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F&C Global Smaller Companies PLC
Report and accounts
for the half-year to **31 October 2006**

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

Directors

Gerry Grimstone (Chairman)
 Leslie Cullen
 Dr Bruce Farmer, CBE
 Dr Franz Leibenfrost
 Anthony Townsend
 Jane E Tozer

Manager

Peter Ewins
 F&C Management Limited

Registered in England, company registration number: 28264

Summary of Unaudited Results

Attributable to equity shareholders

	31 October 2006	30 April 2006	% Change
Share price	410.75p	435.00p	-5.6
Net asset value per share (debenture at nominal value)	454.43p	470.83p	-3.5
Net asset value per share (debenture at market value)	446.70p	463.47p	-3.6
Benchmark (capital return)			-4.2
	Half-year ended 31 October 2006	Half-year ended 31 October 2005	% Change
Revenue return per share	2.41p	2.37p	+1.7
Interim dividend per share*	1.53p	1.49p	+2.7

*Payable on 30 January 2007 to shareholders on the register at 29 December 2006.

Highlights

- Net asset value outperformed the benchmark
- Strong relative performance in the UK, Europe and Pacific ex Japan
- Interim dividend up by 2.7% from 1.49p to 1.53p
- More than 3,500 new shareholders

Chairman's Statement

The first half of the current financial year was a testing period for global smaller company shares. World equity markets enjoyed a good start to 2006, but some came under pressure as the year progressed, particularly at the smaller company end where gains over recent years have been strongest. The blended benchmark* against which the performance of your Company is measured, fell by 4.2% over the six months. The Company's net asset

value ("NAV") declined by 3.5% and we therefore performed better than the benchmark. I am pleased to say that the chart below shows that both the NAV and the share price have outperformed the benchmark by a clear margin over the last five years.

The Company's share price fell by slightly more than the NAV, down by 5.6%. When measured against the NAV including the debenture at market value, the shares ended the period at an 8.0% discount.

While a fall in the share price at any time is disappointing, it should be remembered that this came after a 62% rise in the last financial year. Shareholders who held the shares for the five years to the end of October 2006 have seen a total return of 125%, well ahead of most other investments.

Continuing the theme of recent years, dividend income received from the investment portfolio was encouraging. This has led the Board to declare an interim dividend of 1.53p, which is 2.7% higher than last year. We are keen to maintain a progressive approach to the dividend although, of

Net asset value and share price performance

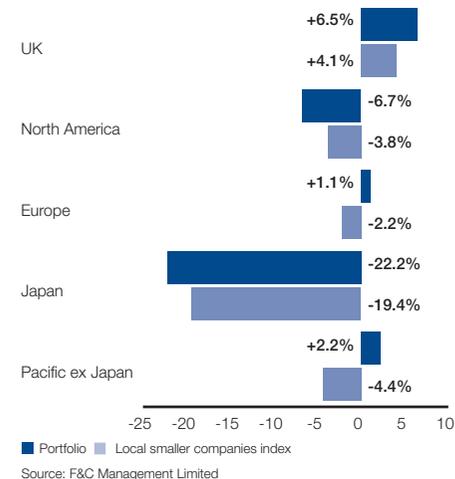
five years from 31 October 2001 to 31 October 2006
rebased to 100 at 31 October 2001



* 40% Hoare Govett Smaller Companies Index (HGSC), 60% MSCI World ex UK Small Cap Index

Geographical performance (total return)

for the half-year ended 31 October 2006



Source: F&C Management Limited

different regional performances is discussed overleaf. Returns from the different regions varied quite considerably, with the UK the best and Japan the worst by quite a distance. The Company has been overweight in the UK and also in Europe throughout the period and this has proved to be advantageous.

Over the course of the six months, the Manager reduced the level of gearing on the portfolio. Gearing is only helpful when markets are rising, and being geared over the first half of the year had a marginally detrimental effect on performance.

course, this depends in the final analysis on the performance of our portfolio companies. There is no plan to declare another special dividend in the current financial year, as last year's payout was prompted by the circumstances surrounding the Tender Offer.

