

company summary

britannic smaller companies trust plc

(Incorporated in Scotland under the Companies Act 1985,
Registered Number 135670)

strategy

The aim of the Trust is to achieve long term capital appreciation by investing in a diversified portfolio of shares of UK smaller companies. Performance is measured against the FTSE Small Cap Index (excluding investment trusts).

management company

Britannic Asset Management ('BAM') is a leading asset management group operating autonomously within the Britannic marketing group in the UK. Through its subsidiary companies, Britannic Investment Managers Limited and Britannic Fund Managers Limited, BAM manages approximately £14bn of assets for a variety of corporations, institutions, pension funds, charities and individuals, through both specialist and collective investment funds.

management and secretarial fee

Britannic Investment Managers Limited provides investment management and secretarial services to the Company for (i) a quarterly fee payable in arrears equal to 0.2125% per quarter (excluding VAT) of the value of the Company's total assets at the end of the relevant quarter, adjusted annually by an amount equal to 10% of any divergence from benchmark during the period subject to a maximum adjustment up or down of 0.2% per annum (excluding VAT) of total assets and (ii) a quarterly administration fee of £8,306 (excluding VAT) payable at the end of the relevant quarter adjusted annually to reflect movements in the retail price index.

The management contract can be terminated, without compensation due, by either party, giving not less than three months prior notice in writing. If the Company terminates the management contract without giving the requisite three months notice, then liquidated damages are payable to the manager. The management contract also provides that the Company may terminate the contract in certain limited circumstances with immediate effect and without any compensation being due, including where there is a change in control of the Manager.



investment record

	30 June 2004	31 Dec 2003	% Change
Invested Assets (£'000)	74,822	67,680	+10.5
Shareholders' Funds (£'000)	72,393	68,410	+5.8
Net Asset Value per Ordinary Share (p)	192.01	181.27	+5.9
FTSE SmallCap Index <i>excluding investment trusts</i>	2,604.51	2,489.32	+4.6
Ordinary Share Price (p)	165.50	138.50	+19.5
Discount to NAV (%)	13.81	23.59	-
Gearing (%)	3.36	0.00	

chairman's statement

It was encouraging to see equity markets make modest progress in the first six months of 2004 against a background of rising oil prices, expectations of increasing interest rates and the continuing threat of terrorist activity. Our benchmark FTSE SmallCap index continued to do well against the major indices producing a return of 4.6% against a return on the FTSE All Share Index of 1.0% and a return of -0.3% on the FTSE 100.

Net asset value per share increased from 181.27p to 192.01p over the six months, an increase of 5.9% comparing favourably with the increase of 4.6% in the benchmark index over the same period. The discount to net asset value narrowed from 23.6% to 13.8% whilst the UK smaller companies investment trust sector average decreased from 19.6% at the beginning of the year to 15.4% at 30 June 2004.

A detailed review of your Company's investment performance and prospects can be found in the Managers' Report on page 4.

interim dividend

Your Board has declared an unchanged interim dividend of 1.0p per share payable on 4 October 2004 to shareholders on the Register at 3 September 2004. Shares will be quoted ex-dividend on 1 September 2004. I remind shareholders that income is not a priority when selecting suitable investments for the Trust and the amount of income available for distribution is likely to vary from year to year.

share capital

During the period 35,000 shares were repurchased for cancellation at a total cost of £54,000 adding 0.07p per share to the net asset value.

gearing

Your Manager may use bank borrowings of up to 10% of net assets for investment purposes or to fund the purchase of shares for cancellation. During the six months the maximum level of gearing was 6.90% with the level at 30 June 2004 being 3.36%.

board

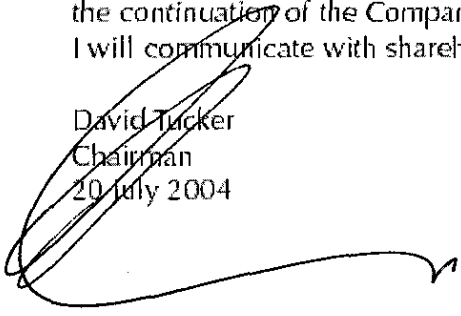
In the 2003 Annual report I stated my intention to retire from the Board no later than the next annual general meeting. With that in mind I am pleased to announce that Steve Bates has agreed to join the Board with effect from 20 July 2004. Steve spent 18 years with the Fleming group until 2002, latterly as co-head of emerging markets at JP Morgan Fleming Asset Management. He has extensive experience in both emerging and developed markets and is a director of Zephyr Management UK Limited, a specialist asset management business.

chairman's statement (cont.)

management

In early July your Board was informed that Roddy Davidson, the individual directly concerned with the management of the Trust's portfolio, would be leaving Britannic within three months to pursue a career outside investment management. For the time being Mr Davidson and the current team will continue to manage the portfolio.

