December 2005.	**975**
Jaffer Holdings Corporation (USA) *Cost: £923,000* Jaffer is a management buy-in led by Ken White (WH Corp/WH Energy Services Inc) with whom the Company has invested successfully in the past. Jaffer is a leading operator of drilling rigs for water in the south eastern part of the United States. This is a fragmented activity which should benefit from consolidation.	**824**
Other unquoted investments	**342**
Total value of unquoted investments at Directors' valuation	**50,123**

report of the directors

for the year ended 31 January 2004

results and dividend

The net deficit after taxation for the financial year ended 31 January 2004 amounted to £685,000 (2003: £4,897,000). The Directors do not propose a final dividend (2003: 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 undertaking is investment dealing and holding.

The Chairman's Statement on pages 3 and 4 contains a review of the Company's activities during the year and an indication of future prospects. A list of the Company's largest investments is given on page 6 and details of unlisted investments on pages 7 to 11.

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 the Inland Revenue under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting year ended 31 January 2004. Pursuant to arrangements between The Association of Investment Trust Companies and the Inland Revenue, 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 2003 has been received.

share valuations

On 31 January 2004, the middle market quotation and the fully diluted net asset value per 5p Ordinary share were 621.5p and 723.0p respectively. The comparable figures at 31 January 2003 were 462.5p and 598.0p.

purchase of convertible unsecured loan stock 2013

During the year, the Company purchased no units of Convertible Unsecured Loan Stock for cancellation.

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 pursuant to Section 198 of the Companies Act 1985:

	Number of Ordinary shares	% of issued share capital
Christopher H B Mills	2,311,067	18.86
HBOS plc	1,332,474	10.87
Friends Ivory & Sime (London & Manchester Group Plc)	905,000	7.39
The Equitable Life Assurance Society	683,000	5.57
Findlay Park US Smaller Companies Fund Plc	570,000	4.65
Legal & General Group PLC	368,349	3.01

report of the directors

for the year ended 31 January 2004

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 and Mr Mills retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

directors' interests

The interests of the Directors, beneficial unless otherwise stated, in the securities of the Company as at 14 May 2004 and 1 February 2003 were as follows:

	14 May 2004		1 February 2003	
	5p Ordinary shares	**Units of 5p loan stock**	5p Ordinary shares	Units of 5p loan stock
E Foster Gittes	**178,000**	–	800	77,200
C H B Mills	**2,311,067**	**249,440**	1,762,608	253,500
P D E M Moncreiffe	**123,000**	**27,000**	33,000	47,000
K Siem*	–	**2,000**	–	2,000
C L A Irby	**22,500**	–	–	–

*Siem Industries Inc. a Company in which Mr Siem is Chairman and a shareholder is ultimately interested in 95,000 Ordinary shares and 50,000 units of Loan Stock (2003: 50,000 Ordinary shares).

Details of Directors' remuneration and interests in share options are described in the Directors' Remuneration Report on pages 19 to 22.

report of the directors

for the year ended 31 January 2004

investment management agreements

During the year, the Management, Administration and Custody Agreement dated 7 January 1993 as amended by the Amendment and Restatement Agreement on 19 March 2002 was novated to North Atlantic Value LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, regulated by the Financial Services Authority and part of the J O Hambro Capital Management Group. All terms of this contract remain the same. There have been no changes to the personnel carrying out the activities. North Atlantic Value LLP is the investment manager to the investment trusts and other funds managed by Christopher Mills and his team. Christopher Mills remains the Chief Executive of the Company pursuant to the Secondment Services Agreement and carries out the day-to-day investment decisions.

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 the Joint Manager which carries out day-to-day investment decisions in conjunction with the Chief Executive for and on behalf of the Company and as part of this review are satisfied that the continuing appointment of the Joint Manager on the terms agreed is in the best interests of shareholders.

related party transactions

Mr Mills, the Chief Executive is Chief Investment Officer and a Partner of North Atlantic Value LLP, Joint Manager to the Company. Mr Mills is a Director and shareholder in J O Hambro Capital Management Group Limited, the holding company of the Corporate Company Secretary, J O Hambro Capital Management Limited. These companies are the two Designated Members of the 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. Details of the related party transactions and fees payable are disclosed in note 23 on pages 52 to 54 and in the Directors' Remuneration Report on pages 19 to 22. The Investment Management fees are disclosed in note 3 on pages 32 to 33.

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.

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 2004 had been paid (31 January 2003 – all supplier invoices paid).

report of the directors

for the year ended 31 January 2004

soft commission

The Joint Manager receives indirect benefits for certain investment services in the form of soft commission as a result of agreements with a number of brokers. 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 these arrangements.

auditors

On 3 May 2003, RSM Robson Rhodes transferred its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000 called RSM Robson Rhodes LLP. The Board consented to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP with effect from 3 May 2003. A resolution to reappoint RSM Robson Rhodes LLP as the Company's Auditors will be proposed at the forthcoming Annual General Meeting.

explanatory notes for special business at the annual general meeting

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 6 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 6 will renew the authority to allot shares of the Company on similar terms. If Resolution 6 is passed the Directors will have the authority to allot shares up to the aggregate nominal amount of £204,239, 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 7 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 7 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 £30,636 representing 612,715 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 56 and 57.

By Order of the Board

J O Hambro Capital Management Limited
Company Secretary
Registered Office:
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

Registered No: 1091347

14 May 2004

corporate governance
directors' statement of compliance with the combined code

background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (the "Code"). A new Combined Code adopted by the Financial Reporting Council in July 2003 has superseded the previous Combined Code and comes into force in respect of the accounting reference periods commencing on or after 1 November 2003 (the "New Combined Code"). The following corporate governance statement complies with the Code issued in 1998 and does not relate to compliance with the New Combined Code. The Board is currently reviewing any changes that may be necessary in order to comply with the requirements of the New Combined Code.

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 Combined Code throughout the year ended 31 January 2004 and thereafter as required by Listing Rule 12.43A issued by the UK Listing Authority save as disclosed below.

AITC code

As a member of the Association of Investment Trusts, the Company has adopted the AITC Code of Governance.

directors

Brief biographical details of the Directors 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.

The Board is a small Board and individual members have a wide range of qualities 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 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, including the Chairman, are independent. The Board lays down guidelines within which the Chief Executive and the Joint Managers implement investment policy and has a Schedule of Matters reserved to it.

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 19 to 22 and also in note 3 on pages 32 to 33. The remuneration of North Atlantic Value LLP is disclosed in note 3 on pages 32 to 33.

audit committee

The Board is supported by an Audit Committee which comprises all of the non-executive Directors. The Committee meets representatives of the 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 effectiveness of the internal control environment, accounting policies and the terms of appointment of the auditors. The Audit

corporate governance

directors' statement of compliance with the combined code

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.

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.

The notice of general meeting sets out the business of the meeting and can be found on pages 56 and 57. The special business is also explained more fully in the Explanatory Notes on page 15. Separate resolutions are proposed for each substantive issue.

nominations committee

The Board as a whole fulfils the function of the Nominations Committee.

