F&C Investments

F&C Global Smaller Companies PLC

Report and Accounts

2013

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 directly in around 200 individual companies covering markets around the world. We also invest in collective funds giving us exposure predominantly to Asia and Latin America.
- 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:

- No capital gains tax is suffered on transactions within the portfolio.
- Charges to investors are 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 or issuing our own shares.
- The freedom to borrow money to invest for our shareholders.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in F&C Global Smaller Companies PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

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

Registered in England and Wales with company registration number 28264.

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.

Financial Highlights

Summary of results

Attributable to equity shareholders	30 April 2013	30 April 2012	% Change
Share price	**764.50p**	588.00p	+30.0
Net asset value per share (debenture at nominal value)	**756.21p**	596.35p	+26.8
Net asset value per share (debenture at market value)	**752.47p**	590.60p	+27.4

	Year ended 30 April 2013	Year ended 30 April 2012	% Change
Revenue return per share	**7.10p**	6.87p	+3.3
Dividends per share	**6.50p**	5.63p	+15.5
Ongoing charges* (based on average net assets)	**0.85%**	1.08%	

* 1.49% including the performance fees (2012: 1.56%). The ongoing charges figure for 2013 excludes Savings Plans expenses as, from 6 April 2013, the Company no longer incurs these costs.

Contents

Financial calendar

Annual general meeting	**25 July 2013**
Final dividend payable*	**16 August 2013**
Half-yearly results for 2014 announced	**December 2013**
Interim dividend payable	**January 2014**
Final results for 2014 announced	**June 2014**

* to shareholders on the register at the close of business on 19 July 2013

Chairman's Statement

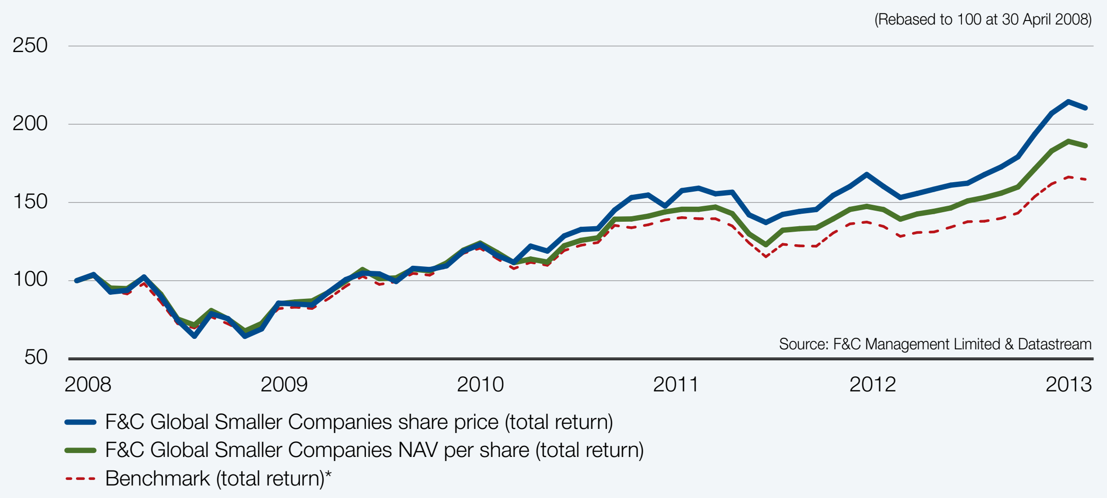
Anthony Townsend Chairman

This has been another good year for your Company. As with last year, equity markets performed better in the second half as it became evident that Central Banks around the world were prepared to take drastic action to support the environment for growth. The 5.2% net asset value total return at the half way stage turned into 28.1% for the year as whole, while the share price again reached a new year-end high of 764.5p, a rise of 30% as the shares moved to a premium over the Company's net asset value ("**NAV**").

Once again smaller company shares did well compared to larger stocks in the UK and they were slightly ahead in the US, although elsewhere in the world relative performance was more mixed. Large exporters in Japan benefited more than small companies from a significant weakening in the yen and in some European markets, where economic conditions remained the most difficult, there was also more interest in the bigger companies. The Company's Benchmark, a blended index of the returns from the MSCI All Country World ex UK Small Cap Index (70%) and Numis UK Smaller Companies (excluding investment companies) Index (30%) produced a total return of 22.4% which meant that for the fourth year in the last five the Company's NAV delivered outperformance.

It is particularly pleasing to be able to report that our returns in each of the five geographic segments of the portfolio were ahead of the local market smaller company indices, repeating the achievement of the prior year. F&C's ability to select winning combinations of individual stocks in the US, UK and Europe, plus well managed funds for other parts of the world, has continued to deliver superior overall

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



* The Company's Benchmark is a blended index of the returns from the MSCI All Country World ex UK Small Cap Index (70%) and the Numis UK Smaller Companies (excluding investment companies) Index (30%). Prior to 1 May 2010 the Company's Benchmark was a blended index of the returns from the MSCI All Country World ex UK Small Cap Index (60%) and the Hoare Govett UK Smaller Companies (including investment companies) Index (40%). In April 2012 the Hoare Govett UK Smaller Companies Index changed its name to the Numis UK Smaller Companies Index. The method of calculation remained unchanged.

performance. Over three, five and ten years the NAV total returns have far exceeded the Company's Benchmark returns as shown in the table below and an investment of £100 in the Company's shares ten years ago with dividends reinvested would now be worth almost £600.

Period	3 years	5 years	10 years
NAV total return	50.2%	86.3%	359.7%
Share Price total return	70.9%	110.4%	498.8%
Benchmark	36.5%	64.8%	248.8%

Source: F&C Management Limited & Datastream

Shareholders will understand that there can be no guarantee that these levels of return will continue in what remains a challenging global environment but the strength of performance in 2012/13 means that F&C have earned a performance fee of £1.5m this year; I personally will be very pleased to authorise that payment to them, recognising as I do what it means for shareholders.

The table below shows the Ongoing Charges for this year and last, both including and excluding performance fees. The figure for 2012/13 excludes Savings Plans expenses as, from 6 April 2013, the Company no longer incurs these costs.

Ongoing charges	Excluding performance fee	With performance fee
2012/13	0.85%	1.49%
2011/12	1.08%	1.56%

Dividends

The Company's ability to pay rising dividends does of course depend upon the income that derives from our investment portfolio. Investing in companies that themselves are generally paying out more dividends has paid off once again this year, with the revenue return per share up 3.3%. Moreover, the Company's cost base should be sustainably lower following the removal of savings scheme expenses in future years. After a significant rise in the dividend at the interim stage therefore, the Board is very pleased to be able to recommend a 12.5% increase in the final payment to 4.50p per share, representing a 15.5% increase for the year as a whole. This will be the 43rd consecutive annual increase and the payment will be made on 16 August to shareholders on the register on 19 July. The Board will endeavour to reduce the disparity between future final and half-yearly dividends by paying a relatively higher interim dividend in January 2014.

Market background

Equity markets have been driven up over the last year as a consequence in the main of policy initiatives from all the major central banks. The aim of the authorities has been to bolster private sector activity by keeping monetary policy ultra-loose and by trying to encourage banks to lend and businesses to borrow.

Nearly all global equity markets rose and there is some evidence to suggest that investors have been directing a greater percentage of their assets into equities at the expense of other asset classes. In many countries the yield on cash and government bonds is below the prevailing rate of inflation, thereby offering a negative real return, hardly an attractive investment proposition.

There has not been a wholesale rush into equities, however, given the risks that still remain. While the European Central Bank took definitive steps to avert the threat of a collapse of the Euro last summer, it remains to be seen whether some States within the Eurozone will be able politically to last the course given the pain they are suffering from enforced policies of austerity. The UK, US and Japan also have substantial fiscal deficits and in these uncharted waters there is no certainty of what effect the scale of quantitative easing will have in the medium term, or how markets as a whole will react when Central Bank bond buying eventually winds down, which must happen sooner or later.

Political wrangling in the US over the way to address the fiscal deficit there, and the eventual imposition of mandatory spending cuts from March 2013 under so-called sequestration, were largely shrugged off by equity markets which focused more on job and housing market data which was improving. Elsewhere global economies were generally weaker than had been expected a year ago. Corporate earnings proved fairly resilient and the balance sheets of many companies globally remain strong, but unsurprisingly

Chairman's Statement (continued)

profits have been under more pressure for companies focused on Europe.

Portfolio performance

As already stated, our regional portfolios all recorded positive relative performance against the local small cap indices and this is illustrated in the table below. For the second consecutive year, the best returns came from Japan which recovered strongly in the second half of the period, but the largest contribution towards the outperformance against the Company's Benchmark came from the US portfolio given the scale of our investment there. As usual a detailed analysis of the main issues influencing performance in the investment portfolio is included in the Manager's Review and regional reports on pages 6 to 15.

Asset allocation

Over the course of the last year, the Manager maintained an underweight stance to the UK, while being overweight in Europe and Japan where valuations were felt to be more attractive. The fact that returns globally proved to be relatively consistent across regions, despite some material shifts in the currency markets, meant that asset allocation had a negligible effect on the overall relative performance against the benchmark.

Through the acquisition of a fund investing in frontier markets the portfolio now has a modest exposure to Africa and the Middle East, though in overall terms the Manager has been relatively cautious on the outlook for emerging markets.

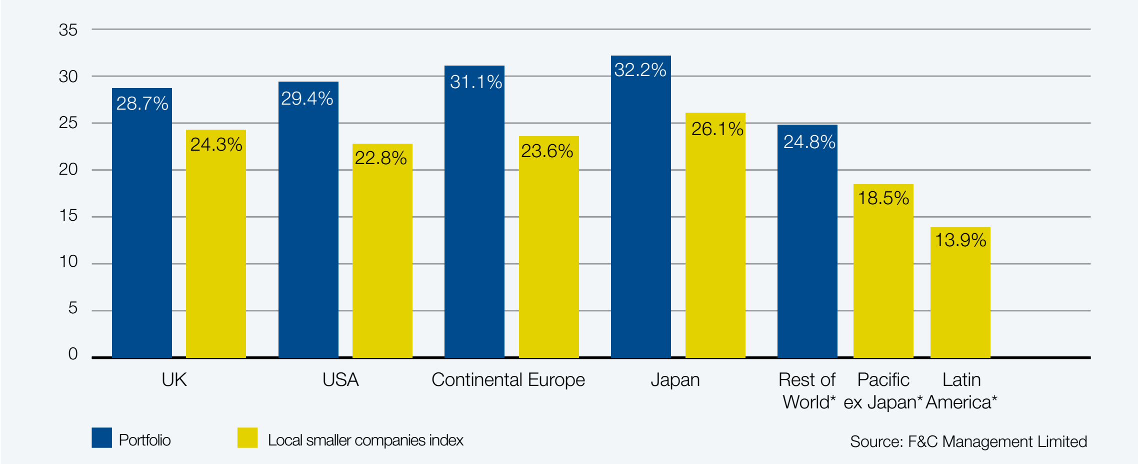
Gearing

The Company was modestly geared in the first two thirds of the year, but the Manager's cautious view on the prospects for further gains meant that net cash has been held over the last few months.

Share issuance

With good demand for the Company's shares in the market, a total of 3,592,112 new shares were issued at a small premium to the prevailing NAV per share and a further 630,000 new shares have been issued since the year end. The larger size of the Company, with the market capitalisation reaching a record year end level of £343.8m, is very positive as liquidity in the Company's shares is enhanced and the fixed costs of running the Company are spread over a larger capital base. The Board will seek to renew its share issue and buy-back authorities at the AGM to maintain that market liquidity and to moderate the level of the premium or discount at which the shares trade in relation to the NAV per share.

Geographical performance (total return sterling adjusted) for the year ended 30 April 2013



*Performance of the Rest of World portfolio is measured against both the Asian and Latin American smaller company indices.

Board constitution

Your Board remains committed to the highest standards of corporate governance and has complied with the relevant guidance throughout the year which in our case is the AIC Code. The Board has a policy of having only a minority of directors who have served beyond nine years, although it is currently only Dr Franz Leibenfrost to whom that applies. As required by the AIC Code he therefore stands for re-election annually; Les Cullen and Jane Tozer will retire by rotation at the AGM and will stand for re-election. Dr Leibenfrost has indicated that he will retire at the annual general meeting in 2014 and so later this year we will commence the process of seeking a new director; it will not be easy to find someone who brings all that Dr Leibenfrost does to the table.

Outlook

The technical factors that have provoked the recent market surge could persist for some time yet and corporate balance sheets remain healthy providing scope for many companies to invest in organic or acquisitive development. Consensus expectations are for global GDP growth in 2013 to be broadly the same as in 2012. However, equity valuation metrics now look relatively extended and there has been increased volatility in the markets more recently.

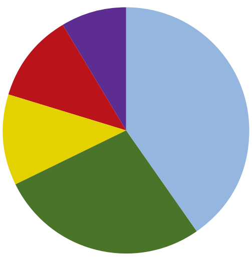
As usual in the small cap spectrum though there are anomalies to exploit. While it is hard to beat the market continually, the Board remains confident that F&C's small cap team will be able to identify some exciting new opportunities.

Anthony Townsend
Chairman
17 June 2013

Manager's Review

Peter Ewins Lead Manager

Geographical distribution of the investment portfolio as at 30 April 2013

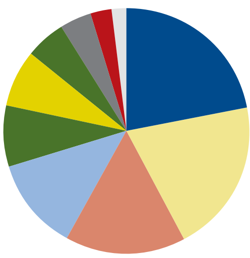


- North America **40.4%** (39.8%)
- UK **27.5%** (29.0%)
- Continental Europe **12.0%** (10.8%)
- Rest of World **11.7%** (12.6%)
- Japan **8.4%** (7.8%)

The percentages in brackets are as at 30 April 2012

Source: F&C Management Limited

Industrial classification of the investment portfolio as at 30 April 2013



- Industrials **22.0%** (24.3%)
- Collective investments **20.4%** (20.8%)
- Financials **15.7%** (11.0%)
- Consumer services **12.3%** (8.6%)
- Consumer goods **8.1%** (10.3%)
- Technology **7.5%** (7.5%)
- Health care **5.3%** (3.3%)
- Oil & Gas **4.1%** (2.7%)
- Basic materials **2.9%** (5.7%)
- Telecommunications **1.7%** (5.5%)
- Utilities **0.0%** (0.3%)

The percentages in brackets are as at 30 April 2012

Source: F&C Management Limited

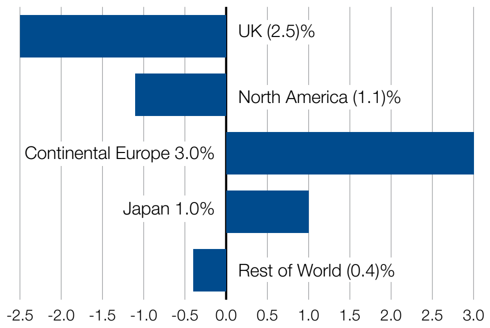
This was a pleasing year for the team involved in managing the fund, as we added value in stock selection across the board for the second year in a row. With equity markets advancing strongly in the second half of the year this translated into an NAV total return of 28.1% compared to the Benchmark return of 22.4%.

Stock markets generally advance either when valuations have become too depressed, or when investors are becoming more optimistic about the future and are therefore prepared to pay more for an improving corporate profits outlook. In the year under review it is hard to argue that valuations started from an especially low level or that the corporate profit outlook improved meaningfully. Another ongoing influence on share prices is the fundamental level of demand for equities in the financial markets. With government bonds and increasingly corporate bonds offering low yields relative to historical levels, and interest rates on cash in the developed world being near zero, there has certainly been greater interest in equities from global investors. This led to a re-rating in terms of the overall earnings multiples in most equity markets.

