F&C Investments

F&C Global Smaller Companies PLC

Report and Accounts

2009

About Your Company

Objective

F&C Global Smaller Companies PLC ("the Company") invests in smaller companies worldwide in order to secure a high total return.

What we do

We invest around the globe in markets, sectors and companies that we believe will achieve the Company's objective.

We help to reduce the risk of stock market investment by spreading your investment over a wide range of stocks.

The savings plans available through F&C Management Limited allow us to offer investment opportunities to as many people as possible.

Why choose to invest in the Company?

We believe that investing in global smaller companies offers the opportunity to benefit from the superior potential of fast-growing businesses – the chance to participate in economic growth from the ground floor.

We offer particular strengths that flow from:

- Spread: We invest in around 200 companies covering markets around the world.
- Global reach: Investing in smaller companies worldwide, we have the scope to take advantage of opportunities wherever they are.
- Expertise: F&C's investment team possesses extensive experience in researching smaller company investments.

Why an investment trust?

As an investment trust, the Company offers a number of advantages over other kinds of savings. For example it has:

- The freedom to borrow money to invest for our shareholders.
- No capital gains tax is charged on transactions within the portfolio.
- Low charges to investors, typically well below those for comparable OEICs or unit trusts.
- Management of the portfolio is not complicated by regular redemptions and subscriptions.
- The ability to enhance net asset value per share by buying back our own shares.

Visit the website at **www.fandcglobalsmallers.com**

Registered in England with company registration number 28264.

Financial Highlights

Summary of results

Attributable to equity shareholders	**30 April 2009**	30 April 2008	% Change
Share price	**325.00p**	385.00p	-15.6
Net asset value per share (debenture at nominal value)	**360.23p**	428.23p	-15.9
Net asset value per share (debenture at market value)	**351.06p**	421.05p	-16.6

	Year ended 30 April 2009	Year ended 30 April 2008	% Change
Revenue return per share	**5.66p**	5.54p	+2.2
Dividends per share	**4.89p**	4.83p	+1.2
Total expense ratio (based on average net assets)	**0.93%**	0.77%	

Contents

Financial calendar

Annual general meeting	**30 July 2009**
Final dividend payable*	**6 August 2009**
Half-yearly results for 2010 announced	**December 2009**
Interim dividend payable	**January 2010**
Final results for 2010 announced	**June 2010**

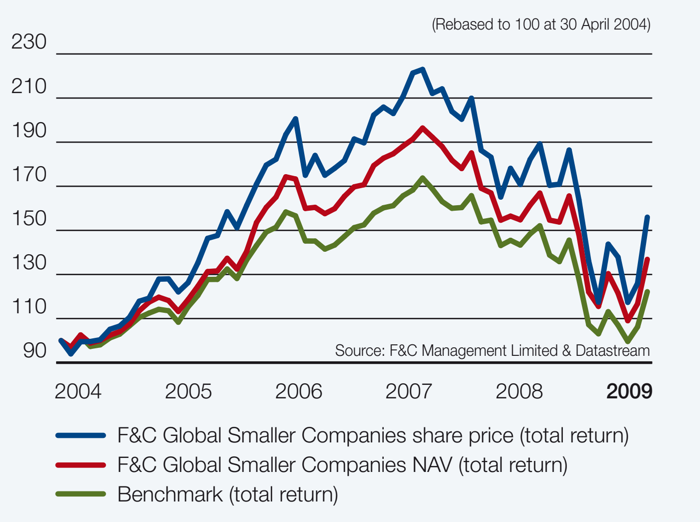
* to shareholders on the register at the close of business on 3 July 2009

Chairman's Statement

Anthony Townsend Chairman

Investors will be well aware that the year under review has witnessed a remarkable series of events in financial markets. The upshot has been that the majority of developed economies have rapidly moved into recession, leading to heavy falls in equity markets in the first three quarters of the period. Despite the highly difficult economic background, there was a strong bounce back in share prices at the end of the year as investors started to factor in an eventual recovery in economic activity.

Net asset value and share price performance vs Benchmark over five years



Performance

The Company's benchmark is a blended index of the returns from the Hoare Govett UK Smaller Companies Index (40%) and the MSCI World ex UK Small Cap Index (60%) ("the Benchmark"), with the proportions approximating the historic long-term geographic split of the portfolio. Over the twelve months under review the Benchmark produced a -17.9% total return, while the Company's net asset value ("NAV") per share total return was -14.8%. Although the portfolio was unable to buck the trend of falling markets, investment performance was somewhat better than the Benchmark, helped by a strong showing from the US part of the portfolio. The Company's share price ended the year at 325p per share, down 15.6%. This marked a sharp recovery from the low reached in November of 221p per share.

Last year I reported that the Company had been included in the AIC's global growth sector. It is pleasing to be able to report that the Company's NAV per share performance relative to this peer group was good, ranking 4th out of 32 over the year. This was a sound performance, particularly given that smaller companies have not been uniformly in favour in world equity markets at a time of widespread economic contraction.

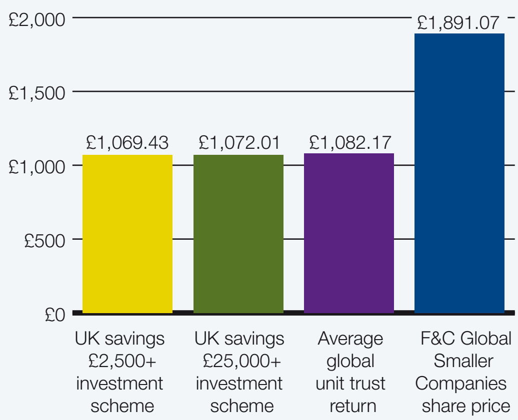
While the Company's fee structure incorporates a performance fee to reward the Manager when the NAV per share return surpasses that of the Benchmark, a carry forward of underperformance means that no performance fee was earned in the year to 30 April 2009. Despite this, the total expense ratio ("TER"), which measures the operating costs of the Company in relation to the average net assets, rose to 0.93% from 0.77% in the prior year, mainly as a consequence of the lower average value of assets under management. This TER remains low by the industry's standards.

Dividends

Shareholders will no doubt have seen that a large number of companies are cutting or passing entirely their dividend payments as a result of pressure on their profitability and balance sheets from the downturn. Despite this, dividend income received from the Company's investments held up well, a positive indicator as far as the quality of the portfolio is concerned, but also reflecting beneficial currency moves. Income in the year also benefited from the recovery of VAT, a subject to which I shall return later. After balancing this with the likelihood of further pressure on dividend receipts and a fall in interest income from deposits in the year ahead resulting from the collapse in interest rates, the Board is recommending the payment of a 3.29p per share final dividend, up 1.2% on last year's payment. Including the 1.60p per share interim dividend, this means that the payout for the year is also up by 1.2%, making this the 39th consecutive year of underlying dividend growth for your Company. The dividend will be paid on 6 August 2009 to investors on the register on 3 July 2009.

The Board is aiming to continue with a progressive dividend policy and would consider drawing on revenue reserves on a short-term basis if it felt sufficiently confident in the longer term outlook for income. For 2008/9 a further £375,000 was added to revenue reserves despite increasing the dividend and this puts the Company in a good position for the future.

Value of £1,000 with net income reinvested over 10 years



Source: Lipper

Market background

I do not intend to cover all the twists and turns of the last year in detail in this statement as the Manager's Review which follows will highlight the key events, but it is fair to say that what we have seen in the last year has been totally unprecedented in most investors' lifetimes.

A year ago, in the early stages of the credit crunch, markets were concerned about what impact the financial crisis would have on the prospect for corporate earnings, but the wholesale implosion of a number of major financial institutions, including Lehman Brothers and AIG in the US, and the distressed state reached by the likes of RBS and HBOS closer to home, was certainly not anticipated. Over-exuberant lending practices were the fundamental cause of most of the problems in the banking sector, but as time passed it became apparent that a large number of banks would need additional capital in the face of increasing bad debts arising from the economic slowdown. This put pressure on the availability of credit lines globally, particularly to financially stretched organisations, and many companies responded by reducing their capital spending and shedding costs, leading to rising unemployment in most countries. Such actions inevitably have serious consequences for overall economic growth, leading to a move towards zero interest rates in the US, UK and a number of other countries. More recently we have seen the initiation of less conventional policies from central banks to buy in government bonds in an attempt to cut corporate borrowing rates.

The scale and speed of the global downturn in late 2008 and early 2009 led to significant volatility in stock markets as analysts' forecasts of future profits and cash flows were cut back. Investors found it harder to have confidence in any projections given the speed with which events were moving. A series of fiscal stimulus packages and specific measures to address particular weakness, in areas such as the automotive market, around the world have also been influences on markets more recently. As already mentioned, the year ended with a strong rally in equity markets, particularly with respect to cyclical and financially geared stocks.

Portfolio performance

As usual, the Manager's Review which follows this statement includes details on how the regional

Chairman's Statement (continued)

portfolios performed and the main individual company contributors. The returns in each part of the portfolio compared to their local comparator small cap index are shown in the table below.

While losses were hard to avoid given the market context, the US portfolio had an outstanding year, recording a gain in sterling terms. We were also well ahead of the local benchmark in Asia, where the portfolio of collective investments performed strongly. Elsewhere, the Company's Japanese portfolio marginally underperformed against the FTSE Japan Smaller Companies Index. This was the first year following the decision to move to a third party fund structure for this market and the costs of the reorganisation had some impact on performance in the first half of the year. Despite this, performance in Japan was better than most actively managed Japanese smaller company funds, and ahead of other local small cap indices, so the Board is pleased with the early results of the change. One consequence of this move, however, is that collective investments now dominate the top of the portfolio in terms of value because we have chosen to make large investments in funds that we believe are well managed and should deliver outperformance. For the bulk of the portfolio outside of Asia and Japan, we continue to invest directly in individual smaller companies chosen by F&C's regional small cap teams. During the last year, the UK and European portfolios failed to match the relevant local small cap indices; in both cases a slightly defensive stock bias did not help late in the period as markets rallied hard and recovery stocks outperformed.

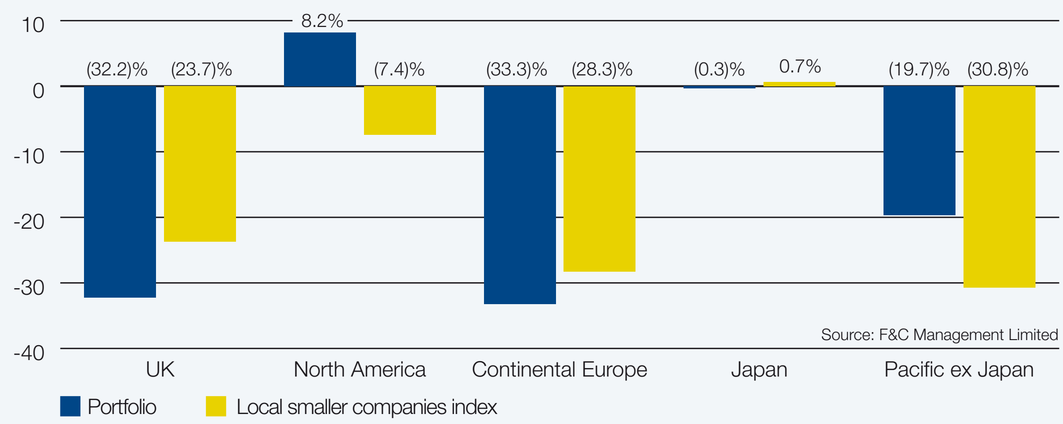
As part of a regular review, the Board will, over the course of this year, be considering the appropriateness of the existing Benchmark and the regional comparator indices, and it is possible that changes could be made to reflect the changing structure and spread of the Company's portfolio and the evolution of the indices.

Currencies and asset allocation

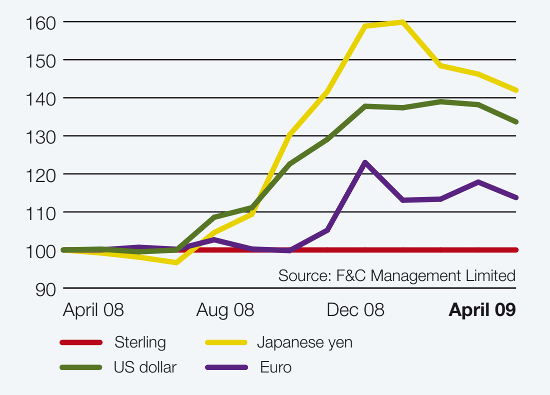
As in previous years, currency gyrations had a big impact on returns in the different markets. While returns in local currency terms were all negative, sterling weakness had a large impact on the numbers, with overseas investments' value being enhanced when measured in sterling. The biggest impact was on the Japanese portfolio with the yen appreciating 42% against sterling. The weakness of the pound was partly as a consequence of diminished confidence in the fundamental position of the UK economy. Perceptions of this were damaged by the deteriorating position showing through in the government finances, combined with the impact on the domestic economy from weakness of the financial markets given their importance to the UK.

The asset allocation strategy of the Company aims to take account of projected currency movements and the attractions of the different geographic markets for small companies. In the year, asset allocation made a positive contribution to overall outperformance against the Benchmark. The

Geographical performance (total return sterling adjusted) for the year ended 30 April 2009



Currency movements relative to sterling in the year ended 30 April 2009



prime reason for this was correctly anticipating the move down in sterling with the portfolio remaining underweight in the UK throughout the year.

The European and Japanese weightings fell in the second half of the year as we took a more cautious stance towards these markets given the more substantial near-term deterioration in their economies. We remained more positive on the Asian region throughout the year. Here at least some regional economies, such as China, are still moving forward, while the region's banking system has been less contaminated and fiscal positions generally look more promising, providing greater scope for governments to provide cyclical assistance.

Gearing policy

Gearing is a tactical consideration for the Manager and the Board and the aim is to enhance shareholder returns by gearing up at times when markets are rising, while in weaker periods, gearing should be low or ideally non-existent. Timing gearing decisions is always difficult and particularly so in the last year given all the volatility. The Company ended the year with gearing at 4.1%, although this had been at lower levels for most of the year. The recent modest up-tick reflects the Manager's view that equities may well continue to rally following the heavy sell-off in the last two years. This is predicated on the assumption that the current recession does not turn into a more serious depression.

Discount and buybacks

The Board takes the discount at which the share price trades to the NAV per share seriously and has continued to try to limit this by way of an active policy of share buybacks. The aim remains to keep the discount to NAV per share (including the debenture at market value but excluding current period income) close to 5% in normal market conditions. Over the course of the year 4.6% of the opening share capital was bought in and cancelled and this enhanced the NAV per share by around 0.6%.

The volatility of markets led to some periods when the discount rose but, at the end of the year the discount measured on the above basis was down to 6.3% from 7.7% a year ago.

At the annual general meeting ("AGM"), we will again seek shareholder approval for buying back up to 14.99% of the issued share capital, with the option of holding shares bought back in treasury. As previously, it is likely that in practice shares bought in will be immediately cancelled. Any shares held in treasury would only be re-issued at a premium to NAV per share.

Marketing

Shareholder numbers continued to rise in the year, despite the weakness of markets, and once again there has been a shift towards a higher proportion of retail shareholders. The Company continues to be well-served by the success of F&C's general marketing which has driven a strong net inflow in the various savings plans offered, and it is likely that this will be the focus in the new year rather than any additional Company-specific activity.

VAT

In its accounts for the year ended 30 April 2008, the Company recognised £1m of VAT recoverable in relation to VAT paid on management fees in prior years. At that time, I explained that uncertainties remained in respect of further recoveries. Happily, those uncertainties were resolved and the Company has recovered a total of £1.2m of VAT (including the £1m previously accrued) in full settlement of VAT paid in the periods 1990 to 1996 and 2001 to 2007. In addition, interest of £422,000 was received, calculated on a simple basis. Details of these

Chairman's Statement (continued)

receipts and their allocation between capital and revenue are set out in the notes on the accounts.

VAT paid on management fees in the intervening period (1997 to 2001) could not be reclaimed under the Claverhouse ruling. No VAT recovery has been accrued or otherwise recognised in the accounts in respect of this period as recoverability remains uncertain under EU Law and is likely to remain so for several years. For similar reasons, the prospect of receiving interest on a compound, rather than simple, basis for all periods remains uncertain and no further interest receipts have been accrued or recognised in the accounts.

Electronic communications

Last year we introduced arrangements for the Company's main register shareholders to access the annual report and accounts and lodge their proxy votes online. Similar arrangements have been put in place this year for investors holding their shares in the F&C savings plans.*

F&C savings plans proportional voting

In 2008, F&C modified its arrangements under which investors in its savings plans vote at shareholder meetings. Under these arrangements, the nominee company, which holds around 48% of the Company's share capital on behalf of these investors, votes the shares held on behalf of planholders who have not returned their voting directions in the same proportion to those who have. This arrangement will apply again at the Company's AGM, subject to a minimum threshold of 5% of the shares held in the savings plans being voted. There will be a maximum limit of 50,000 on the number of shares that any one individual investor can vote, being approximately 5% of the minimum threshold, for the purposes of assessing the voting proportions. Any shares voted by an investor in excess of that limit will remain valid, but will not form part of the proportional voting assessment. Any investor wishing to exclude their shares from the proportional voting basis may do so.

Outlook

Predictions for near-term stock market returns are difficult at any time and particularly now given that identifying how deep and protracted recessions will be is never easy. It is important to remember, however, that stock markets tend to move ahead some time before the economic cycle turns, and this in part helps to explain the recent move up.