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 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 18 and a Statement of Going Concern is given below. The report of the auditors is on pages 23 to 24.

internal control

The Board is responsible for the Company'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 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 Company'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. This accords with the guidance in "Internal Control – Guidance for Directors on the Combined Code"(the Turnbull 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 accounts.

statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the return of the Group for that period. In preparing those financial statements, the Directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the 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 to 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 Directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The financial statements are currently published in the manager's section on www.johcm.co.uk which is a website maintained by the Company Secretary. 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 23 and 24.

role and composition

The Remuneration Committee consists exclusively of independent non-executive directors. It is chaired by Enrique Foster Gittes and other members are The Hon Peregrine Moncreiffe, Kristian Siem and Charles L A Irby.

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 as it considers appropriate.

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. These fees are currently £16,000 p.a. for Directors and £20,000 p.a. for the Chairman (2003: £10,000 p.a. for Directors and £12,000 p.a. for the Chairman). The fees had previously been unchanged from January 1999.

chief executive

The Chief Executive is responsible for the day-to-day investment decisions in conjunction with North Atlantic Value LLP. 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.

directors' remuneration report

remuneration of directors (audited)

Chief Executive	2004	2003
	£	£
Fees	**16,000**	10,000
Investment management and related fees	**610,000**	740,000
Performance fee	**357,000**	616,000
Cost of cancelled options	**–**	3,508,000
Total (excluding irrecoverable VAT)	**983,000**	4,874,000

The fees in respect of Mr Mills' services as a Director are payable to Growth Financial Services Limited, as described on page 32. Growth Financial Services Limited also receives, and is contractually entitled to receive, part of the Annual Fee payable to the Joint Managers, Growth Financial Services Limited and North Atlantic Value LLP in respect of the investment management activities of the Chief Executive pursuant to the investment management agreements described on pages 32 and 33.

The Performance fee is a contractual entitlement pursuant to the Secondment Services Agreement dated 7 January 1993 as amended and is paid to Growth Financial Services Limited.

The cost of the cancelled options was paid to Mr Mills in 2003.

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

Non-executive directors	2004	2003
	£	£
Enrique Foster Gittes (Chairman)	**20,000**	12,000
Peregrine D E M Moncreiffe	**16,000**	10,000
Kristian Siem	**16,000**	10,000
Charles L A Irby (Appointed 10 December 2002)	**16,000**	1,452
Brian Roger Adams (Resigned 19 August 2002)	–	5,511
	68,000	38,963

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 Growth Financial Services Limited and contained in the Secondment Services Agreement.

directors' remuneration report

interests in options (audited)

	No. of options at 1 February 2003	Year of grant	Price	Exercised/ cancelled during the year	Grant of options during the year	Price	No. of options at 31 January 2004
C H B Mills	100,000*	2000	677.57p	–	–	–	100,000
	300,000	2002	645.54p	–	–	–	300,000
	–	–	–	–	200,000	663.80p	200,000

* 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 and 2003 are 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 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.

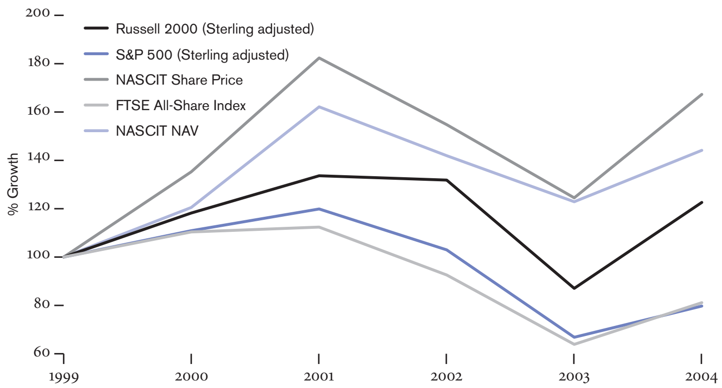
The 2002 Executive Share Option Scheme permits options to be granted to a maximum of 5% of the current issued share capital.

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 Composite Index in the three year period between the date of grant and the third anniversary of the date of the grant of options.

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 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.

The highest and lowest mid-market price of the Company's Ordinary Shares during the year was 626.5p and 430.0p respectively. The mid-market price of the Company's Ordinary Shares at 31 January 2004 was 621.5p.

This report was approved by the Board on 14 May 2004 and signed by E F Gittes, Chairman.

independent auditors' report

for the shareholders of north atlantic smaller companies investment trust plc

We have audited the financial statements on pages 25 to 54. 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 auditor's 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, and the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards. 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 prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the 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 the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Corporate Governance Statement and the Five Year Summary. 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

for the shareholders of north atlantic smaller companies investment trust plc

basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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 financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2004 and of the Group's net loss, total return and cashflow for the year then ended; and
- 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.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London England

14 May 2004

consolidated statement of total return

(incorporating the revenue account) for the year ended 31 January*

			2004			2003	
		Revenue	Capital	**Total**	Revenue	Capital	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Gains/(losses) on investments	10	**–**	**25,541**	**25,541**	–	(21,036)	(21,036)
Exchange differences	10	**–**	**1,173**	**1,173**	–	2,361	2,361
Dividends and interest	2	**2,736**	**–**	**2,736**	3,275	–	3,275
Investment management fee	3	**(1,528)**	**(395)**	**(1,923)**	(2,397)	–	(2,397)
Cost of purchase and cancellation of options	3	**–**	**–**	**–**	(3,508)	–	(3,508)
Other expenses	4	**(545)**	**–**	**(545)**	(599)	–	(599)
net return before finance costs and taxation		**663**	**26,319**	**26,982**	(3,229)	(18,675)	(21,904)
Premium paid on repurchase of CULS	15	**–**	**–**	**–**	–	(3,387)	(3,387)
Interest payable and similar charges	6	**(1,335)**	**–**	**(1,335)**	(1,637)	–	(1,637)
return on ordinary activities before taxation		**(672)**	**26,319**	**25,647**	(4,866)	(22,062)	(26,928)
Taxation on ordinary activities	7	**(13)**	**–**	**(13)**	(31)	–	(31)
return on ordinary activities after taxation		**(685)**	**26,319**	**25,634**	(4,897)	(22,062)	(26,959)
Dividend	8	**–**	**–**	**–**	–	–	–
Transfers (from)/to reserves		**(685)**	**26,319**	**25,634**	(4,897)	(22,062)	(26,959)
return per ordinary share							
Basic	9	**(5.62)p**	**215.77p**	**210.15p**	(41.09)p	(185.14)p	(226.23)p
Diluted†	9	**(3.24)p**	**132.04p**	**128.80p**	(24.03)p	(109.16)p	(133.19)p

* The revenue column of this statement is the consolidated profit and loss account of the Group.

