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Smallers/int/07

F&C Investments

F&C Global Smaller Companies PLC

Report and accounts
for the half-year ended **31 October 2008**

Objective

The objective of F&C Global Smaller Companies PLC is to secure a high total return by investing in smaller companies worldwide.

Directors

Anthony Townsend (Chairman)
Andrew Adcock
Les Cullen
Dr Franz Leibenfrost
Jane Tozer
Mark White

Manager

Peter Ewins
F&C Management Limited

Visit the website at **www.fandcglobalsmallers.com**
Registered in England, company registration number 28264

Summary of Unaudited Results

Attributable to equity shareholders	**31 October 2008**	30 April 2008	% Change
Share price	**285.00p**	385.00p	-26.0
Net asset value per share (debenture at nominal value)	**320.66p**	428.23p	-25.1
Net asset value per share (debenture at market value)	**313.40p**	421.05p	-25.6

	Half-year ended 31 October 2008	Half-year ended 31 October 2007	% Change
Revenue return per share	**2.58p**	2.81p	-8.2
Interim dividend per share	**1.60p***	1.58p	+1.3

*Payable on 30 January 2009 to shareholders on the register at 30 December 2008.

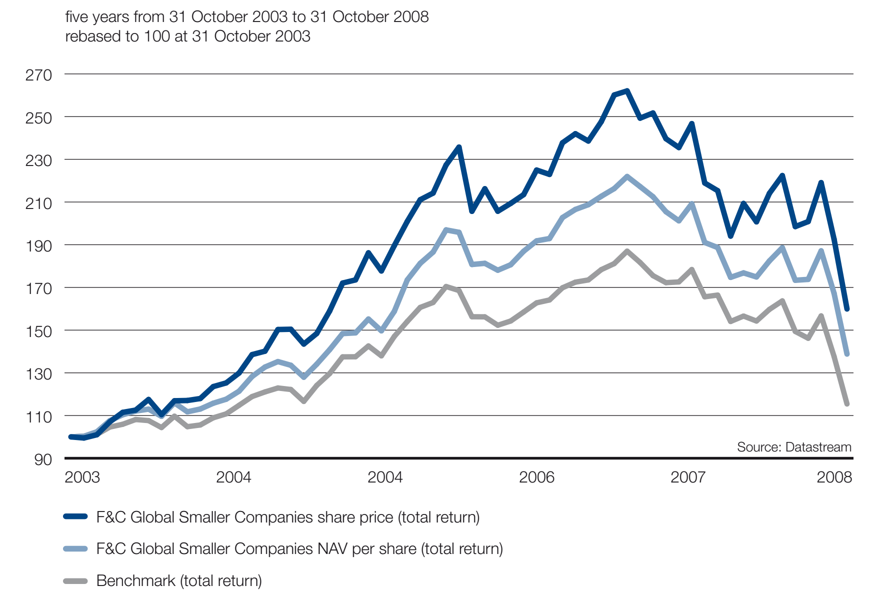
Chairman's Statement

The six months under review have been among the most eventful ever for financial markets. While stock markets had fallen in the early part of the period, they dropped sharply in September and October following the collapse of Lehman Brothers, the US investment bank. Having held up against large stocks early in the period, smaller company shares underperformed in many global markets as the scale of the slowdown in the world economy became clearer and investors favoured lower risk, more liquid assets.

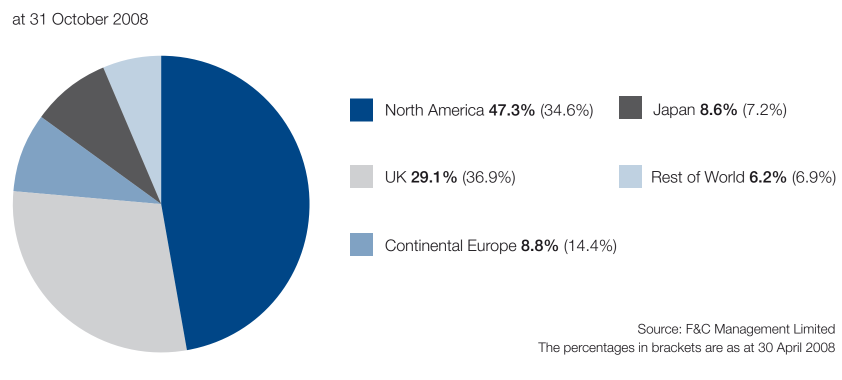
Performance and the dividend

Over the six months to 31 October 2008 the net asset value ("NAV") per share, with the debenture at nominal value, fell by 25.1% while the share price dropped by 26.0%. The NAV on a total return basis, with the final dividend re-invested, fell by 23.9%. The Company's Benchmark is a blended index of the total returns from the Hoare Govett UK Smaller Companies Index (40%) and the MSCI World ex UK Small Cap Index (60%), which over the six