Investment performance

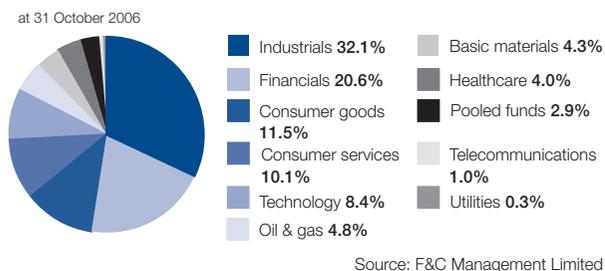
Our investment performance over the six months was strong in relation to the relevant local benchmarks in the UK, Europe and Pacific ex Japan, whilst in the US and Japan we underperformed. The background to the

Discount

At the time of the Tender Offer last year we said that, going forward, we intended to use our share buyback powers actively so as to ensure that, as far as possible, the discount to NAV at which our shares trade remains close to the tender level discount of 5%. We have followed this policy and the Company bought in 475,000 shares for cancellation over the period. Previously, there had been considerable volatility in the discount partly depending on whether smaller companies as an

Chairman's Statement (continued)

Industrial classification of the investment portfolio



asset class were in or out of favour. Over the last year, the discount has been less volatile reflecting a more balanced shareholder base.

Good investment performance and effective marketing of the Company to the investment community also benefited the discount by increasing the demand for the Company's shares. I am pleased to say that the various F&C savings schemes have continued to be an effective tool for gaining new shareholders. Over the course of the last six months, more than 3,500 new shareholders have joined the register and we now have over 22,000.

In addition to our everyday marketing to institutional and private client brokers, a direct mailing campaign was used in November to target new private investors. We estimate that

over 71% of the Company's shares are now held privately.

Markets and investment policy

Over the six months, the fundamental world economic background remained largely sup-

portive for corporate profitability. The dynamic growth of the Chinese economy continued and this helped to foster faster growth in other parts of the world. UK growth was better than expected and Europe threw off its previous sluggishness. The main area which witnessed a slowdown was the US, where the series of interest rate rises has had an impact on the housing sector and elsewhere.

Early in the period, the rise in oil and other commodity prices served to dampen enthusiasm in stockmarkets and stoked concern about rising inflation and a growth slowdown. Volatility and risk aversion increased. This can cause smaller company shares to find themselves out of favour relative to large companies, and this was particularly evident in the US and Japan. However,

circumstances improved as the period progressed.

We break our portfolio down into five main segments; the UK, Europe, the US, Japan and Pacific ex Japan. In each we judge success against a local small cap benchmark. The UK was the best performing market. Japan suffered from reduced private investor confidence following a number of reported corporate scandals.

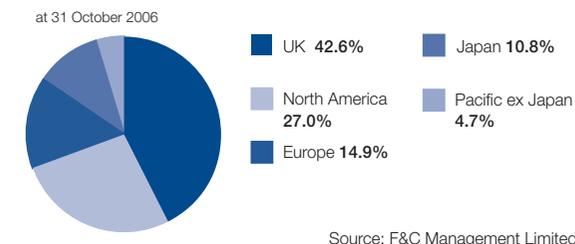
The solid UK market performance owed something to a spate of takeover activity. With companies feeling more confident, finance readily available to fund deals and private equity companies awash with liquidity, this was perhaps not a surprise. Our portfolio benefited from takeovers of MacLellan Group and Hardman Resources. More important

to performance however were significant gains in our long standing and large holdings in Aveva Group, Omega International and Chemring Group. All these companies reported better than expected results.

Our European portfolio continued its good form from last year, rising well ahead of the benchmark. A notable contributor here, continuing the takeover theme, was Europistas, the Spanish motorway concessions company, which attracted attention from two competing bidders. Logitech, the communications device company, also performed strongly in the period.