Your Board is considering with its advisors what steps should be taken to serve shareholders' interests. They will take into account the need for shareholders to approve the continuation of the Company as an investment trust at the next annual general meeting. I will communicate with shareholders again when these deliberations are complete.



David Tucker
Chairman
20 July 2004

managers' report

market background

In a continuation of their positive performance during much of 2003 smaller companies produced attractive returns during the opening months of 2004 both in absolute terms and relative to their larger peers. However, subsequent progress was more mixed reflecting an unsettled mood across international capital markets. This was caused by concerns over US interest rate policy, the return of uncertainty with regard to events in the Gulf and a consequent spike in the price of oil. These factors lead investors to adopt a more risk averse stance towards equities in general and to favour larger, more liquid stocks. This situation was further complicated by a upsurge in new companies joining the market which, whilst providing some interesting investment opportunities, obliged fund managers to raise cash from existing holdings. All told the FTSE Small Cap Index (excluding investment trusts) produced a return of 4.6% during the first six months of 2004 lagging the FTSE 250 index of mid sized companies which rose by 9.1% but comfortably exceeding a 0.3% decline in the FTSE 100.

portfolio performance

During the six month period ended 30 June 2004 the Trust's net asset value increased by 5.9%, outperforming its benchmark, the FTSE Small Cap Index (excluding investment trusts) by 1.3%.

At a sector level, performance during the first half benefited from strong selection amongst General Retail stocks despite a cautious stance to the sector as a whole and in Automobiles where our exposure to car retailers proved beneficial. An underweight stance relative to benchmark in the Telecom sector was beneficial as was the performance of Pipex, our only holding in this area.

Performance was however impacted by profit warnings from Cobra Biopharmaceuticals and GW Pharamaceuticals within the pharmaceuticals sector which more than offset the benefits of an underweight stance, and by our overweight position in software stocks where corporate spend has yet to come through as we anticipated at the turn of the year.

Amongst individual stocks strong contributions came from a number of holdings including Domíno Printing which has seen strong growth in demand for its ink jet printing products, Menzies (John), which has continued to successfully develop its aviation support business, the value based retailer Peacock Group which has recently diversified into the fragrance market and the military hardware manufacturer Alvis which was subject to a bid.

Holdings which had a negative effect included IT Net, an IT services company which unexpectedly announced the loss of a key strategic contract with The Cabinet Office, the support services company Tribal Group which has twice released disappointing news regarding anticipated business wins with the NHS, and the specialist pharmaceutical company Cobra Bio Manufacturing which revealed a shortfall in its previously indicated new business pipeline.

managers' report (cont.)

New entrants to the funds top 20 holdings during the first six months of the year included Blacks Leisure the niche focused retailer which is benefiting from strong growth in demand for outdoor and boarding equipment, the plant and equipment hire company Speedy Hire *which is expected to generate attractive organic growth* and Dignity, a newly floated company which is a provider of funeral services.

outlook

Predicting geo-political events of the sort which have impacted the progress of financial markets in recent months is a risk laden exercise, however, there are signs that a more normal environment will prevail during the second half of the year. Added to this our core economic view remains sanguine with rates rises in both the UK and the US managed in a sympathetic manner and domestic measures such as GDP growth, business investment, productivity and employment levels still supportive. Corporate news flow and resultant earnings momentum have also been largely positive during recent months a fact which has been partially overlooked but should bode well for small company share price performance during the remainder of the year providing this momentum is sustained.

On a more cautionary note we remain mindful of the level of consumer debt in the UK and of the possibility that rising interest rates may have a detrimental effect on a so far largely *resilient housing market*. *Nonetheless we are confident that smaller companies will produce positive returns over the coming months following recent share price consolidation.*

We have reduced the level of gearing in the Trust towards the end of the period reflecting both the environment described above and the completion of a number of sell orders, but expect to utilise this flexible facility again over the coming months. The principal strategic themes being reflected in our stock selection remain a recovery in corporate expenditure and a cautious and selective approach to the consumer.