Share price and net asset value per share performance



Geographical distribution of the investment portfolio



months fell by 27.7%. While falls in the NAV and share price are never good news, it is of some modest comfort to report a degree of outperformance relative to the Benchmark.

With company profits coming under pressure from the economic slowdown, dividend income is becoming less easy to predict. However, the strength of your Company's revenue reserves, combined with a resilient income performance from the investment portfolio to date, lead the Board to declare an interim dividend of 1.60p per share, a 1.3% increase over the 2007/8 interim dividend level. This will be paid on 30 January 2009 to shareholders on the register at 30 December 2008.

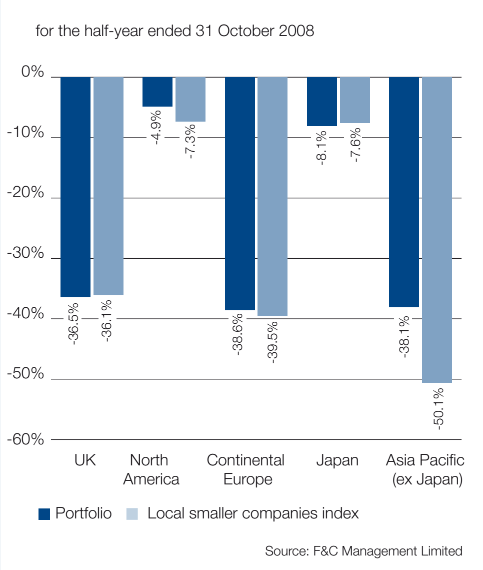
Discount and buybacks

Taking the NAV per share with the debenture at market value and excluding current period income, the discount ended the period at 8.3%, compared to 7.7% at 30 April 2008. This slight widening is not surprising given the lack of confidence in markets at present. The Board continues to aim to moderate the degree of volatility in the discount and to keep it as close as possible to 5%. During the period 2.4% of the share capital at the beginning of the period was bought back and cancelled.

Market and economic background

Stock markets had been falling on the back of generally weak economic data out of the US and on a more

Geographical performance (total return)



global basis through the summer months. Concerns were building about the stability of a number of financial institutions which had the effect of making banks around the world more cautious in both lending to each other through the inter-bank markets and to their corporate customers.

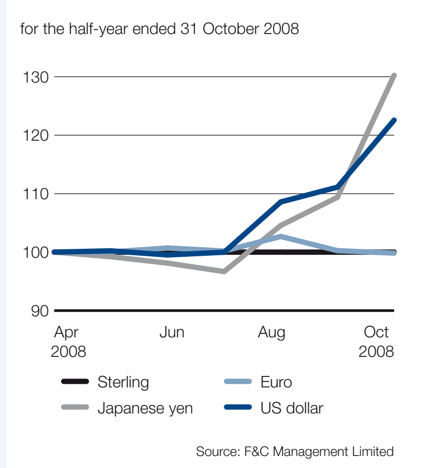
It had been felt that the authorities would not allow a major institution to fail, but the demise of Lehman proved otherwise and what followed was nothing short of panic in the markets. Subsequent to this, we saw the US Government bail out mortgage finance giants Fannie Mae and Freddie Mac, the UK Government broker a merger of Lloyds TSB and HBOS, the effective nationalisation of Bradford and Bingley and a full-blown banking crisis in Iceland. The UK has more recently led the way in re-capitalising its banks by way of a government-funded injection of capital to strengthen their financial positions and this is being replicated elsewhere in the world.

At the same time, in the non-financial economy, conditions have been deteriorating. Problems in accessing finance from banks have inevitably started to have an effect and companies are seeking to cut costs on the basis that 2009 is going to be very difficult.

The US economy grew in the second calendar quarter, but shrank in the third quarter. House prices have continued to fall and consumer confidence has been weak, leading to a big fall in car sales. In the UK, we have seen a similar picture. Europe's economy also slowed dramatically in the middle of the year and a number of countries are already in a technical recession, as defined by two consecutive quarters of falling GDP.