It was another year where developments in Europe remained very much in focus. The markets took heart from the initiatives laid out by the President of the ECB, Mario Draghi, and in particular from his promise to do whatever was necessary to preserve the euro. However, the recent Cypriot banking crisis that stemmed from Greek debt write-downs caused a further temporary loss of confidence. Perhaps more worryingly, deep recession in Spain, the Eurozone's fourth largest economy, and elsewhere in Southern Europe suggests that the policy measures employed to date are unlikely to be sufficient to turn things around. The large scale monetary expansion being employed in the US, UK and now Japan remains politically unacceptable to Germany for now. Once again however, our disciplined approach to European stock selection paid off well.

The US economy has been doing better and the housing market here has shown definitive signs of improvement. This is an important ingredient along with better employment trends and a rising

Geographical weightings against Benchmark as at 30 April 2013



Source: F&C Management Limited and MSCI

stock market to lift consumer sentiment. Given that the US background is favourable, compared to other parts of the developed world, we have been conscious in our stock selections in the UK and Europe to find companies with a good exposure to the US. A number of these are highlighted in the reports later on. We also retained a high direct exposure to the US market throughout the year. As our US portfolio is more concentrated, US stocks feature heavily once again in the thirty largest holdings on pages 16 and 17. Our view is that the enforced March move to cut spending plans through sequestration is unlikely to de-rail the US economic recovery given the underlying momentum already in place. Recently there have been signs that the US budget deficit is coming more under control.

The UK economy showed only a modest advance in 2012, held back by the impact of the ongoing fiscal squeeze. It is fair to say however that labour market data has surprised on the upside and there have been some more encouraging business activity surveys lately. Given the fact that the fiscal deficit remains higher than many of the so called Eurozone peripheral countries, it is fortunate that the UK is not in the Eurozone and that the Bank of England has been free to engage in aggressive quantitative easing.

Perhaps the most disappointing news in an economic sense has come out of the main developing and emerging markets. India and Brazil in particular delivered far lower growth than had been expected a year ago and inflation in both countries remains a concern. Chinese GDP growth in 2012 slowed to 7.8% from over 9% the year before and the authorities here have been forced to try to contain a bubble in the real estate market in some of the main cities. The outperformance of our Rest of World and Japanese portfolios again vindicates our move a few years back to use third party managed funds to gain exposure to markets in these parts of the world.

Given the backdrop, what did we do in terms of asset allocation? Our long term approach has been to seek to add value in asset allocation by lifting exposure when a region becomes very unfashionable. So, in the early months of the year we added to our European exposure and likewise in late 2012 we were adding to Japan. The resurgence of late in Japan, driven by the enhanced stimulus being applied by the new government discussed in the Japanese portfolio review later, was therefore welcome news for us. In an overall sense however, the fund's outperformance was almost entirely stock selection driven as has mainly been the case in all recent years.

At the stock level you will see that a number of the companies identified in the following pages as winners in 2012/13 have served us well in the past. It is great to be able to hold on to shares that outperform year in year out, but it is also important to keep looking for the next generation of attractive opportunities. Over the year our level of turnover on the portfolio was similar to last year and our average holding period is still around three years. While there is no right number for this, I feel that this is not an unreasonable figure, particularly as some of the trading activity in the last year was as a result of net cash coming into the fund.

Portfolio performance and regional benchmark numbers are given in sterling total return terms, while individual company share price movements, where stated, are in the relevant local currency.

Manager's Review (continued)

UK Review

Portfolio Performance	+28.7%
Numis UK Smaller Companies (excluding investment companies) Index	+24.3%
FTSE All Share Index	+17.8%

While the domestic economy was flat, the portfolio delivered a strong out-turn, once again as a result of positive stock selection.

Some of the best gains in the year came from construction focused stocks. At the forefront were plant hire business **Ashtead Group** which more than doubled and **Tyman**, which manufactures a wide range of door and window components. Both businesses are benefiting from a revival in the US construction scene, where a better environment for housing has been emerging. **Galliford Try** performed strongly as government initiatives to stimulate the domestic housing market and the low interest rate environment proved helpful. We started a holding in the Anglo-Irish building merchanting business **Grafton Group**. This company, which is led by management we know and rate from the past, plans to enhance profit margins and seems to be making progress despite the fact that UK non-residential construction demand remains weak.

The better trends in the UK housing market also benefited some of our real estate sector holdings, notably **Workspace** and **CLS Holdings**. The former is advancing a number of redevelopment schemes on existing London business centre sites, with an emphasis on exploiting the potential for residential conversion while also upgrading the business space. **CLS**, which has been a major holding for many years, made important planning progress on its key residential scheme in the Nine Elms area in London, while the low cost of its debt finance compared to the income from its Pan European asset base is underpinning growth in its NAV. We added to our property weighting through new holdings in **Max Property Group** and **St. Modwen Properties**, both of which offered the potential for re-rating on the delivery of visible catalysts.

While UK consumers remain under pressure with incomes struggling to keep pace with inflation, employment levels have held up well despite the cuts in the public sector. As a result the retail sector performed strongly over the year. Pleasingly our long term holdings **Ted Baker** and **Dunelm Group** continued to deliver growth to plan and their shares rose by 49.6% and 73.6% respectively. Given signs that the market was being overly pessimistic in relation to valuing **Dixons Retail** and **Home Retail Group**, we started holdings in these former large cap companies, and they both rose significantly. Elsewhere in the consumer area, **Restaurant Group** which operates a range of chains including Frankie and Benny's, Chiquito and Garfunkel's, rose 71.6%, benefiting from new outlets being rolled out under a strong management team. **Howden Joinery Group**, which sells kitchens to the building trade was up 103.9%, increasing its share of the market. We started a new holding in dairy processor **Dairy Crest Group** after the sale of its French spreads business materially improved its financial position.

In the media sector, **Tarsus Group** was re-rated as acquisitions in the exhibitions field were well received, and **Perform Group**, which provides digital media content, a holding that we highlighted last year, was up 69.8% as its business grew dynamically. Less positively Indian based film production company **Eros International** fell 17.7% as plans for a US listing were delayed.

We retained a cautious outlook on the mining sector and this proved wise as weakness in commodity prices and generally disappointing corporate news took its toll on the small cap stocks. As a consequence we decided to sell out of a number of stocks in the year including iron ore company **London Mining** and gold miner **Centamin**. The latter was hit by news of a legal dispute and by general concern over political developments in Egypt, making it impossible to retain the required confidence to hold on to the shares.

There was only one takeover in the year, with **Nautical Petroleum** being acquired by Cairn Energy. Oil stocks in general though, like the miners, are presently out of favour and so valuations now look more attractive. We have established new holdings in **Faroe Petroleum**, **Salamander Energy** and **Amerisur Resources** over the year. These all have existing reserves and production and offer access to hopefully positive exploration news-flow in the North Sea, Asia and South America respectively.

The internal chamber of a 24-man saturation diving system, one of many specialist pieces of equipment supplied to the offshore oil industry by James Fisher.

Financial stocks generally did well, with fund management shares lifted by the recovery in markets and by better news on fund flows. Late in the year, we started a holding in **Polar Capital Holdings**, which seems well placed to continue to receive good inflows on the back of strong performance across a number of niche asset classes with its strong Japanese equity record helping at the moment. We sold private client manager **Brewin Dolphin** after a recovery and **City Of London Investment Group**, where flows and investment performance have waned. Within insurance, **Beazley** and **Novae Group** both did well to report solid underwriting results for 2012 despite the impact of Hurricane Sandy in the US. We had a more difficult time in the year in the IT area, with **SDL** and **Anite** both falling back after announcing disappointing news on trading.

After the rise of last year, gains as elsewhere in the near term may be harder to come by, but it is encouraging that we are continuing to find interesting new companies in which to invest in the UK market.

North American Review

Portfolio Performance	+29.4%
Russell 2000 Index	+22.8%
S&P 500 Composite Index	+22.1%

In the last year, the US portfolio once again beat both the local small and large cap indices.

The stand-out performer in the portfolio was again the household goods retailer **Conn's** which rose 164.9%. New management have improved the assortment, closed underperforming stores and introduced a new superstore format. **Lincare Holdings**, a provider of home oxygen, acquired two years ago as a recovery stock, received a bid at a 60% premium from Linde AG. A new holding during the year, **WMS Industries**, an out of favour gaming machine supplier, also received a bid from Scientific Games at a similarly attractive premium.

The long-term holding in **Mohawk Industries** jumped by 65.4%. This producer of floor coverings improved its profitability and the shares benefited from its exposure to a recovering housing market. Another

Manager's Review (continued)

A Kirby tugboat tows a full scale replica of the space shuttle on its way to the Johnson Space Center in Houston, Texas.

long term holding, **Universal Truckload Services**, benefited from its merger with LINC Logistics and improving results and the shares were up 61.8%.

On the liability side, **Allied Nevada Gold** was bought as an insurance policy against a serious disruption in international relations and as an inflation hedge, but a further decline in gold prices and mining problems meant it was a poorly timed purchase. Investments in drug companies with low risk approaches to drug development, **Spectrum Pharmaceuticals** and **Pernix Therapeutics Holdings**, proved nevertheless not to be immune from problems as both disappointed. We believe prospects will improve and have added. **INTL FCStone** (offers commodity hedging services) and **America's Car-Mart** (a used car dealer) both lagged a rising market: the former fell slightly and the latter managed only a small rise.

Over the year we bought eleven new holdings and sold eleven. New purchases were spread between recovery and turnaround companies, compounders (steady growth stocks) and those with valuable assets.

In terms of sectors for new holdings, there was a focus on health care. This is an area that has been under a cloud for several years because of health care reform and in addition the portfolio had lost two of its four health stocks to bids in 2012. **Alere** is a provider of professional diagnostics supplies and is an example of a recovery stock bought last year. It has suffered a series of problems (some self inflicted) but we believe that changes to management and its strategy will bear fruit. The stock has begun to recover. **Allscripts Healthcare Solutions**, a provider of clinical software, was bought as a turnaround. The critical factor was a change in management and the shares have improved strongly since purchase. Another example of a recovery stock we purchased was offshore support vessel company **Gulfmark Offshore**.

One of the steady growth stocks we bought was **The Chefs' Warehouse**, a distributor of specialty foods to high-end restaurants. The shares were depressed by a slow-down in the key market of New York and deflation in a major product area, cheese. We believe the company's very strong competitive position will allow it to grow fast in this market and recent acquisitions are beginning to help it.

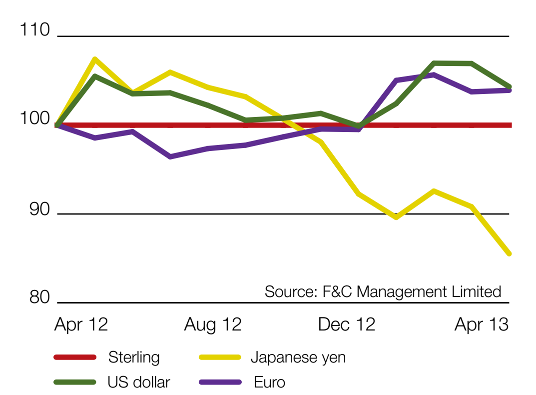
In terms of the asset plays, we bought **Safeguard Scientifics** because of its portfolio of venture capital investments in technology and life sciences and its strong balance sheet. The shares were trading close to book value which does not reflect the underlying value of the investments and the potential for realisation. Another was **Allied Nevada Gold**, mentioned above, although the asset owned in this case has turned out to be of less value and we are reviewing our holding.

We made several significant additions to stocks that became depressed, including **DeVry** (education), **Astec Industries** (road construction equipment), **FTI Consulting** (consultancy), **ViaSat** (satellite broadband equipment and service), **Hub Group** (intermodal services) and **Premiere Global Services** (conference calling).

Of the eleven complete sales, five were made because we lost confidence in the business; three were sold because they achieved their price target and after review of this it was concluded that prospects were limited or that risks had risen unacceptably; and three because of bids.

We sold **Waste Connections**, a provider of municipal waste collection services, because the company made a large, expensive and diversifying acquisition in oil field waste. Although that area no doubt has some interesting long term prospects, it is more competitive and volatile than the core business; the size of the acquisition brings its own risks; and the need to make such a move betrays a lack of confidence. Other examples of situations where we lost confidence were **FLIR Systems** (infra red vision equipment), **NTELOS Holdings** (wireless services), **Lumos Networks** (wireline services), and **Allegheny Technologies** (alloys).

Currency movements relative to sterling in the year ended 30 April 2013



SBA Communications has performed strongly in the four years that it has been held, with the stock more than tripling and hitting our price target. The shares of this owner of mobile phone towers have re-rated, helped by a series of large acquisitions of tower portfolios. Debt is now at such a level that further large acquisitions are unlikely for a while and in view of the higher financial and stock market valuation risks, we sold. Similar examples of stocks hitting our price target were **Quanta Services** (utility contracting services),and **Teledyne Technologies** (satellite communications equipment).

We remain confident in the potential for our US portfolio and have been encouraged by recent more favourable labour market data. There will be an impact on a number of companies from the sequestration process particularly in defence markets, but we still feel that the US has notable advantages in an equity sense for the long term.

Continental European Review

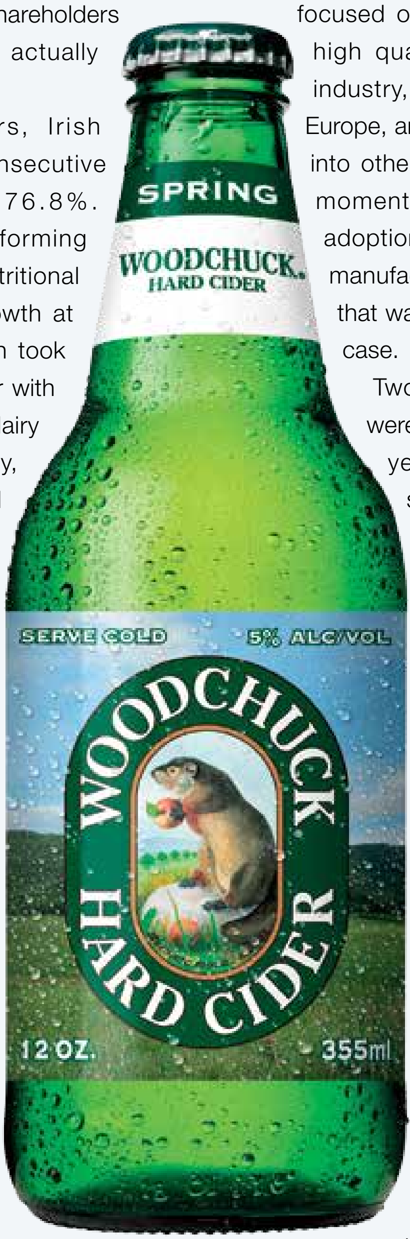
Portfolio Performance	+31.1%
HSBC Smaller Europe Ex UK Index	+23.6%
FTSE All World Developed Europe ex UK Index	+28.1%

It was an inauspicious start for the European portion of our portfolio with the 'Euro Crisis' dominating the headlines again. The resignation of the Dutch government in protest at the German led austerity regime and the Spanish banking crisis drove markets lower. However, the single most important moment for European equities in recent history occurred when in July Mario Draghi, President of the European Central Bank pledged to do 'whatever it takes' to save the Euro. This was so important because as well as putting the ECB's balance sheet behind the single currency, it signalled the moment that Germany took some control of the Euro crisis.

The ECB's promise of effectively unlimited support for countries in difficulty was important because it had the support from Angela Merkel's government. The conclusion being that Germany would support

Manager's Review (continued)

the political project that is the Eurozone in exchange for credible commitments from the member states for structural reforms in addition to the austerity agenda that has dominated the headlines. Consequently the second half of the year saw strong returns for European equities. Of course the problems have not gone away and events towards the end of our financial year reminded us of this fact with the inconclusive Italian elections and the Cypriot bail-out fiasco. Nevertheless, in the final analysis the European allocation of the portfolio produced good returns for our shareholders through the year and the Euro actually appreciated against Sterling.