In the US, we had a more difficult time. Two particular disappointments were Lenox, the giftware/tableware business, where management appear to have failed to deliver synergies from a merger, and TRX, an IT software company serving the travel industry, where there have been order delays. On the other hand Reynolds and Reynolds, which provides software into the car dealership market, was

Geographical distribution of the investment portfolio



Chairman's Statement (continued)

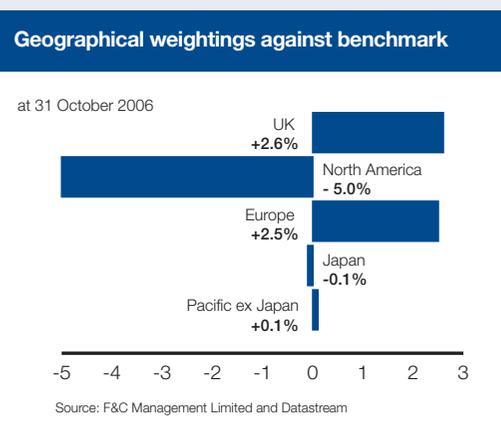
taken over giving the portfolio a boost, and technology stock Avocent also rose strongly on completion of a number of acquisitions.

The Japanese portfolio underperformed with a poor October largely to blame. Over the six months, Nippon Yushoki which supplies fork-lift equipment was weak on concerns of a cyclical downturn. MTI, the telecoms retailer and mobile content company also fell heavily as competition in its sector increased. Partially offsetting these falls, Jin the opticians business, performed well, as did Ahresty the automotive components group which benefited from the trend towards the greater use of aluminium in the industry. We believe that there are some interesting opportunities in Japan following the recent weakness and we have started to increase exposure to the market.

The Pacific ex Japan portfolio performed strongly in the period. We said in the Annual Report that we would be moving towards a portfolio of third party managed collec-

tives for this region as we felt that this was likely to result in better and more consistent returns over the longer term. While we have made progress towards this, three of the remaining direct holdings have contributed good results. Leyshon Resources was up over 50% as it announced encouraging gold drilling results in China. Labroy Marine is continuing to benefit from high demand for its services, as is Olam, the supply chain manager in the commodities market.

In overall asset allocation terms, the Company's exposure to the UK and the US increased over the period, though we remain underweight in the US against the benchmark. The overweight position in Europe was a good call, and produced a positive



return. However, we have recently started to take profits in Europe as we perceive value is becoming harder to find in the smaller company universe.

The Board

I am pleased to say that Mr Leslie Cullen joined your Board as a non-executive director on 1 September 2006. Les is an MBA and a Fellow of both the Association of Certified Accountants and the Association of Corporate Treasurers. He is an independent trustee and audit chairman of the British Telecom Pension Scheme and a non-executive director of Sustrans Ltd, Interserve plc, Avis Europe plc and DTZ Holdings plc. Les has worked in the UK and overseas for a number of large public companies, including being group finance director of Prudential plc and Inchcape plc. He was chairman of a number of private equity backed organisations. He is already making a great contribution to our deliberations and we are very pleased to have him.

Outlook

Market sentiment has improved since late summer as hopes have risen that the monetary tightening phase in the

US has come to an end. Takeover activity continues to be supportive, and most companies are still enjoying positive trading conditions. Valuations in some sectors and parts of the world do look high however.

Against this backdrop, the Manager is making some changes to asset allocation based on the relative attractiveness of valuations in the different parts of the world. The effects of the recent fall in the US dollar are also being appraised. For the long-term, the Board remains confident that astute stock selection from the wide smaller company stock universe, should deliver good returns to shareholders.

