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North Atlantic
Smaller Companies
Investment Trust plc

Report and Accounts
Year ended 31 January 2000



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	Form of Proxy

The front cover depicts a painting by Claude T. Moore (1853–1901), being View of Greenwich in 1877 showing the Training Ship 'HMS Warspite'.

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

North Atlantic Smaller Companies Investment Trust plc

Objective of the Company

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. The majority of the investments will be in North America. Although unquoted securities will also feature, the predominant proportion of the Company's portfolio will be represented by quoted securities.

Financial Summary

	2000	1999	change %
Revenue			
Gross income (£'000)	3,247	3,477	(6.6)
Net revenue after tax (£'000)	52	70	(25.7)
Dividend per 5p Ordinary Share	-	-	-
Return per Ordinary Share – revenue	0.5p	0.7p	(28.6)
– capital	82.7p	(34.4)p	340.4
Assets			
Based on valuation of fixed asset investments as shown in the Group balance sheet:			
Total assets less current liabilities (£'000)	135,096	125,125	8.0
Net asset value per 5p Ordinary Share:			
Loan Stock converted; options unexercised	610p	507p	20.3
Fully diluted	598p	499p	19.8
Middle market quotation of the 5p Ordinary Shares			
31 January	502.5p	371.5p	35.3
Highest during year to 31 January	505.5p	545.0p	(7.2)
Lowest during year to 31 January	367.5p	324.0p	13.4
Indices and exchange rates at 31 January			
Standard & Poor's Composite Index	1,394.5	1,279.7	9.0
Russell 2000	426.5	427.2	(0.2)
Sterling/US Dollar exchange rate	1.6209	1.6447	1.4
Standard & Poor's Composite – Sterling adjusted	862.8	778.0	10.9
Russell 2000 – Sterling adjusted	307.0	259.8	18.2

North Atlantic Smaller Companies Investment Trust plc

Chairman's Statement

During the year under review, the Trust's fully diluted net asset value rose by 19.8% as compared with rises in the Sterling adjusted Standard & Poor's Composite Index and Russell 2000 of 10.9% and 18.2% respectively.

The revenue account showed net revenue for the year ended 31 January 2000 of £52,000 (1999: £70,000). Consistent with previous practice, the Directors do not recommend the payment of a dividend.

Following the release of last year's results, the Trust took the opportunity to buy back approximately £10 million of convertible loan notes at a price which represented a discount to the fully diluted net asset value of approximately 20%, thereby increasing the net asset value for the benefit of all shareholders.

Despite the apparent rise in the Russell 2000 Index, smaller companies, trading on modest price earnings ratios, which are the backbone of the Trust's portfolio, generally performed poorly, whilst technology stocks continued their meteoric rise. This is best illustrated by the fact that over 50% of the rise in the Russell 2000 was in fact accounted for by 13 stocks. These 13 companies have a total market value of approximately US\$100 billion but have trailing twelve month losses of approximately US\$1 billion in aggregate. It is not the policy of this Trust to invest in companies whose value is based on the expectation of profits which may or may not materialise in the future.

Notwithstanding the above, several of our larger quoted holdings performed well during the year. PNC Telecom, one of our historical unquoted holdings, rose by over 400% over the period. CPL Aromas, Norcross and Money Controls were all bid for. Allied Textiles is in discussions which may lead to an offer, whilst Horace Small rose considerably following the sale of its business and a proposed acquisition. In the United States, Scott Technologies performed well following the sale of its non core subsidiaries and PS Group realised a sizeable gain following an offer for the company.

By contrast, the regional banking sector where the Trust has significant exposure performed poorly during the year and this was reflected in falls of nearly 20% in the share price of both Mississippi Valley Bancshares and Carolina First.

The unquoted portfolio as a whole achieved good results during the year. Santa Maria Foods, Waterbury, LKQ, AllianceOne and Message Link were all written up following further rounds of financing. On the other hand, it was necessary to write down Gateway Homecare, Southern Dental, Protein Genetics and IPT to reflect disappointing trading results. However, in the case of Protein Genetics and IPT trading, results have improved considerably and we are optimistic that the write down will prove unnecessary (further details of the unquoted portfolio can be found on pages 8 to 12).

Economies remain generally strong but this is leading to inflationary concerns which both the Federal Reserve and the Bank of England are trying to contain through higher interest rates. This in turn should cool the speculative fervour which is clearly apparent in the technology sector. Needless to say, the technology optimists consider interest rate rises will have no impact.

Outlook

The current year has started extremely well principally due to the good performance of Horace Small and a recent investment in Arinco. Consequently, the fully diluted net asset value at 30 April had risen to 678p.

A number of the unquoted investments are expected to go public or be sold this year and this should result in a good uplift in the unquoted portfolio although this will to some extent be mitigated by writedowns in Whitworths and Southern Dental.

North Atlantic Smaller Companies Investment Trust plc

Chairman's Statement

I also anticipate that the quoted portfolio will respond to specific events which could improve the stock market valuation of our investments.

Finally, I would like to thank you for your continued support for the Trust and hope that we can reward you over the coming year.

Enrique Foster Gittes
Chairman



12 May 2000

North Atlantic Smaller Companies Investment Trust plc

Directors and Advisers

Directors

Enrique Foster Gittes (USA)†#*

joined the Board in 1992 and was appointed Chairman on 20 July 1998 upon the resignation of Sir Richard Brooke Bt. 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 founder and director of Denison International PLC until 1999 and is currently Chairman of Synthesys Technologies, Inc. and a director of J O Hambro Capital Management (Bermuda) Ltd.

Christopher H B Mills (Chief Executive)

joined the Board in 1984. He is a director of American Opportunity Trust PLC, Mid-States PLC, Horace Small Apparel PLC (after April 2000, Redbus Interhouse Limited), J O Hambro Capital Management Limited, Growth Financial Services Limited and a number of other companies, further details of which are given in Note 10(f)(ii) of the financial statements.

Douglas P C Nation (USA)†#*

joined the Board in 1984. He is an executive of Bear Stearns & Co. Inc. and has worked on Wall Street since 1968.

The Hon Peregrine D E M Moncreiffe†#*

joined the Board in March 1993. He is a director of Buchanan Capital Management Limited, having previously worked in London, New York and the Far East, initially with Credit Suisse First Boston and subsequently, until 1988, with the Shearson Lehman Group of Companies.

Robert D Power (USA)†#*

joined the Board in 1984. He is an independent corporate consultant. He was previously a managing director of Hambrecht & Quist, Inc. He focuses on emerging growth companies from venture capital stage to public market.

Brian Roger Adams†#*

joined the Board in January 1999. He was previously a Director of Closed End Funds at Warburg Dillon Read, a subsidiary of UBS AG. He is non-executive Chairman of Aurora Investment Trust plc and a non-executive Director of four other investment trusts.

* Non-executive

† Independent

Member of the Audit Committee

Manager and Secretary

J O Hambro Capital Management Limited, regulated by IMRO in the conduct of investment business, is a subsidiary of J O Hambro Capital Management (Holdings) Limited.

Under arrangements between the Company, J O Hambro Capital Management Limited and Growth Financial Services Limited, a company of which Mr Christopher H B Mills is a director and principal shareholder, Mr Mills, Chief Executive of the Company, is responsible, in conjunction with J O Hambro Capital Management Limited, for the Company's day-to-day investment decisions.

Registered Office

Up to 9 June 2000:
10 Park Place
London SW1A 1LP
020 7222 2020
Thereafter:
Ground Floor, Ryder Court
14 Ryder Street
London SW1Y 6QB

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 020 8639 2000
Contact: Mr Nick Neighbour

Auditors

RSM Robson Rhodes
186 City Road
London EC1V 2NU
020 7251 1644

North Atlantic Smaller Companies Investment Trust plc

Shareholder Information

Financial Calendar

Announcements

Interim unaudited results	September
Preliminary final results	May
Year end	31 January

Share price listings

The price of your shares can be found in the following places:

Financial Times:	Investment Companies
	Page

Reuters:	
Ordinary Shares	NAS.L
Convertible Loan Stock	NASp.L

Bloomberg:	NAS LN
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SEAO:	
Ordinary Shares	NAS

Internet addresses:	
J O Hambro Capital Management	www.johcm.co.uk
TrustNet	www.trustnet.ltd.uk