Best known for its Magners and Bulmers brands, C&C Group now has ownership of strong brands in the US premium cider market.

Among our top performers, Irish listed **Glanbia** had a third consecutive outstanding year, rising 76.8%. Management have been transforming the business towards global nutritional products, which deliver high growth at high margins. This transformation took a significant step forward this year with the sale of half of its domestic dairy processing business. Additionally, liquidity in the shares increased as the major shareholder, an Irish dairy co-operative, reduced its stake.

One sector which we have been constructive towards for some time, in contrast to most market participants, has been financials. We believe that the quality businesses are finding that their competitive positions have improved significantly since the financial crisis and, because the sector is unpopular with the wider investment community, we can invest in these companies at attractive prices. Of note was **Azimut Holdings**, the largest independent Italian asset manager which rose 90.3% over the period. **Azimut** is taking market share rapidly from the Italian banking sector, who currently dominate the investment industry, but which is struggling with legacy problems. **Topdanmark**, the Danish insurer was another strong performer reporting progress.

We also had some strong performers in industrial stocks, notably the German robotics company **Kuka**, which rose 89.8% over the year. **Kuka** has transformed from an unfocused industrial conglomerate to a more disciplined robotics company. New management repaired the balance sheet post the restructuring of the business and focused on what they do best; producing high quality robots for the automotive industry, where they are number one in Europe, and leveraging that position to grow into other industries and territories. Order momentum was driven by the greater adoption of automation within industrial manufacturing. This is a structural trend that was the pillar of the initial investment case.

Two other particular stock holdings were beneficial to performance in the year. Dutch based **Nutreco** rose strongly as volumes in its fish feed business recovered from weakness in the previous year and **Continental Farmers** also contributed positively to performance as it was the subject of a takeover bid from Saudi Arabian United Farmers Group. The proposed bid was at around a 50% premium to the prevailing share price.

The disappointing performers were **Lanxess**, a specialty chemicals company, and **ASM International**, the Netherlands based semiconductor business. While neither fell dramatically they lagged the rising tide of the market. We met their management teams and concluded that for **Lanxess**, the weakness in end markets is temporary. For **ASM International**, management's decision to partially divest their back-end operations was in fact the right thing to do, although it did not go far enough for most people. We can however take comfort that we had no disasters in the portfolio over the year. Investing is as much about protecting capital as it is growing capital and on both measures we can be happy with 2012/13.

The outlook for the European economy and the political situation remains unclear. We try not to be distracted by these issues and focus on what we believe matters; a strong corporate sector trading at attractive prices. European equities as an asset class is under-owned, indeed there were outflows in aggregate from as late as November last year. There is potential for inflows to drive prices higher in Europe as investors realise that there are some quality assets in the region that are attractively valued despite the recent run-up in the markets.

Japanese Review

Portfolio Performance	+32.2%
MSCI Japan Small Cap Index	+26.1%
Nikkei 225 Index	+28.2%

In the year under review, the Japanese market proved more volatile than most of the other leading markets; a weak first six months as the economy slowed followed by a dramatic recovery in share prices later on. The swing in sentiment was essentially politically driven with the December return to power of Shinzo Abe, who was elected on the ticket of a more proactive approach to address the economic problems of the country.

While it remains an affluent country, the Japanese economy has been relatively stagnant for a long period of time pre-dating the current global financial crisis. One of the key issues has been that the country has been suffering from persistent deflation. While in some ways lower prices are good news, if deflation becomes entrenched, it can dissuade consumers or companies from spending in the hope that they will be able to buy products, assets or services cheaper at a later stage. When deflation is combined with a relatively rigid labour market and a low national birth rate leading to an ageing demographic, the consequences for economic growth are negative. The new government does, however, plan to tackle labour market and efficiency issues at large within the country.

For many years it has been felt that the Bank of Japan for its part has been too timid in its approach to monetary policy and while there have been attempts by successive governments to spend money to foster growth, these have failed to create sustained growth and led to very high government debt by global standards. Following the election in December, Abe's government nominated a new and more radical governor of the Bank of Japan who has set out a plan to potentially double the monetary base of Japan over a two year period. This is a proportionately more expansionary move than those of the US or UK. The money would be used to buy long dated debt securities and other financial assets with the aim being to get inflation up to a 2% level, more in line with the global rate for most developed countries.

The scale of the mooted monetary expansion had a predicable effect on the yen, which weakened by 14.5% against sterling during the year and, more relevantly for the export sector, by 18.2% against the US dollar. The stock market response to this has been nothing short of euphoric, with the Nikkei 225 ending the year up 67.1% from its low in the period, with shares of export focused companies unsurprisingly leading the advance. A sharp fall in the yen should at some point start to lift inflation given Japan's increasing need for energy imports with most nuclear power stations still shut-down.

While they have lagged a little, small cap shares also rose strongly and pleasingly we beat the index. The first half minus 3.9% return from the portfolio was transformed by an excellent end to the year as the market rallied. Our best performing holding was managed by **AXA Framlington**, but unfortunately this has recently been merged into an all-cap Japanese fund. Our aim is to provide investors with genuine smaller company exposure rather than large cap and so it is appropriate that we look for an alternative fund or funds going forward. Since the year end, we have bought into the **Aberdeen Global-Japanese Smaller Companies Fund** which has a sound long term record and is managed in much the same way as their Asian fund which we have benefited from holding in our Rest of World portfolio.

Manager's Review (continued)

Looking forward while there is broad agreement that the government's moves to date have been a step in the right direction, the question now is how fast they start to have a meaningful effect on the real economy. Positively, the Japanese banking sector is now in a much stronger state than a few years back, but sales taxes are set to rise in 2014 as part of the plan to rein in the budget deficit and there is a certain lack of clarity about the extent of mooted structural reforms to make the economy more productive. Having added to our exposure in 2012/13, we remain overweight for now on the basis that the economy should gain from the recent policy moves, but we are cognisant of the extent of the recent rally and the expansion of earnings multiples.

Rest of the World Review

Portfolio Performance	+24.8%
MSCI All Countries Asia ex Japan Small Cap Index	+18.5%
MSCI EM Latin American Small Cap Index	+13.9%

Developing and emerging stock markets followed the global trend and rose over the year, although gains were more muted later in the period than elsewhere. Latin American markets were generally disappointing performers, perhaps not helped by interventionist actions by several governments, notably in Brazil and Argentina. Pleasingly, our portfolio of funds beat both the Asian and Latin American small cap market returns and the outturn was comparable to the other parts of the portfolio.

The fact that these supposedly more dynamic markets lagged the main developed markets for a second consecutive year is intriguing. While in the prior year, the weaker performance owed much to a trend towards risk aversion, and a move to focus on perceived higher quality markets in the face of the Eurozone crisis, in 2012/13 it was arguably more a case that the underlying corporate profits performance in Asia and Latin America proved disappointing. While it is inappropriate to generalise too extensively, high inflation and labour cost increases have squeezed profit margins in these parts of the world.

Stock market performance has also not been helped by relatively high interest rates as a consequence of enduring inflation. Growth slowed down in 2012 in many places, and the hoped for lift in activity post the hand-over of power in China to a new leader failed to materialise. Here the authorities remain concerned about a bubble in the real estate market and the Chinese stock market again markedly lagged most other regional markets. Indian shares were weak early in the year as political paralysis and an absence of decision making led to reduced spending in key infrastructure projects while inflation remained high. More recently the government has taken some sensible decisions including allowing more foreign investment into certain sectors of the economy and removing expensive energy subsidies to help its fiscal position, but corporate earnings have tended to disappoint investors.

Better performing markets in Asia included the Philippines, Thailand and Indonesia. Some markets perceived to be detrimentally competitively impacted by the fall in the yen, such as Korea, on the other hand lagged. In Latin America, Mexico, more US linked, did much better than Brazil, which was weighed down by performance of the large, commodity driven stocks on the stock market.

It is encouraging that our selected funds clearly continue to add value in their stock selection and geographic allocation against the local small cap markets. The best contribution came from the **Scottish Oriental Smaller Companies Trust**, where solid investment performance was enhanced by a move from a discount to a premium to NAV in share price terms. Also encouraging was the performance of the **Advance Brazil Leblon Fund** which significantly beat the local market by avoiding most of the commodity related stocks.

During the year, we started a new holding in the **Advance Frontier Markets Fund**, which buys closed and open ended funds invested in smaller markets outside of the mainstream emerging and developing markets. We are now therefore exposed to companies in Africa, and the Middle East, and the early performance from this fund since we bought in has been encouraging.

Last year I said that I anticipated we would add to our Rest of World weighting, but the disappointing newsflow alluded to above made me reluctant to do this during the year under review. So our weighting actually reduced a little. As with last year, it will be important from here to monitor what is going on in the major regional economies such as China, India and Brazil. We continue to look for other attractive funds to broaden our spread given impending capacity constraints for some of the current list of funds we own.

Outlook

Although recent out-performance has been pleasing, this certainly cannot be taken for granted. Fund management is about looking to the future while taking heed of the lessons of the past and, as you can see from the above reports, a large number of astute judgements on individual corporate prospects need to be made continually to deliver results.

Given the strong run we have had in the markets and the fact that valuation multiples in many countries are above historical averages, we ended the year with significant net cash. This is certainly not to imply that we have lost any of our enthusiasm for the potential of the Company's mandate, but we do anticipate a period of consolidation in the coming months.

Good performance of recent years has led to strong demand for new shares in the Company from investors over the last year. Clearly the aim is to reward new and long-standing shareholders by continuing to deliver good performance over the long term.

Peter Ewins
17 June 2013

Thirty Largest Holdings

30 April 2013	30 April 2012		% of total investments	Value £m
1	*5*	**M&G Japan Smaller Companies Fund** **Japan** Fund providing exposure to Japanese smaller companies.	3.3	11.0
2	*1*	**iShares MSCI Japanese Small Cap Exchange Traded Fund ("ETF")** **Japan** An ETF providing exposure to Japanese smaller companies.	3.2	10.6
3	*2*	**Aberdeen Global-Asian Smaller Companies Fund** **Rest of World** Fund providing exposure to Asian smaller companies.	2.9	9.7
4	*3*	**Utilico Emerging Markets** **Rest of World** Investment company focusing on utility and infrastructure companies in emerging markets.	2.6	8.6
5	*7*	**The Scottish Oriental Smaller Companies Trust** **Rest of World** Investment company providing exposure to Asian smaller companies.	2.0	6.7
6	*6*	**Axa Framlington Japan Fund** **Japan** Fund providing exposure to Japanese equities.	1.9	6.5
7	*4*	**Allianz GIS RCM Little Dragons Fund** **Rest of World** Fund providing exposure to Asian smaller companies.	1.6	5.3
8	–	**Alere** **United States** Diagnostic and patient monitoring equipment.	1.0	3.5
9	*37*	**Atlantic Tele-Network** **United States** Telecommunications holding company.	1.0	3.4
10	*29*	**Rex Energy** **United States** Oil and gas exploration and production company.	1.0	3.4
11	*18*	**The Andersons** **United States** Diversified corn-based agri-business.	1.0	3.3
12	*66*	**Universal Truckload Services** **United States** Provider of asset-light transport services.	1.0	3.3
13	*23*	**ViaSat** **United States** Satellite communications and networking equipment services.	1.0	3.2
14	*42*	**Orbital Sciences** **United States** Manufacturer of small rockets, satellites and space systems.	1.0	3.2
15	–	**Allscripts Healthcare Solutions** **United States** Provider of clinical software.	1.0	3.2
16	*11*	**America's Car-Mart** **United States** Operator of used car dealerships.	1.0	3.2

30 April 2013	30 April 2012		% of total investments	Value £m
17	*8*	**Australian New Horizons Fund** Australia Fund providing exposure to Australian smaller companies.	0.9	3.1
18	–	**GulfMark Offshore** United States Provider of supply boats to the offshore oil and gas exploration industry.	0.9	3.1
19	*49*	**Premiere Global Services** United States Outsourced conference calling services.	0.9	3.1
20	–	**Monro Muffler Brake** United States Automobile servcing in the North East of the US.	0.9	3.1
21	*43*	**Grand Canyon Education** United States Post secondary education provider.	0.9	3.0
22	*10*	**Airgas** United States The leading distributor of packaged gases in the US.	0.9	3.0
23	*41*	**DENTSPLY International** United States Manufacturer of dental supplies.	0.9	2.9
24	*28*	**CLS Holdings** United Kingdom Property investment company mainly operating in the UK, France, Germany and Sweden.	0.9	2.9
25	*30*	**HCC Insurance Holdings** United States Specialist insurance underwriter.	0.9	2.9
26	*20*	**Alleghany** United States Specialist commercial insurer.	0.9	2.9
27	*32*	**ICF International** United States IT Consultant specialising in environment, health and HR.	0.9	2.9
28	*9*	**Conn's** United States Retailer of home appliance and consumer electronics in Texas.	0.9	2.9
29	*22*	**W.R. Berkley** United States Specialist insurer.	0.8	2.8
30	*13*	**Pool** United States Distributor of swimming pool supplies.	0.8	2.8

The value of the thirty largest equity holdings represents 38.8% (30 April 2012: 40.0%) of the Company's total investments.

List of Investments

Quoted investments	Holding	30 April 2013 Value £'000s
CONTINENTAL EUROPE		
AUSTRIA		
Andritz	15,651	648
BELGIUM		
SA Dieteren	26,485	785
DENMARK		
Christian Hansen	39,054	904
Ringkjoebing Landbobank	8,937	942
Topdanmark	47,570	785
Total Denmark		2,631
FINLAND		
Amer Sports	91,656	1,003
FRANCE		
Neopost	19,157	810
Plastic Omnium	23,793	747
Total France		1,557
GERMANY		
Aareal Bank	78,306	1,211
CTS Eventim	34,551	857
Elringklinger	26,223	551
Gerresheimer	18,912	694
Kuka	41,784	1,214
Lanxess	16,386	766
Norma Group	39,035	884
Rational	3,165	629
SAF Holland	129,822	689
Symrise	30,907	847
Takkt	68,700	738
Total Germany		9,080
IRELAND		
Aer Lingus	678,619	799
C&C Group	384,073	1,547
Continental Farmers Group	1,145,437	404
Glanbia	165,320	1,419
IFG Group	672,041	797
Irish Continental	53,034	917
Origin Enterprises	250,387	997
Providence Resources	93,292	569
Total Ireland		7,449
ITALY		
Ansaldo STS	91,426	606
Azimut Holdings	111,435	1,333
Davide Campari	106,551	557
Tod's	9,830	917
Total Italy		3,413

Quoted investments	Holding	30 April 2013 Value £'000s
NETHERLANDS		
ASM International	39,136	839
Delta Lloyd	82,938	1,022
Exact Holdings	45,955	629
Kendrion	39,117	619
Nutreco	19,940	1,217
Total Netherlands		4,326
NORWAY		
Storebrand	324,168	946
Tomra Systems	130,592	787
Total Norway		1,733
RUSSIA		
Prosperity Voskhod Fund*	1,514,229	1,012
SPAIN		
Baron de Ley	12,994	545
Bolsas Y Mercados	40,604	709
Jazztel	130,940	633
Mediaset Espana Comunicacion	121,943	616
Viscofan	20,264	677
Total Spain		3,180
SWEDEN		
Betsson	29,021	546
SWITZERLAND		
EFG International	124,155	1,065
Forbo Holdings	2,308	957
Partners Group	5,019	828
Total Switzerland		2,850
TOTAL CONTINENTAL EUROPE		**40,213**
ASIA PACIFIC (EXCLUDING JAPAN)		
Aberdeen Global-Asian Smaller Companies Fund	313,569	9,745
Advance Frontier Markets Fund*	3,195,000	1,582
Allianz GIS RCM Little Dragons Fund	80,996	5,318
The Scottish Oriental Smaller Companies Trust	764,026	6,708
Utilico Investments	1,194,841	1,912
Utilico Emerging Markets	4,405,464	8,591
TOTAL ASIA PACIFIC (EXCLUDING JAPAN)		**33,856**