Smaller company shares generally do well in relation to larger stocks at times when economies move through the worst point of the economic cycle and investors start to regain their confidence. We have seen evidence of this in the last couple of months. It is possible that this sentiment could reverse, particularly if there are no more concrete signs of improvement in the coming months. Developments in the US, which led the world into the downturn, will be particularly important to monitor.

The Board's view is that the recent actions by governments and central banks should slow the rate of economic contraction, though the rate of recovery could ultimately prove to be disappointing given the need for the financial system to continue to de-leverage. Having not long ago been worried by the potential for deflation, it is also possible that markets may start to get concerned about higher inflation given the consequences of the combination of stimulus measures used to date.

At a time of considerable uncertainty, the Manager is looking to concentrate investment on well managed companies which are attractively valued when assessed on a longer term basis, while also aiming to add value in the asset allocation process.

Anthony Townsend
Chairman
17 June 2009

* Not applicable for the Pension Savings Plan.

Manager's Review

Peter Ewins Lead Manager

The job of managing a portfolio can rarely have been more challenging than during the year under review. Not only were there a series of completely unexpected and unprecedented developments, the impact of which was hard to assess, there was also the most rapid deterioration in world economic growth for decades. The financial markets understandably reacted negatively to this train of events and there were few places to hide but, at the end of the year, the resulting falls in net asset value ("NAV") per share and share price were actually less than might have been expected.

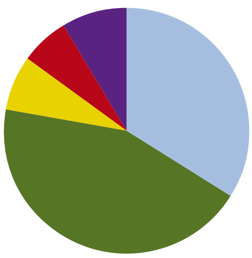
As I said last year, it is the responsibility of the Manager to manage the portfolio to deliver outperformance against the Benchmark no matter what the background. While shareholders have seen the value of their shares in the Company fall, at least we managed to beat the Benchmark and a large proportion of other investment trusts over the year. As reported by the Chairman, the NAV per share total return of -14.8% was ahead of the -17.9% move in the Benchmark, while the share price excluding the benefit of dividend payments made was down by 15.6%.

The collapse of Lehman Brothers in September 2008 is viewed by many as the point at which a financial crisis became a global economic one. A number of other financial institutions were in a similar position and in need of urgent re-capitalisation. Years of economic growth fostered a culture of over-confidence and dangerous lending practices, and not just in the US.

The speed with which economies turned down in unison around the world is testament to how inter-linked the markets have now become. Consensus forecasts for 2009 now are pretty uniformly pointing to a major shrinkage in all the leading economies. The US is currently projected to see GDP fall by around 3%, in the UK and Eurozone a drop of nearer 4% is expected, while for Japan the expectation is for around a 6% fall.

From an investment perspective, the correct structure of portfolio to hold following the fall of Lehman had to be urgently re-assessed, not least because currencies moved significantly. Currency movements are something that have to be taken very seriously in a global fund. In practice, a sterling-denominated global fund was a significant

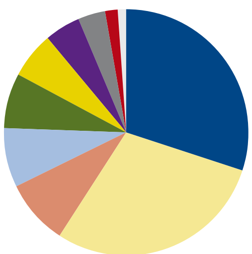
Geographical distribution of the investment portfolio as at 30 April 2009



The percentages in brackets are as at 30 April 2008

Source: F&C Management Limited

Industrial classification of the investment portfolio as at 30 April 2009



The percentages in brackets are as at 30 April 2008

Source: F&C Management Limited

Manager's Review (continued)

beneficiary, as sterling fell across the board, enhancing the value of international holdings. However, it was important to be heavily weighted to those markets where currency gains were the largest, this year being the US and Japan.

We had gone into 2008/9 with an underweight stance to the UK and US markets. The former position had been mainly driven by concern that the value of sterling would fall. There was little reason to change this view as the year progressed so we remained underweight for the whole year. On the other hand, we moved swiftly to increase the US weighting early in the financial year. This may seem counter-intuitive given the fact that the US economy was not showing the recovery that we had been looking for, but working in its favour was the fact that, at times of severe stress, global investors tend to focus investment in the "safe haven" of the dollar. The other point was that, with the US having gone into recession earlier than elsewhere, there was scope for other currencies to come under pressure as their countries' economies weakened. Our weighting in Japan was relatively neutral through the year, though we did take cash out late on as we felt that the yen's strength would reverse given the significant weakening in Japanese exports.

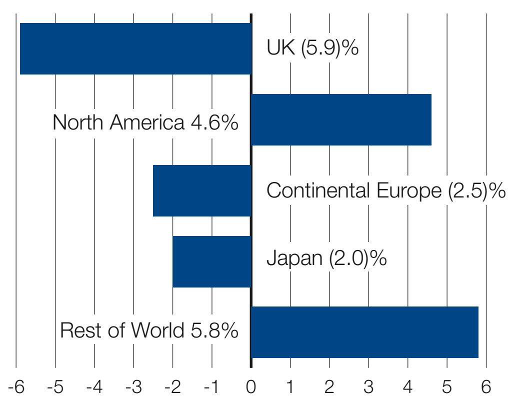
Elsewhere in the world, from an asset allocation perspective, we significantly cut Continental Europe from overweight to underweight. A slower policy response from the European Central Bank ("ECB") compared to the US or UK authorities in terms of monetary policy, and a more limited fiscal policy adjustment in general from European governments, undermined European markets' performance. We ended the year with a historically low exposure to Europe and would expect to re-build this in future. While some countries in Europe have major issues in terms of their fiscal positions, there is at least a lower level of consumer indebtedness in most, which provides scope for positive trends in consumer spending once unemployment peaks.

We have been structurally overweight to Asian markets for some while now. This stems from a belief that the inherent greater growth potential of the region should show through in superior returns over time. Nevertheless, the current more difficult times saw the region underperform for much of the period, as investors sought to reduce the perceived risk from "emerging markets". We believe that once the current crisis abates, these markets have significant recovery potential and therefore maintained an overweight stance.

Of course, one can get the macro calls right as far as currencies and regional weightings are concerned, but we still need to get the individual stock picking decisions right. The table on page 4 in the Chairman's Statement shows that stock selection results were mixed in the year, but importantly we did achieve excellent performance in the largest market, the US, together with strong outperformance in Asia. In the other markets we were behind the local indices by different margins and the reports that follow will outline the background in each area. Stock selection in total was positive for the Company given the scale of the US outperformance.

Gearing decisions are also an important consideration. The Manager's and Board's caution on markets for most of the year proved correct and, therefore, gearing was only used sparingly. Towards the end of the period, a greater level of optimism on the outlook encouraged a more positive stance and gearing ended the period at 4.1%. There have been a number of indications in economic data that the worst of the downturn has now passed and it would not be surprising, given the speed with which things nose-dived, to see a bounce back at some point in the year ahead.

Geographical weightings against Benchmark as at 30 April 2009



Source: F&C Management Limited and MSCI

Pace is one of the top three global suppliers of set-top boxes in the global pay-television market.

UK portfolio

This proved to be a very challenging year for the UK equity market and our portfolio. While the Hoare Govett Smaller Companies Index ("HGSC") total return of -23.7% actually managed to beat the FTSE All Share Index's -26.9%, demonstrating outperformance for small companies versus large, the UK portfolio lost 32.2% of its value.

Financial markets have rarely been in the news as much as they have over the last year. The travails of the UK banking sector have been at the forefront of this, and this had a big impact on the overall stock market returns. Unfortunately, as has been well documented, inadequate risk controls within the UK's largest banks combined with a dramatic and rapid turn in the economic cycle, led most of them to report major impairments on their loan books. The lack of appetite from institutional investors to once again step in to provide more capital, eventually led to the transfer into majority state ownership of RBS and the merged Lloyds/HBOS.

The problems within the banking sector fed through into increasing trouble for the rest of the economy, as the banks became more risk averse in terms of who they would lend to and at what price. This has been evident in a number of our investments, and has led a number of companies down the road to dilutive equity issues. Investors are having to choose which companies they wish to support with new equity and some will not be able to raise cash, calling their futures into doubt.

As the extent of the problems for the UK and world economy became apparent, the Bank of England slashed interest rates to their lowest ever level in an attempt to stimulate a recovery. Unfortunately the ability of the government to provide further support to the economy by way of additional spending has been compromised by a frightening deterioration in its own financial position as tax revenues have slumped. We have recently seen the start of a series of tax rises and some initial spending cut-backs, more of which will be on the agenda in the years ahead as the books will eventually have to be balanced.

Looking at the portfolio, the relative under-performance against the benchmark really emerged in the second half of the financial year. One significant influence on the result was the large scale change in the constituents of the HGSC at the end of December. This introduced a number of financially stretched, formerly large cap companies into the small cap universe. We have tended to avoid companies with excessive borrowings, but when markets turned for the better, many of these shares rebounded significantly and their size within the benchmark hurt our relative performance.

It would be wrong, however, just to blame index changes for the underperformance, not least because we have to be permanently alert to these when it comes to portfolio construction. We suffered a number of stock specific issues during the year. Notable casualties in the period were energy services company **Cape**, marine leisure equipment company **Raymarine**, consulting engineer **White Young Green** and van rental business **Northgate**, all of which, with the benefit of hindsight, went into the downturn with too much balance sheet gearing.

Manager's Review (continued)

Aerospace and automotive parts company **Senior**, which had done well in the prior year, suffered as the civil aerospace market slowed and automotive demand collapsed. Other disappointments included North Sea explorer **Nautical Petroleum**, which announced disappointing drilling news, and home shopping business **Ideal Shopping Direct** which released a string of profit warnings.

It was not all bad news though, and we benefited from another good year from our technology investments. Takeovers for consultancy business **Detica** and insurance software provider **SSP** helped, as did the performance of other stocks such as language translation business **SDL**, healthcare software company **Craneware** and set-top box provider **Pace**. In the oil and gas exploration sector, **Gulfsands Petroleum** had a good year as it brought a new oil-field into production earlier than hoped. Another stock which served us well was insolvency practitioner **Begbies Traynor**, which is one of the only real beneficiaries of the UK slump with its staff likely to be busy for the foreseeable future dealing with business failures.

Stock selection in the property sector was positive as we avoided most of the highly geared companies which were big fallers amid a background of an accelerating fall in commercial property values. In food producers, we were helped by the performance of **Robert Wiseman Dairies**, the milk processor, bought early in the period after a profit warning which brought the shares down to an attractive entry level. In the same sector, shares in **PureCircle**, which supplies a natural based zero calorie sweetener, rose as the product was cleared for use in food and beverage products in the key US market.

More recently we have added cyclical exposure to the portfolio principally within consumer facing sectors, with new holdings taken in **Carphone Warehouse**, **Carpetright**, **Dunelm** and **Persimmon**. Against this, we have taken some cash out of more defensive investments which could lag in a recovery scenario.

The UK's medium term macro economic outlook is a cause for concern given the fundamental weakness of the fiscal position. Having said this, our view that the period of material sterling weakness is probably over, combined with some attractive valuations on the UK market, caused us to lift exposure in the last few months and we have continued this process at the start of the new financial year.

North American portfolio

The US market was pummelled over the last 12 months as the economy plunged into a very deep recession. Things really fell apart in September following the failure to rescue Lehman Brothers, and the resulting confusion in credit markets and general loss of confidence resulted in the Russell 2000 Index halving over the following six weeks. The market tried to rally towards the end of 2008 but then hit new lows early in March this year as the reality of the depth of recession hit home.

However, the Russell 2000 rallied strongly as the financial year drew to a conclusion, with hopes that a recovery was beginning, helped by encouraging noises from first quarter company results and rallies in higher yield debt markets. The index fell 30.8% in the twelve month period on a total return basis, but the rally in the dollar meant that this loss was only 7.4% in sterling terms. The performance of the US portfolio was very strong in the year, rising by 8.2% measured in sterling. This was particularly pleasing as the portfolio had previously had two difficult years as so-called "value stocks", on which the portfolio focuses, performed poorly going into the recession.

As in the UK, small companies outperformed in the year, with the S&P 500 Index being down 13.5% in sterling terms. Not only did the overall indices have a tumultuous time but within this there were some even bigger swings: in particular, the energy sector at first continued to rally until the end of June, when it reached extreme levels before breaking and then plunging to just 20% of peak value.

We correctly anticipated the peaking in energy and went underweight at the end of May 2008. We subsequently moved back to an overweight position starting in Autumn. The spending drought in the 1980s and 1990s means that supply will not be able to keep up with future demand growth and prices will again rise. We have made purchases in engineering and construction, oil service, exploration and production, coal and solar power.

During the year we looked to invest in businesses which would be less affected by the downturn, such as infrastructure (for example **Astec Industries**,

Industrial services business Harsco supplies a wide range of critical services in steel production plants around the world.

which makes road building equipment) and aerospace (**Curtiss-Wright**, a precision engineering company). We also bought funeral services business **Service Corp International**. The low birth rate in the 1930s and the weak economy are depressing this industry near-term, but it is fundamentally a strong, consistent, long-term business. Recovery potential in depressed housing related stocks was targeted, with flooring covering supplier **Mohawk Industries** an example of this. Towards the end of the period we made several investments in industrial recovery, in particular in metals-related stocks such as mill services provider **Harsco**.

The largest sales within the portfolio were in stocks which performed well, and in the consumer sectors. We reduced the portfolio's exposure to the US consumer in favour of industrials because we believe the long-term outlook for consumer spending will be limited by the level of personal indebtedness.

The biggest contributions to performance came from bids and recovery stocks. Both telecommunications company **Centennial Communications** and **Longs Drug Stores** were taken over during the year, while **Crawford & Co**, a claims adjuster, **Beacon Roofing Supply**, a roofing products distributor and **Career Education**, a provider of post-secondary education, were three recovery stocks which contributed strongly. Of course not everything went well, and one of the poorer performers was office supplies manufacturer **ACCO Brands**, which was hit by higher commodity prices and then a revenue decline, threatening its solvency. New management are taking drastic action and we have retained this stock. Another problem area in the portfolio was mezzanine lenders, like **American Capital**. Although these lenders are far less leveraged than banks and do not lend to consumers, the combination of credit losses and write-downs in their private equity portfolios led to an investor panic that they would not be able to maintain solvency.

New President Barack Obama's domestic agenda is focused on helping the economy, providing universal healthcare and improving the environment. It is often dangerous to base investment decisions on political intentions as the outcome cannot be guaranteed with any degree of certainty. However, the portfolio is underweight in the healthcare sector because the cost of providing care to the 40m or so uninsured will need to be paid for and this will likely

Manager's Review (continued)

come from reductions to future growth in spending on current Medicare entitlements. We have investments in infrastructure which should benefit from spending initiatives as well as green energy. We own **Quanta Services**, an electrical contractor which serves the electricity distribution industry, **Baldor Electric**, which manufactures energy-efficient industrial motors, **GT Solar**, a solar power company and **ICF International**, an environmental consultant.

There is growing confidence in the market that the US economy is at the early stages of a recovery, with a range of companies reporting that they are seeing better trading conditions, although some industries such as automotive remain very weak. We believe that the entrepreneurial spirit of Americans will help to ensure that a recovery occurs soon. The risk however is that this is accompanied by inflation given the unprecedented monetary expansion.

The scale of outperformance from the US portfolio and market compared to elsewhere over the last period has encouraged us to take some cash out at the start of the new year, though we remain overweight at this stage.

Continental European portfolio

Continental European smaller company shares registered a disappointing performance over the reporting period. The benchmark index in this area, the HSBC Smaller Europe ex UK Index, fell by 28.3% in sterling total return terms in the year. Measured in euros, the loss was even greater at 36.9% and smaller companies performed somewhat worse than large. The European portion of the Company's portfolio of investments underperformed the benchmark with a sterling total return of -33.3%.

As late as the summer of 2008, investors in Europe were vacillating between hopes that the credit crunch would have no lasting impact on the real economy and fears that the continuing liquidity freeze and the authorities' reaction to the dislocation would result in stagflation, that is, inflation with no growth and high unemployment levels. Economic releases and still buoyant company earnings throughout the spring and summer months lent credence to the optimists, only for their hopes to be cruelly dashed by the collapse of Lehman Brothers at the beginning of September.

With even short-term trade financing now difficult and expensive to come by, the effect on companies' business levels was dramatic. One company after another across Europe recounted how orders and sales had experienced a dramatic and sudden fall-off in late September. By the end of the calendar year, European economies and company profits were in full flight. Export-dependent Germany saw GDP fall by 2.1% in the fourth quarter of 2008, while fundamentally less strong economies such as Spain and Ireland, together with a number of Central European economies, have seen even worse trends, as construction booms have come to a rapid halt.

As far as the European Central Bank ("ECB") was concerned, inflation fears persisted throughout much of the year. Reacting to high energy and food prices over the spring months, the ECB initially raised interest rates in July to the level of 5.25%. By the end of the reporting period, successive cuts had brought the benchmark rate back down to just 1.25% as inflation fears finally receded.

Measured by industry sector weighting, the portfolio suffered particularly in the fourth quarter of 2008 from a heavy bias towards capital goods companies traditionally seen as being particularly sensitive to turning points in the economic cycle. The negative contribution from this overweight position could not be entirely offset by the relative strong showing by both the pharmaceutical & healthcare and IT sectors where the portfolio was similarly overweight.