North Atlantic Smaller Companies Investment Trust plc

Classification of Fixed Assets at Valuation

	31 January 2000					31.01.99
	North America	Canada	United Kingdom	Europe	Total	Total
Equities, convertible securities and loan stocks						
Investment Trusts	1.0	-	11.5	-	12.5	11.4
Financial Services	9.1	-	2.5	-	11.6	6.5
Textiles	-	-	8.0	-	8.0	8.0
Food Manufacturing	-	4.7	2.4	-	7.1	5.9
Miscellaneous	6.4	-	-	-	6.4	1.9
Stores and Retail	5.1	-	-	0.8	5.9	2.4
Hotels and Leisure	-	-	5.0	-	5.0	-
Banks	4.4	-	-	-	4.4	3.5
Industrial Materials	0.9	-	3.2	-	4.1	5.7
Engineering	-	-	2.4	-	2.4	5.7
Healthcare	3.9	-	-	-	3.9	5.0
Property	-	-	3.6	-	3.6	4.3
Telephone Networks	1.4	-	2.1	-	3.5	0.8
Conglomerates	2.7	-	-	-	2.7	4.5
Building Materials	2.6	-	-	-	2.6	-
Automotive Parts	1.6	-	-	-	1.6	2.4
Transport	-	-	1.4	-	1.4	2.1
Technology	1.3	-	-	-	1.3	1.5
Oil and Gas	1.2	-	-	-	1.2	1.4
Packaging and Paper	-	-	1.0	-	1.0	-
Support Services	-	-	0.6	-	0.6	-
Media	0.4	-	0.1	-	0.5	0.6
Chemicals	0.4	-	-	-	0.4	2.6
Drugs	0.3	-	-	-	0.3	0.5
Construction	-	-	-	-	-	3.1
Food Retailing	-	-	-	-	-	2.3
Office Equipment	-	-	-	-	-	2.3
Insurance	-	-	-	-	-	1.4
	<u>42.7</u>	<u>4.7</u>	<u>43.8</u>	<u>0.8</u>	<u>92.0</u>	<u>85.8</u>
Treasury Bills	<u>8.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8.0</u>	<u>14.2</u>
TOTAL 31 January 2000	<u>50.7</u>	<u>4.7</u>	<u>43.8</u>	<u>0.8</u>	<u>100.0</u>	
TOTAL 31 January 1999	61.1	3.1	29.2	6.6		100.0

North Atlantic Smaller Companies Investment Trust plc

Twenty Largest Investments

As at 31 January 2000		At valuation
Fixed interest		£'000
USA Treasury Bills		10,744
Equities (including convertibles, loan stocks and related financing)		
American Opportunity Trust*	UK Listed	8,393
AllianceOne**	USA Unquoted	8,138
Lesco Inc	USA Listed	6,933
Santa Maria**	Canadian Unquoted	6,373
Wembley	UK Listed	5,978
Horace Small Apparel	UK Listed	4,982
Primary Health Property	UK Listed	4,894
Oryx International Growth	UK Listed	3,916
Waterbury**	USA Unquoted	3,894
10 largest investments		64,245
Scott Technologies	USA Listed	3,603
Mississippi Valley Bancshares	USA Listed	3,266
Sterling Construction	USA Unquoted	3,147
Allied Textile Co.	UK Listed	2,897
Message Link	USA Unquoted	2,611
Denison International	USA Listed	2,483
Critical Care Concepts	USA Unquoted	2,446
Hartstone Group	UK Listed	2,370
Stratagem Group	UK Listed	2,258
Lonrho Africa	UK Listed	2,192
20 largest investments		91,518
Aggregate of other fixed asset investments		44,077
Total value of all fixed asset investments of the Company		135,595

Notes:

* Listed investment at Directors' valuation (see Note 10(c)(ii) on page 31)

** Additional information:	AllianceOne	Santa Maria	Waterbury
Cost of investment	£3,584,000	£2,890,000	£1,538,000
Percentage of equity held (undiluted)	†	†	31.6%
Latest audited earnings per share	#	#	£0.82
Share of latest audited net assets	†	†	£7,071,935
Income received in the year from this company	£312,000	£168,000	-

† Given the complex capital structure of this group, this information is not available.

Information not available.

North Atlantic Smaller Companies Investment Trust plc

Unquoted Investments Profile

	Valuation £'000
<p>AllianceOne (USA) <i>Cost: £3,584,000</i></p> <p>This Philadelphia-based consolidator currently comprises five debt collection (including receivables management) companies in the US. The company provides third-party contingent fee collection services to customers in the financial services, healthcare, retail and utility industries. One of its largest investors is the US bank, Banc One, which has committed to putting a substantial proportion of its \$250 million receivables management business through AllianceOne. Further rounds of financing have since been completed, and this is reflected in the substantial write up in valuation over the period.</p>	8,138
<p>Santa Maria Foods (Canada) <i>Cost: £2,890,000</i></p> <p>This company 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. EBITDA rose by nearly 25% in 1999 and ended the year in line with budget. The company is significantly capacity constrained and has begun building a new prosciutto plant funded by a combination of bank debt and new equity. The equity placing was successfully completed at C\$24 in the Spring of 1999 with a large Canadian institutional investor, creating an almost four-fold uplift on the original investment. Trading in 2000 has started well.</p>	6,373
<p>Waterbury <i>Cost: £1,538,000</i></p> <p>Waterbury is a management buy out of a wholly-owned subsidiary of Talley Industries. Following the successful sale of the metal button business at the end of 1999, the company now focuses on the manufacture, and marketing of branded, commercial sanitation and pest-control products. Operating results have consistently exceeded expectations and the company repurchased shares in 1999 at a 150% premium to our original purchase cost.</p>	3,894
<p>Sterling Construction <i>Cost: £2,765,000</i></p> <p>This Houston-based, originally family-owned, construction company, is the largest independent company operating in the building and rehabilitation of underground sanitary sewers, water mains and pipelines in Houston. Houston is the second fastest growing city in the United States. The company has also developed operations in Fort Worth and San Antonio. Sterling Construction is now expanding into the State highway programme which is growing very rapidly, due to significant increases in Federal funding. Profits in 1999 were significantly ahead of expectations and the outlook for the current year is encouraging. Investor liquidity is anticipated within the next 18 months.</p>	3,147
<p>Carried forward</p>	21,552

North Atlantic Smaller Companies Investment Trust plc

Unquoted Investments Profile

	Valuation £'000
Brought forward	21,552
<p>Message Link <i>Cost: £1,228,000</i></p> <p>This Atlanta-based company is a consolidator of paging companies within the United States. Once the current round of acquisitions is completed, the company will have bought seven companies with approximately 180,000 subscribers. Paging is increasingly seen as a portal to the Internet and the company is negotiating a number of strategic alliances. Further acquisitions are planned and IPO is a possibility in the next twelve months to fund future growth.</p>	2,611
<p>Critical Care Concepts (USA) <i>Cost: £2,359,000</i></p> <p>This US company was formed through a simultaneous merger and recapitalisation of 12 companies, creating a nationwide sales and distribution company representing manufacturers of equipment and disposable medical products used in the care of critically ill patients in hospitals. In 1999 management continued the integration and centralisation of the business. Towards the end of the year, the senior management team was strengthened and some members replaced. The company believes that a recent contract with a major GPO (Group Purchasing Organisation) will substantially enhance growth prospects over the next few years.</p>	2,446
<p>LKQ (USA) <i>Cost: £1,352,000</i></p> <p>This US Company was set up in 1998 to create a leading, national provider of recycled car parts, via the consolidation of the \$5 billion market. The industry is currently highly fragmented, populated predominantly by "mom'n'pop" businesses. Management expects ultimately to establish between 40 and 45 centres around the US, which would give it national capability, and enable it to establish strategic alliances with major car insurers which are expected to become major purchasers of used car parts as part of their cost-control programmes. The company raised additional capital in 1999 at \$15, a 50% premium to our original investment. An IPO is expected in 2001.</p>	2,082
<p>Primesco (USA) <i>Cost: £1,872,000</i></p> <p>This company is the successful culmination of a hostile management buy-in and demutualisation of the long-established Mutual Life Insurance Company of Alabama. The company was poorly run, with below par investment returns, minimal growth due to inadequate marketing and an antiquated product portfolio, combined with a high expense ratio. The company has now restructured its product portfolio and is in the process of substantially reducing its cost base.</p>	1,917
<p>W-H Energy Services (USA) <i>Cost: £110,000</i></p> <p>This company is a medium sized oil services group, based in Houston, Texas, run by a successful entrepreneur who the Trust has backed previously. W-H Energy offers a wide range of services ranging from "Logging While Drilling" (LWD) and "Measurement While Drilling" (MWD) tools. It is one of only three companies to provide these services. The recent rise in oil and gas prices should result in a significant increase in profits for the current year. The company is currently considering ways to create investor liquidity. Should this occur, it is likely to be at a significant premium to the current valuation.</p>	1,585
Carried forward	32,193