statement of total return

	6 months to 30.6.2004 (Unaudited)			6 months to 30.6.2003 (Unaudited)			12 months to 31.12.2003 (Audited)
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Gains on investments	-	4,015	4,015	-	6,976	6,976	14,713
Income	902	-	902	799	-	799	1,463
	902	4,015	4,917	799	6,976	7,775	16,176
Investment management fee	(363)	-	(363)	(211)	-	(211)	(472)
Other expenses	(81)	-	(81)	(79)	-	(79)	(155)
Net return on ordinary activities before finance costs and tax	458	4,015	4,473	509	6,976	7,485	15,549
Interest payable and similar charges	(59)	-	(59)	(13)	-	(13)	(16)
Net return on ordinary activities before tax	399	4,015	4,414	496	6,976	7,472	15,533
Tax on ordinary activities	-	-	-	-	-	-	-
Return on ordinary activities after tax	399	4,015	4,414	496	6,976	7,472	15,533
Dividends in respect of equity shares	(377)	-	(377)	(379)	-	(379)	(819)
Transfer to reserves	22	4,015	4,037	117	6,976	7,093	14,714
Return per Ordinary Share (p)	1.06	10.65	11.71	1.30	18.25	19.55	40.86
Basic							

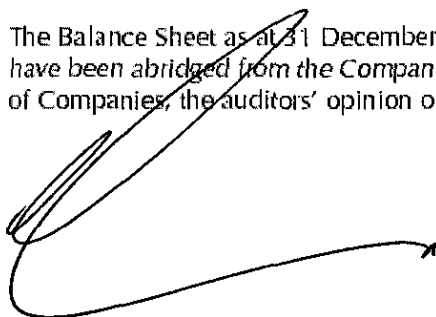
The revenue column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.

balance sheet

		as at 30.6.2004 (Unaudited)		as at 31.12.2003 (Audited)
	£'000	£'000	£'000	£'000
Fixed Assets				
Investments		74,822		67,680
Current Assets				
Debtors	461		426	
Cash at bank and in hand	331		817	
	792		1,243	
Creditors: amounts falling due within one year	<u>(3,221)</u>		<u>(513)</u>	
Net Current (Liabilities)/Assets		<u>(2,429)</u>		<u>730</u>
Total Assets Less Current Liabilities		<u>72,393</u>		<u>68,410</u>
Capital and Reserves				
Called-up share capital		9,426		9,435
Share premium reserve		2,141		2,141
Special reserve		5,267		5,321
Capital redemption reserve		22,193		22,184
Capital reserve		33,339		29,324
Revenue reserve		27		5
		<u>72,393</u>		<u>68,410</u>
Net Asset Value per Ordinary Share (p)				
including retained earnings - basic		192.01		181.27

As at 30 June 2004, there were 37,703,461 Ordinary Shares (31 Dec 03 – 37,738,461) in issue.

The Balance Sheet as at 31 December 2003 and the Statement of Total Return for the year then ended have been abridged from the Company's 2003 statutory accounts which have been filed with the Registrar of Companies; the auditors' opinion on those accounts is unqualified.


J. TUCKER
26 July 2004

summarised cash flow statement

	6 months to 30.6.2004 (Unaudited)	6 months to 30.6.2003 (Unaudited)	12 months to 31.12.2003 (Audited)
	£'000	£'000	£'000
Net cash inflow from operating activities	413	515	839
Servicing of finance - interest paid	(59)	(13)	(16)
Capital expenditure and financial investment			
Purchase of investments	(36,503)	(16,193)	(38,848)
Sale of investments	33,889	18,362	39,518
	(2,614)	2,169	670
Equity dividends paid	(441)	(537)	(916)
Financing			
Purchase of 25p ordinary shares for cancellation	(54)	(559)	(741)
(Decrease)/increase in net cash	(2,755)	1,575	(164)

classification of portfolio

	% of Trust as at 30.6.2004	% of Trust as at 31.12.2003
Resources	4.00	3.00
Basic Industries	6.03	8.17
General Industries	13.19	10.44
Cyclical Consumer Goods	1.18	4.46
Non Cyclical Consumer Goods	9.59	7.66
Cyclical Services	42.13	36.14
Non Cyclical Services	1.49	2.62
Financials	12.02	14.95
Information Technology	13.73	10.73
Utilities	-	0.76
Net Current (Liabilities)/Assets	(3.36)	1.07
	100.00	100.00