The industrial sector positioning was also mirrored in the individual stock contribution to the annual returns. Top of the list was Swiss-based generic pharmaceuticals producer **Acino**, formerly called Schweizerhall. This company now ranks as one of Europe's leading producers of slow-release formula tablets and dermal patches and continues to show strong profits growth. Spanish companies also featured among the best performing stocks over the year despite the well-publicised economic woes afflicting the country. **Indra Sistemas** is a Spanish IT services company with a proud history of maintaining profits growth through all phases of the economy. **Zardoya Otis** is the Spanish arm of the Otis lift network and benefits from hugely resilient cashflow and a rock solid balance sheet.

At the other end of the scale, one of the previous year's winners, **Odim**, had a much more difficult time. Despite a near monopoly position in a specialised market for oil equipment, the shares were not immune to the negative impact of the dramatic slump in the price of oil. Greek stocks in general suffered from the general flight from risk and our one remaining Greek position was no exception. As a manufacturer of refrigerated display cabinets, **Frigoglass** is dependent on the discretionary capital spend of the major soft drinks and alcoholic beverage companies. Bringing up the rear in terms of individual stock performance was **Q-Cells**. Having enjoyed a very strong showing early on in the year, the share price of the world's largest manufacturer of solar cells tumbled as the economics of solar energy were called into question by the plummeting oil price and the heavy cash-draining investments required.

Tod's ranges of fashion accessories are still proving popular despite the economic downturn.

In light of the changed investment climate, the European team have undertaken a fundamental reassessment of the portfolio. This has led to a reduction in the weighting of capital goods sectors in favour of selected stocks in the general retail and media sectors which now look undervalued, a sell-out of illiquid holdings for which the business prospects have deteriorated and the addition of a few more holdings to lessen stock specific risk. Overall, we remain slightly cautious on the outlook for European markets especially following the sharp increase in share prices seen in March and April, though we have modestly increased the Company's overall exposure to Europe early in the new year from its historically low year end level.

Japanese portfolio

After two years of poor returns relative to other parts of the world, the Japanese market thankfully delivered a better showing in the year under review in sterling terms. As already mentioned however, this was mainly due to the extreme strength of the yen rather than any marked underlying improvement in corporate performance; indeed Japanese stocks in local currency terms performed little differently to elsewhere.

For the period as a whole, performance of the portfolio at -0.3% fell short of the 0.7% sterling total return of the FTSE Japan Small Cap Index, the local index we use to compare performance, though we were ahead of other small cap indices, the Tokyo Second Section (-4.3% in sterling terms) and the MSCI Japan Small Cap Index (-2.9%).

A year ago we decided to use funds to gain exposure to the Japanese small company market rather than investing in individual Japanese stocks. We have used this approach successfully in Asia for the last three years. Having decided to go down this route, a detailed assessment of the various fund managers offering Japanese smaller company funds was undertaken. This revealed that there are in fact a very limited number of potential managers with consistent, good track records in Japanese small cap investing. As a consequence, we decided to gain part of the exposure to the market through the **iShares MSCI Japanese Small Cap Exchange Traded Fund** ("ETF"). This is a passively managed fund which provides us with an index matched

Manager's Review (continued)

position against the MSCI Japanese Small Cap Index. While this is not the present benchmark for the Japanese portfolio, it is generally representative of the universe we target.

Late last year we had taken a holding in the **AXA Rosenberg Japan Small Cap Alpha Fund**, which uses quantitative methods to screen and select a portfolio, which has proved successful in the Japanese market over the long-term. Both this and the ETF did considerably better than the average Japanese open or closed end small cap fund, so in general this was a satisfactory start for the new approach. We will continue to review the potential options in the market and may add an additional fund, or funds, in the year ahead.

In terms of the market background, Japan, like other parts of the world, eventually felt the full brunt of the downturn in economic activity. While the country's banking system had not engaged in the excessive lending practices prevalent elsewhere, the economy was hammered in the second half of 2008 and early in 2009 by a collapse in export business. This was initially impacted by the rise in the value of the yen, which hurt competitiveness, but later on the main influence became the global downturn in world trade. Following on from the fall off in exports, companies in Japan, as elsewhere, materially scaled back capital investment plans, hurting machinery orders.

On a more positive note, there is evidence to suggest that Japanese companies are becoming more alert to the need to carry out business reorganisations at times like these to protect shareholder interests and enhance profitability. In the past, companies have sometimes been slow to act to cut costs in Japan. In addition the government has announced a significant stimulus package comprising a wide range of measures to take effect from the second half of 2009, which should help promote a recovery in activity.

In the stock market, for the early part of the year, defensive, domestically focused companies were in favour as investors looked to avoid exposure to the weakening in world trade and exports as the yen gained ground. However, as in most other places, later in the year the focus shifted back to cyclicals, perceived to offer the best returns in a recovery scenario. Within the market, smaller companies actually performed quite well relative to large, with their greater domestic focus proving helpful.

As mentioned earlier, we reduced exposure to the Japanese market late in the year, and ended the period underweight. This was in part due to the belief that the yen could give up some ground in 2009 reflecting the pain felt by the export sectors, and a move to a higher risk appetite in the financial markets. Valuations in Japan however do look low by historic standards on the basis of price to book ratios, and companies are generally more modestly geared than elsewhere, providing greater flexibility. If the yen does weaken as we expect, then we may well increase the weighting to the market again.

Asian portfolio

Returns in Asian markets were disappointing in the year under review following on from a strong 2007/8. The local benchmark index, the FTSE Asia ex Japan Small Cap Index returned -30.8% measured in sterling, as sadly the region proved unable to de-couple from events elsewhere in the rest of the world. The portfolio produced a smaller negative sterling total return of -19.7%.

The Asia Pacific region as a whole, like Japan, did not suffer the banking turmoil of the Anglo Saxon economies but, as time passed, significant reductions in export business to the US and European markets started to become evident in the economic data, and some of the region's currencies came under pressure. The ending of spending associated with the Beijing Olympics also served to leave even the rampant Chinese economy under pressure. Economies hit particularly hard included those more dependent on international trade flows such as Korea, Taiwan and Singapore, and most of the larger economies with the exception of China, India and Indonesia are likely to be in recession during 2009.

It has not been all doom and gloom in the region however, and consumer spending generally held up quite well, while the stronger fiscal positions of many of the region's leading countries leaves them better placed to finance economic stimulus packages. The Chinese $585 billion package of economic stimulus measures also appears to be having an impact quicker than the US proposals. In the first quarter of 2009, the Chinese economy grew by a still respectable 6.1%.

As in other markets it was generally right to be defensive early in the period and switch to a more aggressive portfolio stance later in the year. In terms of the portfolio, we retained the same six funds throughout the year, though there were some changes made to the relative sizes of the holdings, as some are more responsive to overall market trends than others. We added to the exposure through the year as we felt that the region could turn earlier than other parts of the world.

The best performing fund in the year was **The Scottish Oriental Smaller Companies Trust**, which only fell by 10.1%. A defensive bias to its portfolio and conservative stance to gearing, helped support the performance of this investment trust. Next best in the year was the **Aberdeen Global-Asian Smaller Companies Fund**, which was helped notably early in the year as the "value stocks" that it favours were in vogue. The worst performer was the **AXA Rosenberg Pacific ex Japan Small Cap Alpha Fund** which lacked enough cyclical exposure into the recent rally.

Asian markets have recovered sharply since the Spring turn in sentiment. We expect these markets to continue to do well in the year ahead, though an important driver will be news from the US, which still provides a significant proportion of the region's export business. The continuing emergence of China as an economic force does mean that, over time, there is a healthier internal dynamic to the region, reducing the previous dependence on the developed world.

Conclusion

With the world in recession, and corporate earnings under significant pressure, the coming year will no doubt continue to prove challenging. However, with share prices still significantly down on their peak levels, and analyst forecasts slashed to take account of the recession, we believe that there is value in equities at present. Having said this, we do need to see real evidence rather than just green shoots of a recovery coming through to justify further gains in share prices.

On a longer term basis, we are concerned that recent radical policy changes such as "quantitative easing", whereby the authorities effectively create money to buy in existing government and other bonds, must at some point prove to be inflationary, which could potentially lead to an increase in interest rates.

As usual, in the year ahead we will endeavour to make sound stock selection decisions and must also remain alert to likely trends in the currency markets to make the right asset allocation decisions.

Peter Ewins
17 June 2009

Thirty Largest Holdings

30 April 2009	*30 April 2008*		% of total investments	Value £m
1	–	**iShares MSCI Japanese Small Cap Exchange Traded Fund ("ETF")** Japan An exchange traded fund (ETF) providing exposure to Japanese smaller companies.	3.7	5.8
2	*7*	**Axa Rosenberg Japan Small Cap Alpha Fund** Japan Fund providing exposure to Japanese smaller companies.	2.6	4.1
3	*6*	**The Scottish Oriental Smaller Companies Trust** Asia Pacific (excluding Japan) Investment trust providing exposure to Asian smaller companies.	1.9	3.0
4	*4*	**Aberdeen Global-Asian Smaller Companies Fund** Asia Pacific (excluding Japan) Fund providing exposure to Asian smaller companies.	1.8	2.9
5	*2*	**Allianz GIS RCM Little Dragons Fund** Asia Pacific (excluding Japan) Fund providing exposure to Asian smaller companies.	1.8	2.8
6	*5*	**Utilico Emerging Markets** Asia Pacific (excluding Japan) Investment company focusing on utility and infrastructure companies in emerging markets.	1.1	1.8
7	*163*	**Pace** United Kingdom Technology developer for the global pay TV industry.	1.1	1.8
8	*3*	**Axa Rosenberg Pacific ex Japan Small Cap Alpha Fund** Asia Pacific (excluding Japan) Fund providing exposure to Asian smaller companies.	1.1	1.7
9	*8*	**SDL** United Kingdom World leader in localisation technology and services, including manual and technology driven translation of internal and external literature.	1.0	1.6
10	*16*	**Hill & Smith Holdings** United Kingdom Supplier and manufacturer of a wide range of infrastructure and construction-related products.	1.0	1.5
11	*9*	**City of London Investment Group** United Kingdom Fund management business mainly investing in closed end emerging market funds.	0.9	1.4
12	*11*	**Connaught** United Kingdom Provides property related services including maintenance for the social housing market, and a range of compliance services for the private sector.	0.9	1.4
13	*101*	**Horizon Lines** United States A US-based shipping business.	0.9	1.4
14	–	**GATX** United States Specialist railcar leasing business.	0.9	1.4

30 April 2009	*30 April 2008*		% of total investments	Value £m
15	–	**CommScope** United States Telecommunications equipment supplier specialising in cabling.	0.9	1.3
16	*14*	**Australian New Horizons Fund** Australia Fund providing exposure to Australian smaller companies.	0.8	1.3
17	*133*	**Cardinal Financial** United States Regional bank operating in Virginia and Washington DC.	0.8	1.3
18	*29*	**Community Health Systems** United States Operator of hospitals based in rural parts of the US.	0.8	1.3
19	*38*	**Baldor Electric** United States Manufacturer of premium electric motors for industrial customers.	0.8	1.3
20	*77*	**Big 5 Sporting Goods** United States Neighbourhood sports goods retailing business.	0.8	1.2
21	*140*	**Bucyrus International** United States Mining equipment manufacturer, mainly serving the coal industry.	0.8	1.2
22	–	**Allegheny Technologies** United States Specialist alloys supplier.	0.8	1.2
23	–	**Kirby** United States Leading operator of inland barges within the US.	0.8	1.2
24	*51*	**James Fisher** United Kingdom Provides a range of services and products into the marine industry, and engineering services to the nuclear industry.	0.8	1.2
25	*22*	**Genus** United Kingdom A world leader in animal genetics aiming to enhance agricultural productivity.	0.7	1.2
26	–	**Brush Engineered Materials** United States Produces a variety of advanced materials for a range of end markets.	0.7	1.1
27	*37*	**Alleghany** United States Specialist commercial insurer.	0.7	1.1
28	*94*	**Genesee & Wyoming** United States A short-line railway company in the Americas and Australia.	0.7	1.1
29	*156*	**Bottomline Technologies** United States Software business supplying payments and invoice automation systems and services.	0.7	1.1
30	*70*	**Airgas** United States The leading distributor of packaged gases in the US.	0.7	1.1

The value of the thirty largest equity holdings represents 33.0% (30 April 2008: 26.6%) of the Company's total investments.

List of Investments

Quoted investments	Holding	30 April 2009 Value £'000s
CONTINENTAL EUROPE		
AUSTRIA		
Andritz	15,000	**348**
BELGIUM		
Tigenix	136,195	**419**
DENMARK		
Ringkjoebing Landbobank	10,000	514
Topdanmark	4,500	362
Total Denmark		**876**
FINLAND		
Konecranes	12,000	167
Cargotec	18,500	163
Total Finland		**330**
FRANCE		
Nexity	20,000	441
Rubis	10,000	385
Ipsos	25,000	384
Faiveley	7,500	372
SEB	16,000	367
Total France		**1,949**
GERMANY		
Kloeckner & Co	35,000	307
Rheinmetall	7,000	201
Washtec	29,545	146
Total Germany		**654**
GREECE		
Frigoglass	62,235	232
Titan Cement	6,733	117
Total Greece		**349**
IRELAND		
Grafton Group	170,000	405
Norkom	600,000	389
DCC	25,000	305
Total Ireland		**1,099**
ITALY		
Davide Campari	80,000	365
Digital Multimedia	64,420	363
Tod's	10,000	348
Hera	210,000	287
Trevi Finanziaria	11,579	74
Total Italy		**1,437**

Quoted investments	Holding	30 April 2009 Value £'000s
NETHERLANDS		
Randstad Holding	25,000	390
Arcadis	20,000	201
Total Netherlands		**591**
NORWAY		
Odim	59,851	**216**
SPAIN		
Indra Sistemas	40,000	537
Zardoya Otis	14,000	194
Baron de Ley	3,805	93
Total Spain		**824**
SWEDEN		
AF	35,500	362
Meda	80,033	362
Total Sweden		**724**
SWITZERLAND		
Goldbach Media	24,552	436
Partners Group	7,000	415
Acino Holding	3,000	302
Lindt & Spruengli	15	195
Cytos Biotechnology	11,773	89
Total Switzerland		**1,437**
TOTAL CONTINENTAL EUROPE		**11,253**
ASIA PACIFIC (EXCLUDING JAPAN)		
Aberdeen Global-Asian Smaller Companies Fund	261,872	2,861
Allianz GIS RCM Little Dragons Fund	61,094	2,810
Axa Rosenberg Pacific ex Japan Small Cap Alpha Fund	98,011	1,732
The Scottish Oriental Smaller Companies Trust	1,150,000	2,956
Utilico Emerging Markets*	1,673,791	1,799
TOTAL ASIA PACIFIC (EXCLUDING JAPAN)		**12,158**
JAPAN		
Axa Rosenberg Japan Small Cap Alpha Fund	551,140	4,106
iShares MSCI Japanese Small Cap ETF	476,498	5,837
TOTAL JAPAN		**9,943**

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 April 2009 Value £'000s
UNITED KINGDOM		
888 Holdings	497,437	487
Abbey Protection*	810,213	454
Alterian	649,883	624
Aveva Group	131,197	741
Begbies Traynor*	424,396	458
Bowleven*	195,899	113
Brit Insurance	357,676	663
Brown (N) Group	247,014	582
CareTech*	241,790	737
Carpetright	60,525	348
Carphone Warehouse	499,181	746
Charter International	139,160	778
Chaucer Holdings	1,967,424	792
Chloride Group	487,880	795
City of London Investment Group*	749,437	1,439
CLS Holdings	332,139	998
Cohort*	530,180	907
Concateno*	742,696	706
Connaught	399,503	1,419
Craneware*	506,238	1,114
Croda International	45,820	249
CVS Group*	496,795	666
Cyril Sweett*	777,232	256
Dechra Pharmaceuticals	125,370	507
Derwent London	80,950	679
Dignity	91,918	483
Domino Printing Sciences	128,633	295
Dominos Pizza	297,980	609
Dunelm Group	148,169	381
E2V Technologies	333,360	346
Elementis	860,572	224
Fuller Smith & Turner	129,366	589
Genus	196,285	1,182
Gulfsands Petroleum*	461,567	831
Hansard Global	440,859	667
Healthcare Locums*	419,980	624
Hill & Smith Holdings	667,563	1,500
ITE Group	475,441	455
James Fisher	268,825	1,183
Keller Group	41,494	247
Kier Group	76,702	752
Laird Group	276,004	428
Lupus Capital*	1,460,534	263
McBride	398,286	502

Quoted investments	Holding	30 April 2009 Value £'000s
Mears Group	124,509	324
Melrose	540,604	507
Michael Page International	50,100	138
Micro Focus International	269,968	861
Mitie Group	261,195	540
Morgan Crucible	376,724	427
Mouchel	149,755	382
New Britain Palm Oil	129,935	487
Norcros	345,000	31
Northern Petroleum*	420,379	496
Oakley Capital Investment*	425,027	264
Orchid Developments*	986,579	414
Pace	1,048,728	1,772
Persimmon	158,010	604
Plastics Capital*	863,285	259
Premier Oil	87,714	916
Premier Oil (Nil Paid Rights)	38,984	217
PureCircle*	206,481	506
Redhall Group*	188,122	325
Restaurant Group	439,814	700
Robert Wiseman Dairies	318,196	1,098
SDL	477,531	1,552
Senior Group	1,884,644	664
Severfield-Rowen	334,474	737
Shed Media*	815,564	542
SIG	187,569	300
Sirius Real Estate*	4,208,035	818
Spectris	106,908	630
Spice Holdings	1,546,428	932
STM Group*	1,540,857	616
Synergy Healthcare	215,018	839
Tarsus Group	490,395	461
Telecity	311,988	824
Ultra Electronics	44,763	530
Utilico	819,841	795
Vectura	569,918	405
Venture Production	35,264	282
VT Group	144,534	671
William Hill	346,330	757
Wincanton	563,797	902
Workspace Group	2,682,564	409
TOTAL UNITED KINGDOM		**53,753**

* Quoted on the Alternative Investment Market in the UK.