North Atlantic Smaller Companies Investment Trust plc

Unquoted Investments Profile

	Valuation £'000
Brought forward	32,193
<i>Telos/Enterworks (USA) Cost: £1,565,000</i>	1,368
<p>Historically a computer systems integrator for large government projects, providing hardware, software and consulting services, Telos has been transformed over the last year and now comprises an incubator for e-commerce and software businesses. The traditional businesses either have been or are in the process of being sold, and the proceeds used to finance the new ventures. The most developed of these is the software company, Enterworks, which enables the creation of one virtual database from existing typically non-compatible, databases. Enterworks is expected to be floated in the first half of 2000, assuming market conditions remain buoyant. Two other incubator businesses include an e-solutions Company, providing e-commerce consultancy, and an e-trade company set up to cater to the Asian financial markets.</p>	
<i>Winnfield (USA) Cost: £1,186,000</i>	1,229
<p>Winnfield is a roll-up 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, while their loyalty to local homes creates a significant barrier to entry. Although many funeral companies experienced difficulties in 1999, the company traded broadly in line with expectations.</p>	
<i>Whitworths (UK) Cost: £1,232,000</i>	1,228
<p>The market leader in the UK home-baking sector, Whitworths comprises the UK operations of the Yorkshire Food Group and Whitworths, a division of Napier Brown. The company suffered trading difficulties over the last year, and the Trust made a small follow-on investment. Concomitantly, the senior management team was significantly strengthened and some individuals replaced. The Company has experienced significant problems since the year end and the investment has been written off.</p>	
<i>Konover Property Trust (USA) Cost: £1,311,000</i>	1,222
<p>The Trust holds unquoted convertible preference shares in this quoted, real estate investment company, engaged in the management, leasing, marketing, development and acquisition of community and neighbourhood shopping centres. They currently own 68 shopping centres in 22 States. The company achieved significant profits in 1999 and is reviewing ways to enhance shareholder value.</p>	
<i>Wagamama (UK) Cost: £439,000</i>	895
<p>Wagamama owns and operates five Japanese restaurants, so called "noodle bars", with a further two under development, predominantly in London. Two new restaurants opened in 1999. Management are currently working to adapt the highly successful formula for non-metropolitan areas, with smaller populations and a lower footfall. The company is also looking at expansion overseas.</p>	
Carried forward	38,135

North Atlantic Smaller Companies Investment Trust plc

Unquoted Investments Profile

	Valuation £'000
Brought forward	38,135
Trident Private Equity (USA) <i>Cost: 732,000</i>	727
<p>This is a \$30 million offshore private equity partnership, which invests in private companies in Europe, the UK and US. Launched in September, the partnership has made four investments to date. The offshore element is important in some of the manager's strategies, particularly with regards to public to private transactions where an offshore vehicle helps to minimise tax and optimise the uplift. The fund has a seven year life, and the commitment is drawn down in four tranches, of which one has been drawn down. Launched in September, the partnership has made four investments to date. J O Hambro Capital Management (Bermuda), an affiliate of the managers of NASCIT, is the General Partner of Trident Private Equity. Management charges are waived in respect of this investment.</p>	
CarWash Partners (USA) <i>Cost: £679,000</i>	679
<p>Car Wash Partners 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, commands a 50% premium to exterior-only washes. Since the investment several other consolidators have entered the market pushing up the price of acquisitions. Accordingly management has refined their strategy to emphasize organic growth, extending their core brand and reducing the cost base through automation. The company is trading on budget.</p>	
I.P.T. Group (UK) <i>Cost: £419,000</i>	545
<p>This UK textiles business has continued to suffer from the strength of sterling, which has hindered exports and increased competition in domestic markets. Management has continued with its disposal programme, including making several closures. The remaining businesses with two exceptions are now trading well, and were ahead of budget in the first half of the 1999/2000 year. A decision was taken to write down the investment following the review of the 1998/99 audited accounts. However, given the improvement in trading, a write up is possible in the current year.</p>	
Gateway Homecare (USA) <i>Cost: £1,300,000</i>	492
<p>Gateway is a leading home healthcare business with offices in Missouri, Illinois and Texas. Gateway provides a comprehensive range of in-home health care services, to their patients, their physicians, managed care organisations, and other third party payers throughout the Mid West and Southern United States. The depressed state of the home healthcare sector, combined with the US Government's cut in the prices of certain services has eroded margins. The company is in breach of its banking covenants, and is in the process of reorganising its capital structure which is expected to lead to a significant dilution for shareholders. The value of the holding has been written down to reflect the adverse conditions.</p>	
Carried forward	40,578

North Atlantic Smaller Companies Investment Trust plc

Unquoted Investments Profile

	Valuation £'000
Brought forward	40,578
Great Bank (USA) <i>Cost: £1,300,000</i>	489
<p>This Chicago-based bank holding company performed well in 1999 with profits up nearly 100% from a depressed level in 1998. Recently the company sold off one of its subsidiaries which increased hard book value to in excess of 150% of our current valuation. The outlook for the current year is also favourable. We continue to believe the company will be sold within the next three years, leading to a substantial profit over the current holding cost.</p>	
Southern Dental (USA) <i>Cost: £1,028,000</i>	479
<p>The Company is a roll up of dental practices in the southern part of the United States. Trading has been extremely difficult and the investment was written down during the year. Following the year end trading has not improved and the investment has been written off.</p>	
Atrium (USA) <i>Cost: £266,000</i>	415
<p>The company is an aggressive consolidator of the United States windows and doors sector. To date the principal funding has come from GE Capital, although the company is about to embark on a further round of funding which will reduce the GE position. Investor liquidity is anticipated within the next two years</p>	
Protein Genetics (USA) <i>Cost: £260,000</i>	384
<p>The company sold its bovine genetic material business last year and is currently planning the sale of its fertiliser business in Jamaica and Puerto Rico which will eliminate all the company's debt. The remaining assets comprise some land, recently zoned for development, in Wyoming, and the market leader in genetically engineered cattle and pig breeding. Although the investment was written down during the year, as the remaining businesses are sold, we anticipate an uplift from the current valuation.</p>	
	<hr/> 42,345
Other unquoted investments <i>Cost: £878,000</i>	960
Total value of unquoted investments <i>Cost: £29,428,000</i>	<hr/> 43,305 <hr/>

North Atlantic Smaller Companies Investment Trust plc

Report of the Directors

The Directors present their Report and Accounts for the year ended 31 January 2000.

Company's business

The business of the Company is that of an Investment Trust. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The businesses of the Company's subsidiaries are those of dealing in investments and investment holdings.

The investment policy of the Company is summarised on page 1 of this document. A list of the Company's largest investments is set out on page 7. The geographical distribution and classification by industry sector of the portfolio appears on page 6.

Taxation status

The Inland Revenue has approved the Company as an Investment Trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 January 1999. Since 31 January the Company has so directed its affairs as to enable it to seek further approval under that section.

Results and dividends

The net revenue after tax for the financial year amounts to £52,000 (1999: £70,000). No dividend is proposed (1999: nil).

Share valuations

On 31 January 2000 the middle market quotation and the fully diluted net asset value per 5p Ordinary Share were 502.5p and 598p respectively. The comparable figures on 31 January 1999 were 371.5p and 499p respectively. In calculating the net asset value per 5p Ordinary Share, account has been taken of the possible conversion of all the 2003 loan stock and the possible exercise of options under the terms of the Company's share option scheme to subscribe for 800,000 Ordinary Shares of 5p each, the terms of which are set out in Note 16 to the financial statements on page 36.

Substantial shareholdings

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:

	<i>Number of Shares</i>	<i>5p Ordinary Shares %</i>
The Equitable Life Assurance Society	2,930,000	27.18
Christopher H B Mills	1,224,008	11.36
Friends Provident Life Office	905,000	8.40
Findlay Park US Smaller Companies Fund Ptc	720,000	6.68
Co-Operative Insurance Society Limited	481,000	4.46
BFS Absolute Return Trust Limited	400,000	3.71

Directors

The present members of the Board are listed on page 4.

In accordance with the Company's Articles of Association, Mr C H B Mills and The Hon P D E M Moncreiffe retire by rotation and being eligible, offer themselves for re-election. Appropriate resolutions will be proposed at the Annual General Meeting. No Director has a service contract with the Company.

North Atlantic Smaller Companies Investment Trust plc

Report of the Directors

Directors' interests

The interests of the Directors in the share capital of the Company are set out below. These interests are beneficial except where otherwise indicated:

	31 January 2000		1 February 1999	
	5p Ordinary Shares	Units of 5p Loan Stock	Ordinary Shares	Units of Loan Stock
B R Adams (non-beneficial)	5,000	–	5,000	–
E Foster Gittes	800	77,200	800	27,200
D P C Nation	54,000	36,000	54,000	36,000
C H B Mills	1,199,108	369,000	1,169,108	199,000
C H B Mills (non-beneficial)	24,900	25,100	24,900	25,100
P D E M Moncreiffe	33,000	27,000	8,000	12,000
R D Power	800	21,200	800	1,200

Details of options granted to Directors are as follows:

Director	At 01.02.99	Exercised during the year	Consideration	Granted during the year	At 31.01.00
Christopher H B Mills	800,000	–	–	–	800,000

Further information on the 1994 Share Option Scheme is given in Note 16 to the financial statements.

Mr C H B Mills, the Chief Executive, is also a director and shareholder of J O Hambro Capital Management Limited which acts as the co-manager and Secretary of the Company.

Under arrangements entered into on 7 January 1993 between the Company, J O Hambro Capital Management Limited and Growth Financial Services Limited, a company of which Mr Christopher H B Mills is a director and principal shareholder, Mr Mills, Chief Executive of the Company, is responsible in conjunction with J O Hambro Capital Management Limited for the Company's day-to-day investment decisions. J O Hambro Capital Management Limited and Growth Financial Services Limited are together paid a fee representing 1 per cent of the previous year's audited total assets less current liabilities as set out in Note 3 to the Financial Statements. A special performance fee may also be payable to Growth Financial Services Limited as set out in Note 3(ii) to the financial statements.

From time to time certain of the Directors may co-invest in the same investments as the Company. Fuller disclosure of related party interests is given in Note 10(f) on page 33.