Gerry Grimstone, Chairman
December 2006

Thirty Largest Equity Holdings at 31 October 2006

This period	Last period*	Company/Country	% of total investments	Value £m
1	(4)	Aveva Group United Kingdom Computer software and services for engineering solutions in the ship building and process plant markets.	1.4	3.1
2	(2)	Omega International United Kingdom Kitchen manufacturer supplying the independent retail trade primarily under the Chippenham and Sherato brands.	1.1	2.6
3	(6)	Detica Group United Kingdom IT consultancy specialising in the national security, government and financial services sectors.	0.9	2.0
4	(8)	Utilico Investment Trust United Kingdom Specialist investment trust focusing on investment in infrastructure related companies around the world.	0.9	2.0
5	(5)	Kingspan Group Ireland Leading provider of niche building products with focus on Ireland, the UK and Central Europe.	0.9	1.9
6	(11)	CLS Holdings United Kingdom Property investment and development company with interests in the UK, France, Sweden and Germany.	0.9	1.9
7	(22)	Dobbies Garden Centres United Kingdom Garden centre retailer expanding its store base within the UK.	0.9	1.9
8	(-)	Hamworthy United Kingdom Designer and manufacturer of marine and offshore fluid handling systems.	0.8	1.9
9	(25)	Spice Holdings United Kingdom Provider of outsourced support services to the UK electricity, telecom and water sectors.	0.8	1.8
10	(16)	Bank of Cyprus Cyprus Cyprus's leading retail and commercial bank with a strongly growing franchise in the Greek market.	0.8	1.8
11	(14)	Cousins Properties USA Property development real estate investment trust based in Atlanta.	0.8	1.7
12	(1)	Neochimiki Greece Production and distribution of chemicals, detergents and cosmetics throughout Greece and the Balkans.	0.8	1.7
13	(-)	Allianz Little Dragons Fund United Kingdom Fund providing exposure to Asian smaller companies.	0.8	1.7
14	(-)	Hill & Smith Holdings United Kingdom Supplier and manufacturer of a wide range of infrastructure and construction related products, one of the UK's largest galvanisers.	0.7	1.7
15	(15)	Australian New Horizons Fund Australia Specialist investment fund investing in Australian smaller companies.	0.7	1.6

This period	Last period*	Company/Country	% of total investments	Value £m
16	(19)	Morgan Sindall United Kingdom Construction and building services business.	0.7	1.6
17	(20)	Shaftesbury United Kingdom Property investment and development company focused on the West End of London.	0.7	1.6
18	(-)	Utilico Emerging Markets Bermuda Investment company focusing on utility and infrastructure companies in emerging markets.	0.7	1.6
19	(-)	Chloride Group United Kingdom Provides power protection services and solutions.	0.7	1.6
20	(23)	Topdanmark Denmark Denmark's most consistently profitable general insurance company.	0.7	1.6
21	(-)	Orchid Developments Cayman Islands Property development company in Bulgaria.	0.7	1.5
22	(30)	Teesland United Kingdom Property fund management company focused on the UK and Continental Europe.	0.7	1.5
23	(10)	Raymarine United Kingdom Marine electronics product supplier serving the leisure boating market.	0.7	1.5
24	(17)	Dollar Thrifty Automotive Group USA Vehicle rental operator serving the leisure market.	0.7	1.5
25	(-)	Capital & Regional United Kingdom Property company operating a co-investing asset management model.	0.7	1.5
26	(-)	Shore Capital Group United Kingdom Stockbroking business, also a fund manager in a number of alternative asset classes.	0.7	1.5
27	(18)	Kier Group United Kingdom Broadly based construction, property and support services operator.	0.7	1.5
28	(-)	Victrex Switzerland Specialist materials company supplying a wide range of industrial applications.	0.6	1.4
29	(26)	Meggitt UK Supplier of aerospace equipment/systems for the civil and defence markets, also a manufacturer of electronic products.	0.6	1.4
30	(-)	CapitalSource USA A specialist in asset-backed lending to smaller companies, especially in the healthcare industry.	0.6	1.4

* The figures in brackets denote the position at 30 April 2006.
The value of the thirty largest holdings represents 23.4% (30 April 2006: 20.9%) of the Company's total investments.
The country shown is the country of incorporation.