List of Investments (continued)

Quoted investments	Holding	30 April 2009 Value £'000s
UNITED STATES		
ACCO Brands	530,164	737
ACI Worldwide	61,406	716
Actuant "A"	104,248	860
Airgas	39,138	1,138
Alleghany	6,769	1,140
Allegheny Technologies	55,397	1,223
Amedisys	49,057	1,110
American Equity Investment Life Holding	255,930	972
American Capital	298,758	623
America's Car-Mart	91,660	1,003
AMERIGROUP	36,900	744
Apollo Investment	138,200	448
Astec Industries	43,700	909
Atlantic Tele-Network	69,196	1,028
Avocent	92,377	900
Baldor Electric	80,005	1,250
Beacon Roofing Supply	67,678	726
Big 5 Sporting Goods	222,387	1,235
Bottomline Technologies	215,035	1,139
Brown & Brown	66,597	871
Brush Engineered Materials	100,300	1,141
Bucyrus International	83,673	1,225
CapitalSource	318,777	656
Cardinal Financal	239,716	1,270
Career Education	53,586	797
CommScope	79,720	1,347
Community Health Systems	82,351	1,266
Conn's	89,095	988
Continental Resources	63,798	1,005
Cousins Properties	174,616	983
CRA International	62,561	985
Crawford & Company "B"	273,956	1,096
Curtiss-Wright	46,498	1,001
Denbury Resources	60,777	667
Firstcity Financial	160,320	341
Five Star Quality	663,376	752
FMC Technologies	31,354	723
Foster Wheeler	69,299	1,005
Foundation Coal Holdings	96,794	1,058
GATX	69,411	1,406
Genesee & Wyoming "A"	56,281	1,139
Global Industries	233,817	1,021
GT Solar International	151,009	716
Harsco	56,392	1,046
Harvard Bioscience	480,272	940
HCC Insurance	42,134	677
Helmerich & Payne	47,304	984
Horizon Lines	393,322	1,412
ICF International	24,843	461
Infinity Property & Casualty	34,235	814
Kirby	57,036	1,188
Lamar Advertising "A"	63,845	723
Mac-Gray	129,150	599
Markel	5,393	1,023
McDermott International	91,376	995
Mohawk Industries	34,499	1,100
Mueller Water Products	329,418	931
Palm Harbor Homes	117,946	240
Premiere Global Services	144,824	1,029
Prestige Brands	204,826	893
Pride International	64,788	989
Quanta Services	49,013	752
Roper Industries	30,225	927
Sanderson Farms	31,230	841
SBA Communications	49,382	840
Service Corporation International	340,552	1,039
Simpson Manufacturing	72,201	1,085
SRA International "A"	86,516	897
The Andersons	91,973	997
Thomas & Betts	41,556	872
Toll Brothers	59,800	816
United Community Banks	183,181	794
Universal Truckload Services	112,396	934
Walter Energy	57,350	882
Walter Investment Management	18,833	89
TOTAL UNITED STATES		**69,169**
TOTAL QUOTED INVESTMENTS		**156,276**

Unquoted investments	Holding	30 April 2009 Value £'000s
AUSTRALIA		
Australian New Horizons Fund	1,941,795	**1,327**
UNITED STATES		
US Ventures	n/a	**65**
TOTAL UNQUOTED INVESTMENTS		**1,392**
TOTAL INVESTMENTS		**157,668**

The number of investments in the portfolio is 206 (2008: 229). The value of convertible securities in the portfolio at 30 April 2009 is £nil (2008: nil).

Management and Advisers

The management company

F&C Global Smaller Companies PLC ("the Company") is managed by F&C Management Limited ("F&C" or "the Manager"), a wholly owned subsidiary of F&C Asset Management plc. The Manager is authorised and regulated by the Financial Services Authority. F&C is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

Peter Ewins Lead Manager: Responsible for the UK equity portfolio, selection of collective funds for Japan and the Pacific region and overall asset allocation. He joined F&C in 1996.

Robert Siddles: Responsible for the US portfolio. He joined F&C in 2001.

Crispin Longden: Responsible for the Continental European portfolio. He joined F&C in 2000.

Mike Woodward

Head of investment trusts at F&C and responsible for F&C's relationship with the Company. He joined F&C in 2006.

Debbie Fish

Carries out the company secretarial duties of the Company on behalf of the Manager. She joined F&C in 2004.

Secretary and registered office

F&C Management Limited, Exchange House, Primrose Street, London EC2A 2NY

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Independent auditors

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Bankers

JPMorgan Chase & Co

The Royal Bank of Scotland plc

Custodian

JPMorgan Chase & Co

Registrars

Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH

Telephone: 0870 889 4088

Facsimile: 0870 703 6142

Solicitors

Norton Rose LLP, 3 More London, Riverside, London SE1 2AQ

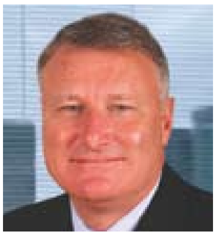
Stockbrokers

JPMorgan Cazenove Limited, 20 Moorgate, London EC2R 6DA

Directors

Anthony Townsend, Chairman, was appointed to the Board on 24 September 2004. He has spent over 40 years working in the City of London and was chairman of the Association of Investment Companies from 2001 to 2003. He is chairman of British & American Investment Trust PLC, Finsbury Growth & Income Trust PLC and iimia Investment Trust plc and a non-executive director of Finsbury Worldwide Pharmaceutical Trust PLC. Age 61.

Andrew Adcock was appointed to the Board on 31 July 2007. He was, until recently, vice chairman of Citigroup Corporate Broking and has more than 30 years' experience in the City of London. He is a non-executive director of Majedie Investments PLC. Age 55.



Les Cullen, chairman of the Audit and Management Engagement Committee, was appointed to the Board on 1 September 2006. He is a non-executive director and chairs the audit committees of Interserve plc and Avis Europe plc and is a non-executive director of Sustrans Ltd. He was previously group finance director of Prudential plc and Inchcape plc and chairman of several private equity owned companies. Age 57.

Dr Franz Leibenfrost, Senior Independent Director, was appointed to the Board on 15 February 1999. He is a non-executive director of various European companies. Age 71.

Jane Tozer was appointed to the Board on 13 June 2005. She is a non-executive director of the John Lewis Partnership plc, JPMorgan Income & Growth Investment Trust plc, Elexon Ltd, The Pension Disability & Carers Service and Citizens Advice in Three Rivers Ltd. She previously worked at IBM and then as CEO of a software development company. Age 61.

Mark White was appointed to the Board on 31 July 2007. He is a very experienced fund manager who was joint head of JPMorgan Asset Management in Europe. He is a non-executive director of Impax Group Plc. Age 54.

All Directors are members of the Audit and Management Engagement Committee and the Nomination Committee.

Directors' Report and Business Review

The Directors present their Report, Business Review and the financial statements of F&C Global Smaller Companies PLC ("the Company") for the year ended 30 April 2009. The financial statements are set out on pages 39 to 59.

Results and dividends

The Company's net asset value ("NAV") per share on a total return basis fell by 14.8% in the year ended 30 April 2009, compared to a fall of 17.9% for the blended index of the Hoare Govett UK Smaller Companies Index (40%) and the MSCI World ex UK Small Cap Index (60%) ("the Benchmark"). The Manager's Review on pages 7 to 15, which forms part of this Business Review, describes how the Company's assets were invested during the year, including the regional strategy and the effect of stock selection and asset allocation on performance.

Investment income received was relatively stable in the year, although a shift into lower yielding markets and lower interest rates had some adverse effect. However, income was boosted by the recovery of around £1.7m in respect of overpaid VAT and interest thereon, as explained in the Chairman's Statement on pages 5 and 6, £0.7m of which has been recognised in the Income Statement on page 39. Income from stock lending activity was £42,000; this activity ceased in September 2008 due to uncertainty and concern about counterparty risk in turbulent markets.

No performance fee is payable to the Manager for the year under review. Despite this, the Company's total expense ratio ("TER") has risen mainly due to a fall in the Company's NAV, but remains low in comparison to other investment trusts specialising in smaller companies.

Net revenue return attributable to shareholders decreased by 3.2%, while revenue earnings per share increased by 2.2%. The Company has a 39 year record of increasing its dividend (excluding special dividends) and the Board remains committed to a progressive dividend policy. The recommended final dividend of 3.29p per share is payable on 6 August 2009 to shareholders on the register of members on 3 July 2009. This dividend, together with the interim dividend of 1.60p per share, makes a total dividend of 4.89p per share. This represents an increase of 1.2% over the 4.83p per share for the previous year.

Principal activity and status

The Company is an investment company as defined by section 833 of the Companies Act 2006 ("CA2006"). As such, it analyses its income between revenue, which is available for distribution by way of dividends, and capital, which it is prohibited from distributing other than by way of share buybacks. The Company is subject to the UK Listing Authority's Listing Rules, UK company law, financial reporting standards, taxation law and its own articles of association, amendments to which must be approved by shareholders via a special resolution. The Company has a secondary listing on the New Zealand Stock Exchange.

Investment trust taxation status

The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains, provided it complies at all times with section 842 of the Income and Corporation Taxes Act 1988 ("section 842"). Such compliance, which includes investing no more than 15% of the total portfolio in any one investment, deriving its income wholly or mainly from shares and securities and retaining no more than 15% of such income, qualifies the Company as an investment trust. This status is granted annually in retrospect by HM Revenue and Customs subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has qualified as an investment trust in respect of all relevant years up to and including the year ended 30 April 2008 and continues to conduct its affairs in compliance with section 842.

Accounting and going concern

The financial statements, starting on page 39, comply with current UK financial reporting standards, supplemented by the statement of recommended practice for investment trust companies ("SORP") issued in January 2009. The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified auditors' opinion on the financial statements appears on page 38. The Company's objective and policy, which is described

Directors' Report and Business Review (continued)

below and is subject to a process of regular Board monitoring, is designed to ensure that the Company is invested mainly in readily realisable liquid, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by its custodian, has a trust deed governing its debenture and agreements relating to any borrowing facilities. Cash is held only with banks approved and regularly reviewed by a committee of the Manager.

Note 26 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in: the value of securities; the rates of exchange of various currencies against sterling; and the changes in market rates of interest.

The Directors believe that, in light of the controls and review processes in place, the Company has adequate resources to continue in operation, within its stated objectives and policy, for the foreseeable future. Accordingly, the accounts are drawn up on the basis that the Company is a going concern.

Investment objective and policy

The Company invests in smaller companies worldwide in order to secure a high total return.

While smaller companies offer excellent potential, there are risks compared with investing in large capitalisation stocks. Smaller companies tend to be less mature, are not as diversified and can be more dependent on a limited number of key personnel. They may also find it more difficult to access finance, particularly in times of recession. Share prices of smaller companies tend therefore to be more volatile. This investment risk is mitigated by investing in a large number of stocks in various industry sectors and geographic areas. There are no specific sector or geographic exposure limits. The geographic and industrial diversification of the portfolio at 30 April 2009 is shown in the charts on page 7 and a full list of investments appears on pages 18 to 20.

The Company can borrow in either sterling or foreign currencies. Effective gearing is normally 0-20% of shareholders' funds, valuing the Company's debenture at nominal value. As at 30 April 2009, the effective gearing level was 4.1%.

The Board, on advice from the Manager, monitors the foreign exchange outlook, as this can affect both the asset allocation and borrowing strategy, and can hedge the portfolio against currency movements. No such hedging has been undertaken in the period under review.

The Company is mainly invested in quoted equities, including those quoted on the Alternative Investment Market. It is able to invest in other types of securities or assets, including collective funds. Investments in unquoted securities can be made with the prior approval of the Board. Derivative instruments, such as futures, options and warrants, can be used for efficient portfolio management, up to a maximum of 10% of the NAV per share at any one time. At 30 April 2009, 0.9% of the portfolio was invested in unquoted securities. No derivatives were held at that date.

Under the Company's articles of association, no investment, with limited exceptions, may be made by the Company which exceeds 10% of the value of the total portfolio at the time of acquisition. No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated that they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%. At 30 April 2009 the Company held 3.5% of its portfolio in UK listed investment companies.

The Manager's compliance with the limits set out in the investment policy is monitored by the Board.

Capital structure and buyback policy

As at 30 April 2009 there were 41,915,918 ordinary shares of 25p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. Details of the capital structure can be found in note 18 on the accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares.

As explained in the Chairman's Statement, the Board has committed to keep the discount (with the NAV per share excluding current period income and the debenture at market value) at close to 5% in normal market conditions. Subject to annual shareholder approval, the Company may purchase its own shares at a discount to NAV per share. Share buybacks take place as necessary with the aim of preventing the discount widening materially in normal market conditions. The Company repurchased 2,008,863 shares during the year, representing 4.6% of the issued share capital at 30 April 2008, at prices between 230.0p and 401.5p per share. The total consideration (including expenses) paid for all the shares repurchased was £6,210,000.

Between the year end and 17 June 2009, a further 50,000 shares have been purchased. Although the Board has authority to hold any shares bought back in treasury, it is the current strategy to cancel them. Any shares held in treasury would only be re-issued at a premium to NAV per share.

The Board closely monitors the discount, the historic levels of which are shown in the table on page 29.

Borrowings

The Company has a £10m 11.5% debenture stock, which matures in December 2014, further information on which is included in note 16 on the accounts. The Company also has the ability to utilise short-term borrowings by way of loans and overdrafts, subject to the limits set out in the investment objective and policy.

Principal risks and their management

The Company's assets consist mainly of listed equities and its principal risks are therefore market related. The Corporate Governance Statement includes a summary of the risk management arrangements on pages 35 and 36. By means of the procedures set out in that summary, and in accordance with the Internal Control: Guidance for Directors on the Combined Code published by the Working Party for the Institute for Chartered Accountants in England and Wales, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the period. This process has been in place throughout the year under review, and to the date hereof, and will continue to be regularly reviewed by the Board on an ongoing basis.

The specific key risks faced by the Company, together with our mitigation approach, include the following:

- Investment strategy – an inappropriate investment strategy could result in poor returns for shareholders and a widening of the discount of the share price to the NAV per share. The Board regularly reviews strategy and considers the allocation of assets between geographic regions and industrial sectors, gearing, currency exposure and the balance between quoted and unquoted stocks.
- Investment management resources – the quality of the management team employed by F&C is a crucial factor in delivering good performance and loss of the Manager's key staff could affect investment returns. The Manager develops its recruitment and remuneration packages in order to retain key staff, has training and development programmes in place and undertakes succession planning.
- Regulatory – failure to comply with applicable legal and regulatory requirements could result in the Company losing its listing and/or being subject to corporation tax on its capital gains. The Board reviews regular reports from the Manager on the controls in place to ensure the Company's compliance with these requirements, together with regular investment listings and income forecasts as part of its monitoring of compliance with section 842.
- Operational – failure of the Manager's core accounting systems, or a disastrous disruption to its business, could lead to an inability to provide accurate reporting and monitoring. The Manager is contractually obliged to ensure that its conduct of business conforms to applicable laws and regulations. The Manager has confirmed that reliable back-up systems are in place.
- Financial – inadequate financial controls could result in misappropriation of assets, loss of income and debtor receipts and inaccurate reporting of NAV per share. The Board regularly reviews the Manager's statements on its internal controls and procedures and subjects the books and records of the Company to an annual audit. The financial risks are set out in more detail in note 26 on the accounts on pages 55 to 59.

Directors' Report and Business Review (continued)

- **Counterparties** – the Company is exposed to potential failures by counterparties to deliver securities for which it has paid or to pay for securities which it has delivered. Further details are included on page 59.

The Board

The Board of non-executive Directors, whose appointment is approved by shareholders, is charged with ensuring that the Company complies with its objectives and the various rules and regulations. Further information on the role and powers of the Board is contained in the Corporate Governance Statement on pages 32 and 33.

Directors

Information on the individual Directors of the Company, all of whom are resident in the UK apart from Dr Franz Leibenfrost, who is domiciled in Austria, is set out on page 22.

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year.

Directors' remuneration and shareholdings

The Directors' Remuneration Report, which can be found on page 31, provides detailed information on the remuneration of the Directors. Shareholders will be asked to approve the Directors' Remuneration Report at the annual general meeting ("AGM"). The Directors' remuneration is not conditional upon the resolution being passed.

The beneficial interests of the Directors in the ordinary shares of the Company are shown in the adjacent table.

Directors' interests

at 30 April	2009	2008
Anthony Townsend	10,000	10,000
Andrew Adcock	–	–
Les Cullen	6,000	6,000
Dr Franz Leibenfrost	14,000	14,000
Jane Tozer	3,722	3,722
Mark White	5,000	5,000

There have been no changes in any of the Directors' interests in shares detailed above since the Company's year end.
No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than stated above.

Directors' re-election

All Directors held office throughout the year under review. Having served over nine years, Franz Leibenfrost will stand for re-election at the AGM. In accordance with the Company's articles of association, Anthony Townsend will retire by rotation.

Both of these Directors have made a valuable and effective contribution to your Company and the Board therefore recommends that you vote in favour of their re-election.