† Although Financial Reporting Standard No. 14: Earnings per Share states that Returns per share which are not diluted are not disclosed, they have been shown here for information.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 28 to 54 form part of these financial statements.

group and company balance sheets
at 31 January

	Notes	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
fixed assets	10				
Investments		**142,634**	124,097	**142,634**	124,097
Investment in unconsolidated subsidiary	1b	**8,555**	7,414	**8,555**	7,414
		151,189	131,511	**151,189**	131,511
current assets					
Investments held in subsidiary company	10f	**48**	175	**–**	–
Debtors	11	**549**	3,448	**11,724**	10,762
Cash at bank		**13,776**	9,282	**2,649**	2,142
		14,373	12,905	**14,373**	12,904
creditors: amounts falling due within one year					
Bank loans and overdrafts	12	**19,248**	9,935	**19,248**	9,935
Other creditors and accruals	13	**1,702**	1,830	**1,702**	1,830
		20,950	11,765	**20,950**	11,765
net current (liabilities)/assets		**(6,577)**	1,140	**(6,577)**	1,139
total assets less current liabilities		**144,612**	132,651	**144,612**	132,650
creditors: amounts falling due after more than one year					
Bank loans	14	**–**	13,673	**–**	13,673
Debenture loan – Convertible Unsecured Loan Stock 2013	15	**384**	393	**384**	393
		144,228	118,585	**144,228**	118,584
capital and reserves					
Called-up share capital	16	**613**	604	**613**	604
Share premium account	17	**629**	629	**629**	629
Capital reserve – realised	17	**118,383**	116,732	**118,187**	116,536
Capital reserve – unrealised	17	**30,089**	5,421	**30,046**	5,421
Revenue reserve	17	**(5,486)**	(4,801)	**(5,247)**	(4,606)
equity shareholders' funds	9, 18	**144,228**	118,585	**144,228**	118,584

These financial statements were approved by the Board of Directors on 14 May 2004 and signed on its behalf by:

E Foster Gittes, *Chairman*

The notes on pages 28 to 54 form part of these financial statements.

consolidated cash flow statement

for the year ended 31 January

	Notes	2004 £'000	2003 £'000
net cash outflow from operating activities	19	(187)	(2,920)
servicing of finance			
Bank interest paid		(1,067)	(1,598)
CULS interest paid		(38)	(39)
Expenses of bank loan		(40)	–
net cash outflow from servicing of finance		(1,145)	(1,637)
taxation			
Tax recovered		5	–
investing activities			
Purchases of fixed asset investments		(49,943)	(141,477)
Proceeds from sale of fixed asset investments (including option premiums)		56,287	155,873
Loan to Ryder Court Investments Limited		–	(7,667)
Repayment of loan made to Ryder Court Investments Limited		2,667	5,000
Net cash inflow from investing activities		9,011	11,729
net cash inflow before financing		7,684	7,172
financing			
Repayment of fixed term borrowings		(3,009)	(2,500)
Cost of purchase of CULS for cancellation		–	(3,415)
Net cash outflow from financing		(3,009)	(5,915)
increase in cash	20	4,675	1,257

The notes on pages 28 to 54 form part of these financial statements.

notes to the financial statements

1 accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP"), issued in 2003, except as set out in Note 10(c) in respect of the valuations of American Opportunity Trust PLC ("AOT") and Oryx International Growth Fund Limited ("ORYX").

b basis of consolidation

The consolidated financial statements incorporate the results, assets and liabilities of the Company and its subsidiary (Consolidated Venture Finance Limited) for the year ended 31 January 2004. A revenue account is not presented for the Company as provided by Section 230 of the Companies Act 1985. The deficit after taxation of the Company dealt with in the consolidated revenue account is £641,000 (2003: £4,897,000 deficit).

During the year, the Group exercised its conversion rights and as a result its interest in the share capital of AOT increased from 36.5% to 50.1% (see note 10d). By virtue of the Company's original holding of 36.5% in the share capital of AOT, the investment would have been accounted for as an associate but for the fact that the Company does not actively participate in the commercial and policy decisions of AOT and is therefore exempted from doing so under Financial Reporting Standard 9 – "Associates and joint ventures". Although AOT was not a subsidiary at 31 January 2003, it has been disclosed as such on the face of the balance sheet for comparison purposes. Whilst this investment is now classified as a subsidiary undertaking in accordance with Financial Reporting Standard 2, in the Directors' opinion it is not appropriate to consolidate the results of this subsidiary into the Group accounts on the basis of immateriality. If the results of AOT were consolidated for the period in which it fell under the definition of subsidiary undertaking, there would be no net effect on the Group's Consolidated Balance Sheet or net assets. As AOT is valued at fully diluted net asset value the additional revenue loss of £50,000 that would otherwise have arisen is already reflected in a reduced carrying value of the Company's investment in AOT.

c income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares. Other returns on non-equity shares are recognised when the right to the return is established.

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

1 accounting policies continued

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve.

d valuation of investments

Investments are made with the express intention of capital appreciation and receipt of income. The terms of investment are such that the Group often has the right, directly or indirectly, to influence the overall direction of an investee company. However, the Group does not participate in the day-to-day management of such companies. Whilst certain of the Group's investments may be classified as associated undertakings as defined by Financial Reporting Standard 9 and the Companies Act 1985, the Group does not conduct an important part of its business through such companies, nor does it actively participate in the commercial and policy decisions of companies in which it has an interest. Accordingly, such investments are accounted for as stated below and not on an equity accounting method which, in the Directors' opinion, would not give a true and fair view of the Group's interest in these undertakings.

Investments are included in the balance sheet on the following basis:

(i) listed at market value on a recognised stock exchange.

With the exception of the investments in AOT and ORYX (see below), securities listed on recognised stock exchanges are valued at the mid-market prices and exchange rates ruling at the balance sheet date. Where securities are hedged by unexpired traded call options written by the Company, the market value is reduced by the prevailing market value of such options at the year end date. Unexpired traded put options are held in other creditors and accruals as disclosed in note 13 on page 42. Unexpired traded put and call options written by the Company are revalued to the prevailing market value at the year end date.

(ii) listed at directors' valuation

The Directors have valued the Group's investment in AOT and ORYX both being investment funds, based on its share of the fully diluted net assets of each at 31 January 2004. This valuation method is not in accordance with the SORP but has been adopted as the Company is a significant shareholder in AOT (50.1%) and ORYX (24.2%). In the Directors' opinion, such investments are more properly valued at fully diluted net asset value as to apply significant discounts is misleading.

(iii) unlisted at market value

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

(iv) unlisted at directors' valuation

Unlisted investments included at Directors' valuation are valued at original cost in local currency translated into sterling at the exchange rate ruling on the balance sheet date unless, in the opinion of the Directors, a change is warranted. Revaluations above cost are normally only made when independently validated. This will be as a result of a material third party transaction in the securities of the company under consideration although, in certain circumstances, a valuation produced by an independent source may be adopted. Revaluations downwards will be made in circumstances where

1 accounting policies continued

a material third party transaction in the securities of the company under consideration has taken place at a lower price or where underlying trading or market conditions are such that a significant diminution in value is judged to have occurred.

(v) current asset investments

Investments held as current assets are valued individually at the lower of cost and market value at the balance sheet date.

(vi) investment in subsidiary

Investment in the Company's subsidiary, Consolidated Venture Finance Limited, is valued at cost and any losses in the subsidiary's financial statements are provided for in the parent Company's financial statements. The valuation of AOT, a subsidiary of the Company, is referred to under note 1d(ii).

e treatment of profits and losses on investments

Any profits or losses (including currency movements) arising on the disposal of fixed asset investments are taken directly to the capital reserve – realised. Unrealised profits or losses on such investments arising on revaluation at the balance sheet date are taken to the capital reserve – unrealised.