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 April 2013 Value £'000s
JAPAN		
Axa Framlington Japan Fund	2,180,209	6,510
iShares MSCI Japanese Small Cap ETF	576,498	10,590
M&G Japan Smaller Companies Fund	3,983,866	11,026
TOTAL JAPAN		**28,126**
BRAZIL		
Advance Brazil Leblon Equities Fund	165,234	1,922
TOTAL BRAZIL		**1,922**
UNITED KINGDOM		
Advanced Medical Solutions Group*	721,305	566
Alternative Networks*	257,820	856
Amerisur Resources*	1,792,569	937
Anite	864,772	1,057
Ashtead Group	195,780	1,150
AZ Electronic Materials	188,390	531
Beazley	513,131	1,147
Bellway	102,762	1,381
Berendsen	155,843	1,205
Bowleven*	884,251	694
Brammer	265,274	936
BTG	218,821	756
Carphone Warehouse	320,558	791
CatCo Reinsurance Opportunities Fund	1,558,092	956
Chime Communications	281,267	709
Clinigen Group*	292,798	773
CLS Holdings	320,109	2,934
Computacenter	206,806	926
Dairy Crest Group	277,312	1,273
Dechra Pharmaceuticals	168,428	1,208
Digital Barriers*	388,417	621
Diploma	185,205	1,045
Dixons Retail	2,012,962	706
Domino Printing Sciences	142,242	947
Dunelm Group	143,336	1,207
Elementis	406,838	1,072
Enterprise Inns	945,406	914
Entertainment One	545,318	1,003
Eros International*	332,814	792
Euromoney Institutional Investor	79,196	770

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 April 2013 Value £'000s
Faroe Petroleum*	494,646	561
Fidessa Group	28,052	503
Galliford Try	211,170	2,081
Genus	90,740	1,224
Grafton Group	313,479	1,402
Greene King	176,949	1,285
Hill & Smith Holdings	313,912	1,339
Home Retail Group	420,910	656
Howden Joinery Group	579,929	1,441
Hunting	112,520	906
Hyder Consulting	205,696	961
Idox*	1,884,644	919
Imagination Technologies Group	143,309	610
Indus Gas*	71,902	651
Intermediate Capital Group	292,385	1,235
Interserve	252,948	1,195
ITE Group	436,788	1,145
James Fisher	127,377	1,274
JD Sports Fashion	118,504	1,007
Jupiter Fund Management	336,134	1,111
Keller Group	125,707	1,078
Kenmare Resources	1,454,152	385
Kentz Corporation	247,552	963
Laird	608,749	1,320
LXB Retail Properties*	793,450	893
Max Property Group*	1,212,392	1,491
Micro Focus International	182,350	1,221
Novae Group	333,672	1,553
Optimal Payments*	274,400	377
Pace	209,211	519
PayPoint	90,335	733
Perform Group	255,451	1,295
Petra Diamonds	451,450	494
Plastics Capital*	738,285	679
Polar Capital Holdings*	350,663	1,159
Premier Farnell	580,074	1,222
Quindell Portfolio*	6,926,104	952
Redrow	392,407	839
Regus	940,181	1,530
Restaurant Group	298,385	1,436
Robert Walters	299,629	692
RPC Group	429,110	1,707
RPS Group	436,771	1,089
Salamander Energy	314,567	574
SDL	214,040	778
Senior	697,332	1,777
Spirent Communications	444,152	579
Spirit Pub Company	1,829,493	1,185
St. Modwen Properties	478,771	1,280

List of Investments (continued)

Quoted investments	Holding	30 April 2013 Value £'000s
SThree	132,289	444
Synergy Health	139,038	1,500
Tarsus Group	521,034	1,202
Ted Baker	110,257	1,486
Thomas Cook Group	770,207	997
Tyman*	898,890	1,816
Ultra Electronics Holdings	59,888	985
Vertu Motors*	1,883,203	716
Workspace Group	380,189	1,423
TOTAL UNITED KINGDOM		**91,738**
UNITED STATES		
ACI Worldwide	90,793	2,740
Airgas	47,893	2,974
Alere	210,800	3,478
Alleghany	11,580	2,917
Allied Nevada Gold	302,295	2,074
Allscripts Healthcare Solutions	360,063	3,200
American Railcar Industries	62,418	1,432
America's Car-Mart	106,226	3,157
Astec Industries	130,254	2,746
Atlantic Tele-Network	105,514	3,441
Bottomline Technologies	141,011	2,374
Cardinal Financial	257,390	2,522
Conn's	103,227	2,873
CRA International	139,324	1,644
Crawford & Company "B"	382,364	1,865
DENTSPLY International	108,385	2,948
DeVry	140,249	2,522
Flowers Foods	95,762	2,026
FTI Consulting	123,585	2,628
GATX	54,633	1,788
Genesee & Wyoming "A"	35,781	1,958
Grand Canyon Education	182,332	2,994
Granite Construction	94,587	1,681
GulfMark Offshore "A"	117,202	3,133
Hallmark Financial Services	268,890	1,562
Harvard Bioscience	364,322	1,196
HCC Insurance	106,737	2,919
Hub Group "A"	103,404	2,433
ICF International	166,966	2,907
INTL FCStone	207,752	2,284
Kirby	50,588	2,434
LKQ	149,204	2,307
Markel	6,949	2,340
Microsemi	196,482	2,625
Mohawk Industries	23,679	1,686

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 April 2013 Value £'000s
Monro Muffler Brake	115,917	3,078
Orbital Sciences	279,758	3,235
Pernix Therapeutics Holdings	436,352	1,071
Pool	88,303	2,781
Premiere Global Services	431,045	3,107
Rex Energy	328,108	3,379
Roper Industries	32,806	2,519
Safeguard Scientifics	221,022	2,289
Sanderson Farms	41,781	1,644
Simpson Manufacturing	105,169	1,941
Spectrum Pharmaceuticals	479,903	2,282
Tejon Ranch	122,765	2,298
The Andersons	94,156	3,296
The Chefs' Warehouse	213,397	2,519
Universal Truckload Services	202,442	3,282
Vail Resorts	55,240	2,140
ViaSat	104,200	3,244
W.R. Berkley	100,420	2,800
Willbros Group	381,726	2,325
TOTAL UNITED STATES		**135,038**
TOTAL QUOTED INVESTMENTS		**330,893**

Unquoted investments	Holding	30 April 2013 Value £'000s
AUSTRALIA		
Australian New Horizons Fund	2,098,786	3,143
TOTAL UNQUOTED INVESTMENTS		**3,143**
TOTAL INVESTMENTS		**334,036**

The number of investments in the portfolio is 201 (2012: 199).

Management and Advisers

The management company

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 in the UK by the Financial Conduct Authority. It 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, Asia and emerging markets and overall asset allocation. He joined F&C in 1996.

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

Sam Cosh: Responsible for the Continental European portfolio. He joined F&C in 2010.

Hugh Potter: Carries out the company secretarial duties of the Company on behalf of the Manager. He joined F&C in 1982.

Secretary and registered office

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

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Website: www.fandcglobalsmallers.com

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Registered in England and Wales

Solicitors

Dickson Minto WS, Broadgate Tower, 20 Primrose Street, London EC2A 2EW

Chartered accountants and statutory auditors

PricewaterhouseCoopers LLP ("**PwC**" or the "**auditors**"), 7 More London Riverside, London SE1 2RT

Bankers

JPMorgan Chase Bank, 25 Bank Street, Canary Wharf, London E14 5JP

Scotia Bank (Ireland) Limited, I.F.S.C. House, Custom House Quay, Dublin 1

Custodian

JPMorgan Chase Bank (the "**Custodian**"), 25 Bank Street, Canary Wharf, London E14 5JP

Registrars

Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

Telephone: 0870 889 4088

Shareholders can visit www.investorcentre.co.uk to sign up to access and update information relating to their holding online.

Authorised and regulated in the UK by the Financial Conduct Authority.

New Zealand Registrars

Computershare Investor Services Limited, Private Bag 92119, Auckland 1142, Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622, New Zealand

Telephone: +64 9 488 8700

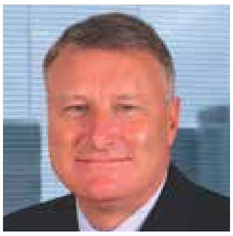
Stockbrokers

Oriel Securities, 150 Cheapside, London EC2V 6ET

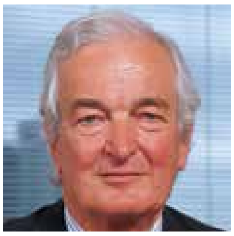
Directors

Anthony Townsend, Chairman, was appointed to the Board on 24 September 2004 and is chairman of the Nomination Committee. 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 Baronsmead VCT 3 PLC, British & American Investment Trust PLC, Finsbury Growth & Income Trust PLC and Miton Worldwide Growth Investment Trust plc and a non-executive director of Worldwide Healthcare Trust plc. Age 65.

Andrew Adcock was appointed to the Board on 31 July 2007. He was, until mid 2009, vice chairman of Citigroup Corporate Broking and managing partner of Brompton Asset Management Limited until July 2011. He has more than 30 years' experience in the City of London and is chairman of Majedie Investments PLC and a non-executive director of Kleinwort Benson Group Ltd and Kleinwort Benson Bank Ltd. Age 59.



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 senior independent director of Interserve plc. He has previously chaired the audit committees of a number of UK listed companies, been chairman of several private equity-owned companies and been group finance director of Prudential plc and Inchcape plc and other large companies. Age 61.



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 75.

Jane Tozer was appointed to the Board on 13 June 2005. She is a non-executive director of JPMorgan Income & Growth Investment Trust plc, StatPro plc, Elexon Ltd, Asthma UK and Citizens Advice in Three Rivers Ltd. She previously worked at IBM and then as CEO of a software development company. Age 65.

Mark White was appointed to the Board on 31 July 2007. He is chief executive of LGT Capital Partners (U.K.) Limited and general manager of Castle Alternative Invest AG. He is also the senior non-executive director of Impax Asset Management Group Plc and chairs its audit and risk committee. He is a non-executive director of Ellis Brady Absolute Return Fund Ltd. He was previously joint head of JP Morgan Asset Management in Europe and chief executive of Jardine Fleming Investment in Hong Kong. Age 58.

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 audited financial statements of F&C Global Smaller Companies PLC for the year ended 30 April 2013. The financial statements are set out on pages 41 to 61.

The Board is of the opinion that the Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Company's performance, investment policy and strategy.

Results and dividends

The Company's NAV per share total return was 28.1% in the year ended 30 April 2013, compared to 22.4% for the Benchmark.

The Manager's Review on pages 6 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 and the outlook for the current financial year. The Directors' Remuneration Report and the Corporate Governance Statement are incorporated by reference into this Directors' Report and Business Review.

The annualised Ongoing Charges figure, excluding the performance fee for the year, improved from 1.08% to 0.85%. This is due mainly to the reduction of 0.18% resulting from the Company ceasing to pay savings plans expenses with effect from 6 April 2013. The reduction also reflects more generally the Company's proportionately lower fixed costs relative to the increased asset base. The figure inclusive of the performance fees would have been 1.49%.

Dividend income from the investment portfolio was up by 6.9%. This is largely attributable to international companies as a result of a higher proportion of the portfolio being held outside the UK. While costs were slightly higher, mainly reflecting the increased number of shareholders, the net revenue return attributable to shareholders rose by 8.8% and earnings per share by 3.3%. As a result, the Board has decided to recommend that the dividend payment be increased for the 43rd year in a row. The Company has a strong revenue reserve position and, subject to the outlook for income, the intention is to continue with a progressive dividend policy.

The recommended final dividend of 4.50p per share is payable on 16 August 2013 to shareholders on the register of members on 19 July 2013 (Resolution 3). This, together with the interim dividend of 2.00p per share, makes a total dividend of 6.50p per share and represents an increase of 15.5% over the 5.63p 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 (the "**Act**"). As such, it analyses its income between revenue, which is available for distribution by way of dividends, and capital which, under its articles of association, it is prohibited from distributing other than by way of share buybacks. The Company is registered in England and Wales with company registration number 28264 and 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 UK corporation tax on its net revenue profits but is exempt from corporation taxation on capital gains, provided it complies at all times with section 1158 of the Corporation Tax Act 2010 ("**section 1158**"). The Company has qualified as an investment trust under section 1158 for all periods up to and including the year ended 30 April 2012.

Section 1158 was amended for years beginning on or after 1 January 2012 such that the Company has been able to seek approval of compliance in advance, under section 1159, for the year under review and all subsequent financial years. The Company has been accepted by HMRC as an approved investment trust under the amended rules, subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. The Company intends to conduct its affairs so as to enable it to comply with the requirements.

Directors' Report and Business Review (continued)

Accounting and going concern

The financial statements comply with current UK financial reporting standards, supplemented by the Statement of Recommended Practice for Investment Trust Companies ("**SORP**"). 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 40. The Company's investment objective, strategy and policy, which are described below and are subject to a process of regular Board monitoring, are designed to ensure that the Company is invested mainly in readily realisable listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian. A trust deed governs its debenture and an agreement covers its bank borrowing facility. Cash is held with banks approved and regularly reviewed by the Manager.

Note 25 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of fluctuations in the value of securities and exchange and interest rates.

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

Shareholders will be asked to approve the adoption of the Annual Report and Accounts at the Annual General Meeting (Resolution 1).

Independent Auditors

So far as each Director is aware, there is no relevant audit information of which PwC are unaware. The Directors believe that they have each 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.

PwC 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 (Resolutions 7 and 8).

Investment objective, strategy and policy

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

Smaller companies offer excellent potential but by comparison to large capitalisation stocks, tend to be less mature and are not as diversified. They can also be more dependent on a limited number of key personnel and may also find it more difficult to access finance, particularly in times of recession. Share prices of smaller companies therefore tend 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; whilst the Company is globally focused, its objective is to find real value and it is therefore not constrained to mandatory weightings per geographic region. The geographical and industrial diversification of the portfolio at 30 April 2013 is shown in the charts on page 6 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 limited to a maximum of 20% of shareholders' funds, valuing the Company's debenture at nominal value. As at 30 April 2013, the Company held net cash of 2.3%.

The Board, with advice from the Manager, considers the foreign exchange outlook as this can affect both the asset allocation and borrowing strategy. The portfolio can also be hedged against currency movements, but 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 2013, 0.9% of the portfolio was invested in unquoted securities. No derivatives were used during the year.

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 UK listed investment companies (including investment trusts) except in such other UK listed investment companies which themselves have stated that they will invest no more than 15% of their total assets in other UK listed investment companies, in which case the limit is 15%. At 30 April 2013 the Company held 5.9% 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

As at 30 April 2013 there were 44,973,102 ordinary shares of 25p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 17 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.

Share issue and buyback policy

The Board closely monitors the prevailing share price premium or discount to NAV. The Company has, conditional upon shareholder approval, authority to allot shares for cash without first offering them to existing shareholders in proportion to their holdings. Any such allotments are only made when the Company's shares are trading at a premium to NAV. At the AGM held on 26 July 2012, shareholders authorised the Board to issue up to 10% of the Company's shares (4,196,000 shares). In order to satisfy demand for the Company's shares, the Company allotted 2,925,767 shares under this authority in the year under review. A further 630,000 shares have been allotted since the year end.