Director indemnification and insurance

On 24 July 2006, the Company entered into a deed poll providing the Directors with indemnities against liability to third parties arising in connection with any negligence, default, breach of duty or breach of trust by the Directors (such indemnities being qualifying third party indemnities and providing for the funding of defence costs, in each case as permitted under the CA2006). No such indemnity is provided in relation to a liability incurred by a Director to the Company in respect of proceedings in which he or she is convicted or a liability to pay a fine is imposed in criminal proceedings or by a regulatory authority. Any funding provided to a Director who is not exonerated must be repaid. The deed poll is available for inspection at the Company's registered office during normal business hours and at the AGM. The Company has insurance in place which indemnifies the Directors against certain liabilities arising in carrying out their duties.

Investment management and administration

In common with most investment trusts, the Company does not have any employees and the Board has appointed F&C Management Limited ("F&C" or "the Manager") to manage the investment portfolio on a day-to-day basis, as well as to carry out administrative, accounting, secretarial and marketing activities on behalf of the Company.

This appointment is governed by a management agreement, which is terminable upon six months' notice given by either party. Further information on the management agreement is set out in notes 4 and 5 on the accounts.

The Company invests around the globe and regional teams are in place at F&C to review investments in various geographic areas. These teams meet with the management of a large number of potential and existing investee companies each year. Assessing the quality of management of any potential investment is a key input into the investment process and extensive analysis is carried out in terms of market positioning, competitive advantage, financial strength and cash flow characteristics. Various valuation benchmarks are used to provide an indication of the prospects of an investment opportunity in relation to other potential investments in the same area or sector.

The Board measures the overall relative success of the Company against the Benchmark, with each regional sub-portfolio being measured against relevant local small capitalisation indices. The regional portfolio managers regularly present to the Board, providing a summary of recent activity and market outlooks.

While there is no definitive maximum market capitalisation range set for a stock to qualify as a "smaller company", the regional fund managers ensure that stocks qualify as smaller companies by local definition when initially purchased.

The Board and the Manager recognise the importance of marketing. Meetings are regularly held with current and potential new shareholders and with stockbroking analysts that cover the investment trust sector. The Manager actively promotes investment in the Company's shares through its range of savings plans. These savings plans include the F&C Personal Investor Plan, Individual Savings Account, Pension Savings Plan, Child Trust Fund and Children's Investment Plan. The Manager's savings plans have been successful in significantly increasing the number of investors.

The Manager is a subsidiary of F&C Asset Management plc ("FCAM"), a large European investment group. Friends Provident plc ("FP"), which owns 52% of FCAM, has published proposals to distribute its entire holding in FCAM to FP shareholders and it is anticipated that this will take place in early July 2009, subject to approval by FP's and FCAM's shareholders and the Court.

JPMorgan Chase is appointed to act as custodian of the Company's assets. Operational matters with the custodian are carried out by the Manager in accordance with the provisions of the management agreement.

Responsible ownership

The Manager's stated belief is that good governance creates value and therefore it takes a particular interest in corporate governance and sustainable business practices. This includes the integration of environmental, social and governance issues into its investment decisions. It votes all of its shares across all global markets whenever possible and engages with companies on corporate governance matters to encourage good practice. This includes engagement on significant social and environmental issues where these may impact shareholder value.

The Manager's current policy, which is available on its website, has been reviewed and endorsed by the Board, which encourages and supports the Manager on its voting policy and its stance towards environmental, social and governance issues.

The Board receives periodic reports on the implementation of the Manager's policy.

Management fee

A management fee of 0.40% per annum of the net assets managed by F&C (with the debenture stock valued at market value) is payable to the Manager in respect of the management, administration and ancillary services provided to the Company. A reduced annual management fee of 0.25% of the market value of investments in third party collective investment plans made on strategic grounds after

Directors' Report and Business Review (continued)

30 April 2006, such as those utilised within the Asian/Japanese part of the portfolio (as described in the Manager's Review), is paid to the Manager.

A performance fee may be payable annually if the net assets outperform the Benchmark. This fee is equal to 10% of the value of any outperformance in the year, subject to a maximum of 0.6% of average monthly net assets in that year. Performance above this cap is carried forward to the subsequent period for inclusion in the calculation of performance in that period. Any underperformance must be carried forward for inclusion in the subsequent calculation period, thus creating a high watermark. No performance fee was payable for the year under review (2008: nil).

Creditor payment policy

The Company's principal supplier is the Manager, the payment terms for which are set out in note 4 on the accounts. Other suppliers are paid in accordance with individually agreed payment terms. At 30 April 2009, the Company's outstanding trade creditors were equivalent to 17 days' payment to suppliers (2008: two days).

Key performance indicators

The Board uses the following key performance indicators ("KPIs") to help assess progress against the Company's objectives:

- NAV per share total return.
- Benchmark total return.
- Share price total return.
- Share price discount.
- Total expense ratio.
- Annual dividend growth.
- Regional performance against local benchmarks.

The tables on page 29, the Ten Year Record on pages 60 and 61 and the Manager's Review on pages 7 to 15 show how the Company has performed against these KPIs.

Manager's evaluation and re-appointment

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting, with a formal bi-annual evaluation taking place in June and December each year. In evaluating the performance of the Manager, the Board considers a range of factors including the investment performance of the portfolio as a whole, performance of the various regional sub-portfolios and the skills, experience and depth of the team involved in managing the Company's assets.

It also considers the resources and commitment of the Manager in all areas of its responsibility, including the marketing and administrative services provided to the Company.

In light of the long-term investment performance of the Manager and the quality of the overall service provided, it is the opinion of the Board that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Outlook

The outlook for the Company is reported in the Chairman's Statement on page 6 and in the Manager's Review on page 15.

GENERAL INFORMATION

Voting rights

At 17 June 2009 the Company had 41,865,918 ordinary shares in issue with a total of 41,865,918 voting rights. As at that date the Company had received notification of the following holdings of voting rights in accordance with the FSA's Disclosure and Transparency Rules:

	%
Prudential plc	9.06
Legal and General Group plc	5.27

The percentages are calculated by applying the holdings notified to the Company to the aggregate voting rights in respect of the issued ordinary share capital as at 17 June 2009.

The Manager holds 48% of the Company's share capital on behalf of non-discretionary clients through its savings plans. It is intended that the nominee company holding these shares will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have. Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in the savings plans being voted. A maximum limit of 50,000 shares that any one individual investor can vote, being approximately 5% of the minimum

Revenue results and dividends
for the year ended 30 April 2009

	£'000s	£'000s
Revenue return attributable to equity shareholders		2,430
Dividends paid in the year:		
Final dividend of 3.25p per share paid on 6 August 2008 to shareholders on the register at 4 July 2008	(1,417)	
Interim dividend of 1.60p per share paid on 30 January 2009 to shareholders on the register at 30 December 2008	(678)	
		(2,095)
Amount transferred to the revenue reserve		335

Source: F&C Management Limited

Total expense ratio
(as a percentage of average net assets)

At 30 April	%
2009	0.93
2008	0.77
2007*	0.99
2006	0.69
2005	0.66

Source: F&C Management Limited.
* 0.74% excluding the performance fee.

Discount
(debenture at market value but excluding current period income)

At 30 April	%
2009	6.3
2008	7.7
2007	5.7
2006	5.5
2005	11.6

Source: F&C Management Limited.

Total return performance

	1 Year %	3 Years %	5 Years %
Company NAV per share	(14.8)	(20.7)	38.6
Benchmark	(17.9)	(21.9)	22.2
Company share price	(14.3)	(22.2)	56.0
Retail prices index ("RPI")	(1.2)	7.6	13.9

Source: F&C Management Limited and Datastream

Dividend growth

	1 Year %	3 Years %	5 Years %
Dividends	1.2	7.9*	15.3*
Inflation (RPI)	(1.2)	7.6	13.9

Source: F&C Management Limited and Datastream
* excludes the special dividend of 1.00p per share paid on 3 August 2006.

Directors' Report and Business Review (continued)

threshold, will also apply. Any shares voted by an investor in excess of the maximum limit will remain valid, but will not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Individual savings accounts ("ISAs")

The Company's shares are qualifying investments for ISAs and the Board intends that the Company will continue to conduct its affairs so as to satisfy the requirements to remain so.

Independent auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors believe that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors to the Company and resolutions to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Articles of association

It is proposed to amend the articles of association of the Company in order to reflect certain changes made or to be made to the law by the CA2006.

Resolutions 10 and 11 will be put to the shareholders at the AGM to enable the Company to implement the following changes to its articles of association:

(a) removing, with effect from 1 October 2009, those provisions of the memorandum of association that will, from that date, be treated as part of its articles (under section 28 CA2006);

(b) abolition of authorised share capital, also with effect from 1 October 2009; and

(c) authorising a general meeting (other than an AGM) to be held on 14 days' rather than 21 days' notice.

The remaining provisions of the CA2006 are due to come into force in October 2009. In addition, various regulations that relate to certain of these provisions have yet to be finalised. Consequently, it will be necessary for the Company to undertake a further review of its articles of association in due course in order to reflect these other provisions. As these further changes to the articles of association will be reasonably substantial in number, it is anticipated that the Company will adopt new articles of association at its AGM in 2010.

Annual general meeting

Shareholders will have received a separate enclosure containing explanatory information and the notice of the AGM to be held at The Chartered Accountants' Hall, One Moorgate Place, London EC2 on 30 July 2009 at 12 noon. In addition to the ordinary business of the meeting, resolutions numbered 8 to 11 will be proposed as special business.

By order of the Board
F&C Management Limited, Secretary
17 June 2009

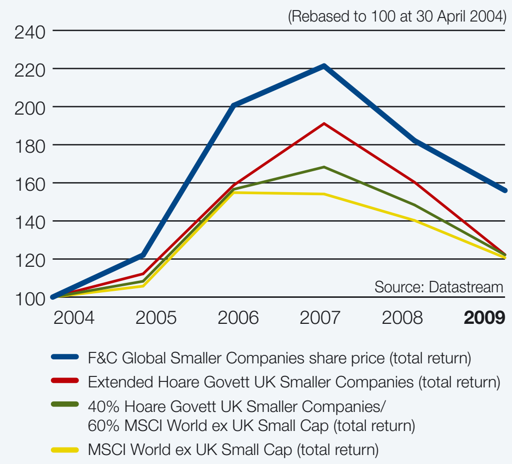
Directors' Remuneration Report

The Company's articles of association limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities and the time committed to the Company's affairs. The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed.

The Chairman receives a fee of £30,000 per annum and the remaining Directors receive a fee of £18,000 per annum. Each member of the Audit and Management Engagement Committee ("Audit Committee") receives an additional £2,000 per annum. With effect from 30 April 2009 the chairman of the Audit Committee will be paid an additional £1,500 per annum to reflect the extra responsibility of this role. The fee of £1,500 per annum previously paid to the Senior Independent Director ceased on 30 April 2009.

The amounts paid to each Director, which were for services to the Company solely in the capacity of non-executive Directors and have no performance related element, are set out in the table below.

Total shareholder return over five years



Until 30 April 2005 the Company's Benchmark was the Extended Hoare Govett UK Smaller Companies Index ("HGSC"). From 1 May 2005 the Company's Benchmark became 40% HGSC and 60% MSCI World ex UK Small Cap Index.

Fees for services to the Company

Director	2009 £s	2008 £s
Anthony Townsend(1) (Chairman and highest paid Director)	**32,000**	29,118
Andrew Adcock(2)	**20,000**	15,154
Les Cullen(3) (Chairman of the Audit Committee)	**20,000**	20,000
Dr Franz Leibenfrost(4) (Senior Independent Director)	**21,500**	21,162
Jane Tozer	**20,000**	20,000
Mark White(2)	**20,000**	15,154
Dr Bruce Farmer(5)	**–**	5,237
Gerry Grimstone(6)	**–**	7,795
	133,500	133,620

(1) Appointed as Chairman on 30 July 2007.
(2) Appointed a Director on 30 July 2007.
(3) Appointed as Chairman of the Audit Committee on 30 July 2007.
(4) Appointed as Senior Independent Director on 30 July 2007.
(5) Retired as Senior Independent Director, Chairman of the Audit Committee and a Director on 30 July 2007.
(6) Retired as Chairman and a Director on 30 July 2007.

Reference to the information in the table, which has been audited, can be found in the Independent Auditors' Report on page 38.

No Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Shareholders will be asked to approve this Remuneration Report at the annual general meeting (resolution 2).

By order of the Board
F&C Management Limited
Secretary
17 June 2009

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the Association of Investment Companies ("AIC") Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code addresses all the principles set out in Section 1 of the 2006 Combined Code of Corporate Governance (the "Combined Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.*

The Board believes that the Company has complied with the recommendations of the AIC Code during the year under review and thereby the provisions of the Combined Code that are relevant to the Company.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share buyback policy, risk and control assessment, monitoring investment performance and approving marketing budgets. It is responsible for the review and approval of annual and half-yearly reports, interim management statements and other public documents. The Company does not have a chief executive as day-to-day management of the Company's affairs has been delegated to the Manager.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least seven times a year and at each meeting reviews the Company's management information, which includes reports on investment performance and strategic matters and financial analyses. It monitors compliance with the Company's objectives and is responsible for setting the asset allocation, investment and gearing ranges within which the Manager has discretion to act. Key representatives of the Manager attend each Board meeting. Board meetings are also held on an ad-hoc basis to consider particular issues as they arise.

The table below sets out the number of Board and committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the annual general meeting ("AGM") in July 2008.

Directors' attendance

	Full Board	Audit and Management Engagement Committee	Nomination Committee
Number of of meetings	7	2	1
Anthony Townsend	7	2	1
Andrew Adcock	6	2	1
Les Cullen	7	2	1
Dr Franz Leibenfrost	7	2	1
Jane Tozer	7	2	1
Mark White	7	2	1

A committee of the Board, formed by Anthony Townsend and Mark White, met on one occasion during the year to approve the Company's interim management statement.

Each Director has a signed letter of appointment to formalise in writing the terms of their engagement as non-executive Directors, copies of which are available on request and at the Company's AGM.

The Board believes that it has a reasonable balance of skills, experience and length of service. The Board recognises the value of progressive refreshing of, and succession planning for, company boards. Accordingly, each Director's appointment is reviewed prior to submission for re-election. All Directors are required to stand for re-election at least every three years, and those Directors serving more than six years are subject to more rigorous review before being proposed for re-election.

In order to review the effectiveness of the Board, the committees and the individual Directors, the Board carries out a process of formal annual self appraisal. This encompasses both quantitative and qualitative measures of performance in respect of the Board and its committees, implemented by the completion of an evaluation survey and a subsequent

* Copies of the AIC Code, the AIC Guide and the Combined Code may be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk. Investors in New Zealand should note that the corporate governance rules and principles applicable to the Company in the UK may differ materially from those of the New Zealand Stock Exchange's Corporate Governance Best Practice Code

review of the findings. The appraisal of the Chairman follows the same process and is carried out by the Board as a whole under the leadership of the Senior Independent Director, Dr Franz Leibenfrost. The Board considers that the appraisal process is a constructive means of evaluating the contribution of individual Directors and identifying ways to improve the functioning and performance of the Board and the committees, including assessing any training needs. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted, but the option of doing so will be kept under review.

Directors are able to seek independent professional advice or training at the Company's expense in relation to their duties. No such professional advice was taken by the Directors in the year under review. The Board has direct access to the company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Secretary in accordance with the terms of the management agreement.

Independence of Directors

The Board regularly reviews the independence of its members in accordance with current guidelines. In line with the AIC Code, the Board feels that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies, where experience and continuity can be a significant strength. However, the Board has a policy that no more than one member of the Board should generally have served for more than nine years, and anyone serving for more than this is subject to annual re-election.

The Board believes that its six non-executive Directors, including Dr Franz Leibenfrost who has served for over nine years, are independent in character and judgement, with no relationships or circumstances relating to the Company or the Manager likely to alter this position.

Conflicts of interest

It is now a statutory requirement that a company director must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company (a "situational conflict"). While it remains the responsibility of each individual Director to avoid an unauthorised conflict situation arising, the Company has implemented procedures to enable it to assess situational conflicts and take action where necessary.

Directors are given guidance on the Company's procedure and must disclose any other directorships they hold and identify the interests of any person closely connected to them in order to consider whether a situational conflict could arise out of those interests.

A Director wishing to seek authorisation must submit a formal request to the Board, which is then responsible for deciding whether or not to authorise the situational conflict. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his/her duties; whether the situational conflict has, or could have, any impact on the Company, for example, in financial or public relations terms and whether the situational conflict could be regarded as de minimis and unlikely to affect the judgement and/or actions of the Director in question.

Where the Board authorises a conflict, terms will usually be attached. These will include the Director absenting himself from meetings where the subject of the conflict is discussed and notifying the Secretary, who keeps a register of conflicts, as soon as the facts of the matter change. A Director interested in a matter must also abstain from voting on it.

The Board implemented authorisation procedures in October 2008, during which no situational conflicts were identified or authorised other than the formal authorisation of the Directors' other existing directorships. There have been no instances of a Director being required to absent himself from a discussion or abstain from voting because of a conflict of interest in the year under review.

Corporate Governance Statement (continued)

Going forward, the Nomination Committee will review annually any situational conflicts which have been authorised, together with any updates that have been provided by the relevant Director. Provided that there has been no material change in circumstance and the Nomination Committee is of the view that the situational conflict has not affected the individual in his/her role as a Director of the Company, the Nomination Committee will usually not recommend any change to the terms of the authorisation to the Board. Where the Nomination Committee is notified that the facts have changed materially, it will review the change, consider whether the authorisation should be renewed, varied or withdrawn, and make its recommendation accordingly.

Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

Board committees

The Board has established a number of committees, as set out below. The terms of reference of each committee are available on the website www.fandcglobalsmallers.com and on request.

The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 31, provides information on the remuneration arrangements for the Directors of the Company.

Nomination Committee

The role of the Nomination Committee is to review Board structure, size, composition, experience, diversity and skill ranges, Directors' conflicts of interest and consider succession planning and tenure policy in order to make recommendations to the Board. It considers the criteria for future Board appointments and the methods of selection, appointment and induction. The formal appointment of new Directors is the responsibility of the Board.

The services of an external search consultant are used when filling vacancies on the Board.

All new appointments are subject to confirmation by shareholders and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish.

An induction process is in place for new appointees, who meet the Manager, the Secretary and other key employees of the Manager and are given a briefing on the workings and processes of the Company, including the receipt of a Directors' handbook and key documentation.

The Nomination Committee also considers the re-appointment of those Directors standing for re-election at the AGM, variations of terms of appointment and the question of each Director's independence in order to make recommendations to the Board prior to the publication of the annual report.

The Nomination Committee is currently composed of the full Board and is chaired by Anthony Townsend.

Audit and Management Engagement Committee

The primary responsibilities of the Audit and Management Engagement Committee ("Audit Committee"), which meets at least twice each year, are to review the integrity and contents of the Company's financial statements and the accounting policies included therein; to consider compliance with regulatory and financial reporting requirements; to review the Company's internal control and risk management systems; to review annually the need for the Company to have its own internal audit function; to consider the independence and objectivity of the auditors and the effectiveness of the audit process; and to make recommendations to the Board in relation to the reappointment and remuneration of the auditors. The Board retains the ultimate responsibility for the annual and half-yearly accounts and other significant financial information that is published.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP ("PwC"), who attend Audit Committee meetings to review the annual and half-yearly results and provide a comprehensive review of the audit of the Company. The Audit Committee also has the opportunity to meet with the auditors without the Manager being present.

The Manager and the Company use different audit firms. Taking this into account, and given the nature of services provided and confirmation from PwC that they have complied with all relevant independence standards, the Company's auditors are deemed to be independent. All non-audit work to be undertaken by PwC is approved by the Audit Committee in advance. During the year under review the fee for all non-audit work, which was in relation to taxation advice and a review of the half-yearly results, was £8,000 inclusive of irrecoverable VAT. The Audit Committee considers that the provision of these services is cost effective and does not impair the independence of PwC.

The Audit Committee has reviewed the work carried out by PwC in the year under review, including its audit of the annual financial statements. On the basis of PwC's experience in auditing the affairs of the Company, the standing, experience and tenure of the audit partner, the nature and level of service provided and confirmation of the auditors' independence, the Audit Committee recommended the continuing appointment of the auditors to the Board.

The Committee has direct access to the senior representatives of the Manager's audit, risk and compliance department and to its group audit committee and reports its findings to the Board. It receives and reviews the Report referred to below under "Internal controls and management of risk".

Following a recommendation from the Audit Committee, the Board concluded that there is currently no need for the Company to have its own internal audit function. All of the Company's management functions are delegated to the Manager, and the Board monitors the controls in place through the Manager's audit, risk and compliance department.

The Audit Committee carries out an annual review of the performance of the Manager, including a review of the management agreement, the level and structure of fees payable and the length of notice period.

The Audit Committee has reviewed, and is satisfied with, the "whistleblowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters, including those relating to the Company. The necessary arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action.

The Audit Committee is currently composed of the full Board, each member of which is deemed to be independent, and is chaired by Les Cullen. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

Internal controls and management of risk

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations of the Company. These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, reputational, compliance and overall risk management, is exercised by the Board through regular reports provided by the Manager on investment performance, performance attribution, compliance with agreed investment restrictions, financial analyses, revenue estimates and other management issues. A control report is prepared by the Manager's audit, risk and compliance department that provides details of any material internal control failure. The control report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including risks that are not directly the responsibility of the Manager. The Company's principal risks are set out on pages 25 and 26, with additional information given in note 26 on the accounts.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement, loss or fraud.

The Board has carried out a risk and control assessment including a review of the Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2008 (the "Report") that has been prepared by the Manager

Corporate Governance Statement (continued)

for its investment trust clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). Containing a report from independent external accountants, the Report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses were identified in the year under review.

Relations with shareholders

Communication with shareholders is given a high priority. In addition to the annual and half-yearly reports that are available to shareholders, monthly fact sheets and general information are also available on the www.fandcglobalsmallers.com website.

At least one shareholder meeting is held each year to allow shareholders to vote on the appointment of Directors and the auditors, the payment of dividends, share issues and buybacks and any other special business. All shareholders are encouraged to attend the AGM, at which a presentation is made by the Lead Manager and where there is an opportunity to question him, the Chairman and the Board. Proxy voting figures are announced to shareholders at the AGM and are reported on the website. All beneficial shareholders in the F&C savings plans have the right to attend, speak and vote at general meetings. The nominee company votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have.

A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the Manager, which regularly reports to the Board on any such contact and any changes to the composition of the share register. The Chairman is available to meet with major shareholders and met with a number of them during the year. The Senior Independent Director and other Directors are available to attend these meetings as and when required. The Board welcomes dialogue with shareholders in order to ensure it is aware of any areas of concern.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Secretary at the registered office address as detailed on page 21.

The Board receives regular reports from the Manager on the views and attitudes of shareholders in the Company, the level and nature of any complaints received from investors and its arrangements for "Treating Customers Fairly".

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the annual report and financial statements which give a true and fair view of the state of affairs of the Company as at 30 April 2009 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the **www.fandcglobalsmallers.com** website, which is maintained by the Company's Manager, F&C Management Limited ("F&C"). The content and integrity of the website maintained by F&C or any of its subsidiaries is, so far as it relates to the Company, the responsibility of F&C. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Overseas visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

In accordance with Chapter 4 of the Disclosure and Transparency Rules, the Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable UK accounting standards, on a going concern basis, and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the annual report includes a fair review of the important events that have occurred during the financial year and their impact on the financial statements;
- the principal risks section of the Directors' Report and Business Review describes the principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

On behalf of the Board
Anthony Townsend
Chairman
17 June 2009

Independent Auditors' Report

Independent Auditors' Report to the members of F&C Global Smaller Companies Plc

We have audited the financial statements of F&C Global Smaller Companies PLC for the year ended 30 April 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2009 and of its net loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report and Business Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 23 and 24, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

P. S. Purewal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
17 June 2009

Income Statement

Revenue notes	Capital notes	for the year ended 30 April	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
	12	Losses on investments	–	(32,248)	(32,248)	–	(38,996)	(38,996)
	21	Foreign exchange gains/(losses)	2	2,017	2,019	(4)	(188)	(192)
3		Income	3,948	–	3,948	3,848	–	3,848
4	4	Management fee	(173)	(404)	(577)	(252)	(590)	(842)
5	5	Performance fee	–	–	–	–	–	–
6	6	Recoverable VAT	171	58	229	500	500	1,000
7		Other expenses	(817)	(21)	(838)	(807)	(35)	(842)
		Net return before finance costs and taxation	3,131	(30,598)	(27,467)	3,285	(39,309)	(36,024)
8	8	Finance costs	(344)	(804)	(1,148)	(347)	(808)	(1,155)
		Net return on ordinary activities before taxation	2,787	(31,402)	(28,615)	2,938	(40,117)	(37,179)
9	9	Taxation on ordinary activities	(357)	171	(186)	(428)	226	(202)
		Net return attributable to equity shareholders	2,430	(31,231)	(28,801)	2,510	(39,891)	(37,381)
10	10	**Return per share – pence**	5.66	(72.77)	(67.11)	5.54	(88.09)	(82.55)

The total 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.

A statement of total recognised gains and losses is not required as all gains and losses of the Company have been reflected in the above statement.

Reconciliation of Movements in Shareholders' Funds

Notes	for the year ended 30 April 2009	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2008	**10,981**	**23,132**	**15,202**	**131,463**	**7,322**	**188,100**
	Movements during the year ended 30 April 2009						
11	Dividends paid	**–**	**–**	**–**	**–**	**(2,095)**	**(2,095)**
	Shares purchased and cancelled	**(502)**	**–**	**502**	**(6,210)**	**–**	**(6,210)**
	Net return attributable to equity shareholders	**–**	**–**	**–**	**(31,231)**	**2,430**	**(28,801)**
	Balance at 30 April 2009	**10,479**	**23,132**	**15,704**	**94,022**	**7,657**	**150,994**

Notes	for the year ended 30 April 2008	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2007	11,693	23,132	14,490	183,286	6,973	239,574
	Movements during the year ended 30 April 2008						
11	Dividends paid	–	–	–	–	(2,161)	(2,161)
	Shares purchased and cancelled	(712)	–	712	(11,932)	–	(11,932)
	Net return attributable to equity shareholders	–	–	–	(39,891)	2,510	(37,381)
	Balance at 30 April 2008	10,981	23,132	15,202	131,463	7,322	188,100

Balance Sheet

Notes	at 30 April	£'000s	2009 £'000s	£'000s	2008 £'000s
	Fixed assets				
12	Investments		157,668		194,453
	Current assets				
13	Debtors	1,227		2,849	
14	Taxation recoverable	30		21	
	Cash at bank and short-term deposits	5,925		5,822	
		7,182		8,692	
	Creditors: amounts falling due within one year				
15	Other	(3,856)		(5,045)	
		(3,856)		(5,045)	
	Net current assets		3,326		3,647
	Total assets less current liabilities		160,994		198,100
	Creditors: amounts falling due after more than one year				
16	Debenture		(10,000)		(10,000)
	Net assets		150,994		188,100
	Capital and reserves				
18	Share capital		10,479		10,981
19	Share premium account	23,132		23,132	
20	Capital redemption reserve	15,704		15,202	
21	Capital reserves	94,022		131,463	
21	Revenue reserve	7,657		7,322	
			140,515		177,119
22	**Total shareholders' funds**		150,994		188,100
22	**Net asset value per share – pence**		360.23		428.23

Approved by the Board on 17 June 2009
and signed on its behalf by:
Anthony Townsend, Chairman

Cash Flow Statement

Notes	for the year ended 30 April	£'000s	2009 £'000s	£'000s	2008 £'000s
	Operating activities				
	Investment income received	**3,208**		3,171	
	Interest received	**151**		258	
	Stock lending fees received	**61**		37	
	Underwriting commission received	**11**		3	
	Management fee paid to the management company	**(516)**		(860)	
	Performance fee paid to the management company	**–**		(524)	
	Directors' fees paid	**(134)**		(134)	
	VAT recovered (including interest thereon)	**1,651**		–	
	Other payments	**(643)**		(705)	
23	**Net cash inflow from operating activities**		**3,789**		1,246
	Servicing of finance				
	Interest paid	**(1,152)**		(1,154)	
	Cash outflow from servicing of finance		**(1,152)**		(1,154)
	Financial investment				
	Purchases of equities and other investments	**(100,867)**		(98,138)	
	Sales of equities and other investments	**105,564**		111,749	
	Other capital charges and credits	**(27)**		(35)	
	Net cash inflow from financial investment		**4,670**		13,576
	Equity dividends paid		**(2,095)**		(2,161)
	Net cash inflow before use of liquid resources and financing		**5,212**		11,507
	Management of liquid resources				
	Decrease in short-term deposits		**–**		2,000
	Financing				
	Shares purchased and cancelled	**(7,131)**		(11,045)	
	Cash outflow from financing		**(7,131)**		(11,045)
24	**(Decrease)/increase in cash**		**(1,919)**		2,462

Notes on the Accounts

1. GENERAL INFORMATION

F&C Global Smaller Companies PLC is an investment company incorporated in the United Kingdom with a listing on the London Stock Exchange. The Company registration number is 28264 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

The Company conducts its affairs so as to qualify as an investment trust under the provisions of section 842 of the Income and Corporation Taxes Act 1988 ("section 842"). Approval of the Company under section 842 has been received (subject to there being no subsequent enquiry) in respect of the year ended 30 April 2008 and all previous applicable financial years. Such approval exempts the Company from UK corporation tax on gains realised in the relevant year on its portfolio of fixed asset investments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accounts of the Company have been prepared under the historical cost convention, modified to include fixed asset investments and derivative financial instruments at fair value, and in accordance with the Companies Act 2006, Accounting Standards applicable in the United Kingdom and the Revised Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP) issued in January 2009.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

There have been no significant changes to the accounting policies during the year ended 30 April 2009.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described in note 2b below). Net revenue returns are allocated via the revenue account to the revenue reserve, out of which interim and final dividend payments are made. Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the capital reserves. Dividends payable to equity shareholders are shown in the Reconciliation of Movements in Shareholders' Funds.

(b) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Fixed asset investments and derivative financial instruments

As an investment trust, the Company measures its fixed asset investments and derivative financial instruments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments and derivative financial instruments as transactions on the capital account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments. Where no reliable fair value can be estimated, investments are carried at cost less any provision for impairment.

Derivative financial instruments are valued at quoted market prices.

(ii) Borrowings

Interest-bearing debenture stock, loans and overdrafts are recorded initially at the proceeds received, net of issue costs, irrespective of the duration of the instrument. The fair market value of the long-term debenture stock is based on a margin over a comparable UK gilt and is disclosed in note 16 on the accounts.

Finance charges, including interest, are accrued using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See (v) below for allocation of finance charges within the Income Statement.

Notes on the Accounts (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Foreign currency

Monetary assets, monetary liabilities and equity investments denominated in a foreign currency are expressed in sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, derivative financial instruments, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

Foreign exchange profits and losses on fixed asset investments and derivative financial instruments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items when they are credited or charged to the revenue account.

(iv) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Dividends are accounted for in accordance with Financial Reporting Standard 16 "Current Taxation" on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax.

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

(v) Expenses, including finance charges

Expenses are charged to the revenue account of the Income Statement, except as noted below:

– expenses incidental to the acquisition or disposal of fixed asset investments and derivative financial instruments are included within the cost of the investments and derivative financial instruments or deducted from the disposal proceeds of investments and derivative financial instruments and are thus charged to *capital reserve – arising on investments sold* via the capital account;

– 70% of management fees and 70% of finance costs are allocated to *capital reserve – arising on investments sold* via the capital account, in accordance with the Board's long-term expected split of returns from the investment portfolio of the Company;

– performance fees insofar as they relate to capital performance are allocated to *capital reserve – arising on investments sold;* and

– All expenses are accounted for on an accruals basis.

(vi) Taxation

Deferred tax is provided in accordance with Financial Reporting Standard 19 "Deferred Tax" on all timing differences that have originated but not reversed by the Balance Sheet date, based on the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

(vii) Capital redemption reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(viii) Capital reserves

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- 70% of management fees and finance costs as set out in note 2 (v);
- performance fees as set out in note 2(v);
- gains and losses on the realisation of fixed asset investments and derivative financial instruments;
- realised foreign exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- costs of purchasing ordinary share capital.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed asset investments and derivative financial instruments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

3. INCOME

	2009 £'000s	2008 £'000s
Income from investments		
UK dividends	1,711	1,618
Overseas dividends	1,515	1,921
Overseas scrip dividends	94	–
	3,320	3,539
Other income		
Interest on cash and short-term deposits	153	254
Interest on VAT recoverable (see note 6)	422	–
Stock lending fees	42	52
Underwriting commission	11	3
	628	309
Total income	3,948	3,848
Total income comprises		
Dividends	3,320	3,539
Other income	628	309
	3,948	3,848
Income from investments		
Quoted UK*	1,711	1,618
Quoted overseas	1,609	1,919
Unquoted	–	2
	3,320	3,539

* Includes investments quoted on the Alternative Investment Market in the UK.

Notes on the Accounts (continued)

4. MANAGEMENT FEE

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Management fee	**173**	**404**	**577**	244	570	814
VAT thereon*	**–**	**–**	**–**	8	20	28
	173	**404**	**577**	252	590	842

* With effect from 30 September 2007, VAT is no longer suffered on management fees.

The Manager provides investment management, marketing and general administrative services to the Company. The management fee is an amount equal to 0.4% per annum, payable monthly in arrears, of net assets managed by the Manager (with debenture stock valued at market value) at the calculation date. Investments made by the Company in third party collective investment schemes are subject to a management fee, payable monthly in arrears to the Manager, of 0.25% per annum of the month end market value of those investments. The management agreement may be terminated upon six months' notice given by either party.

The fees, and related VAT, have been allocated 70% to capital reserve in accordance with accounting policies.

5. PERFORMANCE FEE

	2009 Capital £'000s	2008 Capital £'000s
Performance fee	**–**	–

The Manager is entitled to a performance fee, payable annually, equal to 10% of the value of any outperformance in the year by the net assets compared to the Benchmark Index (comprising 40% Hoare Govett Smaller Companies Index and 60% MSCI World ex UK Small Cap Index). The performance fee is subject to a maximum in any one year of 0.6% of average monthly net assets in that year. Performance above this cap (outperformance) or below the Benchmark level (underperformance) will be carried forward to the subsequent period for inclusion in the calculation of performance in that period.

The performance fee and related irrecoverable VAT are allocated 100% to capital reserve – investments sold. No performance fee was payable for the year as, although the Company's net assets outperformed the Benchmark in the year to 30 April 2009, the level of outperformance was not sufficient to fully offset the underperformance brought forward from the preceding period.