Where option transactions are entered into, either for hedging or investment purposes, the premiums received are taken to the capital reserve – realised, and the gains or losses arising on their revaluations are recognised in 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. Where the transaction is shown to be loss making at the year end, the premium received is recognised in full, reducing the loss arising.

Profits or losses on the disposal of investments held as current assets are taken to the revenue account.

f foreign currency

Transactions in a foreign currency, whether of a revenue or capital nature, are translated into sterling at the rates of exchange ruling on the dates of such transactions. Revenue items accrued and other foreign currency assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange ruling on that date. Any profits or losses on foreign currency held, whether realised or unrealised, are taken directly to the capital reserve.

g expenses

All administrative expenses are accounted for on an accruals basis and are charged wholly to the revenue account with the exception of the Chief Executive's performance fees which, with effect from 1 February 2003, are charged wholly to capital as the fee is payable by reference to the capital performance of the Company.

Expenses which are incidental to the purchase of an investment are included in the cost of that investment. Expenses which are incidental to the sale of an investment are included within the costs deducted from the disposal proceeds of that investment.

1 accounting policies continued

h capital reserves

Capital reserve – realised

The following are accounted for in this reserve:
– gains and losses on the realisation of investments

– realised exchange differences of a capital nature

– realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

– gains and losses on the repurchase of the Convertible Unsecured Loan Stock 2013.

– investment management performance fee (from 1 February 2003)

Capital reserve – unrealised

The following are accounted for in this reserve:
– increases or decreases in the valuation of investments held at the year-end

– unrealised exchange differences of a capital nature

– unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

i taxation

No taxation liability arises on gains from sales of fixed asset investments made by the Company by reason of its Investment Trust status. However, both the net revenue (excluding UK dividend income) accruing to the Company and any trading profits earned by its subsidiary undertaking, Consolidated Venture Finance Limited, are liable to corporation tax at the prevailing rates.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard No. 19: Deferred tax.

2 income

	2004	2003
	£'000	£'000
income from investments		
UK dividend income	**1,097**	1,266
Unfranked investment income		
– dividends	**125**	177
– dividends reinvested	**–**	181
– interest	**486**	1,387
– interest reinvested	**556**	160
	2,264	3,171

notes to the financial statements

2 income continued

	2004 £'000	2003 £'000
other income		
Interest receivable	**349**	392
Dealing gains/(losses) of subsidiary undertaking	**105**	(295)
Sundry income	**18**	7
	472	104
Total income	**2,736**	3,275

	2004 £'000	2003 £'000
total income comprises:		
Dividends	**1,222**	1,624
Interest	**1,391**	1,939
Other income	**123**	(288)
	2,736	3,275
income from investments		
Listed UK	**1,097**	1,290
Listed overseas	**71**	484
Unlisted	**1,096**	1,397
	2,264	3,171

3 investment management fee

(i) Pursuant to the Secondment Services Agreement, described in the Directors' Report on page 14 and the Directors' Remuneration Report on page 20, 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.

3 investment management fee continued

(ii) Pursuant to the terms of the Management, Administration and Custody Agreement, described on page 14 of the Directors' Report, 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 arrears.

As set out in note 23, 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' Composite Index and is limited to a maximum payment of 0.5% of Shareholders' Funds. The financial statements for 31 January 2003 included a performance fee for the twelve months period 1 February 2002 to 31 January 2003 of £616,000 as a revenue expense. The performance fee for 2004 has been allocated to capital as per the Investment Company SORP 2003, which the Company has adopted this year.

(iv) In addition to the management fees disclosed in Note (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.

– an investment management related fee of £100,000 per annum.

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

		2004			2003	
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Annual fee	**1,426**	**–**	**1,426**	1,750	–	1,750
Performance fee	**–**	**357**	**357**	616	–	616
Irrecoverable VAT thereon	**102**	**38**	**140**	31	–	31
	1,528	**395**	**1,923**	2,397	–	2,397
Cost of purchase and cancellation of 1994 Executive share options	**–**	**–**	**–**	3,508	–	3,508
	1,528	**395**	**1,923**	5,905	–	5,905

At 31 January 2004, £285,000 plus VAT was payable to the Joint Manager (North Atlantic Value LLP) in respect of outstanding management fees (2003: £87,000 plus VAT) and £357,000 plus VAT in respect of outstanding performance fees (2003: £616,000 plus VAT).

4 other expenses

	2004 £'000	2003 £'000
Directors' remuneration (see note 5)	**84**	49
Administration fee (see note 3)	**100**	100
Auditors' remuneration for:		
– audit	**21**	20
– other services to the Group	**6**	10
Activity fees (see note 3)	**36**	43
Other expenses	**298**	377
	545	599

The other services to the Group performed by the auditors was in respect of taxation work. The Directors do not consider this to impact on the independence of the auditors.

5 directors' emoluments

	2004 Fees £	2003 Fees £
Total	**84,000**	48,963

Full details of Directors' emoluments are given in the Directors' Remuneration Report on pages 19 to 22.

6 interest payable and similar charges

	2004 £'000	2003 £'000
On bank loans and overdrafts	**1,297**	1,598
Interest on Convertible Unsecured Loan Stock 2013	**38**	39
	1,335	1,637

7 taxation on ordinary activities

	2004 £'000	2003 £'000
Overseas taxation	18	31
Repayment relating to prior years	(5)	–
	13	31

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.

	2004 £'000	2003 £'000
Revenue on ordinary activities before taxation	(672)	(4,866)
Theoretical tax at UK Corporation tax rate of 30% (2003: 30%)	(202)	(1,460)
Effects of:		
UK dividends which are not taxable	(356)	(387)
Increase in tax losses carried forward	533	707
Expenditure which is not tax deductible	18	1,148
Relief for irrecoverable overseas tax suffered	(6)	(8)
Repayment relating to prior years	(5)	–
Profit on intra-group sale of assets	13	–
Overseas tax which is not recoverable	18	31
Actual current tax charge	13	31

Factors that may affect future tax charges:

The Group has tax losses of £10,180,000 (2003: £8,328,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those losses which will be recoverable only to the extent that the Group has sufficient future taxable revenue.

Of the Group tax losses shown above, the parent Company has tax losses of £9,459,000 (2003: £7,516,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those losses, which will be recoverable only to the extent that the Company has sufficient future taxable revenue.

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

8 dividend

No dividend has been proposed for the year (2002: nil).

9 consolidated return and net asset value per ordinary share

Consolidated return per Ordinary Share:

	2004			2003		
	*Net return £'000	Ordinary Shares	Per Share (pence)	*Net return £'000	Ordinary Shares	Per Share (pence)
revenue						
Basic return per Share	(685)	12,197,459	(5.62)	(4,897)	11,916,605	(41.09)
Option conversion**	–	–		–	112,954	
Loan Stock 2013†	39	7,734,593		41	8,180,779	
Diluted revenue return per Share	(646)	19,932,052	(3.24)	(4,856)	20,210,338	(24.03)
capital						
Basic return per Share	26,319	12,197,459	215.77	(22,062)	11,916,605	(185.14)
Option conversion**	–	–		–	112,954	
Loan Stock 2013†	–	7,734,593		–	8,180,779	
Diluted capital return per Share	26,319	19,932,052	132.04	(22,062)	20,210,338	(109.16)

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 fair value as calculated in accordance with Financial Reporting Standard No. 14: Earnings per Share.
†Loan Stock assumed converted as average share price during the year was greater than the conversion price.