In the Far East, more recent data has made worrying reading, as even here conditions are deteriorating. The Chinese economy is showing signs

Currency movements relative to sterling



of a sharp slowdown, at least in part due to the weakness of exports to Western economies, and this has led to increased concern about emerging markets in general. Data from Japan has also been disappointing.

One of the only positives in recent months for the world economy has been the rapid slide in commodity prices, notably oil, which has more than halved since peaking in July. This is making it easier for Central Banks to reduce interest rates in a further attempt to stimulate activity as earlier fears about high inflation have dissipated.

Portfolio performance

Against the weak backdrop and fragile financial markets, it is perhaps no surprise that the Company was unable to deliver a positive return for the period. However, as in the last financial year, we have been helped by sterling weakness, particularly versus the US dollar and yen. As a global trust we benefit from this as the NAV is boosted by the higher sterling value of the overseas portfolios.

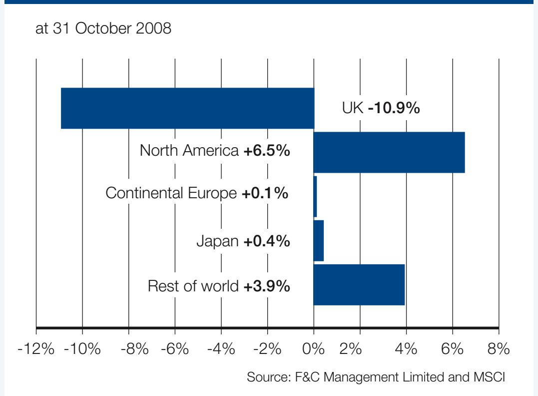
The NAV per share outperformance relative to the Benchmark was in some part due to the underweight stance on the UK as we correctly anticipated sterling weakness, but stock selection outside of the UK was the main driver. The returns from the regional portfolios, in sterling terms, and the relevant local small cap indices are shown in the chart on page 4.

The US portfolio did well in the period, with the biggest contribution from Crawford, an insurance loss adjuster benefiting from improved management, whose share price more than doubled. The price of Beacon Roofing, a distributor of building materials, also bounced after weakness in the prior year, while shares in Longs Drug Stores, a pharmacy operator, jumped as it was taken over by a competitor. We have focused on areas which should be resilient, such as infrastructure spending and insurance, and reduced exposure to consumer sectors.

The UK portfolio started the year strongly, helped by a number of takeover bids. The most important of these were for software companies Detica and SSP. Begbies Traynor, the insolvency practitioning business, also did well as the worsening economic environment lifted demand for its services. Later in the period, however, a number of individual holdings fell sharply, including kitchen manufacturer Omega International and marine equipment supplier Raymarine, both of which have been affected by the consumer downturn, and emerging market fund manager City of London Investment Group, whose profits are now being impacted by falling stock markets.

In Continental Europe we were ahead of the HSBC Smaller Europe ex UK Index. Winners included generic pharmaceutical company Acino and chocolate supplier Lindt and Spruengli, both of which are in defensive sectors, while Spanish lift supplier, Zardoya Otis, also did well. Among the worst performers were some of the winners of the previous financial year, including solar supplier Q Cells. Oil services equipment supplier ODIM and tanker business BW Gas also fell as the oil price dropped back.

Performance in Japan was slightly behind the local benchmark index with the costs of restructuring the portfolio by selling the individual company investments in favour of two collective investments having a negative impact. One of the selected funds is managed by AXA Rosenberg who use quantitative screening techniques and have established a good long-term track record. We have also invested in the iShares MSCI Japanese Small Cap Exchange Traded Fund, which gives us index tracking exposure on around half of our overall Japanese portfolio. While evaluating the Japanese market, it has been evident that finding traditional active managers who consistently add value in the smaller company spectrum is not easy, and hence using a partially passive approach was deemed appropriate at this stage.



Geographical weightings against benchmark

While Asia was a weak region in the period, our portfolio of collective investments significantly outperformed the local benchmark. The Aberdeen Global-Asian Smaller Companies Fund did best, benefiting from a defensive tilt and under-exposure to some of the weaker markets such as China.

Asset allocation and gearing

The main change to asset allocation implemented in the six months was to reduce exposure to the UK market in favour of the US.