6. RECOVERABLE VAT

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Recoverable in respect of management fees	**171**	**58**	**229**	500	458	958
Recoverable in respect of performance fees	**–**	**–**	**–**	–	42	42
	171	**58**	**229**	500	500	1,000

Management fees are no longer subject to VAT. The Company has recovered £1,229,000 from HMRC, via its Manager, in relation to VAT paid on such fees in the periods 1990 to 1996 and 2001 to 2007. Of this amount, £1,000,000 was recognised in the Income Statement for the year ended 30 April 2008 and £229,000 has been recognised for the year ended 30 April 2009. In addition, interest of £422,000 relating to the VAT recovered has been received and recognised in the Income Statement (see note 3).

Amounts relating to the period 1997 to 2000 have not been accrued or disclosed as a contingent asset as their recovery remains uncertain under law.

7. OTHER EXPENSES

	2009 £'000s	2008 £'000s
Auditors' remuneration:		
audit services*	26	28
taxation services*	3	3
other services*	5	5
Directors' fees for services to the Company†	134	134
Marketing and private investor plan expenses	391	350
Printing and postage	87	78
Custody fees	15	20
Sundry expenses	156	189
	817	807

* Auditors' remuneration for audit services, exclusive of VAT, amounts to £26,000 (2008: £26,000). Total auditors' remuneration for non-audit services, exclusive of VAT, amounts to £8,000 (2008: £8,000), £3,000 for taxation services (2008: £3,000) and £5,000 relating to review of half-year accounts and debenture compliance certificate (2008: £5,000). No part of these amounts was charged to capital reserves (2008: £nil).

† See the Directors' Remuneration Report on page 31.

All expenses are stated gross of irrecoverable VAT, where applicable.

8. FINANCE COSTS

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Debenture	344	803	1,147	345	805	1,150
Loans and bank overdrafts	–	1	1	2	3	5
	344	804	1,148	347	808	1,155

The interest is further analysed as follows:

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Loans and bank overdrafts repayable within five years, not by instalments	–	1	1	2	3	5
Debenture repayable in more than five years, not by instalments	344	803	1,147	345	805	1,150
	344	804	1,148	347	808	1,155

Notes on the Accounts (continued)

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Corporation tax payable at 28% (2008: 29.8%)	214	(214)	–	217	(217)	–
Overseas taxation	186	–	186	202	–	202
Current tax charge for the year (note 9b)	400	(214)	186	419	(217)	202
Deferred taxation (note 9c)						
On accrued income	(43)	43	–	9	(9)	–
Taxation on ordinary activities	357	(171)	186	428	(226)	202

(b) Factors affecting the current tax charge for the year

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Return on ordinary activities before tax	2,787	(31,402)	(28,615)	2,938	(40,117)	(37,179)
Return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 29.8%)	780	(8,793)	(8,013)	877	(11,969)	(11,092)
Effects of:						
UK dividends*	(479)	–	(479)	(483)	–	(483)
Movement in taxable income accruals	53	–	53	(18)	–	(18)
Expenses not deductible for tax purposes	55	–	55	52	–	52
Overseas tax in excess of double taxation relief	(9)	–	(9)	(9)	–	(9)
Expenses not utilised in the year	–	115	115	–	(3)	(3)
Capital returns*	–	8,464	8,464	–	11,755	11,755
Total current taxation (note 9a)	400	(214)	186	419	(217)	202

* These items are not subject to corporation tax in an investment trust company.

(c) Provision for deferred taxation

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Balance brought forward	48	(48)	–	39	(39)	–
(Credit)/charge for the year (note 9a)	(43)	43	–	9	(9)	–
Balance carried forward	5	(5)	–	48	(48)	–

The deferred tax asset of £2.6m (2008: £2.4m) in respect of unutilised expenses at 30 April 2009 has not been recognised as the Directors believe it is unlikely that the Company will have sufficient taxable profits in the future to utilise it. Of this amount £nil (2008: £nil) relates to revenue expenses and £2.6m (2008: £2.4m) to capital expenses.

10. RETURN PER ORDINARY SHARE

			2009			2008
	Revenue	Capital	Total	Revenue	Capital	Total
Revenue return per share – pence	5.66	(72.77)	(67.11)	5.54	(88.09)	(82.55)
Net return attributable to equity shareholders – £'000s	2,430	(31,231)	(28,801)	2,510	(39,891)	(37,381)

Both the revenue and capital returns per share are based on a weighted average of 42,916,280 ordinary shares in issue during the year (2008: 45,282,575).

11. DIVIDENDS

			2009	2008
Dividends on ordinary shares	Register date	Payment date	£'000s	£'000s
Interim for the year ended 30 April 2009 of 1.60p	30 December 2008	30 January 2009	678	–
Final for the year ended 30 April 2008 of 3.25p	4 July 2008	6 August 2008	1,417	–
Interim for the year ended 30 April 2008 of 1.58p	4 January 2008	30 January 2008	–	701
Final for the year ended 30 April 2007 of 3.16p	6 July 2007	6 August 2007	–	1,460
			2,095	2,161

The Directors recommend a final dividend in respect of the year ended 30 April 2009 of 3.29p, payable on 6 August 2009 to all shareholders on the register at close of business on 3 July 2009. The recommended final dividend is subject to approval by shareholders at the annual general meeting.

The dividends paid and proposed in respect of the financial year ended 30 April 2009, which form the basis of the section 842 retention test and the attributable revenue are set out below:

	2009
	£'000s
Revenue attributable to equity shareholders	2,430
Interim for the year ended 30 April 2009 of 1.60p	(678)
Final for the year ended 30 April 2009 of 3.29p*	(1,377)
Estimated undistributed revenue for section 842 purposes**	375

* Based on 41,865,918 shares in issue at 17 June 2009.
**Undistributed revenue comprises 11.3% of income from investments of £3,320,000 (see note 3).

12. INVESTMENTS

	Listed*	Unlisted	Total
	£'000s	£'000s	£'000s
Cost at 30 April 2008	186,709	3,737	190,446
Gains/(losses) at 30 April 2008	5,900	(1,893)	4,007
Valuation at 30 April 2008	192,609	1,844	194,453
Movements in the year:			
Purchases at cost	100,594	–	100,594
Sales proceeds	(104,895)	(236)	(105,131)
(Losses)/gains on investments sold in year	(13,915)	157	(13,758)
Losses on investments held at year end	(18,117)	(373)	(18,490)
Valuation of investments held at 30 April 2009	**156,276**	**1,392**	**157,668**

* includes investments quoted on the Alternative Investment Market in the UK.

Notes on the Accounts (continued)

12. INVESTMENTS (CONTINUED)

	Listed* £'000s	Unlisted £'000s	Total £'000s
Cost at 30 April 2009	166,323	1,476	167,799
Losses at 30 April 2009	(10,047)	(84)	(10,131)
Valuation at 30 April 2009	**156,276**	**1,392**	**157,668**

* includes investments quoted on the Alternative Investment Market in the UK.

A list of investments is set out on pages 18 to 20.

(Losses)/gains on investments

	2009 £'000s	2008 £'000s
(Losses)/gains based on historical cost	**(18,110)**	20,971
Add/Less: losses/(gains) recognised in previous years	**4,352**	(28,978)
Losses on investments sold in year based on carrying value at previous balance sheet date	**(13,758)**	(8,007)
Losses on investments held at 30 April	**(18,490)**	(30,989)
Total losses on investments	**(32,248)**	(38,996)

Stock lending	**2009 £'000s**	2008 £'000s
Aggregate value of securities on loan at the year end	**–**	10,744
Maximum aggregate value of securities on loan during the year	**25,210**	10,874
Fee income from stock lending during the year	**42**	52

The Company ceased stock lending in September 2008 and therefore did not hold any collateral at the year end. In respect of securities on loan at the previous year end, the Company held £11,329,000 as collateral, the value of which exceeded the value of the securities on loan at that date by 5.4%.

In respect of the maximum aggregate value of securities on loan during the year, the Company held £26,513,000 as collateral (2008: £12,135,000), the value of which exceeded the value of securities on loan by 5.2% (2008: 11.6%). F&C Management Limited received remuneration of £15,000 for managing the Company's stock lending activities (2008: £17,000).

Substantial interests

At 30 April 2009 the Company held more than 5% of the following undertakings held as investments, neither of which represented a participating interest:

Company	Country of registration, incorporation and operation	Number of units held	Percentage of undertaking held
Australian New Horizons Fund	Australia	1,941,795	29.9
US Ventures	Cayman Islands	n/a	10.2

13. DEBTORS

	2009 £'000s	2008 £'000s
Investment debtors	989	1,419
Recoverable VAT	–	1,000
Prepayments and accrued income	238	430
	1,227	2,849

14. TAXATION RECOVERABLE

	2009 £'000s	2008 £'000s
Overseas taxation recoverable	30	21

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Other	2009 £'000s	2008 £'000s
Investment creditors	3,064	3,422
Shares purchased and cancelled	84	1,005
Interest accrued	379	382
Management fee accrued	120	59
Other accrued expenses	209	177
	3,856	5,045

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Debenture	2009 £'000s	2008 £'000s
11.5% debenture stock 2014 (secured)	10,000	10,000

The debenture stock is secured by floating charges against the assets of the Company and is stated at amortised cost, which is equivalent to nominal value. The market value of the debenture, which was based on a comparable UK gilt, was £13,846,000 (2008: £13,153,000).

Under the terms of the debenture trust deed the total of all borrowings, valued in accordance with the Company's accounting policies, shall not at any time exceed the Company's "Adjusted Total of Capital and Reserves" ("ATCR") – at 30 April 2009 the value of the ATCR was £134m and the value of all borrowings was £10m. The trust deed also specifies that the aggregate of the Company's debenture stocks valued at par shall not exceed one fifth of the ATCR.

Each year, the Company issues a certificate of compliance with the provisions of the trust deed to the Trustee of the debenture stock, showing that the borrowing limits have not been exceeded at the relevant accounting date. The Company has complied at all times with the terms of the trust deed.

The 11.5% debenture stock is redeemable at par on 31 December 2014. It may be redeemed early by the Company giving notice of not less than 30 days in writing to stockholders. In such event, the redemption price must be the higher of par and the price equivalent to the gross redemption yield on the relevant date of 12% Exchequer Stock 2013/17.

The Directors have no present intention to redeem the 11.5% debenture stock before 31 December 2014.

Notes on the Accounts (continued)

17. GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION (TOTAL ASSETS LESS CURRENT LIABILITIES)

	USA %	UK %	Pacific ex Japan %	Continental Europe %	Japan %	**2009 Total %**	2008 Total %
Industrials	15.6	11.4	–	2.5	–	**29.5**	31.2
Financials	7.3	5.6	8.4	1.3	6.2	**28.8**	23.3
Technology	3.1	4.6	–	0.6	–	**8.3**	10.3
Consumer goods	4.9	2.0	–	0.8	–	**7.7**	7.8
Consumer services	1.6	4.8	–	0.7	–	**7.1**	9.2
Health care	2.5	2.7	–	0.5	–	**5.7**	4.5
Oil & gas	2.9	1.8	–	–	–	**4.7**	3.4
Basic materials	2.8	0.5	–	0.2	–	**3.5**	5.7
Telecommunications	1.8	–	–	–	–	**1.8**	2.4
Utilities	0.4	–	–	0.4	–	**0.8**	0.4
Total investments	42.9	33.4	8.4	7.0	6.2	**97.9**	98.2
Net current assets/(liabilities)	2.5	(0.2)	–	(0.2)	–	**2.1**	1.8
Total assets less current liabilities (excluding debenture)	**45.4**	**33.2**	**8.4**	**6.8**	**6.2**	**100.0**	
2008 totals	33.8	38.1	6.8	14.1	7.2		100.0

18. SHARE CAPITAL

Equity share capital	Authorised Number	Authorised £'000s	Issued and fully paid Number	Issued and fully paid £'000s
Ordinary shares of 25p each				
Balance at 30 April 2008	198,900,000	49,725	43,924,781	10,981
Transfer to capital redemption reserve	–	–	(2,008,863)	(502)
Balance at 30 April 2009	**198,900,000**	**49,725**	**41,915,918**	**10,479**

During the year 2,008,863 ordinary shares were purchased and cancelled at a cost of £6,210,000.

19. SHARE PREMIUM ACCOUNT

	2009 £'000s	2008 £'000s
Balance brought forward and carried forward	**23,132**	23,132

20. CAPITAL REDEMPTION RESERVE

	2009 £'000s	2008 £'000s
Balance at 1 May	**15,202**	14,490
Transfer from equity share capital	**502**	712
Balance at 30 April	**15,704**	15,202

21. OTHER RESERVES

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Movements in the year				
Losses on investments sold in year	(13,758)	–	(13,758)	–
Transfers on investments sold in year	(4,352)	4,352	–	–
Foreign exchange gains	2,017	–	2,017	–
Management fee	(404)	–	(404)	–
Recoverable VAT	58	–	58	–
Other expenses	(21)	–	(21)	–
Finance costs	(804)	–	(804)	–
Corporation tax	171	–	171	–
Losses on investments held at year end	–	(18,490)	(18,490)	–
Revenue return	–	–	–	2,430
Net return attributable to ordinary shareholders	(17,093)	(14,138)	(31,231)	2,430
Cost of shares purchased and cancelled	(6,210)	–	(6,210)	–
Dividends paid in the year	–	–	–	(2,095)
	(23,303)	(14,138)	(37,441)	335
Balance at 30 April 2008	127,112	4,351	131,463	7,322
Balance at 30 April 2009	**103,809**	**(9,787)**	**94,022**	**7,657**

Included within the capital reserve movement for the year are £332,000 (2008: £284,000) of transaction costs on purchases of investments, £204,000 (2008: £238,000) of transaction costs on sales of investments and £353,000 of distributions recognised as capital (2008: £32,000).

22. NET ASSET VALUE PER ORDINARY SHARE

	2009	2008
Net asset value per share (with debenture at nominal value) – pence	**360.23**	428.23
Net assets attributable at the year end – £'000s	**150,994**	188,100
Ordinary shares in issue at the year end	**41,915,918**	43,924,781

Net asset value per share with debenture at market value was 351.06p (2008: 421.05p).

Notes on the Accounts (continued)

23. RECONCILIATION OF RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009 £'000s	2008 £'000s
Total return before finance costs and taxation	(27,467)	(36,024)
Adjust for returns from non-operating activities		
Losses on investments	32,248	38,996
Foreign exchange (gains)/losses charged to capital	(2,017)	188
Management fee charged to capital	404	590
Recoverable VAT credited to capital	(58)	(500)
Other expenses charged to capital	21	35
Return from operating activities	3,131	3,285
Adjust for non cash flow items		
Transfer of management fee to capital reserve	(404)	(590)
Transfer of recoverable VAT to capital reserve	58	500
Exchange (gains)/losses of a revenue nature	(2)	4
Decrease/(increase) in accrued income	193	(78)
Decrease/(increase) in prepayments	1,001	(961)
Increase/(decrease) in creditors	101	(613)
Scrip dividends	(94)	(97)
Overseas taxation	(195)	(204)
Net cash inflow from operating activities	3,789	1,246

24. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	2009 £'000s	2008 £'000s
(Decrease)/increase in cash	(1,919)	2,462
Decrease in short-term deposits	–	(2,000)
Movement in net debt resulting from cash flows	(1,919)	462
Foreign exchange movement	2,022	(188)
Movement in net debt	103	274
Net debt brought forward	(4,178)	(4,452)
Net debt carried forward	(4,075)	(4,178)

Represented by:	Balance at 30 April 2008 £'000s	Cash flow £'000s	Exchange movement £'000s	Balance at 30 April 2009 £'000s
Cash at bank	5,822	(1,919)	2,022	5,925
Short-term deposits	–	–	–	–
	5,822	(1,919)	2,022	5,925
Debenture	(10,000)	–	–	(10,000)
	(4,178)	(1,919)	2,022	(4,075)

25. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board") and F&C Management Limited ("F&C").

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 31 and as set out in note 7 on the accounts. There are no outstanding balances with the Board at the year end. Transactions between the Company and F&C are detailed in note 4 on management fees, note 5 on performance fees, note 6 on recoverable VAT, note 12, where stock lending fees and investments managed and advised by F&C are disclosed and note 15, where accrued management fees are disclosed.

26. FINANCIAL RISK MANAGEMENT

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom (UK) as an investment trust under the provisions of section 842. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of fixed asset investments.