Consolidated net asset value per share:

The consolidated net asset values per share calculated in accordance with the Articles of Association are as follows:

		Net asset value per share	
		2004	2003
Ordinary shares	– basic	1,177p	982p
	– fully diluted	723p	598p

Basic net asset value per Ordinary Share is based on net assets of £144,228,000 (2003: £118,585,000) and on 12,254,313 Ordinary Shares (2003: 12,081,382) being the number of Ordinary Shares in issue at the year end.

9 consolidated return and net asset value per ordinary share continued

The fully diluted net asset value per Ordinary Share as at 31 January 2004 is calculated on the assumption that all of the outstanding 2013 Loan Stock was fully converted at par and that all 692,500 Share Options were exercised at the prevailing exercise prices, giving a total of 20,624,552 issued Ordinary Shares.

The fully diluted net asset value per Ordinary Share as at 31 January 2003 has been calculated on the assumption that all of the outstanding 2013 Loan Stock was fully converted at par resulting in a total issued share capital of 19,932,052 Ordinary shares. The conversion price of the Share Options was above the diluted net asset value at 31 January 2003 and so the diluted figure does not include the exercise of the 495,000 Share Options (see note 16).

10 investments

a. Investments held as fixed assets – Group and Company

	2004 £'000	2003 £'000
investment portfolio summary		
Listed at market value:		
United Kingdom	**61,953**	43,149
Overseas	**22,886**	19,745
Listed investments at Directors' valuation (see Note 10(c))	**14,855**	7,414
Total listed investments	**99,694**	70,308
Unlisted at market value	**1,372**	13,058
Unlisted at Directors' valuation	**50,123**	48,145
	151,189	131,511

notes to the financial statements

10 investments continued

	Listed equities £'000	Unlisted equities £'000	Loan stocks £'000	Treasury Bills £'000	Total £'000
analysis of investment portfolio movements					
Opening book cost	74,966	26,234	13,365	13,490	128,055
Opening unrealised (depreciation)/appreciation	(10,455)	13,084	1,259	(432)	3,456
Opening valuation	64,511	39,318	14,624	13,058	131,511
Reclassification of investments	(3,586)	3,021	565	–	–
Purchases at cost	24,918	6,388	955	18,427	50,688
Sales – proceeds	(21,915)	(2,860)	(1,255)	(30,169)	(56,199)
– realised gains/(losses) on sales	2,451	(89)	(233)	(332)	1,797
Increase/(decrease) in unrealised appreciation	28,728	(4,438)	(1,286)	388	23,392
closing valuation	95,107	41,340	13,370	1,372	151,189
Closing book cost	76,834	32,694	13,397	1,416	124,341
Closing unrealised appreciation/(depreciation)	18,273	8,646	(27)	(44)	26,848
	95,107	41,340	13,370	1,372	151,189

	2004 £'000	2003 £'000
analysis of capital gains and losses		
Realised gains/(losses) on sales	**1,797**	(11,142)
Depreciation dealt with last year	**4,560**	7,190
	6,357	(3,952)
Additional unrealised appreciation/(depreciation)	**18,832**	(18,015)
	25,189	(21,967)
Net premiums on sale of options	**188**	457
Cost of closing options	**–**	(2,336)
Movement in valuation of unexpired put options	**164**	2,810
gains/(losses) on investments	**25,541**	(21,036)
Realised exchange gains/(losses) on capital items	**61**	(158)
Unrealised exchange gains on capital items and currency	**1,112**	2,519
exchange differences	**1,173**	2,361

10 investments continued

	2004 £'000	2003 £'000
portfolio analysis		
Equity shares	**130,711**	98,189
Convertible preference securities	**5,736**	5,640
Fixed interest securities	**13,370**	14,624
Treasury bills	**1,372**	13,058
	151,189	131,511

b. Subsidiary undertaking

The Company has the following subsidiaries.

Subsidiary	**Principal activity**	% **equity held**
Consolidated Venture Finance Limited*	Security trading	100.0
American Opportunity Trust PLC†	Investment Trust	50.1

The subsidiaries are incorporated in Great Britain, and registered in England and Wales and operate in Great Britain. They are directly held by the Company and were active during the year.

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

†American Opportunity Trust PLC has not been consolidated as described in note 1b on page 28.

10 investments continued

c. Valuation of American Opportunity Trust PLC ("AOT") and Oryx International Growth Fund Limited ("ORYX").

Based on the valuation criteria set out in Note 1(d)(ii), the Directors have valued the Company's holding in AOT at £8,555,000 (2003: £7,414,000). The mid-market value of the shares in AOT held by the Group at 31 January 2004 was £7,100,000 (2003: £7,270,000).

Based on the valuation criteria set out in Note 1(d)(ii), the Directors have valued the Company's holdings in ORYX at £6,300,000 (2003: £3,219,000). The mid-market value of the shares and loan stock in ORYX held by the Group at 31 January 2004 was £5,205,000 (2003: £3,219,000).

If the Group's investment in ORYX had been valued on an equity accounting basis as at the date of its most recently published financial statements for the year to 31 March 2003 the effect upon the Group's financial statements would have been to decrease the value of fixed asset investments by £1,802,000 and to decrease net revenue before tax by £22,000.

d. Significant holdings

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

		31 January 2004 %	31 January 2003 %
United Industries PLC	– Ordinary Shares	**49.4**	46.8
American Opportunity Trust PLC	– Ordinary Shares	**50.1**	36.5
	– Convertible Unsecured Loan Stock 2003/06 Series 1	**–**	96.4
Paramount	– Ordinary Shares	**37.4**	–
Waterbury Inc. (USA)	– Common Stock	**23.5**	32.6
Oryx International Growth Fund	– Ordinary Shares	**24.2**	–
	– Convertible Unsecured Loan Stock 31/5/05	**52.1**	34.0
Nationwide Accident Repair Services PLC	– Ordinary Shares	**21.9**	25.7
Mid-States PLC	– Ordinary Shares	**21.0**	21.0
Santa Maria Foods Inc.	– Common Stock	**37.0**	n/a

10 investments continued

At 1 February 2003, the Company held 96.4% of Convertible Unsecured Loan Stock 2003/2006 Series 1 issued by AOT. Under the terms of the trust deed, the loan stock were convertible into ordinary shares at the rate of 12.5p nominal amount of shares for every 50p nominal amount of loan stock at any time up to and including the month of August 2003. Thereafter, AOT was entitled to redeem the outstanding loan stock at par. In the interests of shareholders, the Company elected to convert its entire holding of loan stock on 29 August 2003. This had the effect of increasing the Company's interest in the share capital of AOT from 36.5% to 50.1%. For all other intent and purposes the nature of the holding in AOT has not changed.