Unaudited Income Statement

Notes	Half-year ended 31 October 2006			Half-year ended 31 October 2005			Year ended 30 April 2006			
	Revenue £'000s	Capital £'000s	Total* £'000s	Revenue £'000s	Capital £'000s	Total* £'000s	Revenue £'000s	Capital £'000s	Total* £'000s	
	(Losses)/gains on investments	–	(6,565)	(6,565)	–	43,023	43,023	–	99,506	99,506
	Exchange losses	(1)	(42)	(43)	(3)	(965)	(968)	(3)	(535)	(538)
2	Income	1,977	–	1,977	2,865	–	2,865	4,912	–	4,912
	Management fee	(129)	(303)	(432)	(175)	(408)	(583)	(366)	(855)	(1,221)
	Performance fee	–	(138)	(138)	–	–	–	–	–	–
	Other expenses	(324)	(32)	(356)	(284)	(29)	(313)	(578)	(605)	(1,183)
	Net return before finance costs and taxation	1,523	(7,080)	(5,557)	2,403	41,621	44,024	3,965	97,511	101,476
	Finance costs	(178)	(415)	(593)	(232)	(541)	(773)	(444)	(1,035)	(1,479)
	Net return on ordinary activities before taxation	1,345	(7,495)	(6,150)	2,171	41,080	43,251	3,521	96,476	99,997
	Taxation on ordinary activities	(183)	53	(130)	(165)	–	(165)	(311)	66	(245)
	Net return attributable to equity shareholders	1,162	(7,442)	(6,280)	2,006	41,080	43,086	3,210	96,542	99,752
3	Return per share – pence	2.41	(15.45)	(13.04)	2.37	48.62	50.99	4.54	136.62	141.16

* 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	Half-year ended 31 October 2006	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 brought forward at 30 April 2006	12,088	23,132	14,095	170,960	7,377	227,652
	Movements during the half-year ended 31 October 2006						
4	Dividends paid	-	-	-	-	(1,944)	(1,944)
	Shares purchased by the Company	(119)	-	119	(1,865)	-	(1,865)
	Return attributable to equity shareholders	-	-	-	(7,442)	1,162	(6,280)
	Balance carried forward at 31 October 2006	11,969	23,132	14,214	161,653	6,595	217,563
	Half-year ended 31 October 2005	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 brought forward at 30 April 2005	21,231	23,132	4,952	207,658	7,425	264,398
	Movements during the half-year ended 31 October 2005						
4	Dividends paid	-	-	-	-	(2,499)	(2,499)
	Shares purchased by the Company	(125)	-	125	(1,384)	-	(1,384)
	Return attributable to equity shareholders	-	-	-	41,080	2,006	43,086
	Balance carried forward at 31 October 2005	21,106	23,132	5,077	247,354	6,932	303,601
	Year ended 30 April 2006	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 brought forward at 30 April 2005	21,231	23,132	4,952	207,658	7,425	264,398
	Movements during the year ended 30 April 2006						
4	Dividends paid	-	-	-	-	(3,258)	(3,258)
	Shares purchased by the Company	(9,143)	-	9,143	(133,240)	-	(133,240)
	Return attributable to equity shareholders	-	-	-	96,542	3,210	99,752
	Balance carried forward at 30 April 2006	12,088	23,132	14,095	170,960	7,377	227,652

Unaudited Balance Sheet

Notes	31 October 2006		31 October 2005		30 April 2006	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Fixed assets					
		223,716		256,243		238,228
	Current assets					
	Debtors	744	13,831		1,609	
	Taxation recoverable	9	10		10	
	Cash at bank and short-term deposits	5,404	45,753		2,652	
		6,157	59,594		4,271	
	Creditors: amounts falling due within one year					
	Loans	-	-		(3,000)	
	Other	(2,310)	(2,236)		(1,847)	
		(2,310)	(2,236)		(4,847)	
	Net current assets/(liabilities)	3,847		57,358		(576)
	Total assets less current liabilities	227,563		313,601		237,652
	Creditors: amounts falling due after more than one year					
5	Debenture	(10,000)		(10,000)		(10,000)
	Net assets	217,563		303,601		227,652
	Capital and reserves					
6	Called-up share capital	11,969		21,106		12,088
	Share premium account	23,132	23,132		23,132	
	Capital redemption reserve	14,214	5,077		14,095	
	Capital reserves	161,653	247,354		170,960	
	Revenue reserve	6,595	6,932		7,377	
		205,594		282,495		215,564
7	Total equity shareholders' funds	217,563		303,601		227,652
7	Net asset value per ordinary share – pence	454.43		359.61		470.83