While our hope earlier in the year that the US economy would show signs of recovery late in 2008 was misplaced, we still expect to see an improvement here earlier than in other parts of the world given the significant interest rate cuts and other policy measures implemented. The overweight stance towards Asia has not worked out so well to date but we feel that there is scope for a relative bounce in the region after the heavy falls.

We did not employ gearing to any significant degree during the first half of the financial year and, at the end of October, effective gearing was just 1.6%.

Outlook

The slow-down in growth around the world has weighed heavily on equity markets and smaller company shares have been hit harder than most in the fall-out. Governments and central banks have moved to address the immediate capital and liquidity issues in the banking market and material interest rate cuts are now coming through, together with some fiscal stimulus packages. These actions will certainly help over time but it is likely that company profits will show a significant drop in 2009 given the current weakness of economies.

Stock selection is not easy as there are few safe havens, and forecasting short-term earnings has become very difficult. Further complicating matters, share prices are often being driven by technical factors, such as forced selling from hedge and other open-ended funds suffering redemptions.

The Manager is continuing to take a long-term perspective to company evaluation and is focusing on well-financed companies which will come through the current difficult conditions in a stronger competitive position.

Anthony Townsend
Chairman
15 December 2008

Thirty Largest Holdings at 31 October 2008

31 Oct 2008	*30 Apr 2008*		% of total investments	Value £m
1	–	**iShares MSCI** *Japan* An exchange traded fund (ETF) providing exposure to Japanese smaller companies.	4.4	6.2
2	*7*	**AXA Rosenberg Japan Small Cap Alpha Fund** *Japan* Fund providing exposure to Japanese smaller companies.	4.2	5.9
3	*45*	**Crawford & Company** *United States* Insurance services including claims adjusting.	2.2	3.0
4	*4*	**Aberdeen Global-Asian Smaller Companies Fund** *Asia Pacific (excluding Japan)* Fund providing exposure to Asian smaller companies.	1.2	1.7
5	*2*	**Allianz GIS Little Dragons Fund** *Asia Pacific (excluding Japan)* Fund providing exposure to Asian smaller companies.	1.2	1.6
6	*6*	**The Scottish Oriental Smaller Companies Trust** *Asia Pacific (excluding Japan)* Fund providing exposure to Asian smaller companies.	1.1	1.6
7	*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.	1.1	1.5
8	*3*	**AXA Rosenberg Pacific ex Japan Equity Alpha Fund** *Asia Pacific (excluding Japan)* Fund providing exposure to Asian smaller companies.	1.0	1.4
9	*64*	**SBA Communications** *United States* Owner and operator of wireless communications infrastructure.	1.0	1.3
10	*8*	**SDL** *United Kingdom* World leader in localisation technology and services, including manual and technology driven translation of customer literature.	0.9	1.3
11	*37*	**Alleghany** *United States* Specialist commercial insurer.	0.9	1.2
12	*42*	**Americas Car-Mart** *United States* Car dealership business.	0.9	1.2
13	*5*	**Utilico Emerging Markets** *Asia Pacific (excluding Japan)* Investment company focusing on utility and infrastructure companies in emerging markets.	0.9	1.2
14	*24*	**Career Education** *United States* Provides post-secondary education courses.	0.9	1.2
15	*34*	**Conn's** *United States* Provides power protection services and solutions.	0.8	1.2

31 Oct 2008	*30 Apr 2008*		% of total investments	Value £m
16	–	**AMERIGROUP** *United States* Health care provider.	0.8	1.2
17	*126*	**Toll Brothers** *United States* Luxury home builder.	0.8	1.2
18	*79*	**Jack Henry & Associates** *United States* Bank processing systems.	0.8	1.2
19	*21*	**Cohort** *United Kingdom* Provides advisory and technical services to defence, security and associated sectors.	0.8	1.2
20	*19*	**Spice Holdings** *United Kingdom* Provider of outsourced support services to the UK electricity, telecom and water sectors.	0.8	1.2
21	*29*	**Community Health Systems** *United States* Operator of hospitals based in rural parts of the US.	0.8	1.2
22	*27*	**Amedisys** *United States* Provides home nursing services mainly in the southern US.	0.8	1.1
23	*26*	**SRA International** *United States* Supplies outsourced IT services to US government agencies.	0.8	1.1
24	*39*	**Actuant** *United States* Supplier of hydraulic and electrical tools, components and motion control systems.	0.8	1.1
25	*75*	**CRA International** *United States* Management consultant specialising in litigation.	0.8	1.1
26	*25*	**ACI Worldwide** *United States* A leading provider of software for electronic funds transfer used by banks, retailers and credit card companies.	0.8	1.1
27	–	**Infinity Property & Casualty** *United States* Personal lines insurer specialising in non-standard auto risks.	0.8	1.1
28	–	**Astec Industries** *United States* Manufacturer of niche road building equipment.	0.8	1.1
29	*14*	**Australian New Horizons Fund** *Australia* Fund investing in Australian smaller companies.	0.8	1.1
30	*20*	**Premiere Global Services** *United States* Provides outsourced communications services including conference calling to businesses.	0.8	1.1