As at 31 January 2004, AOT had in issue 1,525,000 Management Options held by its Directors, the Company's Manager, North Atlantic Value LLP and its employees exercisable at 95p each between 1 September and 31 August 2006. On the assumption that these options, are exercised, then the Company's interest in the share capital of AOT will fall below 50% by 31 August 2006.

The net assets of AOT at 30 September 2003, the date of the last audited accounts, were £16,275,000 (2002: £12,193,000) and the net deficit from ordinary activities after tax for the year then ended was £318,000 (2002: deficit £138,000).

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.

f. Investments held as current assets

Investments held as current assets have been included in the accounts on an individual basis at the lower of cost and market value. The market value of the current asset investments held at 31 January 2004 amounted to £48,000 (2003: £227,000), of which none (2003: £15,000) were listed investments.

11 debtors

	2004 Group £'000	2003 Group £'000	**2004 Company £'000**	2003 Company £'000
Amounts due from brokers	**1**	–	**1**	–
Amounts due from Ryder Court Investments Limited (see note 23)	**–**	2,667	**–**	2,667
Amounts owed by subsidiary undertakings	**–**	–	**11,175**	7,314
Accrued income	**468**	613	**468**	613
Other debtors	**58**	–	**58**	–
Prepayments	**22**	168	**22**	168
	549	3,448	**11,724**	10,762

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

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
6.36% Sterling £6 million bank loan 31/3/04†	**6,000**	5,999	**6,000**	5,999
6.12% US$5 million bank loan 30/4/03	**–**	3,042	**–**	3,042
Canadian $2.25 million bank loan*	**929**	894	**929**	894
6.48% US$22.5 million term bank loan 31/01/05	**12,319**	–	**12,319**	–
	19,248	9,935	**19,248**	9,935

† The loan was repaid on 31 March 2004.

* Exposed to variable interest rates.

13 other creditors and accruals

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Amounts due to brokers	**486**	522	**486**	522
Valuation of unexpired put options	**–**	164	**–**	164
Other creditors and accruals	**1,216**	1,144	**1,216**	1,144
	1,702	1,830	**1,702**	1,830

14 bank loans: falling due after more than one year

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Unsecured:				
6.48% US$22.5 million term bank loan 31/01/05	**–***	13,673	**–***	13,673
	–	13,673	**–**	13,673

* This loan is now classified as being due in less than one year (see note 12).

15 debenture loan – convertible unsecured loan stock 2013

	2004 No units	2004 £'000	2003 No units	2003 £'000
Group and Company				
Balance at beginning of year	**7,850,670**	**393**	8,886,199	444
Purchased for cancellation	**–**	**–**	(569,300)	(28)
Converted during the year	**(172,931)**	**(9)**	(466,229)	(23)
Balance at end of year	**7,677,739**	**384**	7,850,670	393

The Convertible Unsecured Loan Stock 2013 was issued in units of 5p. The Loan Stock 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 2004, 172,931 (2003: 466,229) Loan Stock units were converted into Ordinary shares of 5p each at the rate of one 5p Ordinary share for every unit of 5p.

The remaining Loan Stock 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 2004 to 2013 inclusive. Interest at the rate of 0.5p gross per 5p unit per annum is payable on 31 January in each year.

16 called-up share capital

	2004 Number	2004 £'000	2003 Number	2003 £'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:				
As at 1 February	**12,081,382**	**604**	11,615,153	581
Conversion of Loan Stock	**172,931**	**9**	466,229	23
As at 31 January	**12,254,313**	**613**	12,081,382	604

During the year, 172,931 (2003: 466,229) Loan Stock units were converted into Ordinary shares of 5p each fully paid up at the rate of one Ordinary Share for every unit of 5p.

16 called-up share capital continued

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;

(ii) 2002 (a) Executive Share Option Scheme: 355,000 Ordinary Shares at 645.54p per share exercisable at any time between 6 December 2005 and 6 December 2012 (This figure excludes 40,000 options granted to a past employee of the investment manager); (b) 237,500 options were granted at 663.80p exercisable at any time between 25 September 2006 and 25 September 2013.

These options totalling 692,500, include those granted to the Chief Executive, details of which are given on page 21 in the Directors' Remuneration Report. The balance of the options have been granted to investment management employees of the Joint Manager.

17 reserves

	Share premium £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
group					
Beginning of year	629	116,732	5,421	(4,801)	117,981
Increase in unrealised appreciation before transfer on disposal	–	–	18,832	–	18,832
Transfer on disposal of investments	–	(4,560)	4,560	–	–
Net gain on realisation of investments	–	6,357	–	–	6,357
Net premiums on sale of options	–	188	–	–	188
Movement in valuation of unexpired put options	–	–	164	–	164
Exchange differences on capital items	–	28	–	–	28
Exchange differences on currency	–	33	1,112	–	1,145
Expenses charged to capital	–	(395)	–	–	(395)
Net revenue loss for the year	–	–	–	(685)	(685)
end of year	**629**	**118,383**	**30,089**	**(5,486)**	**143,615**

notes to the financial statements

17 reserves continued

	Share premium £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
company					
Beginning of year	629	116,536	5,421	(4,606)	117,980
Increase in unrealised appreciation before transfer on disposal	–	–	18,789	–	18,789
Transfer on disposal of investments	–	(4,560)	4,560	–	–
Net gain on realisation of investments	–	6,357	–	–	6,357
Net premiums on sale of options	–	188	–	–	188
Movement in valuation of unexpired put options	–	–	164	–	164
Exchange differences on capital items	–	28	–	–	28
Exchange differences on currency	–	33	1,112	–	1,145
Expenses charged to capital	–	(395)	–	–	(395)
Net revenue loss for the year	–	–	–	(641)	(641)
end of year	629	118,187	30,046	(5,247)	143,615

18 reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
group		
revenue reserve		
Net deficit for the year	**(685)**	(4,897)
capital reserve		
Movements in capital reserves	**26,319**	(22,062)
share capital		
Conversion of CULS 2013	**9**	23
net increase/(decrease) in shareholders' funds	**25,643**	(26,936)
Opening shareholders' funds	**118,585**	145,521
Closing shareholders' funds	**144,228**	118,585

notes to the financial statements

19 reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2004 £'000	2003 £'000
Net revenue/(deficit) from ordinary activities before finance costs and taxation	**663**	(3,229)
Expenses charged to capital	**(395)**	–
Dividends and interest reinvested	**(556)**	(341)
Decrease/(increase) in debtors and accrued income	**233**	(141)
Changes relating to investments of dealing subsidiary	**12**	8
(Decrease)/increase in creditors and accruals	**(126)**	814
Tax on investment income	**(18)**	(31)
Net cash outflow from operating activities	**(187)**	(2,920)

20 reconciliation of net cashflow to movement in net debt

	2004 £'000	2003 £'000
Increase in cash in the year	**4,675**	1,257
Repayment of bank loan	**3,009**	2,500
Repurchase of loan stock	**–**	28
Conversion of loan stock	**9**	23
Amortisation of loan issue expenses	**(15)**	(12)
Loan expenses paid in year	**40**	–
Revaluation of currency balances	**1,145**	2,542
Movement in net debt	**8,863**	6,338

21 analysis of net debt

	At 1 February 2003 £'000	Cash flow £'000	Non cash flow movements £'000	Exchange movement £'000	At 31 January 2004 £'000
Cash at bank	9,282	4,675	–	(181)	13,776
Due within one year	(9,935)	3,009	(12,320)	(2)	(19,248)
Due after one year	(14,066)	40	12,314	1,328	(384)
	(24,001)	3,049	(6)	1,326	(19,632)
Net debt	(14,719)	7,724	(6)	1,145	(5,856)

22 financial instruments and risk profile

The investment objective of the Company 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 Company's financial instruments comprise quoted and unquoted investments. In addition, the Company holds cash and liquid resources and various items such as debtors and creditors that arise directly from its operations.