Bear Stearns & Co Inc of which Mr Douglas P C Nation is an executive, is a US investment broker through which the Company may purchase and sell investments from time to time.

Soft commission

The Manager and their associates receive 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 on the 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.

North Atlantic Smaller Companies Investment Trust plc

Report of the Directors

Year 2000 compliance

Prior to the end of 1999 the Directors took steps to address the Year 2000 problem by seeking assurances from advisers and significant suppliers regarding their strategies to deal with the problem. The Directors are not aware of any problems having arisen from Year 2000 issues, or any costs having been borne by the Company in this respect.

Assessment of Company's position

An assessment of the Company's position is given in the Chairman's Statement on pages 2 and 3.

Creditors' payment policy

It is the Company's policy to settle all of its 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 2000 had been paid.

Auditors

The auditors changed their name to RSM Robson Rhodes on 18 October 1999 and accordingly have signed the audit report using their new name. They are willing to continue in office, and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

J O HAMBRO CAPITAL MANAGEMENT LIMITED

Secretary



COMPANY SECRETARY

10 Park Place
London SW1A 1LP
12 May 2000

North Atlantic Smaller Companies Investment Trust plc

Corporate Governance

Directors' Statement of Compliance with the Combined Code

The principles

The Board has carried out a full review of the principles of good governance and the code of best practice (the 'Combined Code') prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel. To ensure that the appropriate level of corporate governance is attained, the Board has confirmed that arrangements are in place to enable compliance with Section 1 of the Combined Code, as required by Listing Rule 12.43A issued by the London Stock Exchange.

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 period ended 31 January 2000, other than those relating to internal control, for which a transitional approach has been adopted.

The Directors are responsible for overseeing the effectiveness of the internal financial control systems for the Company, which are designed to ensure that proper accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss. The Directors, through the procedures outlined below, have kept under review throughout the period covered by these financial statements, the effectiveness of the system of internal financial control.

The Combined Code also requires the Directors to review the effectiveness of the Company's system of internal controls, extending the previous focus on financial aspects to encompass all controls. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review.

The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. However, the Turnbull Report, the formal guidance for the review of non-financial internal controls, was only published in September 1999. Consequently, as permitted by the London Stock Exchange, the Company has adopted the transitional approach for the internal control aspects of the Combined Code.

The Board has undertaken a review of the aspects covered by the Turnbull guidance and believes that the existing arrangements, whereby the Board receives regular reports on all aspects of internal control (including financial, operational and compliance controls, risk management, and relationships with external service providers), represents an appropriate framework substantially in place to meet the requirements of the Combined Code. Guidance notes for directors of investment trust companies on monitoring internal control have been drafted by the AITC. The Board's monitoring process will be finalised in the light of this guidance to enable full compliance for the year ending 31 January 2001.

Directors

The Board consists of six members, five of whom are non-executive and independent of the Manager. Particulars of Directors are set out on page 4. Your Board has considered the need to appoint a senior independent director but believes this is not necessary as the majority of the Directors, including the Chairman, are independent.

The Directors normally meet as a Board on a quarterly basis and at other times as necessary. The Board lays down guidelines within which the Chief Executive, in conjunction with the Manager, implements investment policy and has a schedule of matters reserved for the resolution of the Directors. The Board has contractually delegated to Christopher Mills, the Chief Executive, together with the Manager the management of the investment portfolio. It has also contractually delegated to external parties the provision of the custodian and registrar services, and the day to day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration by the Board of the quality and cost of services offered.

North Atlantic Smaller Companies Investment Trust plc

Corporate Governance

Directors' Statement of Compliance with the Combined Code

A full report on the investment holdings and performance is received from the Chief Executive and Manager at Board meetings. The Manager also reports regularly to the Board on the Company's financial position and the custody of its assets.

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by Shareholders at the next Annual General Meeting and for all Directors to be re-elected at least once every three years.

Directors' remuneration

All of the non-executive Directors comprise the Remuneration Committee. The aggregate maximum fees currently payable to the Directors amount to £100,000 per annum. In reviewing the level of remuneration your Board takes into consideration, inter alia, the level of fees relative to other comparable companies.

The remuneration terms, including fees and other remuneration payable to J O Hambro Capital Management Limited and Growth Financial Services Limited, were reviewed at a meeting of the Committee held on 24 March 2000 and are set out in Note 3 to the Financial Statements. Such fees are reviewed annually.

Shareholder relations

The Company, through the Chief Executive and the Manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, J O Hambro Capital Management Limited, which is responsible for ensuring 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 and for the statutory obligations of the Company.

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 Directors' responsibilities with regard to the financial statements are set out below.

Internal financial controls

The Directors acknowledge that they are responsible for the Group's system of financial controls. The Board meets regularly and reviews investment performance and financial returns against approved budgets and forecasts. In addition, the Manager and Custodian maintain their own systems of internal financial controls and the Board and the Audit Committee receive regular reports from the Compliance Officer of the Manager. Reports are also produced annually on the internal controls and procedures in place for the operation of custodial, investment management and accounting activities. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the system of internal financial control that has been in operation over the year.

Going concern

The Directors have considered the Group's current financial resources and, given that the majority of the net assets of the Group comprise securities which are traded on recognised stock exchanges, they are satisfied that its resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

North Atlantic Smaller Companies Investment Trust plc

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 profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 accounts 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.

Analysis of Ordinary Shareholders

at 31 January 2000

	<i>Number of Shareholders</i>		<i>Number of Shares in issue</i>		<i>Percentage of Ordinary Shares</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Insurance companies	4	5	2,813,832	2,846,176	26.1	26.5
Investment trusts	10	8	67,695	33,695	0.6	0.3
Pension funds	1	1	20,000	5,996	0.2	0.1
Other institutional holdings	9	10	43,430	55,375	0.4	0.5
Nominee companies	233	297	6,194,362	6,073,098	57.5	56.4
Limited companies	23	25	63,113	48,151	0.6	0.4
Bank and bank nominees	4	6	106,701	158,039	1.0	1.5
	<u>284</u>	<u>352</u>	<u>9,309,133</u>	<u>9,220,530</u>	<u>86.4</u>	<u>85.7</u>
Individual holdings	401	443	1,470,049	1,539,225	13.6	14.3
	<u>685</u>	<u>795</u>	<u>10,779,182</u>	<u>10,759,755</u>	<u>100.0</u>	<u>100.0</u>

North Atlantic Smaller Companies Investment Trust plc

Auditor's Report to the Shareholders of North Atlantic Smaller Companies Investment Trust plc

We have audited the financial statements on pages 20 to 41 which have been prepared on the basis of the accounting policies set out on pages 24 and 25.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 18, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 16 and 17 reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange 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 to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial procedures or its risk and internal controls.

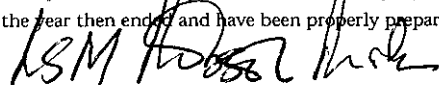
Basis of opinion

We conducted our audit in accordance with 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. 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 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.

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 2000 and of the Company's and the Group's net revenue, total return and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM ROBSON RHODES

Chartered Accountants and Registered Auditor
London

12 May 2000

North Atlantic Smaller Companies Investment Trust plc

Consolidated Statement of Total Return

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

		Revenue	Capital	Total	Revenue	Capital	Total
		2000	2000	2000	1999	1999	1999
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains/(losses) on investments	10	-	19,148	19,148	-	(3,802)	(3,802)
Premium paid on repurchase of CULS		-	(9,870)	(9,870)	-	-	-
Exchange differences on capital items		-	(366)	(366)	-	126	126
Income	2	3,247	-	3,247	3,477	-	3,477
Investment management fee	3	(767)	-	(767)	(737)	-	(737)
Other expenses	4	(1,222)	-	(1,222)	(1,254)	-	(1,254)
Net return before finance costs and taxation		1,258	8,912	10,170	1,486	(3,676)	(2,190)
Interest payable and similar charges	6	(1,014)	-	(1,014)	(1,095)	-	(1,095)
Return on ordinary activities before taxation		244	8,912	9,156	391	(3,676)	(3,285)
Taxation on ordinary activities	7	(192)	-	(192)	(321)	-	(321)
Return on ordinary activities after taxation		52	8,912	8,964	70	(3,676)	(3,606)
Dividend in respect of equity shares	8	-	-	-	-	-	-
Transfer to/(from) reserves		52	8,912	8,964	70	(3,676)	(3,606)
Return per Ordinary Share							
- basic	9	0.48p	82.74p	83.22p	0.66p	(34.41)p	(33.75)p
- diluted	9	0.48p	41.66p	42.14p	0.57p	(15.92)p	(15.35)p

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

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

The notes on pages 24 to 41 form part of these financial statements.