The Company invests in smaller companies worldwide in order to secure a high total return. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Directors' Report and Business Review. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported balance sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 on the accounts. The policies are in compliance with UK Accounting Standards and best practice, and include the valuation of financial assets and liabilities at fair value, except as noted in (d) below and in note 16 in respect of the debenture stock. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

The Company's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in exchange rates. Gearing may be short or long-term, in sterling and foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

Income earned in foreign currencies is converted to sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Notes on the Accounts (continued)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency exposure

The principal currencies to which the Company was exposed, and the relevant exchange rates against sterling, are analysed below:

	2009 At 30 April	2009 Average for the year	2008 At 30 April	2008 Average for the year
US dollar	**1.4818**	**1.6850**	1.9805	2.0108
Euro	**1.1183**	**1.1960**	1.2721	1.3996
Japanese yen	**145.79**	**170.73**	206.99	227.00

Based on the financial assets and liabilities held and the exchange rates applying at the balance sheet date, a weakening or strengthening of sterling against each of these principal currencies by 10% would have the following approximate effect on returns attributable to equity shareholders and on the net asset value per share ("NAV"):

Weakening of sterling by 10%	2009 US$	2009 €	2008 US$	2008 €	2008 ¥
Net revenue return attributable to shareholders – £'000s	**79**	**26**	56	28	29
Net capital return attributable to shareholders – £'000s	**7,893**	**842**	7,191	1,738	1,235
Net total return attributable to shareholders – £'000s	**7,972**	**868**	7,247	1,766	1,264
NAV per share – pence	**19.02**	**2.07**	16.50	4.02	2.88

Strengthening of sterling by 10%	2009 US$	2009 €	2008 US$	2008 €	2008 ¥
Net revenue return attributable to shareholders – £'000s	**(79)**	**(26)**	(56)	(28)	(29)
Net capital return attributable to shareholders – £'000s	**(7,893)**	**(842)**	(7,191)	(1,738)	(1,235)
Net total return attributable to shareholders – £'000s	**(7,972)**	**(868)**	(7,247)	(1,766)	(1,264)
NAV per share – pence	**(19.02)**	**(2.07)**	(16.50)	(4.02)	(2.88)

These analyses are presented in sterling and are representative of the Company's activities although the level of the Company's exposure to currencies fluctuates in accordance with the investment and risk management processes.

At 30 April 2009, the Company did not hold any investments directly denominated in Japanese yen. The Company did, however, hold investments in US dollar and sterling denominated collective investment schemes which hold underlying investments denominated in other currencies.

The fair values of the Company's assets and liabilities at 30 April by currency are shown below:

2009	Investments £'000s	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Debenture (at nominal value) £'000s	Net exposure £'000s
Sterling	69,365	220	1,941	(2,484)	(10,000)	59,042
US dollar	74,905	879	3,953	(804)	–	78,933
Euro	8,818	143	30	(568)	–	8,423
Other	4,580	15	1	–	–	4,596
Total	**157,668**	**1,257**	**5,925**	**(3,856)**	**(10,000)**	**150,994**

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

2008	Investments £'000s	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Debenture (at nominal value) £'000s	Net exposure £'000s
Sterling	80,526	2,163	5,803	(4,128)	(10,000)	74,364
US dollar	72,116	3	8	(135)	–	71,992
Euro	17,377	291	–	–	–	17,668
Japanese yen	12,086	264	–	–	–	12,350
Other	12,348	149	11	(782)	–	11,726
Total	194,453	2,870	5,822	(5,045)	(10,000)	188,100

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate movements at 30 April was:

	Within one year £'000s	More than one year £'000s	2009 Net total £'000s	Within one year £'000s	More than one year £'000s	2008 Net total £'000s
Exposure to floating rates – cash	**5,925**	**–**	**5,925**	5,822	–	5,822
Exposure to fixed rates – debenture	**–**	**(10,000)**	**(10,000)**	–	(10,000)	(10,000)
Net exposure	**5,925**	**(10,000)**	**(4,075)**	5,822	(10,000)	(4,178)
Minimum net exposure during the year	**3,763**	**(10,000)**	**(6,237)**	270	(10,000)	(9,730)
Maximum net exposure during the year	**11,419**	**(10,000)**	**1,419**	5,822	(10,000)	(4,178)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates. The interest rates applying on the debenture are set out in note 16 on the accounts. There were no material holdings in fixed interest investment securities during the year or at the year end.

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings, except in respect of the debenture on which the interest rate is fixed. The debenture is valued in the accounts at nominal value.

Based on the financial assets and liabilities held, and the interest rates ruling, at each balance sheet date, a decrease or increase in interest rates of 2% would have the following approximate effects on the income statement revenue and capital returns after tax and on the NAV:

	Increase in rate £'000s	2009 Decrease in rate £'000s	Increase in rate £'000s	2008 Decrease in rate £'000s
Revenue return	**119**	**(119)**	116	(116)
Capital return	**–**	**–**	–	–
Total return	**119**	**(119)**	116	(116)
NAV per share – pence	**0.28**	**(0.28)**	0.26	(0.26)

The calculations in the table above are based on the financial assets and liabilities held at each balance sheet date and are not representative of the year as a whole, nor reflective of future market conditions.

Other market risk exposures

The Company does not usually enter into derivative transactions in managing its exposure to other market risks. The portfolio of investments, valued at £157,668,000 at 30 April 2009 (2008: £194,453,000) is therefore exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in note 17 on the accounts.

Notes on the Accounts (continued)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on the portfolio of investments held at each balance sheet date, and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV:

	2009 Increase in value £'000s	**2009 Decrease in value £'000s**	2008 Increase in value £'000s	2008 Decrease in value £'000s
Capital return	**31,534**	**(31,534)**	38,891	(38,891)
NAV per share – pence	**75.23**	**(75.23)**	88.54	(88.54)

The decrease or increase in the fair value of the portfolio by 20% would not have a material impact on the revenue return attributable to equity shareholders.

(b) Liquidity risk exposure

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the large number of quoted investments held in the Company's portfolio (204 at 30 April 2009); the liquid nature of the portfolio of investments; and the industrial and geographical diversity of the portfolio (see note 17). Cash balances are held with reputable banks, usually on overnight deposit. The Company does not normally invest in derivative products. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The 11.5% debenture stock is governed by a trust deed and is redeemable in 2014 or at an earlier date or dates at the Company's behest. The Board does not therefore consider the repayment of the debenture stock as a likely short-term liquidity issue.

The remaining contractual maturities of the financial liabilities at each balance sheet date, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000s	More than one year £'000s	Total £'000s
2009			
Current liabilities			
Other creditors	3,856	–	3,856
Long-term liabilities			
Debentures	–	10,000	10,000
	3,856	**10,000**	**13,856**
2008			
Current liabilities			
Other creditors	5,045	–	5,045
Long-term liabilities			
Debentures	–	10,000	10,000
	5,045	10,000	15,045

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. Such transactions must be settled on the basis of delivery against payment (except where local market conditions do not permit).

Responsibility for the approval, limit setting and monitoring of counterparties is delegated to the Manager and a list of approved counterparties is periodically reviewed by the Board. Counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Payments in respect of private equity investments are made only to counterparties with whom a contracted commitment exists. During the year, securities could only be loaned to third parties in exchange for collateral which exceeded the value of the securities throughout the duration of the loan. The Company ceased stock lending in September 2008. Cash and deposits are held with reputable banks.

The Company has an ongoing contract with its custodian for the provision of custody services. The contract is reviewed periodically. Details of securities held in custody on behalf of the Company are received and reconciled monthly.

To the extent that F&C Management Limited ("F&C") carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of F&C (including the Fund Manager) and with F&C's internal audit function. In reaching its conclusions, the Board also reviews F&C's parent group's annual Audit and Assurance Faculty Report, Group Accounts and other public information indicative of its financial position and performance.

The Company had no credit-rated bonds or similar securities or derivatives in its portfolio at the year end (2008: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the balance sheet at fair value, or at a reasonable approximation thereof, except for the debenture which is carried at par value in accordance with FRS4. The fair value of the debenture, based on a comparable UK gilt, was £13,846,000 (2008: £13,153,000). Borrowings under loan facilities are short-term in nature and hence do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into sterling at exchanges rates ruling at each valuation date.

Unquoted investments, including partnership investments, are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investments. With respect specifically to investments in partnerships, the Directors rely on valuations of the underlying unlisted investments as supplied by the managers of those partnerships. The Directors regularly review the principles applied by the managers to those valuations to ensure they comply with the Company's accounting policies and with fair value principles.

(e) Capital risk management

The objective of the Company is stated as being to invest in smaller companies worldwide in order to secure a high total return. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to the ordinary share capital are set out in note 18 on the accounts. Dividend payments are set out in note 11 on the accounts. Details of the debenture are set out in note 16 on the accounts.

27. POST BALANCE SHEET MOVEMENT IN NET ASSETS

The net asset value per share (with debenture at nominal value) on 16 June 2009 was 364.52p (30 April 2009: 360.23p).

Ten Year Record

Assets

at 30 April

£'000s	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Total assets	294,750	344,390	305,488	276,116	193,665	260,475	288,404	240,652	249,574	198,100	**160,994**
Debenture and loans	29,310	31,262	30,558	29,816	25,720	25,085	24,006	13,000	10,000	10,000	**10,000**
Net assets	265,440	313,128	274,930	246,300	167,945	235,390	264,398	227,652	239,574	188,100	**150,994**

Net asset value ("NAV")

at 30 April

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
NAV per share	255.3p	325.4p	291.9p	265.5p	183.1p	276.8p	311.3p	470.8p	512.2p	428.2p	**360.2p**
NAV total return on 100p – 5 years (per AIC)											**137.3p**
NAV total return on 100p – 10 years (per AIC)											**160.5p**

Share price

at 30 April

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Middle market price per share	203.5p	255.3p	242.5p	219.0p	147.0p	224.0p	268.5p	435.0p	473.3p	385.0p	**325.0p**
Share price high	225.8p	304.5p	293.5p	254.5p	221.0p	227.0p	286.0p	444.5p	473.3p	482.0p	**405.0p**
Share price low	145.3p	199.3p	223.5p	182.5p	124.0p	150.0p	209.5p	268.5p	364.3p	339.8p	**221.0p**
Share price total return on 100p – 5 years (per AIC)											**156.0p**
Share price total return on 100p – 10 years (per AIC)											**189.1p**

Revenue

for the year ended 30 April

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Available for ordinary shares – £'000s	5,428	4,213	4,021	3,639	3,284	3,465	3,930	3,210	2,270	2,510	**2,430**
Return per share	5.19p	4.22p	4.22p	3.89p	3.55p	3.95p	4.63p	4.54p	4.75p	5.54p	**5.66p**
Dividends per share	3.36p	3.75p	3.95p	4.02p	4.15p	4.24p	4.40p	5.53p#	4.69p	4.83p	**4.89p**

Performance

(rebased to 100 at 30 April 1999)

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
NAV per share	100.0	127.5	114.3	104.0	71.7	108.4	121.9	184.4	200.6	167.7	**141.1**
Middle market price per share	100.0	125.4	119.2	107.6	72.2	110.1	131.9	213.8	232.6	189.2	**159.7**
Earnings per share	100.0	81.3	81.3	75.0	68.4	76.1	89.2	87.5	91.5	106.7	**109.1**
Dividends per share	100.0	111.6	117.6	119.6	123.5	126.2	131.0	164.6	139.6	143.8	**145.5**
RPI	100.0	103.0	104.8	106.4	109.7	112.4	116.0	118.9	124.3	129.5	**128.0**

* restated to reflect changes in accounting policies.
# includes a special dividend of 1.00p.

Definitions

Total assets	Total assets less current liabilities (excluding debenture and loans).
NAV	Net asset value per share (debenture at nominal value).
NAV total return	Return on NAV with dividends paid to shareholders reinvested.
AIC	Association of Investment Companies.
Share price total return	Return on the middle market share price with dividends paid to shareholders reinvested.
RPI	All-items retail prices index.

Costs of running the Company (total expense ratio)

for the year ended 30 April

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Expressed as a percentage of average net assets											
Operating costs											
excluding performance fees	0.65%	0.68%	0.67%	0.84%	1.10%	0.80%	0.66%	0.69%	0.74%	0.77%	**0.93%**
including performance fees	0.65%	0.68%	0.67%	0.84%	1.10%	0.80%	0.66%	0.69%	0.99%	0.77%	**0.93%**
Expressed as a percentage of average total assets											
Operating costs											
excluding performance fees	0.58%	0.62%	0.59%	0.75%	0.95%	0.72%	0.61%	0.65%	0.71%	0.74%	**0.87%**
including performance fees	0.58%	0.62%	0.59%	0.75%	0.95%	0.72%	0.61%	0.65%	0.95%	0.74%	**0.87%**

Gearing

at 30 April

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Effective gearing	(0.2%)	(0.1%)	(8.5%)	0.6%	2.3%	3.9%	7.4%	4.7%	2.7%	3.3%	**4.1%**
Fully invested gearing	11.0%	10.0%	11.1%	12.7%	15.3%	10.7%	9.1%	5.7%	4.2%	5.3%	**6.6%**

* restated to reflect changes in accounting policies.

Definitions

Operating costs	All costs charged to revenue and capital, other than interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling investments.
Average net assets	Average of net assets at the end of each quarter.
Average total assets	Average of total assets at the end of each quarter.
Effective gearing	Debenture (at nominal value) and loans less cash (net of investment debtors/creditors), as a percentage of net assets.
Fully invested gearing	Debenture (at nominal value) and loans as a percentage of net assets.

Information for Shareholders

Net asset value and share price

The Company's net asset value per share is released daily, on the working day following the calculation date, to the London Stock Exchange.

The current share price of F&C Global Smaller Companies PLC is shown in the investment trust or investment companies section of the stock market page in most leading newspapers, usually under "F&C Global Smaller Cos". Investors in New Zealand can obtain share prices from leading newspapers in that country.

Performance information

Information on the Company's performance is provided in the half-yearly and final reports which are sent to shareholders in December and June respectively.

More up-to-date performance information is available on the internet at www.fandcglobalsmallers.com. This website also provides a monthly update on the Company's largest holdings, along with comments from the Lead Manager.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £10,100 in the tax year ending 5 April 2010 without incurring any tax liability.

Taper relief and indexation allowances were abolished with effect from 6 April 2008 in favour of a single rate of charge to CGT of 18%.

Shareholders in doubt as to their CGT position should consult their professional advisers.

Income tax

The recommended final dividend is payable in August 2009. Individual UK resident shareholders who are subject to UK income tax at the basic rate have no further tax liability.

Shareholders not resident in the UK, and any shareholders in doubt as to their tax position, should consult their professional advisers.

Association of Investment Companies ("AIC")

F&C Global Smaller Companies PLC is a member of the AIC, which publishes a monthly statistical information service in respect of member companies. The publication also has details of investment plans available. For further details, please contact the AIC on 020 7282 5555, or visit the website: www.theaic.co.uk

aic
The Association of
Investment Companies

Analysis of Ordinary Shareholders

Analysis of ordinary shareholders at 30 April 2009

Category	Number of shares	% Holding
F&C savings plans	19,813,720	47.3
Institutions	8,870,586	21.2
Nominee holdings	7,772,872	18.5
Direct individual holdings	5,458,740	13.0

Source: F&C Management Limited.

The total number of shareholders at 30 April 2009 was 28,650, of which 26,239 were investors through the F&C savings plans.

How to Invest

Our Manager, F&C, runs a number of savings products which have been set up to provide cost effective and flexible ways to invest. Details of these products are listed below. You can buy F&C Global Smaller Companies PLC shares using a bank or stockbroker or through a telephone dealing service. The shares can also be bought online; the F&C website at www.fandc.com has a link to Selftrade, one of Europe's biggest online stockbrokers.

Gains arising from assets held in an Individual Savings Account and Child Trust Fund are exempt from tax. Interest and dividends received on assets in these savings products are free of income tax, and there are income tax savings for higher rate taxpayers.

Private Investor Plan ("PIP")

It only costs 0.2% (plus 0.5% government stamp duty) to invest in F&C Global Smaller Companies PLC via this simple savings plan and there are no ongoing charges. You can invest from £50 each month via a direct debit (£25 on behalf of a child) or from £500 as a lump sum. The minimum for top-up investments is £250. Investments in the PIP can be made online.

Pension Savings Plan ("PSP")

You can maximise your tax benefits and save for your retirement using this low cost personal pension plan. There is only a 0.5% management fee and this is capped at £500. Contributions can be made via a minimum £1,000 lump sum or by a monthly minimum direct debit of £50. The minimum top-up is £500. Now that personal pensions are no longer restricted to those with earnings of their own, almost everyone under the age of 75 is eligible. This means that you can invest on behalf of non-working spouses or partners and children.

Child Trust Fund ("CTF")

Parents can invest the Government voucher issued to all children born since 1 September 2002 in a CTF. There are no initial or annual plan charges and there is only 0.5% government stamp duty on any purchases. Parents and grandparents (or other relatives or friends) can add contributions totalling £1,200 a year. You can invest from £25 each month via direct debit or from £100 for lump sums once you have invested your voucher.

Individual Savings Account ("ISA")

Individuals can invest up to £7,200 each year in F&C's Stocks and Shares ISA. The limit is to be raised to £10,200 per annum, for individuals over 50 years old, with effect from 6 October 2009 and for all other individuals with effect from 6 April 2010.

The minimum monthly direct debit is £50, minimum lump sum investment is £500 and the minimum top-up is £250. Investments in the ISA can be made online.

ISA investments can also be phased over three or six months. This is especially useful near the end of the tax year when the option for monthly investment is no longer viable.

In addition to the 0.2% dealing charge, F&C charges £60 + VAT a year ISA plan charge to cover any ISAs held, no matter how many tax years' ISAs have been taken out with them, or how many ISAs have been transferred to them.

Contact details

For further details on the savings schemes and application forms, please contact Investor Services on
0800 136 420 **info@fandc.com**
or broker support on
08457 992 299 **adviser.enquiries@fandc.com**
(UK calls charged at the local rate)
Fax **0131 243 1315**
You can also find more information on the website:
www.fandc.com
If you wish to write to us, the address is:
Investor Services Team, F&C Management Limited,
80 George Street, Edinburgh EH2 3BU

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example, large print or on audiotape. Please call 0845 600 3030 for more details.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

The information on this page has been issued and approved by F&C Management Limited, authorised and regulated in the UK by the Financial Services Authority.

Notes

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