twenty largest investments

as at 30 June 2004

Company	No of Shares	Market Value (£)	% of Total Assets	Description
1 Workspace Group	89,079	1,627,919	2.25	Provider of value for money office space for small and medium sized businesses.
2 Peacock Group	765,640	1,537,929	2.12	Value focused retailer of clothing and accessories which has recently diversified into fragrance.
3 Domino Printing	1,154,676	1,411,981	1.95	Manufacturer of high quality inkjet printing equipment.
4 Spring Group	676,915	1,339,424	1.85	Provider of recruitment, staffing and related services.
5 Blacks Leisure	477,097	1,279,545	1.77	Retailer of outdoor clothing, boardwear and associated equipment.
6 Kier Group	508,478	1,204,232	1.66	Construction, contracting, support services and housebuilding company.
7 Centaur Holdings	295,507	1,197,252	1.65	Business to business publishing.
8 Mowlem	593,795	1,196,447	1.65	Construction contractor.
9 Speedy Hire	418,585	1,193,519	1.65	Plant and equipment hire company.
10 Menzies (John)	189,942	1,187,833	1.64	Newspaper and magazine distribution business which has rapidly expanded in the aerospace support market.
11 Dignity	230,710	1,172,733	1.62	Provider of funeral and related services.
12 Capital & Regional	1,433,835	1,165,516	1.61	Property investment, development and management company.
13 Unite Group	858,208	1,160,557	1.60	Specialist property company focused on the construction and management of student accommodation.
14 Morgan Crucible	254,082	1,145,232	1.58	Manufacturer of carbon, ceramic and magnetic components for a broad range of end markets.
15 Xaar	513,371	1,120,584	1.55	Design and manufacture of high spec ink jet printing technology and related products.
16 Belhaven Group	332,920	1,118,802	1.55	Brewing, drinks distribution and pub company.
17 First Technology	217,042	1,106,876	1.53	Design and manufacture of specialist sensor and safety products primarily for the automotive sector.
18 Dana Petroleum	238,043	1,094,545	1.51	Oil and gas exploration and production company.
19 Sanctuary Group	587,624	1,073,559	1.49	Diversified music company with interests spanning artist and tour management and recorded product.
20 Mouchel Parkman	1,211,442	1,060,111	1.47	Provides a range of commercial, financial and technical support services to the public services sector.
Market Value of Top Twenty Holdings		24,394,596	33.70	
Market Value of Other Holdings (74)		50,428,191	69.66	
Net Current Liabilities		(2,429,340)	(3.36)	
		72,393,447	100.00	

company information

directors

David Tucker
Danny O'Neil
Bernard Solomons
David Best
Steve Bates

auditor

Ernst & Young LLP
George House
50 George Square
Glasgow G2 1RR

investment manager/secretary

Britannic Investment Managers Limited
Britannic Court
50 Bothwell Street
Glasgow G2 6HR

Telephone: 0141 222 8000
Fax: 0141 222 8300
Investor Support: 0845 60 50 555
Website: www.britannicasset.com

registrar

Computershare Investor Services plc
PO Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Shareholder Helpdesk: 0870 702 0010
Fax queries: 0131 442 4924
Website: www.computershare.com

registered office

Britannic Court
50 Bothwell Street
Glasgow G2 6HR

stockbroker

Cazenove & Co Ltd
20 Moorgate
London EC2R 6DA

general information

financial calendar

Results	Half year announced Full year announced	July February
Ordinary Share Dividends	Interim payable Final payable	October April
Interim Report	July	
Annual Report & Accounts	February	
Annual General Meeting	March	

At the Annual General Meeting of the Company to be held in 2005 and at every third subsequent Annual General Meeting, the Directors shall cause an Ordinary Resolution to be proposed to the effect that the Company continues as an investment trust.

share price information

The trust's ordinary shares are listed on The London Stock Exchange.

The price of ordinary shares appears daily under "Investment Companies" in the Financial Times.

AITC

Britannic Smaller Companies Trust plc is a member of The Association of Investment Trust Companies ('AITC') which produces the Monthly Information Service, providing detailed information on the majority of investment trusts. This information is also available on the Association's internet site, www.itsonline.com. Copies of the Monthly Information Service can be obtained by contacting:

The Association of Investment Trust Companies
Durrant House (3rd Floor)
8-13 Chiswell Street
London EC1Y 4YY

britannic smaller companies trust plc

britannic smaller companies trust plc website

Britannic Asset Management Limited operates a dedicated website allowing investors online access to information on Britannic Smaller Companies Trust plc. The site can be accessed at:

www.britannicasset.com

The site provides access to past Report and Accounts and quarterly factsheets. Information on the Company's share price, performance, capital structure and stock exchange announcements is also available.

registrar website (www.computershare.com)

Computershare Investor Services plc, via its website, provides shareholders with access to information relating to shareholdings, company information and downloadable registration forms together with contact details should shareholders have any further queries. To gain access to the information shareholders need to pass a security check. This includes confirming name, postcode and a shareholder ID number which is quoted on dividend tax vouchers and share certificates.