North Atlantic Smaller Companies Investment Trust plc

Consolidated Balance Sheet

at 31 January

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments	10	135,595	130,100
Current assets			
Stock of investments	10	209	371
Debtors	11	3,194	3,128
Cash at bank		1,160	2,981
		<u>4,563</u>	<u>6,480</u>
Creditors: amounts falling due within one year			
Bank loans and overdrafts	12	1,410	4,312
Other creditors and accruals	13	3,652	7,143
		<u>5,062</u>	<u>11,455</u>
Net current liabilities		<u>(499)</u>	<u>(4,975)</u>
Total assets less current liabilities		<u>135,096</u>	<u>125,125</u>
Creditors: amounts falling due after more than one year			
Bank loans	14	10,043	8,919
Debenture loan – Convertible Unsecured Loan Stock 2013	15	486	607
		<u>124,567</u>	<u>115,599</u>
Capital and reserves			
Called up share capital	16	539	538
Share premium account	17	629	629
Capital reserve – realised	17	100,399	106,453
– unrealised	17	22,596	7,630
Revenue reserve	17	394	342
		<u>124,557</u>	<u>115,592</u>
Equity Shareholders' funds		<u>124,557</u>	<u>115,592</u>
Minority interests	10	10	7
		<u>124,567</u>	<u>115,599</u>

These financial statements were approved by the Board of Directors on 12 May 2000

Signed on behalf of the Board of Directors

E FOSTER GITTES – Chairman



The notes on pages 24 to 41 form part of these financial statements.

North Atlantic Smaller Companies Investment Trust plc

Company Balance Sheet

at 31 January

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments	10	135,595	130,100
Current assets			
Debtors	11	3,579	4,081
Cash at bank		938	2,389
		<u>4,517</u>	<u>6,470</u>
Creditors: amounts falling due within one year			
Bank loans and overdrafts	12	1,410	4,312
Other creditors and accruals	13	3,798	7,282
		<u>5,208</u>	<u>11,594</u>
Net current liabilities		<u>(691)</u>	<u>(5,124)</u>
Total assets less current liabilities		<u>134,904</u>	<u>124,976</u>
Creditors: amounts falling due after more than one year			
Bank loans	14	10,043	8,919
Debenture loan - Convertible Unsecured Loan Stock 2013	15	486	607
		<u>124,375</u>	<u>115,450</u>
Capital and reserves			
Called up share capital	16	539	538
Share premium account	17	629	629
Capital reserve - realised	17	100,203	106,257
- unrealised	17	22,596	7,630
Revenue reserve	17	408	396
Equity Shareholders' funds		<u>124,375</u>	<u>115,450</u>

These financial statements were approved by the Board of Directors on 12 May 2000

Signed on behalf of the Board of Directors

E FOSTER GITTES - Chairman



The notes on pages 24 to 41 form part of these financial statements.

North Atlantic Smaller Companies Investment Trust plc

Consolidated Cash Flow Statement

for the year ended 31 January

	Notes	2000 £'000	1999 £'000
Operating activities			
Investment income received		3,286	2,865
Interest received		195	394
Subsidiary undertakings dealing (loss)/profit		(326)	29
Underwriting commission received		5	3
Investment management fee paid		(1,235)	(1,231)
Administrative services fee paid		(68)	-
Other cash payments		(507)	(304)
Net cash inflow from operating activities	20	<u>1,350</u>	<u>1,756</u>
Servicing of finance			
Interest paid		(1,023)	(1,109)
Net cash outflow from servicing of finance		<u>(1,023)</u>	<u>(1,109)</u>
Taxation			
Advance corporation tax paid		(18)	-
Tax recovered		-	196
Tax (paid)/recovered		<u>(18)</u>	<u>196</u>
Investing activities			
Purchases of investments		(70,172)	(148,787)
Sales of investments (including option premiums)		80,020	147,033
Net cash inflow/(outflow) from investing activities		<u>9,848</u>	<u>(1,754)</u>
Net cash inflow/(outflow) before financing		<u>10,157</u>	<u>(911)</u>
Financing			
Repurchase of Loan Stock ("CULS") for cancellation		(120)	-
Premiums paid on repurchase of CULS		(9,870)	-
Net increase/(decrease) in fixed term borrowings		1,482	(3,486)
Net cash outflow from financing		<u>(8,508)</u>	<u>(3,486)</u>
Increase/(decrease) in cash	21	<u>1,649</u>	<u>(4,397)</u>

The notes on pages 24 to 41 form part of these financial statements.

North Atlantic Smaller Companies Investment Trust plc

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 accounts are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" except as set out in Note 10(c)(ii) in respect of American Opportunity Trust PLC and in Note 15 in respect of the Convertible Unsecured Loan Stock 2013.

(b) Basis of consolidation

The consolidated accounts incorporate the results, assets and liabilities of the Company and its subsidiaries for the year. A revenue account is not presented for the Company as provided by Section 230 of the Companies Act 1985. The net revenue after taxation earned by the Company dealt with in the consolidated revenue account is £12,000 (1999: £141,000).

The results of subsidiaries sold or acquired are included in the consolidated statement of total return up to, or from, the date control passes.

(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.

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) Investments

Investments are included in the balance sheet on the basis set out in Note 10(c) with the exception of investments in subsidiaries, which are valued at cost. Any profits or losses (including currency movement) arising on the disposal of fixed asset investments are taken direct to the capital reserve. Any unrealised profits or losses arising on revaluation at the balance sheet date are also taken to the capital reserve.

Where option transactions are entered into, either for hedging or investment purposes, the premiums received, and the gains or losses arising on their revaluations, are recognised in the capital reserve.

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

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 FRS 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 above and not on an

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

equity accounting method which, in the Directors' opinion, would not give a true and fair view of the Group's interest in these undertakings.

(e) 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 direct to the capital reserve.

(f) Expenses

All expenses are accounted for on an accruals basis with the exception of the special performance fee (see below). Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the costs of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of an investment.

As set out in Note 3(ii), a special performance fee, calculated annually to 31 March, may become payable. This is accounted for as and when it occurs.

(g) 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.

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.

(h) 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 franked investment 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 taxation charge includes tax credits on franked investment income.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

2. Income

	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>
Income from investments		
Franked investment income	1,312	1,328
Unfranked investment income – dividends	366	437
– dividends reinvested	46	–
– interest	1,630	1,446
	<u>3,354</u>	<u>3,211</u>
Other income		
Interest receivable	214	232
Dealing (losses)/profits of subsidiary undertakings	(326)	29
Underwriting income	5	3
Sundry income	–	2
	<u>(107)</u>	<u>266</u>
Total income	<u><u>3,247</u></u>	<u><u>3,477</u></u>
Total income comprises:		
Dividends	1,724	1,765
Interest	1,844	1,678
Other income	(321)	34
	<u>3,247</u>	<u>3,477</u>
Income from investments		
Listed UK	1,326	1,063
Listed overseas	304	437
Unquoted	1,724	1,711
	<u>3,354</u>	<u>3,211</u>

3. Investment management fee

	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>
Investment management fee (see below)	<u>767</u>	<u>737</u>
	<u>767</u>	<u>737</u>

- (i) J O Hambro Capital Management Limited, acts as Manager and Secretary to the Company. Under arrangements between the Company and Growth Financial Services Limited the latter provides the services of Mr Christopher H B Mills to serve as Chief Executive to the Company. Mr Mills is a shareholder in and director of Growth Financial Services Limited. Mr Mills, in conjunction with J O Hambro Capital Management, is responsible for the day to day investment decisions.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

3. Investment management fee (continued)

Management fees, representing one per cent. of the Group's total assets less current liabilities, as shown by the previous year's audited annual financial statements, of £125,125,000 (1999: £123,777,000) are payable. As set out in Note 10(f)(i), no arrangements exist to avoid double charging on investments held by the Company which are also managed or advised by J O Hambro Capital Management Limited. The contract between the Company and J O Hambro Capital Management Limited is terminable by either party upon the expiry of not less than twelve months notice.

The total management fee payable for the year of £1,267,000 (1999: £1,237,000) includes an under-accrual in respect of the previous year and was payable as follows:

	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>
- to J O Hambro Capital Management Limited	767	737
- to Growth Financial Services Limited (in respect of C H B Mills' remuneration - see Note 5)	500	500
	<u>1,267</u>	<u>1,237</u>

At 31 January 2000, £63,000 plus VAT payable to J O Hambro Capital Management Limited was outstanding in respect of management fees (1999: £31,000 plus VAT).

In addition, J O Hambro Capital Management is paid the following:

- a) an activity fee of £225 per transaction as reimbursement of custodian and related transaction costs incurred on the Company's behalf. Total fees paid during the year amounted to £56,000 (1999: £101,000).
- b) during the year the Company undertook to pay J O Hambro Capital Management Limited an administration fee of £100,000 per annum.

These costs are included in other expenses in Note 4.