The Company 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 Company 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 Company 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 Company may also write call options on shares of companies that are already owned.

The Company, as stated in the Directors' report on page 12, 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 Company'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 2003.

There is no detailed disclosure of credit risk as this is not considered material in the context of the Group's overall activities.

To support its investment in unquoted companies, the Company 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 Company's exposure to market price risk comprises mainly movements in the value of the Company'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 Company's investment portfolio analysed by sector was as set out on page 5.

foreign currency risk

The base currency of the Company is Sterling and, therefore, the Company's principal exposure to foreign currency risk comprises investments in equities priced in other currencies, principally US dollars. At 31 January 2004, the Company had no open forward currency contracts.

interest rate risk profile of financial assets and liabilities

The Group's assets and liabilities, excluding short term debtors and creditors, comprise financial instruments which include investments in equity, preference securities and fixed interest securities.

Fixed assets are valued as disclosed in Note 1(d) which equate to their fair values with the exception of the holdings in American Opportunity Trust plc and Oryx International Growth Fund Limited which are valued at the fully diluted net asset value at the balance sheet date. See Note 10(c).

22 financial instruments and risk profile continued

The interest rate profile of the Group's financial assets at 31 January (excluding short-term debtors) is as follows:

	Fixed rate financial assets – fair value £'000	Variable rate financial assets – fair value £'000	Financial assets on which no interest is received £'000	Weighted average interest rate %	Weighted average period to maturity (years)
currency as at 31 January 2004:					
Sterling					
– Loan stocks	6,033	–	–	3.2	5.3
– Preference shares	1,313	–	–	14.9	2.0
– Equity	–	–	77,586	–	–
– Cash at bank	–	12,155	–	*	*
US dollar					
– Loan stocks	4,770	–	–	8.5	2.0
– Treasury Bills	1,372	–	–	0.8	0.1
– Preference shares	–	4,423	–	*	*
– Equity	–	–	47,996	–	–
– Cash at bank	–	1,569	–	*	*
Canadian dollar					
– Loan stocks	1,838	–	–	13.1	4.3
– Equity	–	–	5,129	–	–
Other European currencies					
– Loan stocks	729	–	–	5.6	36.4
– Cash at bank	–	52	–	*	*
	16,055	18,199	130,711		

* Exposed to variable interest rates and no fixed maturity dates.

No interest is received on equity shares.

notes to the financial statements

22 financial instruments and risk profile continued

	Fixed rate financial assets – fair value £'000	Variable rate financial assets – fair value £'000	Financial assets on which no interest is received £'000	Weighted average interest rate %	Weighted average period to maturity (years)
currency as at 31 January 2003:					
Sterling					
– Loan stocks	8,287	–	–	2.3	4.5
– Preference shares	998	–	–	17.5	3.2
– Equity	–	–	53,495	–	–
– Cash at bank	–	8,480	–	*	*
US dollar					
– Loan stocks	3,809	–	–	15.5	1.9
– Treasury Bills	13,058	–	–	1.2	0.2
– Preference shares	–	4,642	–	*	*
– Equity	–	–	39,760	–	–
– Cash at bank	–	769	–	*	*
Canadian dollar					
– Loan stocks	1,556	–	–	13.0	5.3
– Equity	–	–	4,934	–	–
Other European currencies					
– Loan stocks	972	–	–	4.2	37.4
– Cash at bank	–	33	–	*	*
	28,680	13,924	98,189		

* Exposed to variable interest rates and no fixed maturity dates.

No interest is received on equity shares.

22 financial instruments and risk profile continued

The interest rate profile of the Group's financial liabilities at 31 January (excluding short-term creditors but including short-term loans) is as follows:

	Fixed rate financial liabilities – fair value £'000	Variable rate financial liabilities – fair value £'000	Weighted average interest rate %	Weighted average period to maturity (years)
currency as at 31 January 2004:				
Sterling				
– Convertible Unsecured Loan Stock 2013	**384**	**–**	**10.0**	**9.3**
– Short-term bank loan	**6,000**	**–**	**4.6**	**0.2**
US dollar				
– Term bank loan	**12,319**	**–**	**6.6**	**1.0**
Canadian dollar				
– Short-term bank loan	**–**	**929**	**3.4**	**0.2**
	18,703	**929**		
currency as at 31 January 2003:				
Sterling				
– Convertible Unsecured Loan Stock 2013	393	–	10.0	10.3
– Short-term bank loan	5,999	–	6.4	0.5
US dollar				
– Short-term bank loan	3,042	–	6.1	0.1
– Term bank loan	13,673	–	6.5	2.0
Canadian dollar				
– Short-term bank loan	894	–	5.9	–
	24,001	–		

The fair value of the Convertible Unsecured Loan Stock 2013 as at 31 January 2004 was £47,756,000 (2003: £36,309,000), based on the mid-market price of that stock at the year end. All other liabilities are stated at fair value.

22 financial instruments and risk profile continued

The maturity profile of the Company's financial liabilities at 31 January 2003 is as follows:

	2004 £'000	2003 £'000
In one year or less	19,248	9,935
In more than one year but less than two years	–	13,673
In more than two years but less than five years	–	–
In more than five years but less than ten years	384	–
In more than ten years	–	393
	19,632	24,001

The Company has a multiple currency loan facility of £24,000,000 which falls for renewal on 31 July 2005.

The table below summarises the Group's currency exposure.

	Investment portfolio £'000	Cash at bank £'000	Other financial current assets £'000	Financial liabilities £'000
as at 31 January 2004:				
US dollars – non equity	6,142	1,569	175	12,528
Canadian dollars – non equity	1,838	–	220	940
Other European currencies – non equity	729	52	4	–
Total non sterling – non equity	8,709	1,621	399	13,468
US dollars – equity	52,419	–	67	–
Canadian dollars – equity	5,129	–	–	–
Total non sterling	66,257	1,621	466	13,468
Sterling	84,932	12,155	131	7,866
Total	151,189	13,776	597	21,334

22 financial instruments and risk profile continued

	Investment portfolio £'000	Cash at bank £'000	Other financial current assets £'000	Financial liabilities £'000
as at 31 January 2003:				
US dollars – non equity	16,867	769	135	16,879
Canadian dollars – non equity	1,556	–	177	894
Other European currencies – non equity	972	33	3	–
Total non sterling – non equity	19,395	802	315	17,773
US dollars – equity	44,402	–	147	–
Canadian dollars – equity	4,934	–	–	–
Total non sterling	68,731	802	462	17,773
Sterling	62,780	8,480	3,161	8,058
Total	131,511	9,282	3,623	25,831

23 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 Report of the Directors.