Subject to annual shareholder approval, the Company may also purchase its own shares when trading at a discount to NAV per share; the Board aims 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. The shares can either be cancelled or held in treasury to be sold as and when the shares return to a premium or at a narrower discount than the weighted average discount at which they had been bought back and in any event at no more than a 5% discount to the prevailing net asset value per share (with the debenture at market value). At the AGM held on 26 July 2012 shareholders gave the Board authority to buy back up to 14.99% of the Company's shares (6,291,000 shares) during the following 15 months. No shares have been purchased either during the year under review or between the year end and the date of this report. No shares were held in treasury.

Marketing

The Manager actively promotes investment in the Company's shares, which are designed for private investors in the UK (including retail investors), professionally-advised private clients and institutional investors. Promotion to retail investors is made through the F&C savings plans ("**F&C plans**"). These include the Child Trust Fund ("**CTF**"), Junior ISA ("**JISA**"), Children's Investment Plan ("**CIP**"), Individual Savings Account ("**ISA**"), Pensions Savings Plan ("**PSP**") and Private Investor Plan ("**PIP**"). The plans are designed to provide regular investors with a cost effective and flexible way to invest in the Company.

Meetings are also regularly held with current and potential new shareholders and with stockbroking analysts that cover the investment trust sector.

Voting rights and proportional voting

At 30 April 2013 the Company's 44,973,102 ordinary shares in issue represented a total of 44,973,102 voting rights. As at and since that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure and Transparency Rules.

Approximately 57% of the Company's share capital is held on behalf of non-discretionary clients through the F&C plans. The nominee company holding these shares votes the shares held on behalf of planholders who have not returned their voting

Directors' Report and Business Review (continued)

directions in proportion to the directions of those who have ("**proportional voting**"). 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 65,000 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, also applies. Any shares voted by an investor in excess of the maximum limit remain valid, but do not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Borrowings

The Company has a £10m 11.5% debenture stock, which matures in December 2014, further information on which is included in note 15 on the accounts. The Company also has the ability to utilise short-term borrowings by way of loans and overdrafts, subject to the limit set out in the Investment objective strategy and policy section above and in the debenture deed. The Company has a revolving multi-currency credit facility of £5 million with Scotiabank (Ireland) Limited, which is due for review in June 2014. The facility provides for a commitment of £5 million and the option to request an additional commitment of up to £5 million at any time on the same terms. An overdraft facility equal to 10% of the Company's assets is made available to the Company by the Custodian.

Principal risks and their management

Like all businesses, the Company faces risks and uncertainties. The Corporate Governance Statement on page 37 includes a summary of the risk management arrangements. By means of the procedures set out in the summary, and in accordance with the Turnbull Guidance, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced

Principal risks and their management

Strategy and policy

Risk description: *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.*

Mitigation: The Board regularly reviews strategy and considers its policy on the allocation of assets between geographic regions and industrial sectors, gearing, currency exposure and the balance between quoted and unquoted stocks

Management resource, stability and controls

Risk description: *The Manager is the main service provider and its failure to continue operating effectively could put in jeopardy the business of the Company. The quality of the management team is also a crucial factor in delivering good performance and loss of the Manager's key staff could affect investment returns.*

Mitigation: The Board meets regularly with the senior management of the Manager and its Internal Audit function, and has access to publicly available information indicative of its financial position and performance. 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. The management contract can be moved at short notice.

Service providers

Risk description: *Administrative errors or control failures by or between service providers could be damaging to the interests of investors and the Company.*

Mitigation: The Board receives regular reports from the Manager on its oversight of service providers which, for the administration of the F&C savings plans, includes audit site visits; monthly technical compliance monitoring; monthly service delivery meetings; quarterly financial crime prevention forums; and the detailed review and investigation of breaches and complaints. Arrangements are also in place to mitigate other service provider risks, including those relating to safe custody.

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.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach, are described on page 26.

Arrangements are also in place to mitigate other more general risks including those relating to counterparty failure. Note 25 on the accounts sets out the Company's financial risk management policy.

The Board's responsibilities

The Company's Board of Directors is wholly non-executive and is responsible for corporate strategy, corporate governance, risk and control assessment, the overall investment policy of the Company, setting limits on gearing and asset allocation, monitoring investment performance and for approving marketing policy and budgets. Further information in relation to the Board can be found on page 33. Information on the individual Directors, all of whom are resident in the UK apart from Dr Franz Leibenfrost who is domiciled in Austria, can be found on page 22.

Directors' remuneration

The Directors' Remuneration Report, which can be found on page 32, together with note 7 on the accounts, provides detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meeting (Resolution 2).

Directors' re-election

All Directors held office throughout the year under review and to the date of this report. Having served over nine years, Franz Leibenfrost will stand for re-election at the AGM. Dr Leibenfrost has indicated his intention to retire following the annual general meeting in 2014. In accordance with the Company's articles of association, Les Cullen and Jane Tozer will retire by rotation (Resolutions 4, 5 and 6).

Following a review of their performance, the Board believes that each of these Directors has made a valuable and effective contribution to the Company and therefore recommends that you vote in favour of their re-election.

Directors' interests and indemnification

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. There are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company has granted a deed of indemnity to the Directors in respect of liabilities that may attach to them in the capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. The deed of indemnity has been in force throughout the period under review and remains in place as at the date of this report. It is available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting. The Company also maintains directors' and officers' liability insurance.

The beneficial interests of the Directors in the ordinary shares of the Company are set out in the table below.

Directors' interests

at 30 April	2013	2012
Anthony Townsend	18,000	18,000
Andrew Adcock	5,000	5,000
Les Cullen	6,000	6,000
Dr Franz Leibenfrost	14,000	14,000
Jane Tozer	3,722	3,722
Mark White	10,000	10,000

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.

The Manager's responsibilities

Most investment trusts, including the Company, have no employees and instead appoint fund management companies to manage their investment portfolios and deliver investment performance, as well as to carry out the ancillary functions of administration, secretarial, accounting and marketing services. The Company has appointed F&C as Manager. F&C is a subsidiary of F&C Asset Management plc, a large investment group listed

Directors' Report and Business Review (continued)

on the London Stock Exchange. Peter Ewins acts as Lead Manager to the Company, on behalf of F&C, and is supported by a team of small company fund managers.

F&C's regional teams meet with the management of a large number of potential and existing investee companies each year and review investments in the geographic areas in which the Company invests. 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. 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 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.

F&C's appointment is governed by a management agreement which may be terminated 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.

As at 17 June 2013 Mr Ewins held 12,129 shares in the Company.

Safe custody of assets

The Company's listed investments are held in safe custody by the Custodian. Operational matters with the Custodian are carried out on the Company's behalf 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 the website www.fcamplc.com, 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.

The Manager's statement of compliance with the UK Stewardship Code is included on the website www.fandc.com/ukstewardshipcode.

The Manager's 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 funds made on strategic grounds after 30 April 2006, such as those utilised within the Rest of World and Japanese parts of the portfolio (as described in the Manager's Review), is paid to the Manager.

A performance fee equal to 10% of any outperformance of the Benchmark is payable annually if the net assets outperform the Benchmark, subject to a maximum absolute cap on the level of fees (including both the management fee and the performance fee) that the Manager can earn in any one year of 1% of average month-end net assets. Performance above this cap is carried forward to the subsequent period for inclusion in the calculation of performance in that period. Any underperformance must also be carried forward, thus creating a high watermark. A performance fee of £1,478,000 is payable to the Manager for the year under review.

Creditor payment policy

The Company's principal supplier is the Manager, the payment terms for which are set out above and in note 4 on the accounts. Other suppliers are paid in accordance with individually agreed payment terms. At 30 April 2013, the Company's outstanding trade creditors were equivalent to nil days' payment to suppliers (2012: 12 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/premium
- Ongoing charges
- Annual dividend growth
- Regional performance against local benchmarks.

The tables below, the Ten Year Record on pages 62 and 63 and the Manager's Review on pages 6 to 15 show how the Company has performed against these KPIs.

Revenue results and dividends
for the year ended 30 April 2013

	£'000s	£'000s
Revenue return attributable to equity shareholders		3,044
Dividends paid in the year:		
Final dividend of 4.00p per share paid on 16 August 2012 to shareholders on the register at 6 July 2012	(1,676)	
Interim dividend of 2.00p per share paid on 31 January 2013 to shareholders on the register at 28 December 2012	(857)	
		(2,533)
Surplus transferred to the revenue reserve		511

Source: F&C Management Limited

Premium/(Discount)
(debenture at market value and including current period income)

At 30 April	%
2013	1.6
2012	(0.4)
2011	(2.1)
2010	(9.6)
2009	(7.4)

Source: F&C Management Limited.

Total return performance

	1 Year %	3 Years %	5 Years %
Company net asset value total return*	28.1	50.2	86.3
Benchmark total return	22.4	36.5	64.8
Company share price total return	31.3	70.9	110.4
Retail Prices Index	2.9	12.0	16.6

Source: F&C Management Limited and Datastream
*Debenture at nominal value

Ongoing charges*
(as a percentage of average net assets)

At 30 April	% (excluding performance fees)	% (including performance fees)
2013	0.85	1.49
2012	1.08	1.56
2011	1.00	1.02

Source: F&C Management Limited.
*Calculated under the AIC Guidelines issued in May 2012. See page 63.

Dividend growth

	1 Year %	3 Years %	5 Years %
Dividends	15.5	30.0	34.6
Retail Prices Index	2.9	12.0	16.6

Source: F&C Management Limited and Datastream

Directors' Report and Business Review (continued)

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 as required, with a formal evaluation taking place 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. 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. 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.

Annual general meeting

The AGM will be held on Thursday 25 July 2013 at 12 noon at The Chartered Accountants' Hall, One Moorgate Place, London EC2. The Notice of Annual General Meeting appears on pages 66 to 69 and includes a map of the venue. The Lead Manager will give a presentation covering progress in the year to date and his views on the market for the rest of the year. There will be an opportunity to ask questions during the AGM and shareholders will be able to meet the Directors and the Fund Manager informally over refreshments following the meeting. Resolutions numbered 9 to 13 are explained below.

Authority to allot shares and sell shares from treasury (Resolutions 9, 10 and 12)

Resolutions 9, 10 and 12 are similar in content to the authorities and power given to the Directors at previous AGMs. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash or selling shares out of treasury without first offering them to existing shareholders in proportion to their holdings.

Resolution 9 gives the Directors, for the period until the conclusion of the AGM in 2014 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £1,140,000 (4,560,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company (excluding treasury shares) at 13 June 2013.

Resolution 10 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing shareholders in proportion to their holdings up to an aggregate nominal amount also of £1,140,000 (representing approximately 10% of the issued ordinary share capital of the Company at 13 June 2013). Resolution 12 specifically authorises the Directors to sell treasury shares if the price is at a narrower discount than the weighted average discount at which the shares had been bought back and in any event at no more than a 5% discount to the prevailing net asset value per share (with debenture at market value). Resolution 12 does not preclude the Directors selling treasury shares at a premium.

These authorities and powers will provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares, or the sale of treasury shares, in accordance with the policies set out on page 25 or should any other favourable opportunities arise to the advantage of shareholders. The Directors anticipate that they will mainly use them to satisfy market demand when they believe it is advantageous to the Company's shareholders to do so. In no circumstances would the Directors use them to issue shares unless the shares are trading at a premium to NAV.

Authority for the Company to purchase its own shares (Resolution 11)

Resolution 11 authorises the Company to purchase up to a maximum of 6,835,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital) in the market at a minimum price of 25p per share and a maximum price per share (exclusive of expenses) of 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase. In the event that the Company's shares return to a discount, the Directors intend to use this authority with the objective of keeping the discount at close to 5% in normal market conditions as well as enhancing the NAV per share for continuing shareholders. Any shares that are purchased will either be cancelled or placed into treasury. The authority will continue until the expiry of 15 months from the date of the passing of the resolution unless it is varied, revoked or renewed prior to that by the Company in general meeting by special resolution. The Board intends to seek a renewal of such authority at subsequent AGMs.

Notice period for meetings (Resolution 13)

The Act and the Company's articles of association provide that all general meetings (other than AGMs) can be convened on 14 days' notice. However, one of the requirements of the Shareholder Rights Directive is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. The Board is of the view that it is in the Company's interests to have a shorter notice period which complies with the provisions of the Act and the Company's articles allow all general meetings (other than an AGM) to be called on 14 clear days' notice. The passing of resolution 13 would constitute shareholders' agreement for the purposes of the Shareholder Rights Directive (whose agreement is required annually) and would therefore preserve the Company's ability to call general meetings (other than an AGM) on 14 clear days' notice. The Board would utilise this authority to provide flexibility when merited and would not use it as a matter of routine. The Board intends to seek a renewal of such authority at subsequent AGMs.

Form of proxy

Registered shareholders will find enclosed a form of proxy for use at the AGM. You will also have the option of lodging your proxy vote using the internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Please either complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions or lodge your proxy vote via the internet or the CREST proxy voting system whether or not you intend to be present at the AGM. This will not preclude you from attending the AGM and voting in person if you wish to do so.

All proxy appointments should be submitted so as to be received not later than 48 hours before the time appointed for holding the AGM (any part of a day which is a non-working day shall not be included in calculating the 48 hour period).

Form of direction

If you are an investor in any of the F&C plans you will find enclosed a form of direction for use at the AGM. Investors in the F&C plans, other than the Pension Savings Plan, also have the option of lodging voting directions using the internet. The Manager operates a proportional voting arrangement, which is explained on pages 25 and 26.

All voting directions should be submitted in accordance with the instructions given on the form of direction so as to be received not later than 96 hours (any part of a day which is a non-working day shall not be included in calculating the 96 hour period) before the time appointed for holding the AGM so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors recommend that shareholders vote in favour of each resolution, as the Directors intend to do in respect of their own beneficial holdings.

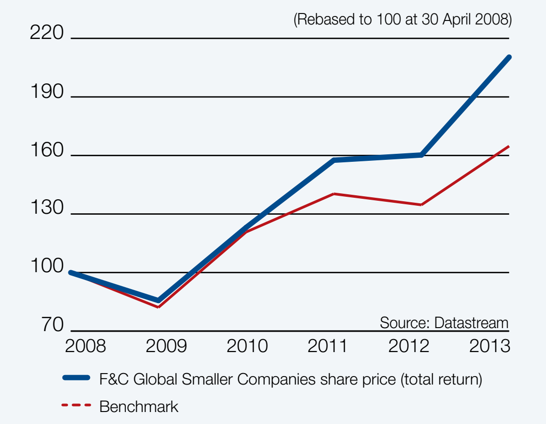
By order of the Board
F&C Management Limited, Secretary
17 June 2013

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 fees were last increased in January 2011. During the year the Board approved an increase in the Chairman's fee from £33,000 to £34,650 per annum and the Directors' fee from £20,000 to £21,000. The increases became effective from 1 January 2013 and represent an uplift of 5% over the two year period. The additional fees remain unchanged; each member of the Audit and Management Engagement Committee receives an additional £2,000 per annum. The chairman of that committee is paid an additional £3,000 per annum to reflect the extra responsibility of this role.

Total shareholder return over five years



It is a company law requirement to compare the performance of the Company's share price to a single broad equity market index in the Directors' Remuneration Report. As the Manager's performance is measured against its Benchmark the Benchmark performance has been shown as the comparator. This is a blended index of the returns from the MSCI All Country World ex UK Small Cap Index (70%) and the Numis UK Smaller Companies (excluding investment companies) Index (30%). Prior to 1 May 2010 the Benchmark was a blended index of the returns from the MSCI All Country World ex UK Small Cap Index (60%) and the Hoare Govett UK Smaller Companies (including investment companies) Index (40%). In April 2012 the Hoare Govett UK Smaller Companies Index changed its name to the Numis UK Smaller Companies Index.