- (ii) A special performance fee based upon the formula agreed by the Shareholders at an Extraordinary General Meeting of the Company held on 2 March 1984 as amended by a supplemental agreement dated 24 June 1986, is payable to Growth Financial Services Limited. The fee, calculated annually to 31 March, is only payable if the investment portfolio outperforms the Sterling adjusted Standard & Poor's Composite Index and is limited to a maximum payment of 0.5% of Shareholders' funds. A performance fee of approximately £700,000 is estimated to have become payable for the year to 31 March 2000, and will be included as an expense in next year's accounts (year to 31 March 1999: £nil). The performance fee will be charged to the revenue account.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

4. Other expenses	2000	1999
	£'000	£'000
Directors remuneration (see Note 5)	562	546
Auditors' remuneration for:		
– audit – current year	20	18
– prior year	12	-
– other services to the Company and subsidiaries	17	11
Irrecoverable VAT	234	217
Activity fees	56	101
Other	321	361
	<u>1,222</u>	<u>1,254</u>

5. Directors' remuneration

	2000	1999
	£'000	£'000
Directors' remuneration:		
Remuneration (see Note 3 above) paid to or for the benefit of Mr C H B Mills (highest paid Director):		
– remuneration	500	500
– special performance fee	-	-
Fees:		
As Chairman:		
Sir Richard Brooke (former Chairman)	-	6
Mr E Foster Gittes (Chairman)	12	5
As Director:		
Mr C H B Mills	10	8
Mr D P C Nation	10	8
Mr R D Power	10	8
The Hon P D E M Moncreiffe	10	8
Mr E Foster Gittes	-	3
Mr B R Adams	10	-
Total remuneration	<u>562</u>	<u>546</u>

6. Interest payable and similar charges

	2000	1999
	£'000	£'000
On bank loans, overdrafts and other loans:		
Bank	965	1,034
Debenture loan – Convertible Unsecured Loan Stock 2013	49	61
	<u>1,014</u>	<u>1,095</u>

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

7. Tax on ordinary activities

	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>
Overseas taxation	41	-
Tax attributable to franked investment income	132	265
ACT written off	19	42
Prior year adjustment	-	14
	<u>192</u>	<u>321</u>

The tax losses brought forward at 1 February 1999 amounted to £1.3 million.

8. Dividends and other appropriations

No dividend is proposed on the Company's Ordinary Share capital (1999: Nil).

9. Return per Ordinary Share

	<i>2000</i>			<i>1999</i>		
	<i>Net return*</i>	<i>Ordinary</i>	<i>Per Share</i>	<i>Net return*</i>	<i>Ordinary</i>	<i>Per Share</i>
	<i>£'000</i>	<i>Shares</i>	<i>(pence)</i>	<i>£'000</i>	<i>Shares</i>	<i>(pence)</i>
Revenue						
Basic return per share	52	10,771,198	0.48	70	10,682,982	0.66
Option conversion**	-	306,097		-	266,351	
Loan Stock 2013†	52	10,315,284		61	12,141,597	
	<u>104</u>	<u>21,392,579</u>	<u>0.48</u>	<u>131</u>	<u>23,090,930</u>	<u>0.57</u>
Capital						
Basic return per Share	8,912	10,771,198	82.74	(3,676)	10,682,982	(34.41)
Option conversion**	-	306,097		-	266,351	
Loan Stock 2013†	-	10,315,284		-	12,141,597	
	<u>8,912</u>	<u>21,392,579</u>	<u>41.66</u>	<u>(3,676)</u>	<u>23,090,930</u>	<u>(15.92)</u>

Basic return per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in existence 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 ("FRS 14").

† Loan Stock assumed converted unless average share price during the period was less than the conversion price.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

10. Investments

(a) Investments held as fixed assets

	2000 Group £'000	1999 Group £'000	2000 Company £'000	1999 Company £'000
<i>Investment portfolio summary</i>				
Listed at market value:				
Overseas	29,784	36,071	29,784	36,071
United Kingdom	42,468	36,142	42,468	36,142
Listed investments at Directors' valuation (see Note 10(c)(ii))	8,393	8,885	8,393	8,885
Total listed investments	80,645	81,098	80,645	81,098
Unlisted at market value	11,645	20,113	11,645	20,113
Unlisted at Directors' valuation	43,305	28,889	43,305	28,889
	<u>135,595</u>	<u>130,100</u>	<u>135,595</u>	<u>130,100</u>
<i>Analysis of investment portfolio movements</i>				
Opening book cost	117,760	108,906	117,760	108,906
Opening unrealised appreciation	12,340	25,263	12,340	25,263
Opening valuation	130,100	134,169	130,100	134,169
Purchases at cost	68,157	141,576	68,157	141,576
Sales – proceeds	(79,150)	(141,518)	(79,150)	(141,518)
– realised gains on sales	3,091	8,796	3,091	8,796
Increase/(decrease) in unrealised appreciation	13,397	(12,923)	13,397	(12,923)
Closing valuation	135,595	130,100	135,595	130,100
Closing book cost	109,858	117,760	109,858	117,760
Closing unrealised appreciation	25,737	12,340	25,737	12,340
	<u>135,595</u>	<u>130,100</u>	<u>135,595</u>	<u>130,100</u>
<i>Analysis of capital gains and losses</i>				
Realised gains on sales	3,091	8,796	3,091	8,796
Net premiums on sale of options	2,514	6,683	2,514	6,683
Cost of closing options	(1,618)	(4,284)	(1,618)	(4,284)
Valuation of unexpired put options	1,764	(2,074)	1,764	(2,074)
Increase/(decrease) in unrealised appreciation	13,397	(12,923)	13,397	(12,923)
Gains/(losses) on investments	19,148	(3,802)	19,148	(3,802)
<i>Portfolio analysis</i>				
Equity shares	98,888			
Convertible securities	9,646			
Fixed income securities	27,061			
	<u>135,595</u>			

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

10. Investments (continued)

(b) Subsidiary undertakings

The Company has the following subsidiaries which in total have a cost of less than £1,000.

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Percentage of equity held</i>
Consolidated Venture Finance Limited*†	Security trading	100%
NASCIT 1 Limited*†	Investment holding	100%
NASCIT 2 Limited*†	Investment holding	100%
HN Health Property Holdings Limited*	Investment holding	100%
PHS Health Limited*	Investment holding	76%

* *Directly held by the Company*

† *Active during the year*

All of the subsidiaries are incorporated in Great Britain, are registered in England and Wales and operate in Great Britain.

(c) Basis of valuation

(i) Listed at market value on a recognised investment exchange

Overseas securities have been valued at market prices and exchange rates ruling at the close of business on 31 January 2000. UK investments, with the exception of the investment in American Opportunity Trust PLC, have been valued at middle market quotations at the close of business at the same date. The values of investments subject to call options taken on for the purpose of hedging are reduced by the market value of the call options at the balance sheet date.

(ii) Listed at Directors' valuation -- American Opportunity Trust PLC

Mr C H B Mills, Chief Executive of the Company is responsible, in conjunction with J O Hambro Capital Management Limited, for the Company's day-to-day investment decisions. These parties are also responsible for the day-to-day investment decisions of American Opportunity Trust PLC ("AOT"). The details of the Group's investment in AOT are set out in Note 10(d) below.

The Directors, having regard to their expectations as to the likely conversion of loan stock and exercise of management options in AOT, have valued the Group's investment in AOT at £8,393,000 (1999: £8,885,000) on a fully diluted basis by reference to the underlying net assets of that company as at 31 January 2000. The market value of the shares and loan stock in AOT held by the Group as at 31 January 2000 was £6,722,000 (1999: £7,301,000).

If the investment had been valued at market value, the effect would have been to decrease the value of fixed asset investments by £1,671,000 (1999: £1,584,000).

If the Group's investment in AOT had been valued on an equity accounting basis as at the date of the most recently published accounts for the year to 30 September 2000, the effect upon the Group's accounts would have been to decrease the value of fixed asset investments by £1,082,000 (1999: decrease of £2,716,000) and to increase net revenue before tax by £27,000 (1999: £154,000).

(iii) Unlisted at market value

Unlisted at market value comprises mainly US Treasury Bills which are shown at quoted market value, together with other investments quoted on a recognised stock exchange.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

10. Investments (continued)

(iv) Unlisted at Directors' valuation

Unlisted investments incorporated 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 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. Any profits or losses (including currency movement) arising on the disposal of fixed asset investments are taken direct to capital reserves. Where option transactions are entered into, either for hedging or investment purposes, the premiums received, and the gains or losses arising on their revaluation, are recognised in capital reserves. Profits or losses on disposal of investments held as current assets are taken direct to revenue account.

(v) 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 2000 amounted to £269,000 (1999: £551,000).

(d) Significant holdings

- (i) At the year end the Company held 20% or over of the aggregate nominal value of voting equity of the following companies:

Incorporated in Great Britain and registered in England and Wales:

	%
American Opportunity Trust PLC – Ordinary Shares	27.6
– Convertible Unsecured Loan Stock 2003/06	
– Series 1	87.4
Primary Health Properties PLC – Ordinary Shares	27.7

The net assets of American Opportunity Trust PLC at 30 September 1999, the date of the last audited accounts, were £19,721,000 (1999: £15,566,000) and the net revenue from ordinary activities after tax for the year then ended was £47,000 (1999: £396,000).

- (ii) The Company has a participating interest in Waterbury, Inc. of 31.6% (21.3% fully diluted) in the common shares of that company.