The value of the thirty largest holdings represents 34.7% (30 April 2008: 26.6%) of the Company's total investments.

Unaudited Income Statement

Notes		Half-year ended 31 October 2008			Half-year ended 31 October 2007			Year ended 30 April 2008		
		Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	Losses on investments	–	(47,277)	(47,277)	–	(9,525)	(9,525)	–	(38,996)	(38,996)
	Foreign exchange gains/(losses)	6	1,247	1,253	–	(200)	(200)	(4)	(188)	(192)
2	Income	1,894	–	1,894	2,183	–	2,183	3,848	–	3,848
	Management fee	(99)	(231)	(330)	(148)	(345)	(493)	(252)	(590)	(842)
	Recoverable VAT	–	–	–	–	–	–	500	500	1,000
	Other expenses	(426)	(10)	(436)	(406)	(23)	(429)	(807)	(35)	(842)
	Return before finance costs and taxation	1,375	(46,271)	(44,896)	1,629	(10,093)	(8,464)	3,285	(39,309)	(36,024)
	Finance costs	(173)	(404)	(577)	(178)	(409)	(587)	(347)	(808)	(1,155)
	Return on ordinary activities before taxation	1,202	(46,675)	(45,473)	1,451	(10,502)	(9,051)	2,938	(40,117)	(37,179)
	Taxation on ordinary activities	(80)	(4)	(84)	(156)	25	(131)	(428)	226	(202)
	Return attributable to equity shareholders	1,122	(46,679)	(45,557)	1,295	(10,477)	(9,182)	2,510	(39,891)	(37,381)
3	**Return per share – pence**	2.58	(107.53)	(104.95)	2.81	(22.73)	(19.92)	5.54	(88.09)	(82.55)

The total column of this statement is the profit and loss account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

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.

Unaudited Reconciliation of Movements in Shareholders' Funds

Notes	Half-year ended 31 October 2008	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
	Balance at 30 April 2008	10,981	23,132	15,202	131,463	7,322	188,100
	Movements during the half-year ended 31 October 2008						
4	Dividends paid	–	–	–	–	(1,417)	(1,417)
	Shares purchased and cancelled	(264)	–	264	(3,670)	–	(3,670)
	Return attributable to equity shareholders	–	–	–	(46,679)	1,122	(45,557)
	Balance at 31 October 2008	**10,717**	**23,132**	**15,466**	**81,114**	**7,027**	**137,456**

Notes	Half-year ended 31 October 2007	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
	Balance at 30 April 2007	11,693	23,132	14,490	183,286	6,973	239,574
	Movements during the half-year ended 31 October 2007						
4	Dividends paid	–	–	–	–	(1,460)	(1,460)
	Shares purchased and cancelled	(449)	–	449	(7,944)	–	(7,944)
	Return attributable to equity shareholders	–	–	–	(10,477)	1,295	(9,182)
	Balance at 31 October 2007	11,244	23,132	14,939	164,865	6,808	220,988

Notes	Year ended 30 April 2008	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity 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						
4	Dividends paid	–	–	–	–	(2,161)	(2,161)
	Shares purchased and cancelled	(712)	–	712	(11,932)	–	(11,932)
	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