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

Fees for services to the Company

Director	Year ended 2013 £	2012 £
Anthony Townsend (Chairman and highest paid Director)	**35,550**	35,000
Andrew Adcock	**22,333**	22,000
Les Cullen (Chairman of the Audit Committee)	**25,333**	25,000
Dr Franz Leibenfrost (Senior Independent Director)	**22,333**	22,000
Jane Tozer	**22,333**	22,000
Mark White	**22,333**	22,000
	150,215	148,000

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 Directors' Remuneration Report at the annual general meeting.

By order of the Board
F&C Management Limited
Secretary
17 June 2013

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**") issued in October 2010. The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "**UK 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 that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code that are relevant to the Company.

Articles of association

The Company's articles of association may only be amended by special resolution at general meetings of shareholders.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share issue and buyback policy, risk and control assessment, investment performance monitoring and budget approval. 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 six 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 in July 2012.

Directors' attendance

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

* Committees of the Board also met during the year to undertake business such as the approval of the Company's interim management statements, annual and half-yearly results and dividend.

Each Director has a signed letter of appointment to formalise the terms of his/her engagement as a non-executive Director. These are available for inspection at the Company's registered office during normal business hours and at annual general meetings.

Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such advice was taken by the Directors in the year under review. The Board has direct access to 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

* Copies of the AIC Code, the AIC Guide and the UK Code may be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk

Corporate Governance Statement (continued)

in accordance with the terms of the management agreement. The powers of the Board relating to issuing and buying back the Company's shares are explained on pages 30 and 31.

Appointments, diversity and succession planning

Under the articles of association of the Company, the number of directors on the Board may be no more than twelve. Directors may be appointed by the Company by ordinary resolution or by the Board. The Board recognises the benefits of having a balance of skills and experience, including gender diversity and length of service, but does not consider it appropriate to commit to numerical diversity targets; all appointments are based on merit. The Board also recognises the value of progressive refreshing of, and succession planning for, company boards. The services of an external search consultant are used when filling vacancies. All new appointments by the Board are subject to election by shareholders at the next AGM and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish. 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. Each Director's appointment is reviewed prior to submission for re-election, which includes consideration of independence. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars.

Board effectiveness

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 is facilitated by the completion of a questionnaire and interviews with the Chairman. The appraisal of the Chairman is carried out by the Board 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 its 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 is kept under review.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of his period of office and may by ordinary resolution appoint another person who is willing to act to be a director in his place.

Any Director automatically ceases to be a Director if (i) they give the Company a written notice of resignation, (ii) they give the Company a written offer to resign and the Board resolves to accept this offer, (iii) all the other Directors remove them from office by notice in writing served upon them, (iv) in the written opinion of a registered medical practitioner they are or have become physically or mentally incapable of acting as a Director and are likely to remain so for more than three months, (v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have, (vi) a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally, (vii) they are prohibited from being a Director by law or (viii) they are absent from Board meetings for six consecutive months without permission and the other Directors resolve that their office should be vacated.

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 only a minority of Directors can generally serve 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

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the company (a "**situational conflict**"). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Company's Directors.

Other than the formal authorisation of the Directors' other existing directorships and appointments as situational conflicts, no authorisations have been sought. They are reviewed throughout the year at the commencement of each Board meeting and the Nomination Committee reviews the authorisation of each individual Director's conflicts or potential conflicts annually. In the year under review, the Nomination Committee concluded that in each case these situational conflicts had not affected any individual in his/her role as a Director of the Company.

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.

In the year under review there have been no instances of a Director being required to absent himself/herself from a discussion or abstain from voting because of a conflict of interest.

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 32, 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 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. This committee also considers Directors' conflicts of interest, 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 committee is currently composed of the full Board and is chaired by Anthony Townsend. The terms of reference can be found on the website at www.fandcglobalsmallers.com.

Audit and Management Engagement Committee

The primary responsibilities of the Audit and Management Engagement Committee are to monitor the integrity of the financial reporting and statements of the Company, and to oversee the audit of the annual and half-yearly accounts and the internal control and risk management processes. Committee membership is listed on page 22 and its terms of reference can be found on the website at www.fandcglobalsmallers.com. All the committee members are independent non-executive Directors. Les Cullen, the chairman of the committee, and the majority of the committee members are financially qualified. The committee has direct access to PwC; the Heads of Internal Audit, Risk and Compliance of the Manager and to the Manager's group audit committee and reports its findings to the Board. The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information.

The committee met on two occasions during the year with the Manager's Head of Trust Accounting, Head of Internal Audit and the Fund Manager in attendance. PwC are entitled to attend all scheduled committee meetings and attended the year end committee meeting. PwC also met in closed

Corporate Governance Statement (continued)

session with the committee. In carrying out its responsibilities the committee has considered the planning, arrangements and conclusions of the audit for the period under review. In December 2012 the committee considered and approved PwC's plan for the full year audit. PwC submitted their report to the committee meeting in June 2013 in which they had highlighted the following areas of focus:

- Valuation and existence of investments.
- Accuracy and completeness of investment accounting entries.
- Recognition of income from the underlying investments.
- Foreign exchange gains/losses.
- Accuracy of the performance fee calculation.
- Correct disclosure of Directors' remuneration.
- Accuracy and disclosure of expenses.
- Taxation charge and maintenance of section 1158 status.
- Current assets and liabilities fairly stated.
- Cash balances and borrowings and calculation of interest.
- Compliance with financial statements and Business Review reporting requirements.
- Compliance with the relevant corporate governance codes.
- The Manager's procedures relating to fraud and the prevention of material misstatement of the financial statements.

PwC confirmed at the meeting that it was their intention to issue an unqualified audit report in respect of the financial year ended 30 April 2013. The unqualified audit report can be found on page 40.

At each of its meetings the committee receives an internal audit and compliance monitoring report from the Manager. In June 2013 the committee received and reviewed the Report referred to under "Internal controls and management of risk" below and an annual compliance report. Following a recommendation from the committee, the Board has concluded that there is no current need for the Company to have an internal audit function; all of the Company's management functions are delegated to the Manager, which has its own internal audit department, and whose controls are monitored by the Board.

Specifically, the committee considered, monitored and reviewed the following matters throughout the year:

- The audited results statements, annual and half-yearly reports and accounts and interim management statements;
- The accounting policies of the Company;
- The effectiveness of the Company's internal control environment;
- The effectiveness of the audit process and the independence and objectivity of PwC, their reappointment, remuneration and terms of engagement;
- The policy on the engagement of PwC to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of AAF (01/06) reports or their equivalent from the Custodian;
- The performance of the Manager and the fees charged;
- The analysis of other expenses.
- Compliance with the provisions of the trust deed for the 11.5% debenture stock 2014; and
- The committee's terms of reference.

The committee has reviewed, and is satisfied with, the Manager's Anti-Fraud, Bribery and Corruption Strategy and Policy and with the "whistleblowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action.

As part of the review of auditor independence and effectiveness, PwC have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating PwC, the committee has taken into consideration the standing, skills and experience of the firm and the audit team. The appointment has not been put out to tender notwithstanding PwC's tenure over many years as the committee, from direct observation and indirect enquiry of management, remains satisfied that PwC continue to provide effective independent challenge in carrying out their responsibilities. Following professional guidelines, the partner rotates after five years and this is the fourth year for the current partner. On the basis of this assessment, the committee has recommended the continuing appointment of PwC to the Board. Their performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

The committee has also reviewed the provision of non-audit services, which cost £7,000 in the year under review, and considers them to be cost effective and not to compromise the independence of PwC. The non-audit services were £6,000 in relation to taxation compliance services and £1,000 of other assurance services in relation to a review of a debenture compliance certificate. The Chairman of the committee is advised of non-audit work required and a decision to authorise is taken on a case-by-case basis in line with ethical guidelines. Further information can be found in note 7 on the accounts.

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, 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, performance of the third party administrators of the F&C savings plans and on other management issues. The Manager's Internal Audit Department prepares a control report that provides details of any internal control failure. A key risk summary is also produced to help identify 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 page 26, with additional information given in note 25 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, or loss or fraud.

The Board has carried out a risk and control assessment concurrent with the approval of this report and accounts, 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 2012 (the "**Report**"). This has been prepared by the Manager 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 and maintenance of their financial records. The effectiveness of these controls is monitored by the Manager's group audit committee, which receives regular reports from the Manager's Internal Audit 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 material failings or weaknesses in respect of the Company 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, notice periods for general meetings and any 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 plans have the right to attend, speak and

Corporate Governance Statement (continued)

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, as detailed on pages 25 and 26.

A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the Manager, which reports to the Board on such contact, the views of shareholders and any changes to the composition of the share register. The Chairman is available to meet with major shareholders. The Chairman contacted major shareholders by email during the year but no shareholder meetings arose from this correspondence. The Senior Independent Director and other Directors are available to attend meetings with shareholders as and when required. The Board welcomes dialogue with shareholders in order to ensure it is aware of any areas of concern. Reference to significant holdings in the Company's ordinary shares can be found under "Voting rights and proportional voting" on page 25.

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 and the level and nature of any complaints received from investors.

By order of the Board
F&C Management Limited
Secretary
17 June 2013

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on the www.fandcglobalsmallers.com website, which is maintained by 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 22, confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Anthony Townsend
Chairman
17 June 2013

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 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement 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 Directors' Responsibilities Statement set out on page 39, 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 and express an opinion on 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 Chapter 3 of Part 16 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. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 and of its net return 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 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 page 24, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 June 2013

Income Statement

Revenue notes	Capital notes	for the year ended 30 April	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
	12	Gains/(losses) on investments	–	71,859	71,859	–	(57)	(57)
	20	Foreign exchange gains/(losses)	1	(2)	(1)	(6)	(83)	(89)
3		Income	4,834	–	4,834	4,530	–	4,530
4	4	Management fee	(262)	(785)	(1,047)	(217)	(651)	(868)
	5	Performance fee	–	(1,477)	(1,477)	–	(893)	(893)
7		Other expenses	(1,010)	(17)	(1,027)	(981)	(10)	(991)
		Net return before finance costs and taxation	3,563	69,578	73,141	3,326	(1,694)	1,632
8	8	Finance costs	(288)	(864)	(1,152)	(289)	(866)	(1,155)
		Net return on ordinary activities before taxation	3,275	68,714	71,989	3,037	(2,560)	477
9	9	Taxation on ordinary activities	(231)	–	(231)	(238)	–	(238)
		Net return attributable to equity shareholders	3,044	68,714	71,758	2,799	(2,560)	239
10	10	**Return per share – pence**	7.10	160.38	167.48	6.87	(6.28)	0.59

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 2013	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 1 May 2012	**10,345**	**29,818**	**16,158**	**182,046**	**8,409**	**246,776**
	Movements during the year ended 30 April 2013						
11	Dividends paid	**–**	**–**	**–**	**–**	**(2,533)**	**(2,533)**
	Shares issued	**898**	**23,191**	**–**	**–**	**–**	**24,089**
	Net return attributable to equity shareholders	**–**	**–**	**–**	**68,714**	**3,044**	**71,758**
	Balance at 30 April 2013	**11,243**	**53,009**	**16,158**	**250,760**	**8,920**	**340,090**

Notes	for the year ended 30 April 2012	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 1 May 2011	10,025	23,132	16,158	184,606	7,683	241,604
	Movements during the year ended 30 April 2012						
11	Dividends paid	–	–	–	–	(2,073)	(2,073)
	Shares issued	320	6,686	–	–	–	7,006
	Net return attributable to equity shareholders	–	–	–	(2,560)	2,799	239
	Balance at 30 April 2012	10,345	29,818	16,158	182,046	8,409	246,776

Balance Sheet

Notes	at 30 April	£'000s	2013 £'000s	£'000s	2012 £'000s
	Fixed assets				
12	Investments		**334,036**		252,184
	Current assets				
13	Debtors	**2,372**		2,007	
	Cash at bank	**20,771**		5,550	
		23,143		7,557	
	Creditors: amounts falling due within one year				
14	Creditors	**(7,089)**		(2,965)	
	Net current assets		**16,054**		4,592
	Total assets less current liabilities		**350,090**		256,776
	Creditors: amounts falling due after more than one year				
15	Debenture		**(10,000)**		(10,000)
	Net assets		**340,090**		246,776
	Capital and reserves				
17	Share capital		**11,243**		10,345
18	Share premium account	**53,009**		29,818	
19	Capital redemption reserve	**16,158**		16,158	
20	Capital reserves	**250,760**		182,046	
20	Revenue reserve	**8,920**		8,409	
			328,847		236,431
21	**Total shareholders' funds**		**340,090**		246,776
21	**Net asset value per share – pence**		**756.21**		596.35

The Financial Statements were approved by the Board on 17 June 2013 and signed on its behalf by:

Anthony Townsend, Chairman

Cash Flow Statement

Notes	for the year ended 30 April	£'000s	2013 £'000s	£'000s	2012 £'000s
	Operating activities				
	Investment income received	**4,526**		3,914	
	Interest received	**23**		11	
	Underwriting commission received	**–**		16	
	Management fee paid to the management company	**(1,096)**		(786)	
	Performance fee paid to the management company	**(892)**		-	
	Directors' fees paid	**(149)**		(148)	
	Other payments	**(710)**		(811)	
22	**Net cash inflow from operating activities**		**1,702**		2,196
	Servicing of finance				
	Interest paid	**(1,152)**		(1,152)	
	Cash outflow from servicing of finance		**(1,152)**		(1,152)
	Financial investment				
	Purchases of equities and other investments	**(97,240)**		(73,926)	
	Sales of equities and other investments	**90,752**		69,752	
	Other capital charges and credits	**(17)**		(13)	
	Net cash outflow from financial investment		**(6,505)**		(4,187)
	Equity dividends paid		**(2,533)**		(2,073)
	Net cash outflow before use of liquid resources and financing		**(8,488)**		(5,216)
	Management of liquid resources				
	Decrease in short-term deposits		**–**		–
	Financing				
	Shares issued	**23,710**		7,006	
	Cash inflow from financing		**23,710**		7,006
23	**Increase in cash**		**15,222**		1,790

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 1158 of the Corporation Tax Act 2010 ("section 1158"). Approval of the Company under section 1158 has been received (subject to there being no subsequent enquiry) in respect of the year ended 30 April 2012 and all previous applicable financial years. Section 1158 was amended to allow the Company to seek approval of compliance in advance and for all subsequent financial years. The Company received such advanced approval for the year ended 30 April 2013 and all subsequent financial years, subject to it continuing to meet the relevant eligible conditions and ongoing requirements. The Company intends to conduct its affairs so as to enable it to comply with the requirements. 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 on a going concern basis 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 and Venture Capital Trusts' (SORP) issued in January 2009.

The functional and presentational 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 2013.

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 2(b) 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. The Company's Articles prohibit the distribution of net capital returns by way of dividend. Such returns 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) Financial instruments

Financial instruments include fixed asset investments, derivative assets and liabilities, long-term debt instruments, cash and short-term deposits, debtors and creditors. Accounting standards recognise a hierarchy of fair value measurements for financial instruments measured at fair value on the Balance Sheet which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on AIM in the UK.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative instruments. The Company held no such securities during the year under review.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate of fair value, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are unquoted investments.

Notes on the Accounts (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) 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 accounted for as financial assets or liabilities at fair value through profit or loss and are classified as held for trading.

(iii) Debt instruments

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 15 on the accounts. No debt instruments held during the year required hierarchical classification.

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 (vi) below for allocation of finance charges within the Income Statement.

(iv) 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.

(v) 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.

Underwriting commission is recognised when the Company's right to receive payment is established. Deposit interest is accounted for on an accruals basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) 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;
- 75% of management fees and 75% 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.

(vii) Taxation

Deferred tax is provided on an undiscounted basis 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.