Unaudited Cash Flow Statement

Notes	Half-year ended 31 October 2006	Half-year ended 31 October 2005	Year ended 30 April 2006
	£'000s	£'000s	£'000s
8 Net cash inflow from operating activities	1,633	2,160	2,959
Cash outflow from servicing of finance	(591)	(792)	(1,503)
Total tax paid	(129)	(165)	(242)
Net cash inflow from financial investment	8,900	57,181	143,044
Equity dividends paid	(1,944)	(2,499)	(3,258)
Net cash inflow before use of liquid resources and financing	7,869	55,885	141,000
(Increase)/decrease in short-term deposits	(1,000)	(30,862)	3,993
Net cash outflow from financing	(4,865)	(15,601)	(146,176)
Increase/(decrease) in cash	2,004	9,422	(1,183)
Reconciliation of net cash flow to movement in net (debt)/funds			
Increase/(decrease) in cash	2,004	9,422	(1,183)
Increase/(decrease) in short-term deposits	1,000	30,862	(3,993)
Decrease in short-term loans	3,000	14,217	12,936
Movement in net funds resulting from cash flows	6,004	54,501	7,760
Exchange movement	(44)	(969)	(537)
Movement in net funds	5,960	53,532	7,223
Net debt brought forward	(10,556)	(17,779)	(17,779)
Net (debt)/funds carried forward	(4,596)	35,753	(10,556)
Represented by:			
Cash at bank	3,404	11,210	1,652
Overdrafts	–	–	(208)
Short-term deposits	2,000	34,543	1,000
	5,404	45,753	2,444
Short-term loans	–	–	(3,000)
Debenture	(10,000)	(10,000)	(10,000)
	(4,596)	35,753	(10,556)

Notes on the Accounts

1 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 2006. These accounting policies are expected to be followed in the year ending 30 April 2007 as well.

2 Income

	Half-year ended 31 October 2006	Half-year ended 31 October 2005	Year ended 30 April 2006
	£'000s	£'000s	£'000s
Income from investments			
UK franked dividends	771	1,095	1,533
UK scrip dividends	–	–	129
UK unfranked interest	32	30	65
Overseas dividends	1,041	1,483	2,298
Overseas scrip dividends	11	6	100
	1,855	2,614	4,125
Other income			
Interest on cash and short-term deposits	71	199	690
Stock lending fees	50	52	96
Underwriting commission	1	–	1
	122	251	787
Total income	1,977	2,865	4,912

3 Return per share

Revenue return

The revenue return per share for the half-year ended 31 October 2006 is based on the revenue return attributable to equity shareholders of £1,162,000 profit (half-year ended 31 October 2005: £2,006,000 profit, year ended 30 April 2006: £3,210,000 profit).

Capital return

The capital return per share for the half-year ended 31 October 2006 is based on the capital return attributable to equity shareholders of £7,442,000 loss (half-year ended 31 October 2005: £41,080,000 profit, year ended 30 April 2006: £96,542,000 profit).

Weighted average number of shares in issue

Both the revenue and capital returns per share for the half-year ended 31 October 2006 are based on a weighted average number of 48,176,100 shares in issue (half-year ended 31 October 2005: 84,490,527, year ended 30 April 2006: 70,665,432).

Notes on the Accounts (continued)

4 Dividends

	Record date	Payment date	Half-year ended 31 October 2006 £'000s	Half-year ended 31 October 2005 £'000s	Year ended 30 April 2006 £'000s
Dividends on ordinary shares					
Final for the year ended 30 April 2005 of 2.80p	9 July 2005	4 August 2005	–	2,499	2,499
Interim for the year ended 30 April 2006 of 1.49p	30 December 2005	30 January 2006	–	–	759
Final for the year ended 30 April 2006 of 3.04p	7 July 2006	3 August 2006	1,463	–	–
Special for the year ended 30 April 2006 of 1.00p	7 July 2006	3 August 2006	481	–	–
			1,944	2,499	3,258