(e) Registration of investments

Except as stated further below the investments of the Company are registered in the name of a nominee company of the Bank of New York, the Eligible Custodian as defined by IMRO used by J O Hambro Capital Management Limited, the Company's Manager and Secretary, and held to the order of the Company. A custody agreement exists between the Company and the Bank of New York. 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. A custody agreement with F&C Ventures Limited "F&C Ventures" was entered into on 21 June 1999 appointing F&C Ventures as a custodian and providing for termination on 30 days notice.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

10. Investments (continued)

(f) Disclosure of interests

- (i) J O Hambro Capital Management Limited acts as Secretary and/or Manager of the following companies in which the Company has an investment and from which companies J O Hambro Capital Management Limited receives fees or other incentives for its services. No arrangements exist to avoid double charging. The relevant companies and the annual fees received as derived from the last audited accounts are:

	<i>Services</i>	<i>Fees £'000</i>
American Opportunity Trust PLC	Administration	115
-	Investment management	Performance related management options exercisable in 2003
Enterprise Capital Trust PLC	Administration and investment management	233
Oryx International Growth Fund Limited	Investment advisory	260
		Performance related management options
Primary Health Properties PLC	Administration	145
Second London American Trust PLC	Administration	150
Premier Asset Management PLC	Investment advisory	113
Trident Private Equity LP	Investment advisory	First year end accounts not yet available

- (ii) Mr Christopher H B Mills, the Chief Executive, is also Chief Executive of American Opportunity Trust PLC, as well as a director of Critical Care Concepts, Inc., Horace Small Apparel PLC (resigned 3 April 2000, and now called Redbus Interhouse), Oryx International Growth Fund Limited, Waterbury Inc., Denison International PLC, AllianceOne Inc., Primesco Inc., Premier Asset Management PLC, Second London American Trust PLC, Stanelco PLC, GatewayHomecare, Inc., Desk (France), PS Group Holdings Inc., Winnfield Inc. and Sterling Construction, Inc., in all of which the Company has an investment and from which companies he receives fees for his services and/or has shares and/or has been granted share options in the investee company.

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

Miss Claudia Perkins, a director of J O Hambro Capital Management Limited, is a director of Southern Dental Inc. and AllianceOne, in both of which the Company has investments.

Mr James D Hambro, a director of J O Hambro Capital Management Limited, is a director of Primary Health Properties PLC and Capital Opportunities Trust PLC, in which the Company is invested.

From time to time certain of the Directors may co-invest in the same investments as the Company. Details of related party transactions are provided in the Report of the Directors on page 14.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

11. Debtors

	2000	1999	2000	1999
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Amounts due from brokers	2,789	2,742	2,789	2,742
Amounts owed by subsidiary undertakings	-	-	385	957
Taxation recoverable	10	-	10	-
Prepayments and accrued income	395	386	395	382
	<u>3,194</u>	<u>3,128</u>	<u>3,579</u>	<u>4,081</u>

12. Bank loans and overdrafts

	2000	1999	2000	1999
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Short-term unsecured bank loan	1,358	1,000	1,358	1,000
Bank overdrafts	52	3,312	52	3,312
	<u>1,410</u>	<u>4,312</u>	<u>1,410</u>	<u>4,312</u>

13. Creditors: amounts falling due within one year

	2000	1999	2000	1999
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Amounts due to brokers	333	2,200	333	2,200
Amounts owed to subsidiary undertakings	-	-	150	150
Valuation of unexpired put options	2,946	4,710	2,946	4,710
Other creditors and accruals	363	232	359	222
Taxation payable	10	1	10	-
	<u>3,652</u>	<u>7,143</u>	<u>3,798</u>	<u>7,282</u>

14. Bank loans: more than one year

	2000	1999	2000	1999
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Unsecured:				
7.79% Sterling £6 million term bank loan repayable in 2003	6,000	-	6,000	-
7.72% Sterling £5 million term bank loan repayable in 2003	-	5,000	-	5,000
5.96% US\$5 million term bank loan repayable in 2003	3,085	3,014	3,085	3,014
6.94% Canadian \$2.25 million term bank loan repayable in 2001	958	-	958	-
5.97% Canadian \$2.25 million term bank loan repayable in 2000	-	905	-	905
	<u>10,043</u>	<u>8,919</u>	<u>10,043</u>	<u>8,919</u>

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

15. Debenture loan – Convertible Unsecured Loan Stock 2013

	<i>2000</i>	<i>2000</i>	<i>1999</i>
	<i>No units</i>	<i>£'000</i>	<i>£'000</i>
Group and Company			
Balance at beginning of year	12,141,522	607	619
Converted during the year	(19,427)	(1)	(12)
Bought back during the year	(2,400,000)	(120)	-
Balance at end of year	<u>9,722,095</u>	<u>486</u>	<u>607</u>

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. 19,427 (1999: 233,605) Loan Stock units were converted into Ordinary Shares of 5p each during the year 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 2000 to 2013 inclusive. Interest at the rate of 0.5p gross per 5p unit per annum is payable on 31 January in each year.

Gains and losses on the repurchase of the Convertible Unsecured Loan Stock 2013 are included in the consolidated statement of total return as capital items in the net return before finance costs and taxation. This is a departure from Financial Reporting Standard No. 4 (FRS 4) "Capital Instruments", which requires gains or losses on the repurchase or early settlement of debt to be disclosed within or adjacent to interest payable and similar charges.

The departure has been made because the gain or loss on the Convertible Unsecured Loan Stock arises only because of the change in the net assets and share price of the Company. As such, the Directors consider it appropriate to account for such gains and losses together with the corresponding investment gains and losses, and that the departure is necessary to give a true and fair view. If the treatment required by FRS 4 had been followed the effect on the consolidated statement of total return would be to increase the net return before finance costs and taxation for the Capital and Total columns to £18,782,000 and £20,040,000 respectively (1999: no change), and the total of interest payable and similar charges would increase for 'Capital' and 'Total' to £9,870,000 and £10,884,000 respectively (1999: no change). The departures have no effect on the balance sheets.

16. Called-up share capital

	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Authorised:				
As at 31 January:				
Ordinary Shares of 5p	<u>27,000,000</u>	<u>1,350</u>	<u>27,000,000</u>	<u>1,350</u>
Issued and fully paid:				
As at 31 January:				
Ordinary Shares of 5p	<u>10,779,182</u>	<u>539</u>	<u>10,759,755</u>	<u>538</u>

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

16. Called-up share capital (continued)

Movements in issued and fully paid share capital during the year:

	<i>£'000</i>
As at 1 February 1999	538
Conversion of Loan Stock	1
	<u>539</u>
As at 31 January 2000	<u>539</u>

During the year 19,427 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.

There are contingent rights to the allotment of Ordinary Shares of 5p each under the North Atlantic Smaller Companies Investment Trust 1994 Executive Share Option Scheme to subscribe for a total of 600,000 (1999: 600,000) Ordinary Shares of 5p each at a price of 263p at any time between 21 July 1998 and 21 July 2004 and to subscribe for a further 200,000 (1999: 200,000) Ordinary Shares of 5p each at 337p at any time until 8 October 2005. An Ordinary Resolution was passed in 1998 allowing the Company to buy in the management options for cancellation at any time before the expiry of such options, provided that the price paid does not exceed the difference between the latest available fully diluted net asset value per share attributable to the option and the exercise price per share of the option.

50,000 phantom options were granted on 24 March 2000 at the fully diluted net asset value as at 30 November 1999 of 593p.

The highest and lowest mid-market price of the Company's Ordinary Shares during the year were 505.5p and 367.5p respectively.

17. Reserves

	<i>Share premium £'000</i>	<i>Capital reserve - realised £'000</i>	<i>Capital reserve - unrealised £'000</i>	<i>Revenue reserve £'000</i>	<i>Total £'000</i>
Group					
Beginning of year	629	106,453	7,630	342	115,054
Increase in unrealised appreciation					
before transfer on disposal	-	-	13,578	-	13,578
Transfer on disposal of investments	-	181	(181)	-	-
Net gain on realisation of investments	-	2,910	-	-	2,910
Purchase of options	-	(1,618)	-	-	(1,618)
Net premiums on sale of options	-	2,514	-	-	2,514
Premium paid on CULS	-	(9,870)	-	-	(9,870)
Movement in valuation of unexpired put options	-	-	1,764	-	1,764
Exchange differences on capital items	-	(171)	15	-	(156)
Exchange loss on currency	-	-	(210)	-	(210)
Net revenue retained for the year	-	-	-	52	52
End of year	<u>629</u>	<u>100,399</u>	<u>22,596</u>	<u>394</u>	<u>124,018</u>

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

17. Reserves (continued)

Company	Share premium £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Beginning of year	629	106,257	7,630	396	114,912
Increase in unrealised appreciation before transfer on disposal	-	-	13,578	-	13,578
Transfer on disposal of investments	-	181	(181)	-	-
Net gain on realisation of investments	-	2,910	-	-	2,910
Purchase of options	-	(1,618)	-	-	(1,618)
Net premiums on sale of options	-	2,514	-	-	2,514
Premium paid on CULS	-	(9,870)	-	-	(9,870)
Movement in valuation of unexpired put options	-	-	1,764	-	1,764
Exchange differences on capital items	-	(171)	15	-	(156)
Exchange loss on currency	-	-	(210)	-	(210)
Net revenue retained for the year	-	-	-	12	12
End of year	<u>629</u>	<u>100,203</u>	<u>22,596</u>	<u>408</u>	<u>123,836</u>

18. Reconciliation of movements in equity shareholders' funds

Group	2000 £'000	1999 £'000
Revenue reserve		
Net revenue for the year	52	70
Capital reserve		
Premium paid on repurchase of CULS	(9,870)	-
Other movements in capital reserve	18,782	(3,676)
Share capital		
Conversion of CULS 2013	1	12
Net addition to/(reduction in) Shareholders' funds	8,965	(3,594)
Opening Shareholders' funds	<u>115,592</u>	<u>119,186</u>
Closing Shareholders' funds	<u>124,557</u>	<u>115,592</u>

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

19. Consolidated net asset value per share

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

		<i>Net asset value per Share attributable</i>	
		<i>2000</i>	<i>1999</i>
Ordinary Shares	- basic	1,156p	1,074p
	- fully diluted	598p	499p

Basic net asset value per Ordinary Share is based on net assets (adjusted to reflect the deduction of the convertible debt and minority interests) of £124,557,000 (1999: £115,592,000) and on 10,779,182 Ordinary Shares (1999: 10,759,755) being the number of Ordinary Shares in issue at the year end.