(viii) Share premium account

The surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares is credited to this account. The nominal value of the shares issued is recognised in share capital

(ix) 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, which is a non-distributable reserve, on the trade date.

(x) Capital reserves

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- 75% of management fees and finance costs as set out in note 2 (vi);
- performance fees as set out in note 2 (vi);
- 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.

Notes on the Accounts (continued)

3. INCOME

	2013 £'000s	2012 £'000s
Income from investments		
UK dividends	2,249	2,288
UK scrip dividends	113	97
Overseas dividends	2,426	2,032
Overseas scrip dividends	23	85
	4,811	4,502
Other income		
Interest on cash and short-term deposits	23	11
Underwriting commission	–	17
	23	28
Total income	4,834	4,530
Total income comprises:		
Dividends	4,811	4,502
Other income	23	28
	4,834	4,530
Income from investments comprises:		
Quoted UK†	2,362	2,385
Quoted overseas	2,426	2,032
Unquoted	23	85
	4,811	4,502

† Includes investments quoted on AIM in the UK.

4. MANAGEMENT FEE

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Management fee	262	785	1,047	217	651	868

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 have been allocated 75% to capital reserve in accordance with accounting policies.

5. PERFORMANCE FEE

	2013 Capital £'000s	2012 Capital £'000s
Performance fee	**1,477**	893

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 (with debt at market value, adjusted for share buybacks and dividends) compared to the Benchmark Index, subject to a maximum absolute cap on the level of fees (including both the management fee and the performance fee) that the Manager can earn in any one year of 1% of average month-end net assets. 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.

Any performance fee is allocated 100% to capital reserve – arising on investments sold.

6. RECOVERABLE VAT

Management and performance fees are no longer subject to VAT. In previous years 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.

A case has been brought against HMRC to seek to recover the amounts relating to the intervening period, 1997 to 2000, together with interest on a compound basis. No VAT or related interest recovery has been accrued or recognised as a contingent asset as the outcome of the case remains uncertain.

7. OTHER EXPENSES

	2013 £'000s	2012 £'000s
Auditors' remuneration:		
audit services*	**29**	28
other services*	**8**	5
Directors' fees for services to the Company†	**150**	148
Marketing	**92**	89
Savings plans expenses	**488**	454
Printing and postage	**64**	62
Custody fees	**17**	13
Sundry expenses	**162**	182
	1,010	981

*Auditors' remuneration for audit services, exclusive of VAT, amounts to £28,000 (2012: £27,000). Total auditors' remuneration for non-audit services, exclusive of VAT, amounts to £7,000 (2012: £5,000) comprising £6,000 for taxation compliance services (2012: £4,000) and £1,000 relating to other assurance services for review of a debenture compliance certificate (2012: £1,000). No part of these amounts was charged to capital reserves (2012: £nil).

†See the Directors' Remuneration Report on page 32.

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

Notes on the Accounts (continued)

8. FINANCE COSTS

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Debenture	288	862	1,150	289	865	1,154
Loans and bank overdrafts	–	2	2	–	1	1
	288	864	1,152	289	866	1,155

Finance costs have been allocated 75% to capital reserve in accordance with accounting policies.

The interest is further analysed as follows:

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Loans and bank overdrafts repayable within one year, not by instalments	–	2	2	–	1	1
Debenture repayable in more than one year, not by instalments (note 15)	288	862	1,150	289	865	1,154
	288	864	1,152	289	866	1,155

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Corporation tax payable at 23.9% (2012: 25.8%)	–	–	–	–	–	–
Overseas taxation	231	–	231	238	–	238
Current tax charge for the year (note 9(b))	231	–	231	238	–	238
Deferred taxation on accrued income	–	–	–	–	–	–
Taxation on ordinary activities	231	–	231	238	–	238

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

	Revenue £'000s	Capital £'000s	2013 Total £'000s	Revenue £'000s	Capital £'000s	2012 Total £'000s
Return on ordinary activities before tax	3,275	68,714	71,989	3,037	(2,560)	477
Return on ordinary activities multiplied by the standard rate of corporation tax of 23.9% (2012: 25.8%)	783	16,422	17,205	784	(661)	123
Effects of:						
Dividends*	(1,085)	–	(1,085)	(1,110)	–	(1,110)
Expenses not deductible for tax purposes	70	–	70	70	–	70
Overseas tax in excess of double taxation relief	231	–	231	238	–	238
Expenses not utilised in the year	232	752	984	256	625	881
Capital returns*	–	(17,174)	(17,174)	–	36	36
Total current taxation (note 9(a))	231	–	231	238	–	238

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

The Company is not subject to corporation tax on capital gains or on dividend income. As a consequence, it has unutilised expenses which have given rise to a deferred tax asset of £4.2m (2012: £3.4m). This asset has not been recognised as the Directors believe it is unlikely that the Company will have sufficient taxable profits in future to utilise it. Of this amount £0.8m (2012: £0.6m) relates to revenue expenses and £3.4m (2012: £2.8m) to capital expenses.

10. RETURN PER ORDINARY SHARE

	Revenue	Capital	2013 Total	Revenue	Capital	2012 Total
Return per share – pence	7.10	160.38	167.48	6.87	(6.28)	0.59
Net return attributable to equity shareholders – £'000s	3,044	68,714	71,758	2,799	(2,560)	239

Both the revenue and capital returns per share are based on a weighted average of 42,845,491 ordinary shares in issue during the year (2012: 40,734,282).

11. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2013 £'000s	2012 £'000s
Interim for the year ended 30 April 2013 of 2.00p	28 December 2012	31 January 2013	857	–
Final for the year ended 30 April 2012 of 4.00p	6 July 2012	16 August 2012	1,676	–
Interim for the year ended 30 April 2012 of 1.63p	30 December 2011	31 January 2012	–	670
Final for the year ended 30 April 2011 of 3.50p	1 July 2011	8 August 2011	–	1,403
			2,533	2,073

The Directors recommend a final dividend in respect of the year ended 30 April 2013 of 4.50p per share, payable on 16 August 2013 to all shareholders on the register at close of business on 19 July 2013. 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 2013, which form the basis of the section 1158 retention test, and the attributable revenue are set out below:

	2013 £'000s
Revenue attributable to equity shareholders	3,044
Interim for the year ended 30 April 2013 of 2.00p	(857)
Proposed final for the year ended 30 April 2013 of 4.50p*	(2,052)
Amount transferred to revenue reserve for section 1158 purposes**	135

* Based on 45,603,102 shares in issue at 13 June 2013.

** Undistributed revenue for the year equated to 2.8% of total income of £4,834,000 (see note 3).

Notes on the Accounts (continued)

12. INVESTMENTS

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 30 April 2012	197,466	–	1,303	198,769
Gains at 30 April 2012	51,501	–	1,914	53,415
Valuation at 30 April 2012	248,967	–	3,217	252,184
Movements in the year:				
Purchases at cost	100,675	–	120	100,795
Sales proceeds	(90,341)	–	(461)	(90,802)
Gains on investments sold in year	27,530	–	266	27,796
Gains on investments held at year end	44,062	–	1	44,063
Valuation of investments held at 30 April 2013	**330,893**	**–**	**3,143**	**334,036**

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 30 April 2013	235,330	–	1,228	236,558
Gains at 30 April 2013	95,563	–	1,915	97,478
Valuation at 30 April 2013	**330,893**	**–**	**3,143**	**334,036**

* Level 1 includes investments listed on any recognised stock exchange or quoted on AIM in the UK.
Level 2 includes investments for which the quoted price has been suspended.
Level 3 includes any unquoted investments which are held at net asset value.

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

Gains on investments

	2013 £'000s	2012 £'000s
Gains on investments sold during the year	**27,796**	5,778
Gains/(losses) on investments held at year end	**44,063**	(5,835)
Total gains/(losses) on investments	**71,859**	(57)

Substantial interests

At 30 April 2013 the Company held more than 5% of the following undertakings held as investments, neither of which, in the opinion of the Directors, represented a participating interest:

Company	Country of registration, incorporation and operation	Number of units held	Percentage of undertaking held
Australian New Horizons Fund	Australia	2,098,786	29.5
iShares MSCI Japanese Small Cap ETF	Ireland	576,498	8.0

13. DEBTORS

	2013 £'000s	2012 £'000s
Investment debtors	1,538	1,487
Prepayments and accrued income	400	448
Share issue proceeds due	379	–
Overseas taxation recoverable	55	72
	2,372	2,007

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors	2013 £'000s	2012 £'000s
Investment creditors	4,719	1,299
Interest accrued	382	382
Management fee and performance fee accrued	1,586	1,050
Other accrued expenses	402	234
	7,089	2,965

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

Debenture	2013 £'000s	2012 £'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 £11,681,000 (2012: £12,380,000).

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 2013 the value of the ATCR was £292m 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 in the year under review.

In certain circumstances, the terms of the Company's debenture entitle the holders to demand early repayment. Such early repayment may be required in the event of the occurrence of certain events of default which are customary for facilities of this type. These include events of non payment, insolvency and insolvency proceedings, cessation of business, non-remedied breach of covenant or other obligation, cross-default or misrepresentation.

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.

At 30 April 2013 the Company had a multi-currency credit facility of £5 million with Scotiabank (Ireland) Limited which remained undrawn throughout the year. The Company also has the option to request an additional commitment of up to £5 million at any time on the same terms.

Notes on the Accounts (continued)

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

	North America %	UK %	Continental Europe %	Rest of World %	Japan %	2013 Total %	2012 Total %
Industrials	10.3	8.4	2.3	–	–	**21.0**	23.9
Collective investments	–	–	0.3	11.1	8.0	**19.4**	20.5
Financials	7.6	4.4	3.0	–	–	**15.0**	10.7
Consumer services	4.6	5.7	1.5	–	–	**11.8**	8.5
Consumer goods	4.0	1.0	2.7	–	–	**7.7**	10.0
Technology	4.1	2.4	0.6	–	–	**7.1**	7.4
Health care	3.1	1.7	0.2	–	–	**5.0**	3.3
Oil & gas	2.5	1.2	0.2	–	–	**3.9**	2.6
Basic materials	1.4	0.9	0.5	–	–	**2.8**	5.6
Telecommunications	1.0	0.5	0.2	–	–	**1.7**	5.4
Utilities	–	–	–	–	–	**–**	0.3
Total investments	38.6	26.2	11.5	11.1	8.0	**95.4**	98.2
Net current assets/(liabilities)	1.0	3.7	(0.1)	–	–	**4.6**	1.8
Total assets less current liabilities (excluding borrowings)	**39.6**	**29.9**	**11.4**	**11.1**	**8.0**	**100.0**	
2012 totals	40.2	29.0	10.7	12.4	7.7		100.0

17. SHARE CAPITAL

Equity share capital	Issued and fully paid Number	£'000s
Ordinary shares of 25p each		
Balance brought forward	41,380,990	10,345
Shares issued	3,592,112	898
Balance carried forward	**44,973,102**	**11,243**

During the year 3,592,112 ordinary shares were issued, raising proceeds of £24,089,000. Since the year end a further 630,000 ordinary shares have been issued, raising proceeds of £4,838,000.

18. SHARE PREMIUM ACCOUNT

	2013 £'000s	2012 £'000s
Balance brought forward	**29,818**	23,132
Shares issued	**23,191**	6,686
Balance carried forward	**53,009**	29,818

19. CAPITAL REDEMPTION RESERVE

	2013 £'000s	2012 £'000s
Balance brought forward	**16,158**	16,158
Transfer from equity share capital	**–**	–
Balance carried forward	**16,158**	16,158

20. 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				
Gains on investments sold in year	27,796	–	27,796	–
Gains on investments held at year end	–	44,063	44,063	–
Foreign exchange losses	(2)	–	(2)	–
Management fee (see note 4)	(785)	–	(785)	–
Performance fee (see note 5)	(1,477)	–	(1,477)	–
Other expenses	(17)	–	(17)	–
Finance costs (see note 8)	(864)	–	(864)	–
Revenue return	–	–	–	3,044
Net return attributable to ordinary shareholders	24,651	44,063	68,714	3,044
Dividends paid in the year	–	–	–	(2,533)
	24,651	44,063	68,714	511
Balance brought forward	128,287	53,759	182,046	8,409
Balance carried forward	**152,938**	**97,822**	**250,760**	**8,920**

Included within the capital reserve movement for the year are £265,000 (2012: £264,000) of transaction costs on purchases of investments, £159,000 (2012: £144,000) of transaction costs on sales of investments and £97,000 (2012: £410,000) of distributions recognised as capital.

21. NET ASSET VALUE PER ORDINARY SHARE

	2013	2012
Net asset value per share (with debenture at nominal value) – pence	**756.21**	596.35
Net assets attributable at the year end – £'000s	**340,090**	246,776
Ordinary shares in issue at the year end	**44,973,102**	41,380,990

Net asset value per share with debenture at market value was 752.47p (2012: 590.60p).

Notes on the Accounts (continued)

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

	2013 £'000s	2012 £'000s
Total return before finance costs and taxation	73,141	1,632
Adjust for returns from non-operating activities		
(Gains)/losses on investments	(71,859)	57
Foreign exchange losses charged to capital	2	83
Management fee charged to capital	785	651
Performance fee charged to capital	1,477	893
Other expenses charged to capital	17	10
Return from operating activities	3,563	3,326
Adjust for non cash flow items		
Transfer of management fee to capital reserve	(785)	(651)
Transfer of performance fee to capital reserve	(1,477)	(893)
Exchange (gains)/losses of a revenue nature	(1)	6
Decrease/(increase) in accrued income	65	(126)
(Increase)/decrease in prepayments	(17)	6
Increase in creditors	704	991
Scrip dividends	(136)	(182)
Overseas taxation	(214)	(281)
Net cash inflow from operating activities	1,702	2,196

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

	2013 £'000s	2012 £'000s
Increase in cash	15,222	1,790
Increase in short-term deposits	–	–
Movement in net debt resulting from cash flows	15,222	1,790
Foreign exchange movement	(1)	(83)
Movement in net debt in the year	15,221	1,707
Net debt brought forward	(4,450)	(6,157)
Net cash/(debt) carried forward	10,771	(4,450)

Represented by:	Balance at 30 April 2012 £'000s	Cash flow £'000s	Exchange movement £'000s	Balance at 30 April 2013 £'000s
Cash at bank	5,550	15,222	(1)	20,771
Short-term deposits	–	–	–	–
	5,550	15,222	(1)	20,771
Debenture	(10,000)	–	–	(10,000)
	(4,450)	15,222	(1)	10,771

24. 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 32 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 12, where investments managed by F&C are disclosed, and note 14, where accrued management fees are disclosed.

25. 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 1158. 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 15 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. 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.

The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

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

	At 30 April 2013	2013 Average for the year	At 30 April 2012	2012 Average for the year
US dollar	**1.5564**	**1.5732**	1.6239	1.6065
Euro	**1.1805**	**1.2204**	1.2269	1.1661
Japanese yen	**151.61**	**133.28**	129.66	126.79

At 30 April 2013, the Company did not hold any investments directly denominated in Japanese yen. The Company did, however, have indirect exposure to this currency as it held investments in US dollar and sterling denominated collective investment schemes which held underlying investments denominated in Japanese yen and other currencies.

Notes on the Accounts (continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 the principal currencies by 10% would have the following approximate effect on returns attributable to equity shareholders and on the net asset value ("NAV") per share:

Weakening of sterling by 10%	2013 US$	2013 €	2012 US$	2012 €
Net revenue return attributable to equity shareholders – £'000s	**77**	**72**	95	70
Net capital return attributable to equity shareholders – £'000s	**14,566**	**3,191**	11,099	2,183
Net total return attributable to equity shareholders – £'000s	**14,643**	**3,263**	11,194	2,253
Net asset value per share – pence	**32.56**	**7.26**	27.05	5.44

Strengthening of sterling by 10%	2013 US$	2013 €	2012 US$	2012 €
Net revenue return attributable to equity shareholders – £'000s	**(77)**	**(72)**	(95)	(70)
Net capital return attributable to equity shareholders – £'000s	**(14,566)**	**(3,191)**	(11,099)	(2,183)
Net total return attributable to equity shareholders – £'000s	**(14,643)**	**(3,263)**	(11,194)	(2,253)
Net asset value per share – pence	**(32.56)**	**(7.26)**	(27.05)	(5.44)

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. This level of change is considered to be a reasonable illustration based on observation of current market conditions.

