



North Atlantic Smaller Companies Investment Trust plc

Interim Report for the six months
to 31 July 2004

objective of the company and financial highlights

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

	31 July 2004 Unaudited	31 January 2004 Audited	% Change
Net asset value per Ordinary Share (debt at par):*			
Basic	1,257p	1,177p	6.8
Fully diluted	771p	723p	6.6
Net asset value per Ordinary Share (debt at market value):**			
Basic	844p		
Fully diluted	770p		
Middle market quotation per 5p Ordinary Share (debt at par)	657.5p	621.5p	5.8
Discount to fully diluted net asset value (debt at par)	14.7%	14.0%	
Discount to fully diluted net asset value (debt at market value)	14.6%		
Standard & Poor's Composite Index***	605.8	621.4	(2.5)
Russell 2000 Index***	303.2	319.1	(5.0)
Exchange rate (US\$/£)	1.8185	1.8203	0.1

* After retained deficit for the period.

** In accordance with AITC guidelines, from 1 July 2004 an additional net asset value is now published with debt included at market value.

*** Sterling adjusted.

chief executive's review

During the six months to the end of July, the fully diluted net asset value of your Trust rose by 6.6%. This compares with a fall in the Standard & Poors Composite Index (sterling adjusted) of 2.5% over the same period.

Net income for the six months under review amounted to a loss of £162,000 (2003: loss of £241,000).

listed equities

These performed well during the six months under review. The Trust's existing holdings in Denison and Mentmore were both taken over at substantial profits whilst a third investment, Paramount, announced it was in discussions which may lead to an offer.

unlisted equities

With the exception of the sale of Executive Air Support at a profit of approximately 100% to original investment cost, little realisation activity took place during the period. I am, however, confident that the unquoted portfolio will add meaningfully to the net asset value during the remainder of our financial year. Wichford has recently listed on AIM at a substantial premium to our cost. Wagamama has completed a recapitalisation at a price substantially above our valuation as at 31 July 2004. Waterbury is close to being acquired at a significant premium to our holding cost and Santa Maria is now contemplating an IPO which should be completed in late October/early November.

outlook

Equity markets appear to be directionless as concerns over rising interest rates, higher oil prices and slow economic growth offset the benefit of rising corporate profits. Nevertheless, your Trust should benefit from several realisations in both the quoted and unquoted portfolios which continue to have the potential to add 40-50p to the net asset value over the next few months and I look to the future with some optimism.

C H B Mills
Chief Executive

10 September 2004

top ten investments

as at 31 July 2004

Company		Valuation £'000	% of net assets
US Treasury Bill 16/9/04	US Treasury Stock	10,707	6.9
Paramount	UK Listed	10,285	6.7
TBI	UK Listed	10,125	6.6
American Opportunity Trust	UK Listed	8,663	5.6
Whatman	UK Listed	8,250	5.4
Santa Maria Foods	Canadian Unquoted	7,233	4.7
Waterbury	USA Unquoted	6,446	4.2
Oryx International Growth Fund	UK Listed	6,415	4.2
WH Energy Services Inc	USA Listed	6,081	3.9
Lesco Inc	USA Listed	5,312	3.4
		79,517	51.6
		79,517	51.6

consolidated statement of total return (incorporating the revenue account*)
for the six months ended 31 July

	Six months to 31 July 2004 (Unaudited)			Six months to 31 July 2003 (Unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	10,147	10,147	–	8,973	8,973
Exchange differences	–	237	237	–	(501)	(501)
Income	1,581	–	1,581	1,494	–	1,494
Investment management fee‡	(897)	(412)	(1,309)	(760)	–	(760)
Other expenses	(329)	–	(329)	(245)	–	(245)
net return before finance costs and taxation	355	9,972	10,327	489	8,472	8,961
Interest payable and similar charges	(497)	–	(497)	(717)	–	(717)
return on ordinary activities before taxation	(142)	9,972	9,830	(228)	8,472	8,244
Taxation on ordinary activities	(20)	–	(20)	(13)	–	(13)
return on ordinary activities after taxation	(162)	9,972	9,810	(241)	8,472	8,231
return per ordinary share:						
Basic (see note 2)	(1.32)p	81.38p	80.06p	(1.98)p	69.76p	67.78p
Diluted (see note 2)†	(0.72)p	50.03p	49.31p	(1.11)p	42.50p	41.39p

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

‡ See note 4.