The fully diluted net asset value per Ordinary Share has been calculated on the assumption that all of the outstanding 2003 Loan Stock was fully converted at par and that all 800,000 management options were exercised at the prevailing exercise prices, giving a total of 21,301,277 issued Ordinary Shares (1999: 23,701,277).

20. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>
Net revenue from ordinary activities before finance costs and taxation	1,258	1,486
Dividends reinvested	(46)	-
(Increase)/decrease in debtors and accrued income	(17)	520
Decrease/(increase) in investments of dealing subsidiary	162	(54)
Increase in creditors and accruals	135	69
Tax on investment income	(142)	(265)
Net cash inflow from operating activities	<u>1,350</u>	<u>1,756</u>

21. Analysis of net debt

	<i>At 1 February 1999 £'000</i>	<i>Cash flow £'000</i>	<i>Non cash flow movements £'000</i>	<i>Exchange movement £'000</i>	<i>At 31 January 2000 £'000</i>
Cash at bank	2,981	(1,611)	-	(210)	1,160
Overdrafts	(3,312)	3,260	-	-	(52)
	<u>(331)</u>	<u>1,649</u>	<u>-</u>	<u>(210)</u>	<u>1,108</u>
Due within one year	(1,000)	(358)	-	-	(1,358)
Due after one year	(9,526)	(1,124)	121	-	(10,529)
	<u>(10,526)</u>	<u>(1,482)</u>	<u>121</u>	<u>-</u>	<u>(11,887)</u>
Net debt	<u>(10,857)</u>	<u>167</u>	<u>121</u>	<u>(210)</u>	<u>(10,779)</u>

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

22. Commitments and contingent liabilities

- (i) At the year end there was one unexpired call option relating to fixed asset investments (1999: 8) with a maturity date of March 2000.

The call option gives the holder at any time prior to expiry the right to purchase investments from the Company. As set out in Note 10(c)(i) the market value of the investments subject to such call options has been reduced by the market value of the options at the balance sheet date, totalling £95,000 (1999: £612,000). As stated in Note 1(d) the premiums received for writing such options have been recognised in the capital reserve.

- (ii) At the year end there were also 12 unexpired put options (1999: 18), 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(d) the premiums received for writing such options and the movements in valuation of these put options at the balance sheet dates, the latter totalling £1,764,000 (1999: £2,074,000) have been recognised in the capital reserve. Under these put options, the maximum potential liability to which the Company was exposed at the balance sheet date totalled £19,052,000 (1999: £27,186,000).
- (iii) At the year end there was a capital commitment to pay a further £3,536,000 in respect of Trident Private Equity shares (1999: nil).

23. Financial instruments and risk profile

The investment objective of the Company is to provide investors with high capital appreciation through investment in a portfolio of smaller companies, as set out on page 1. 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/creditors that arise directly from its operation.

The Company invests in put options in 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 is an efficient and cheaper way of buying the stock. The Company may also occasionally enter into derivative and swap contracts in order to manage the risks arising from its investment activities.

The Company, as stated in the Directors' report on page 13, 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 Investment Manager, J O Hambro Capital Management Limited, for managing these risks. The policies have remained substantially unchanged since 31 January 1999.

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

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 6. The Company did not hedge against movements in the value of these investments during the year.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

23. Financial instruments and risk profile (continued)

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 2000 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 and fixed interest securities.

Fixed assets are valued as disclosed in Note 10(c) which equate to their fair values.

The interest rate profile of the Group's financial liabilities at 31 January 2000 (excluding short-term creditors but including short-term loans) is as follows:

<i>Currency</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period to maturity (years)</i>
Sterling			
– Convertible Unsecured Loan Stock 2013	486	10.00	13
– Term bank loan	6,000	7.79	3
– Short-term bank loan	1,358	6.33	–
US dollar			
– Term bank loan	3,085	5.96	3
Canadian dollar			
– Term bank loan	958	6.94	1

The fair value of the Convertible Unsecured Loan Stock 2013 as at 31 January 2000 is £489,000, based on the mid-market price of that stock at the year-end.

The long-term funding was reorganised during the year for administrative convenience. See Note 14 for details of long-term bank loans. At 31 January 2000 the Company had fully drawn down its three long-term loan facilities. Of the short-term sterling facility of £8,000,000 available, £6,642,000 remained undrawn at 31 January 2000.

North Atlantic Smaller Companies Investment Trust plc

Notes to the Financial Statements

23. Financial instruments and risk profile (continued)

The interest rate profile of the Group's financial assets at 31 January 2000 (excluding short-term debtors) is as follows:

<i>Currency</i>	<i>Fixed rate financial assets – fair value £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period to maturity (years)</i>
Sterling			
– Loan stocks	5,897	0.9	8
– Preference shares	2,660	7.8	6
US dollar			
– Loan stocks	15,061	3.6	1
– Loan stocks*	3,057	*	*
– Preference shares*	6,986	*	*
Canadian dollar			
– Loan stocks	1,249	13.0	3

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

No interest is received on equity shares.

The table below summarises the Company's currency exposure.

	<i>Investment portfolio £'000</i>	<i>Other cash £'000</i>	<i>Financial current assets £'000</i>	<i>Financial liabilities £'000</i>
UK	55,906	294	2,369	9,400
USA	70,454	848	825	5,233
Canada	6,373	–	–	958
Other European	2,862	18	–	–
	<u>135,595</u>	<u>1,160</u>	<u>3,194</u>	<u>15,591</u>

24. Related party transactions

The Investment Manager, J O Hambro Capital Management Limited, is regarded as a related party of the Company. The amounts paid to the Manager are disclosed in Note 3 and the relationships between the Company, its Directors and the Investment Manager are disclosed in the Report of the Directors.

On 24 March 2000, 50,000 phantom options were granted to Claudia Perkins, a Director of J O Hambro Capital Management Limited, at the fully diluted net asset value as at 30 November 1999 of 593p.

North Atlantic Smaller Companies Investment Trust plc

Notice of Annual General Meeting

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of North Atlantic Smaller Companies Investment Trust plc will be held at Ground Floor, Ryder Court, 14 Ryder Street, London, SW1Y 6QB on 19 June 2000 at 12 noon to transact the following business:

1. to receive the Report of the Directors and the Accounts for the year ended 31 January 2000;
2. to re-elect Mr C H B Mills as a Director of the Company;
3. to re-elect The Hon P D E M Moncreiffe as a Director of the Company;
4. to re-appoint RSM Robson Rhodes as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special business

5. To consider the following resolutions which will be proposed as special resolutions:

That:

The articles of Association of the Company be amended by deleting the first and second sentences in Article 108 and inserting in substitution thereafter the following:

"Each Director shall retire from office at the Third Annual General Meeting of the Company after his appointment or (as the case may be) the general meeting of the Company at which he was last re-appointed."

6. That:
 - (a) the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to exercise for the period ending on the date of the next Annual General Meeting, all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £179,653.
 - (b) pursuant to and during the period of the authority referred to in paragraph (a) above the Directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities wholly for cash, (i) in connection with a rights issue; and (ii) otherwise than in connection with a rights issue, up to an aggregate nominal amount of £179,653 as if Section 89(1) of the said Act, relating to pre-emption rights, did not apply to any such allotments;
 - (c) by such authority and power the Directors may during such period make offers or agreements which would or might require the making of allotments after the expiry of such period;
 - (d) for the purposes of this resolution, words and expressions defined in or for the purposes of Part IV of the said Act shall bear the same meaning in this resolution;

North Atlantic Smaller Companies Investment Trust plc

Notice of Annual General Meeting

- (e) for the purposes of this resolution; (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record dated of Ordinary Shares in proportion to their respective holdings but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirement of any recognised regulatory body or any stock exchange in any territory; and (ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Dated this 12th of May 2000

for Robert

By Order of the Board
J O HAMBRO CAPITAL MANAGEMENT LIMITED
Secretary

10 Park Place
London SW1A 1LP

NOTES:

1. The Report and Accounts are circulated to both Ordinary Shareholders and Loan Stock holders but only holders of Ordinary Shares are entitled to attend and vote at the above meeting.
2. Any member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead: a proxy need not be a member of the Company. A form of proxy is attached.
3. No Director has a service contract with the Company.

North Atlantic Smaller Companies Investment Trust plc

Notes