Unaudited Balance Sheet

Notes		31 October 2008 £'000s	31 October 2008 £'000s	31 October 2007 £'000s	31 October 2007 £'000s	30 April 2008 £'000s	30 April 2008 £'000s
	Fixed assets						
	Investments		139,022		224,693		194,453
	Current assets						
	Debtors	2,099		1,690		2,870	
	Cash at bank and short-term deposits	9,808		6,459		5,822	
		11,907		8,149		8,692	
	Creditors: amounts falling due within one year	(3,473)		(1,854)		(5,045)	
	Net current assets		8,434		6,295		3,647
	Total assets less current liabilities		147,456		230,988		198,100
	Creditors: amounts falling due after more than one year						
5	Debenture		(10,000)		(10,000)		(10,000)
	Net assets		137,456		220,988		188,100
	Capital and reserves						
6	Called up share capital		10,717		11,244		10,981
	Share premium account	23,132		23,132		23,132	
	Capital redemption reserve	15,466		14,939		15,202	
	Capital reserves	81,114		164,865		131,463	
	Revenue reserve	7,027		6,808		7,322	
			126,739		209,744		177,119
7	**Total shareholders' funds – equity**		137,456		220,988		188,100
7	**Net asset value per share – pence**		320.66		491.35		428.23

Unaudited Summary Cash Flow Statement

Notes		Half-year ended 31 October 2008 £'000s	Half-year ended 31 October 2007 £'000s	Year ended 30 April 2008 £'000s
8	Net cash inflow from operating activities	**1,197**	473	1,246
	Cash outflow from servicing of finance	**(575)**	(577)	(1,154)
	Net cash inflow from financial investment	**7,873**	10,610	13,576
	Equity dividends paid	**(1,417)**	(1,460)	(2,161)
	Net cash inflow before use of liquid resources and financing	**7,078**	9,046	11,507
	(Increase)/decrease in short-term deposits	**–**	(4,210)	2,000
	Net cash outflow from financing	**(4,342)**	(7,938)	(11,045)
	Increase/(decrease) in cash	**2,736**	(3,102)	2,462
	Reconciliation of net cash flow to movement in net debt			
	Increase/(decrease) in cash	**2,736**	(3,102)	2,462
	Increase/(decrease) in short-term deposits	**–**	4,210	(2,000)
	Movement in net debt resulting from cash flows	**2,736**	1,108	462
	Foreign exchange movement	**1,250**	(197)	(188)
	Movement in net debt	**3,986**	911	274
	Net debt brought forward	**(4,178)**	(4,452)	(4,452)
	Net debt carried forward	**(192)**	(3,541)	(4,178)
	Represented by:			
	Cash at bank	**9,808**	249	5,822
	Short-term deposits	**–**	6,210	–
		9,808	6,459	5,822
	Debenture	**(10,000)**	(10,000)	(10,000)
		(192)	(3,541)	(4,178)

Unaudited Notes on the Accounts

1 Significant accounting policies

These financial statements have been prepared on the basis of the accounting policies set out in the Company's financial statements at 30 April 2008. These accounting policies are expected to be followed throughout the year ending 30 April 2009.

2 Income

	Half-year ended 31 October 2008 £'000s	Half-year ended 31 October 2007 £'000s	Year ended 30 April 2008 £'000s
Income from investments			
UK dividends	**993**	1,005	1,618
Overseas dividends	**741**	1,026	1,921
	1,734	2,031	3,539
Other income			
Interest on cash and short-term deposits	**116**	121	254
Stock lending fees	**36**	28	52
Underwriting commission	**8**	3	3
	160	152	309
Total income	**1,894**	2,183	3,848

3 Return per share

	Half-year ended 31 October 2008	Half-year ended 31 October 2007	Year ended 30 April 2008
Revenue return per share – pence	**2.58**	2.81	5.54
Revenue return attributable to equity shareholders – £'000s	**1,122**	1,295	2,510
Capital return per share – pence	**(107.53)**	(22.73)	(88.09)
Capital return attributable to equity shareholders – £'000s	**(46,679)**	(10,477)	(39,891)
Weighted average number of ordinary shares in issue during the period	**43,409,009**	46,103,339	45,282,575

4 Dividends

Dividends on ordinary shares	Register date	Payment date	Half-year ended 31 October 2008 £'000s	Half-year ended 31 October 2007 £'000s	Year ended 30 April 2008 £'000s
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	1,460
			1,417	1,460	2,161

The Directors have declared an interim dividend in respect of the year ending 30 April 2009 of 1.60p per share, payable on 30 January 2009 to all shareholders on the register at close of business on 30 December 2008. The amount of this dividend will be £680,000 based on 42,491,564 shares in issue at 12 December 2008. This amount has not been accrued in the results for the half-year ended 31 October 2008.