† Although Financial Reporting Standard No. 14: Earnings per Share states that returns per share which are not diluted should not be disclosed, they have been shown here for information. All revenue and capital items in the above statement derive from continuing operations.

consolidated statement of total return (incorporating the revenue account*)
for the year ended 31 January 2004

Year to 31 January 2004 (Audited)			
Revenue £'000	Capital £'000	Total £'000	
–	25,541	25,541	Gains on investments
–	1,173	1,173	Exchange differences
2,736	–	2,736	Income
(1,528)	(395)	(1,923)	Investment management fee‡
(545)	–	(545)	Other expenses
<u>663</u>	<u>26,319</u>	<u>26,982</u>	net return before finance costs and taxation
(1,335)	–	(1,335)	Interest payable and similar charges
<u>(672)</u>	<u>26,319</u>	<u>25,647</u>	return on ordinary activities before taxation
(13)	–	(13)	Taxation on ordinary activities
<u>(685)</u>	<u>26,319</u>	<u>25,634</u>	return on ordinary activities after taxation
(5.62)p	215.77p	210.15p	return per ordinary share:
(3.24)p	132.04p	128.80p	Basic (see note 2)
			Diluted (see note 2)†

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

‡ See note 4.

† Although Financial Reporting Standard No. 14: Earnings per Share states that returns per share which are not diluted should not be disclosed, they have been shown here for information. All revenue and capital items in the above statement derive from continuing operations.

consolidated balance sheet

	31 July 2004 (Unaudited) £'000	31 January 2004 (Audited) £'000	31 July 2003 (Unaudited) £'000
fixed assets			
Investments (see note 3)	145,315	142,634	127,635
Investment in unconsolidated subsidiary	8,663	8,555	8,259
	<u>153,978</u>	<u>151,189</u>	<u>135,894</u>
current assets			
Investments held in subsidiary company	36	48	161
Debtors	1,262	549	769
Cash at bank	13,161	13,776	15,383
	<u>14,459</u>	<u>14,373</u>	<u>16,313</u>
creditors: amounts falling due within one year			
Bank loans and overdrafts	13,276	19,248	10,105
Other creditors and accruals	739	1,702	908
	<u>14,015</u>	<u>20,950</u>	<u>11,013</u>
net current assets/(liabilities)	<u>444</u>	<u>(6,577)</u>	<u>5,300</u>
total assets less current liabilities	<u>154,422</u>	<u>144,612</u>	<u>141,194</u>
creditors: amounts falling due after more than one year			
Bank loans	–	–	13,985
Debenture loan – Convertible Unsecured Loan Stock 2013	384	384	384
	<u>384</u>	<u>384</u>	<u>384</u>
	<u>154,038</u>	<u>144,228</u>	<u>126,825</u>
capital and reserves:			
Called up share capital	613	613	613
Share premium account	629	629	629
Capital reserve – realised	129,854	118,383	118,061
Capital reserve – unrealised	28,590	30,089	12,564
Revenue reserve	(5,648)	(5,486)	(5,042)
equity shareholders' funds	<u>154,038</u>	<u>144,228</u>	<u>126,825</u>

consolidated statement of cash flows

	Six months to 31 July 2004 (Unaudited) £'000	Six months to 31 July 2003 (Unaudited) £'000	Year to 31 January 2004 (Audited) £'000
reconciliation of net return before finance costs and taxation to net cash outflow from operating activities			
Net revenue from ordinary activities before finance costs and taxation	355	489	663
Expenses charged to capital	(412)	–	(395)
Dividends and interest reinvested	(390)	(54)	(556)
(Increase)/decrease in debtors and accrued income	(129)	(165)	233
Changes relating to investments of dealing subsidiary	20	9	12
Decrease in creditors and accruals	(181)	(859)	(126)
Tax on investment income	(20)	(13)	(18)
net cash outflow from operating activities	(757)	(593)	(187)
servicing of finance			
Bank interest paid	(788)	(782)	(1,067)
CULS interest paid	–	–	(38)
Expenses of bank loan	–	–	(40)
net cash outflow from servicing of finance	(788)	(782)	(1,145)
taxation			
Tax recovered	–	–	5
investing activities			
Purchases of fixed asset investments	(35,549)	(31,612)	(49,943)
Proceeds from sales of fixed asset investments	42,411	36,457	56,287
Repayment of loan made to Ryder Court Investments Limited	–	2,667	2,667
net cash inflow from investing activities	6,862	7,512	9,011
net cash inflow before financing	5,317	6,137	7,684
financing			
Repayment of fixed term borrowings	(6,000)	–	(3,009)
net cash outflow from financing	(6,000)	–	(3,009)
(decrease)/increase in cash	(683)	6,137	4,675

notes

1. basis of preparation

The figures for the six months to 31 July 2004 have been prepared on a basis consistent with the accounting policies adopted in the audited financial statements for the year ended 31 January 2004.