The Directors have declared an interim dividend of 1.53p per ordinary share payable on 30 January 2007 to shareholders on the register at 29 December 2006. The amount of this dividend will be £732,000 based on 47,825,781 shares in issue at 11 December 2006. This amount has not been accrued in the results for the half-year ended 31 October 2006

5 Creditors: amounts falling due after more than one year

	31 October 2006 £'000s	31 October 2005 £'000s	30 April 2006 £'000s
Debenture			
11.5% debenture stock 2014 secured	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 2006, which was based on a comparable UK gilt, was £13,702,000 (31 October 2005: £13,980,000 and 30 April 2006: £13,562,000).

6 Called-up share capital

	Authorised		Issued and fully paid	
Equity share capital	Number	£'000s	Number	£'000s
Ordinary shares of 25p each				
Balance brought forward at 30 April 2006	198,900,000	49,725	48,350,781	12,088
Shares purchased by the Company	–	–	(475,000)	(119)
Balance carried forward at 31 October 2006	198,900,000	49,725	47,875,781	11,969

During the half-year ended 31 October 2006, 475,000 ordinary shares were purchased for cancellation at a cost of £1,865,000.

7 Net asset value per ordinary share

	31 October 2006	31 October 2005	30 April 2006
Net asset value per ordinary share – pence	454.43	359.61	470.83
Net assets attributable at the period end	217,563	303,601	227,652
Ordinary shares of 25p in issue at the period end	47,875,781	84,425,082	48,350,781

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

	Half-year ended 31 October 2006 £'000s	Half-year ended 31 October 2005 £'000s	Year ended 30 April 2006 £'000s
Total return before finance costs and taxation	(5,557)	44,024	101,476
Adjust for returns from non-operating activities			
(Losses)/gains on investments	6,565	(43,023)	(99,506)
Exchange losses of a capital nature	42	965	535
Non-operating expenses of a capital nature	473	437	1,460
Return from operating activities	1,523	2,403	3,965
Adjust for non cash flow items			
Exchange losses of a revenue nature	1	3	3
Scrip dividends	(11)	(6)	(229)
Management fee allocated to capital	(303)	(408)	(855)
Performance fee allocated to capital	(138)	–	–
Decrease in accrued income	118	456	362
Decrease/(increase) in prepayments	175	(214)	(179)
Increase/(decrease) in accruals and other creditors	268	(74)	(108)
	1,633	2,160	2,959

9 Results

The results for the half-year ended 31 October 2006 and for the half-year ended 31 October 2005, which are unaudited, constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 April 2006; the report of the auditors thereon was unqualified and did not contain a statement under Section 237 of the Companies Act 1985. The abridged financial statements shown above for the year ended 30 April 2006 are an extract from those accounts.

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

Exchange House,
Primrose Street
London EC2A 2NY

11 December 2006

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 also buy F&C Global Smaller Companies 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, a Child Trust Fund or a Personal Equity Plan are exempt from tax. Interest and dividends received on assets in these savings products are free of income tax. Although the dividend tax credit cannot be reclaimed 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 via this simple savings scheme 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 now 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. 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")

F&C has launched a CTF so that parents can invest the Government voucher issued to all children born since 1 September 2002. Parents and grandparents (or other relatives and friends) can add contributions totalling £1,200 a year. You can invest from £25 each month via Direct Debit or from £300 for lump sums once you have invested your voucher.

Individual Savings Account ("ISA")

You can invest up to £7,000 each year in F&C's Maxi ISA, or £4,000 in the Mini ISA – 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.

Personal Equity Plan ("PEP")

Although PEPs are no longer available for new subscriptions you can transfer investments from one manager to another, subject to HM Revenue & Customs requirements.

F&C's fixed rate charging structure provides excellent value for money as you pay one fixed annual management fee no matter how many Investment Trust PEPs or ISAs you hold with F&C.

How to invest (continued)

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.

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 1330**

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 21 and 22 has been issued and approved by F&C Asset Management plc, authorised and regulated in the UK by the Financial Services Authority (FSA).