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	£163,000
Enterprise Capital PLC	Administration and investment management	£128,000
Oryx International Growth Fund Limited	Investment advisory	£226,000
Trident Private Equity LP	Investment advisory	£209,000

23 related party transactions continued

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 p.a.
Primary Health Properties PLC	Administration	£290,000
Second London American Trust PLC	Administration	£100,000
The Wichford Property Limited Partnership	Joint Management and Administration	#

The Partnership is in its first year of trading, therefore, audited financial statements are not yet available.

Mr J D Hambro is Chairman of J O Hambro Capital Management Limited and is a Director of Primary Health Properties PLC and Enterprise Capital PLC, companies in which the Company is invested. Directors' fees in respect of Mr Hambro's appointments are paid to J O Hambro Capital Management Limited.

In addition, as further described in note 24, the Company has guaranteed the bank overdraft of The Wichford Property Limited Partnership for which it received a fee of £20,000.

Mr Mills is Chief Investment Officer and a Partner of North Atlantic Value LLP. He holds 36% of the issued share capital 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.

disclosure of interests

Mr Mills, the Chief Executive and Investment Manager is also Chief Executive of American Opportunity Trust PLC ("AOT") and a director of Oryx International Growth Fund Limited ("ORYX").

North Atlantic Value LLP is investment manager to AOT and ORYX and investment adviser to Trident Private Equity LP and receives fees from them.

Mr Mills is also a director of the following companies in which the Company has an investment and from which he may receive fees or hold options or shares: Acquisitor PLC, Waterbury Inc, Sterling Construction Inc, Carwash Inc, Santa Maria Foods Inc, Lonrho Africa PLC, Dowding and Mills PLC, AllianceOne Inc, Primesco Inc, LESCO, Inc, Second London American Trust PLC, Gateway Homecare Inc, MidStates PLC, Nationwide Accident Repair Services PLC, The Hartstone Group PLC, Izodia PLC, VTR PLC, Paramount PLC, GEI Group Limited and Tweedwind Limited. Employees of the Joint Manager may hold options over shares in investee companies. Mr Mills is the chairman of Jarvis Porter Group PLC.

23 related party transactions continued

No formal arrangements exist to avoid double charging on investments held by the Company which are also managed or advised by Christopher Mills (Chief Executive) and the Joint Manager. Partners and private clients of the Joint Manager hold 116,550 shares in the Company.

Partners and employees of the Joint Manager are also directors of United Industries PLC, Nationwide Accident Repair Services PLC, Ryder Court Investments Limited and Stratagem Group Limited.

Institutional and private clients of the Joint Manager, North Atlantic Value LLP (including ORYX) are interested in the whole of the issued share capital of United Industries PLC. Institutional and private clients of the Joint Manager (including ORYX) are interested in 42.6% of the issued share capital of Nationwide Accident Repair Services PLC. Institutional and private clients of the Joint Manager are interested in 68.0% of the issued share capital of Paramount PLC.

Mr E Foster Gittes is a shareholder in Denison International Limited and Chairman of and shareholder in Synthesys Technologies, Inc. in both of which the Company has investments. He is also a director of LESCO, Inc.

Ryder Court Investments Limited was a company incorporated for the purposes of the mandatory cash offer to acquire the issued share capital of Stratagem Group PLC in September 2002 not already owned by the Company. Ryder Court Investments Limited is owned as to 74.62% by Trident Private Equity LP (a fund advised by North Atlantic Value LLP), 12.69% by Totalassist Company Limited and as to 12.69% by Forwardissue Limited. The offer for Stratagem Group PLC was funded by way of a loan from the Company on normal commercial terms and the Company received interest in the year of £25,000. The loan was repaid on 4 April 2003.

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

24 commitments and contingent liabilities

(i) At the year end, there were no unexpired call options relating to fixed asset investments (2003: 1).

(ii) At the year end, there were no unexpired put options (2003: 1), giving the holders at any time prior to expiry, the right to require the Company to purchase investments at the stated exercise price. As set out in Note 1(e) 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 2004, changes in the put option valuations showed a net gain of £nil (2003: net gain £2,810,000). The maximum potential liability to which the Company was exposed at the balance sheet date, in respect of put options, totalled £nil (2003: £2,981,000).

(iii) During the year, the Company invested £2 million and committed to investing a further £2 million in The Wichford Property Limited Partnership. In addition, on 29 January 2004, the Company entered into an agreement to guarantee the overdraft facility for The Wichford Property Limited Partnership, up to a maximum aggregate amount of £2,000,000, for which it received a fee of £20,000.

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 10 September 2004, at 3.00 pm 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 Report of the Directors and the audited financial statements for the year ended 31 January 2004.

2. To receive the Directors' Remuneration Report.

3. To re-elect Mr K 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.

special business:

To consider the following resolutions of which resolution 7 will be proposed as a special resolution:

6. 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 £204,239 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.

7. special resolution – renewal of Directors' authority for the disapplication of pre-emption rights

THAT, subject to and conditional upon the passing of resolution number 6 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 £30,636;

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 30th day of July 2004

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 8 September 2004 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	August
Annual General Meeting	September
Interim figures announced	September
Interim report posted	October

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 in the North Atlantic Value LLP section of the J O Hambro Capital Management Limited website:

www.johcm.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: 020 8639 2000,
email address: 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

advisers

Joint Manager
North Atlantic Value LLP
Regulated by the FSA.
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB
Telephone: 020 7747 5678

Company Secretary & Registered Office
J O Hambro Capital Management Limited
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB
Telephone: 020 7747 5682

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

Auditors
RSM Robson Rhodes LLP
186 City Road
London EC1V 2NU

form of proxy

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

Name(s) in full ....
(BLOCK LETTERS PLEASE)

hereby appoint the Chairman of the Meeting or
....(see note 3)

as my/own proxy to vote for me/us and on my/our behalf at the Annual General Meeting on the Company to be held on 10 September 2004 and at any adjournment thereof, in the following manner:

	Resolution	For*	Against*	Vote Withheld
1.	the resolution to receive and approve the Report of the Directors and the financial statements for the year ended 31 January 2004;			
2.	the resolution to receive the Directors' Remuneration Report			
3.	the resolution to re-elect Mr K Siem as a Director of the Company;			
4.	the resolution to re-elect Mr C H B Mills as a Director of the Company;			
5.	the resolution to re-appoint RSM Robson Rhodes LLP as Auditors and to authorise the Directors to determine their remuneration;			
6.	the ordinary resolution to renew the annual authority to allot shares;			
7.	the special resolution to renew the disapplication of pre-emption rights.			

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

As WITNESS my/our hand(s) this .... day of 2004

Signature ....

....

Notes:

1. If this form is returned without any indication as to how the person appointed as proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
2. This form of proxy, duly signed, and any power of attorney under which it is executed must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or an adjourned meeting.
3. A member may appoint a proxy of his own choice by deleting the reference to the Chairman and inserting the name of his proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.
4. A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney.
5. In the case of joint holders, this form may be signed by any one of the holders, but the names of all of them should be stated.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB1222

First
fold

CAPITA REGISTRARS (Proxies)
PO Box 25
BECKENHAM
Kent BR3 4BR

Second fold