2. return per share

	*Net return £'000	Revenue Ordinary Shares	Per share (pence)	*Net return £'000	Capital Ordinary Shares	Per share (pence)
six months to						
31 July 2004						
Basic return per Share	(162)	12,254,313	(1.32)	9,972	12,254,313	81.38
Option conversion**	–	292		–	292	
Loan Stock 2013***	19	7,677,739		–	7,677,739	
	<u>(143)</u>	<u>19,932,344</u>	<u>(0.72)</u>	<u>9,972</u>	<u>19,932,344</u>	<u>50.03</u>
six months to						
31 July 2003						
Basic return per Share	(241)	12,144,440	(1.98)	8,472	12,144,440	69.76
Option conversion**	–	–		–	–	
Loan Stock 2013***	19	7,787,612		–	7,787,612	
	<u>(222)</u>	<u>19,932,052</u>	<u>(1.11)</u>	<u>8,472</u>	<u>19,932,052</u>	<u>42.50</u>
year to 31 January 2004						
Basic return per Share	(685)	12,197,459	(5.62)	26,319	12,197,459	215.77
Option conversion**	–	–		–	–	
Loan Stock 2013***	39	7,734,593		–	7,734,593	
	<u>(646)</u>	<u>19,932,052</u>	<u>(3.24)</u>	<u>26,319</u>	<u>19,932,052</u>	<u>132.04</u>

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

* Net return on ordinary activities attributable to Ordinary Shareholders.

** 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 the share price during the year was greater than the conversion price.

notes

3. distribution of fixed asset investments

	31 July 2004 £'000	31 January 2004 £'000	31 July 2003 £'000
Listed at market value:			
United Kingdom	60,396	61,953	48,492
Overseas	14,521	22,886	19,970
Listed at Directors' valuation	15,077	14,855	8,259
Total listed investments	<u>89,994</u>	<u>99,694</u>	<u>76,721</u>
Unlisted at market value	10,707	1,372	5,902
Unlisted at Directors' valuation	53,277	50,123	53,271
Total fixed asset investments	<u><u>153,978</u></u>	<u><u>151,189</u></u>	<u><u>135,894</u></u>

4. performance fees

A performance fee is only payable if the investment portfolio has outperformed the Sterling adjusted Standard & Poor's Composite Index at the end of each financial year, and is limited to a maximum payment of 0.5% of Shareholders' Funds.

In accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies", an amount is included in these accounts for the performance fee that would be payable based on investment performance to 31 July 2004.

As at 31 July 2004, a performance fee of £412,000, including irrecoverable VAT, has been accrued for in the accounts (31 July 2003: nil; year ended 31 January 2004: £395,000 including irrecoverable VAT).

5. consolidated net asset value per ordinary share (debt at par)

The basic net asset value per Ordinary Share is based on net assets of £154,038,000 (31 January 2004: £144,228,000) and on 12,254,313 Ordinary Shares (31 January 2004: 12,254,313) being the number of Ordinary Shares in issue at the period end.

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

notes

6. financial information

The financial information shown in this interim report does not constitute full statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the six months ended 31 July 2004 and 31 July 2003 has not been audited.

The information for the year ended 31 January 2004 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditors on those financial statements contained no qualification or statement under sections 237(2) or (3) of the Companies Act 1985.

shareholder information

financial calendar

Preliminary results	April
Annual report	April
Annual General Meeting	June
Interim figures announced	September
Interim report posted	September

share price

The Company's mid market Ordinary Share price and Loan Stock price are quoted daily in the Financial Times appearing under "Investment Companies".

They also appear on:

Reuters:	Convertible Loan Stock NASp.L
Bloomberg:	NAS. LN
SEAQ Ordinary Shares:	NAS
Trustnet:	www.trustnet.com

net asset value

The latest net asset value of the Company can be found on 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, or email them at ssd@capitaregistrars.com

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

Capita Registrars
The Registry
34 Beckenham Road
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C H B Mills (Chief Executive)
The Hon P D E M Moncreiffe
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