5 Creditors: amounts falling due after more than one year

Debenture	31 October 2008 £'000s	31 October 2007 £'000s	30 April 2008 £'000s
11.5% debenture stock 2014	**10,000**	10,000	10,000

The debenture stock is secured by floating charges against the assets of the Company and is stated at nominal value. It is redeemable at par on 31 December 2014. The market value of the debenture at 31 October 2008, which was based on a comparable UK gilt, was £13,113,000 (31 October 2007: £13,092,000 and 30 April 2008: £13,153,000).

6 Called up share capital

	Authorised		Issued and fully paid	
Equity share capital	Number	£'000s	Number	£'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	–	–	(1,058,217)	(264)
Balance at 31 October 2008	**198,900,000**	**49,725**	**42,866,564**	**10,717**

During the half-year ended 31 October 2008 1,058,217 ordinary shares were purchased for cancellation at a cost of £3,670,000.

7 Net asset value per ordinary share

	31 October 2008	31 October 2007	30 April 2008
Net asset value per share (with debenture at nominal value) – pence	**320.66**	491.35	428.23
Net assets attributable at the period end – £'000s	**137,456**	220,988	188,100
Number of ordinary shares in issue at the period end	**42,866,564**	44,975,668	43,924,781

The net asset value per share at 31 October 2008 with the debenture at market value was 313.40p (31 October 2007: 484.48p and 30 April 2008: 421.05p).

8 Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	Half-year ended 31 October 2008 £'000s	Half-year ended 31 October 2007 £'000s	Year ended 30 April 2008 £'000s
Total return before finance costs and taxation	**(44,896)**	(8,464)	(36,024)
Adjust for returns from non-operating activities			
Losses on investments	**47,277**	9,525	38,996
Foreign exchange (profits)/losses of a capital nature	**(1,247)**	200	188
Management fee charged to capital	**231**	345	590
Recoverable VAT credited to capital	**–**	–	(500)
Non-operating expenses of a capital nature	**10**	23	35
Return from operating activities	**1,375**	1,629	3,285
Adjust for non cash flow items			
Transfer of management fee to capital reserve	**(231)**	(345)	(590)
Transfer of recoverable VAT to capital reserve	**–**	–	500
Exchange (profits)/losses of a revenue nature	**(6)**	–	4
Movement in prepayments and accrued income	**162**	(49)	(1,039)
Movement in accrued expenses	**4**	(641)	(613)
Dividends re-invested	**(23)**	–	(97)
Overseas taxation	**(84)**	(121)	(204)
Net cash inflow from operating activities	**1,197**	473	1,246

9 Results

The results for the half-year ended 31 October 2008 and 31 October 2007, which are unaudited, constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 April 2008; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 April 2008 are an extract from those accounts.

By order of the Board
F&C Management Limited, Secretary
Exchange House
Primrose Street
London EC2A 2NY

15 December 2008

Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist mainly of quoted equity securities and its principal risks are therefore market related. The large number of investments held, together with the geographic and sector diversity of the portfolio, enables the Company to spread its risk with regard to liquidity, market volatility, currency movements and revenue streams.

Other key risks faced by the Company relate to investment strategy, management and resources, regulatory issues, operational matters and financial controls. These risks, and the way in which they are managed, are described in more detail under the heading "Principal risks" within the Directors' Report and Business Review contained within the Company's annual report for the year ended 30 April 2008. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Directors' Statement of Responsibilities in Respect of the Financial Statements

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

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards and gives a true and fair view of the assets, liabilities, financial position and return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the principal risks and uncertainties for the remainder of the financial year; and
- the half-yearly report includes details on related party transactions.

On behalf of the Board
Anthony Townsend
Chairman
15 December 2008

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.

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.

Individual Savings Account ("ISA")

Individuals can invest up to £7,200 each year in F&C's Stocks and Shares ISA. On 6 April 2008 all existing Personal Equity Plans were reclassified as ISAs.

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.

F&C charges £60 + VAT a year 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 plans 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.

The information on pages 24 and 25 has been issued and approved by F&C Management Limited, authorised and regulated in the UK by the Financial Services Authority.

Availability of report and accounts

The Company's report and accounts are available on the internet at www.fandcglobalsmallers.com. Printed copies may be obtained from the Company's registered office, Exchange House, Primrose Street, London EC2A 2NY