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

2013	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Debenture (at nominal value) £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,809	17,317	(6,063)	(10,000)	3,063	148,370	151,433
US dollar	32	3,336	(35)	–	3,333	142,324	145,657
Euro	112	118	(761)	–	(531)	32,439	31,908
Other	419	–	(230)	–	189	10,903	11,092
Total	**2,372**	**20,771**	**(7,089)**	**(10,000)**	**6,054**	**334,036**	**340,090**

2012	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Debenture (at nominal value) £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,775	2,350	(2,758)	(10,000)	(8,633)	115,039	106,406
US dollar	64	3,197	(194)	–	3,067	107,921	110,988
Euro	165	2	(13)	–	154	21,678	21,832
Other	3	1	–	–	4	7,546	7,550
Total	2,007	5,550	(2,965)	(10,000)	(5,408)	252,184	246,776

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2013 Net total £'000s	Within one year £'000s	More than one year £'000s	2012 Net total £'000s
Exposure to floating rates – cash	20,771	–	20,771	5,550	–	5,550
Exposure to fixed rates – debenture	–	(10,000)	(10,000)	–	(10,000)	(10,000)
Net exposure	20,771	(10,000)	10,771	5,550	(10,000)	(4,450)
Minimum net exposure during the year	5,197	(10,000)	(4,803)	1,747	(10,000)	(8,253)
Maximum net exposure during the year	20,771	(10,000)	10,771	6,365	(10,000)	(3,635)

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 rate applying on the debenture is set out in note 15 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 and therefore the capital and revenue return arising from this instrument would be unchanged by a movement in market interest rates.

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	2013 Decrease in rate £'000s	Increase in rate £'000s	2012 Decrease in rate £'000s
Revenue return	415	(415)	111	(111)
Capital return	–	–	–	–
Total return	415	(415)	111	(111)
NAV per share – pence	0.92	(0.92)	0.27	(0.27)

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 are they reflective of future market conditions.

Notes on the Accounts (continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 £334,036,000 at 30 April 2013 (2012: £252,184,000) 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 16 on the accounts.

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:

		2013		2012
	Increase in value £'000s	**Decrease in value £'000s**	Increase in value £'000s	Decrease in value £'000s
Capital return	**66,807**	**(66,807)**	50,437	(50,437)
NAV per share – pence	**148.55**	**(148.55)**	121.88	(121.88)

This level of change is considered to be a reasonable illustration based on observation of current market conditions.

(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 (200 at 30 April 2013); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see note 16); and the existence of ongoing overdraft and loan facility agreements. 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 three months but less than one year £'000s	More than one year £'000s	Total £'000s
2013				
Current liabilities				
Creditors	6,707	–	–	6,707
Long-term liabilities				
Debentures	–	–	10,000	10,000
Interest payable on debentures	575	575	1,150	2,300
	7,282	**575**	**11,150**	**19,007**
2012				
Current liabilities				
Creditors	2,583	–	–	2,583
Long-term liabilities				
Debentures	–	–	10,000	10,000
Interest payable on debentures	575	575	2,300	3,450
	3,158	575	12,300	16,033

25. 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. 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. The custodian has a lien over the securities in the account, enabling it to sell or otherwise realise the securities in satisfaction of charges due under the agreement.

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.

The Company had no credit-rated bonds or similar securities or derivatives in its portfolio at the year end (2012: none) and does not normally invest in them. None of the Company's financial instruments 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. The fair value of the debenture, based on a comparable UK gilt, was £11,681,000 (2012: £12,380,000).

Unquoted 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 17 on the accounts. Dividend payments are set out in note 11 on the accounts. Details of the debenture are set out in note 15 on the accounts.

26. POST BALANCE SHEET MOVEMENT IN NET ASSETS

The net asset value per share (with debenture at nominal value) on 12 June 2013 was 750.92p (30 April 2013: 756.21p).

Ten Year Record

Assets

at 30 April

£'000s	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Total assets	193,665	260,475	288,404	240,652	249,574	198,100	160,994	218,384	251,604	256,776	**350,090**
Debenture and loans	25,720	25,085	24,006	13,000	10,000	10,000	10,000	10,000	10,000	10,000	**10,000**
Net assets	167,945	235,390	264,398	227,652	239,574	188,100	150,994	208,384	241,604	246,776	**340,090**

Net asset value ("NAV")

at 30 April

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share	183.1p	276.8p	311.3p	470.8p	512.2p	428.2p	360.2p	518.1p	602.5p	596.4p	**756.2p**
NAV total return on 100p – 5 years (per AIC)											**187.8p**
NAV total return on 100p – 10 years (per AIC)											**462.2p**

Share price

at 30 April

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Middle market price per share	147.0p	224.0p	268.5p	435.0p	473.3p	385.0p	325.0p	461.0p	583.5p	588.0p	**764.5p**
Share price high	221.0p	227.0p	286.0p	444.5p	473.3p	482.0p	405.0p	461.0p	587.0p	618.0p	**779.0p**
Share price low	124.0p	150.0p	209.5p	268.5p	364.3p	339.8p	221.0p	310.5p	405.0p	485.0p	**554.0p**
Share price total return on 100p – 5 years (per AIC)											**210.4p**
Share price total return on 100p – 10 years (per AIC)											**598.8p**

Revenue

for the year ended 30 April

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Available for ordinary shares – £'000s	3,284	3,465	3,930	3,210	2,270	2,510	2,430	2,016	2,039	2,799	**3,044**
Return per share	3.55p	3.95p	4.63p	4.54p	4.75p	5.54p	5.66p	4.88p	5.08p	6.87p	**7.10p**
Dividends per share	4.15p	4.24p	4.40p	5.53p#	4.69p	4.83p	4.89p	5.00p	5.10p	5.63p	**6.50p**

Performance

(rebased to 100 at 30 April 2003)

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share	100	151.2	170.0	257.1	279.7	233.9	196.7	283.0	329.0	325.7	**413.0**
Middle market price per share	100	152.4	182.7	295.9	321.9	261.9	221.1	313.6	396.9	400.0	**520.1**
Earnings per share	100	111.3	130.4	127.9	133.8	156.1	159.4	137.5	143.1	193.5	**200.0**
Dividends per share	100	102.2	106.0	133.3	113.0	116.4	117.8	120.5	122.9	135.7	**156.6**
RPI	100	102.5	105.7	108.4	113.4	118.1	116.7	123.0	129.4	133.8	**137.7**

* restated to reflect investments at bid value (in prior years, at mid market value) and to account for dividends in the year in which the company is liable to pay them (in prior years, accounted for in the period in which the net revenue to which those dividends related was accounted for).

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 per share with dividends paid to shareholders reinvested.
AIC	Association of Investment Companies. Data from the AIC is based on ex-income NAVs.
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 (TER/ongoing charges)

for the year ended 30 April

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Expressed as a percentage of average net assets											
Ongoing charges											
– excluding performance fees	–	–	–	–	–	–	–	–	1.00%	1.08%	**0.85%**
– including performance fees	–	–	–	–	–	–	–	–	1.02%	1.56%	**1.49%**
TER											
– excluding performance fees	1.10%	0.80%	0.66%	0.69%	0.74%	0.77%	0.93%	0.78%	0.76%	0.79%	**0.71%**
– including performance fees	1.10%	0.80%	0.66%	0.69%	0.99%	0.77%	0.93%	0.78%	0.76%	1.17%	**1.22%**
Expressed as a percentage of average total assets											
Ongoing charges											
– excluding performance fees	–	–	–	–	–	–	–	–	0.94%	1.02%	**0.82%**
– including performance fees	–	–	–	–	–	–	–	–	0.96%	1.48%	**1.44%**
TER											
– excluding performance fees	0.95%	0.72%	0.61%	0.65%	0.71%	0.74%	0.87%	0.74%	0.74%	0.75%	**0.69%**
– including performance fees	0.95%	0.72%	0.61%	0.65%	0.95%	0.74%	0.87%	0.74%	0.74%	1.12%	**1.18%**

Gearing

at 30 April

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
Effective gearing	2.3%	3.9%	7.4%	4.7%	2.7%	3.3%	4.1%	(3.3)%	2.7%	1.7%	**(2.3)%**
Fully invested gearing	15.3%	10.7%	9.1%	5.7%	4.2%	5.3%	6.6%	4.8%	4.1%	4.1%	**2.9%**

* restated to reflect changes in accounting policies.

Definitions

Ongoing charges	All operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments (per AIC guidelines issued in May 2012). Figures including performance fees incorporate performance fees in underlying investee funds.
TER	Total expense ratio including all directly incurred 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.
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.

Analysis of Ordinary Shareholders

Analysis of ordinary shareholders at 30 April 2013

Category	Number of shares	% Holding
F&C savings plans	26,311,962	58.5
Nominee holdings	10,705,018	23.8
Direct individual holdings	4,008,382	8.9
Institutions	3,947,740	8.8

Source: F&C Management Limited.

The total number of shareholders at 30 April 2013 was 39,234, of which 37,044 were investors through the F&C plans.

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 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 £10,900 in the tax year ending 5 April 2014 without incurring any tax liability.

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

Income tax

The recommended final dividend is payable in August 2013. 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

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

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The Association of Investment Companies

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Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the Financial Conduct Authority ("**FCA**") before getting involved by visiting **www.fca.org.uk/firms/systems-reporting/register**
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up.

More detailed information on this can be found on the FCA website **www.fca.org.uk/consumers/scams**

How to Invest

One of the most convenient ways to invest in F&C Global Smaller Companies PLC is through one of the savings plans run by F&C Management Limited ('F&C').

F&C Private Investor Plan
A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ("CTF")
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year.

F&C Children's Investment Plan ("CIP")
A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

F&C Junior ISA ("JISA")
This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

Annual account charge

ISA: £60+VAT

JISA: £25+VAT

PIP: £40+VAT

CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

Dealing charge per holding

ISA: 0.2%

PIP/CIP/JISA: postal instructions £12, online instruction £8.

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

How to invest

You can invest in all our savings plans online.

New customers:
Contact our Investor Services Team

Call:	**0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded)
Email:	**info@fandc.com**
Investing online:	**www.fandc.com**

Existing plan holders:
Contact our Investor Services Team

Call:	**0845 600 3030** (*9:00am – 5:30pm, weekdays, calls may be recorded)
Email:	**investor.enquiries@fandc.com**
By post:	F&C Plan Administration Centre PO Box 11114 Chelmsford CM99 2DG

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*.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Conduct Authority.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty-fourth annual general meeting of the Company will be held at The Chartered Accountants' Hall, One Moorgate Place, London EC2 on Thursday 25 July 2013 at 12 noon for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions 1 to 8 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 April 2013.
2. To approve the Directors' Remuneration Report.
3. To declare a final dividend of 4.50p per share.
4. To re-elect Les Cullen as a Director.
5. To re-elect Jane Tozer as a Director.
6. To re-elect Dr Franz Leibenfrost as a Director.
7. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
8. To authorise the Directors to determine the remuneration of the auditors.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

9. Authority to allot shares

   THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being "**relevant securities**") up to an aggregate nominal amount of £1,140,000 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2014 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**"); save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

To consider and, if thought fit, pass the following resolution as a special resolution:

10. Disapplication of pre-emption rights

    THAT, subject to the passing of resolution 9 set out above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "**Act**"), to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority given by the said resolution 9 above, for cash, and/ or to sell equity securities which are held by the Company in treasury, during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2014 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**") up to an aggregate nominal amount of £1,140,000, in each case as if section 561(1) of the Act did not apply to any such allotment or transfer; save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.

To consider and, if thought fit, pass the following resolution as a special resolution:

11. Share buyback authority

    THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "**Act**"), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25p each in the capital of the Company ("**ordinary shares**") on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased shall be 6,835,000 or, if less, 14.99% of the number of ordinary shares in issue (excluding treasury shares) as at the date of the passing of this resolution;

(b) the minimum price which may be paid for an ordinary share shall be 25p;

(c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;

(d) the minimum and maximum prices per ordinary share referred to in sub- paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;

(e) the authority hereby conferred shall expire on the date which is 15 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

(f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

12. Treasury shares

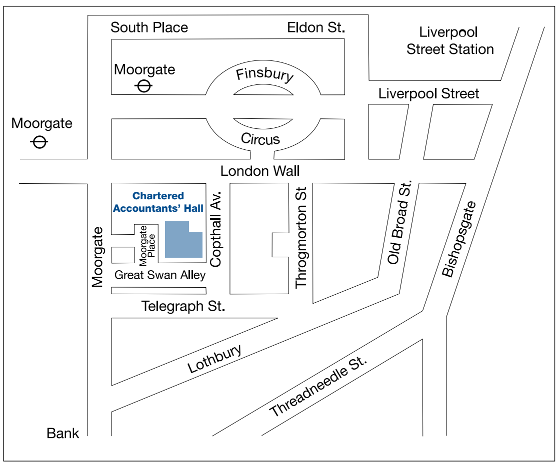
THAT, subject to the passing of resolution 10 set out above, the Directors be and they are hereby authorised, for the purposes of paragraph 15.4.11 of the Listing Rules of the United Kingdom Listing Authority, to sell or transfer out of treasury equity securities for cash at a price below the net asset value per share of the existing ordinary shares in issue (excluding treasury shares) pursuant to the authority conferred by resolution 10, provided that the discount at which such equity securities are sold or transferred out of treasury is: (i) always less than the weighted average discount at which the equity securities held in treasury have been purchased; and (ii) no more than 5% of the prevailing net asset value per share (with debenture at market value).

To consider and, if thought fit, pass the following resolution as a special resolution:

13. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

By order of the Board	Registered office:
F&C Management Limited	Exchange House
Secretary	Primrose Street
17 June 2013	London EC2A 2NY

Location of meeting



Notice of Annual General Meeting (continued)

Notes

1. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Companies Act 2006 (the "**Act**"), the Company has specified that only those members included on the register of members of the Company at 11 p.m. on 23 July 2013 (the "**specified time**") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to the register of members after the specified time shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at 11 p.m. on the day which is two days (excluding non-working days) before the day of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

2. A member entitled to attend, speak and vote at the meeting may appoint one or more proxies to exercise his/her rights instead of him/her. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. A form of proxy is provided to members which includes details on how to appoint more than one proxy; you may not appoint more than one proxy to exercise rights attached to any one share.

3. To be valid, the form of proxy and any power of attorney or other authority under which it is signed, or a notarially certified copy of such authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Alternatively, the form of proxy may be returned by electronic means using the CREST service as detailed below or proxy votes can be submitted electronically at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN printed on the form of proxy. Proxy votes must be received not less than 48 hours before the time appointed for holding the meeting (any part of a day which is a non-working day shall not be included in calculating the 48 hour period).

4. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) no later than the deadline stated above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Instructions on how to vote through CREST can be found on the website www.euroclear.com/CREST.

5. Investors holding shares in the Company through the F&C plans should return forms of direction to Computershare Investor Services PLC or submit their voting directions electronically (for all F&C plans other than the pension savings plan) at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN printed on the form of direction. Voting directions must be received not less than 96 hours before the time appointed for holding the meeting (any part of a day which is a non-working day shall not be included in calculating the 96 hour period).

6. Completion and return of a form of proxy or form of direction or the submission of votes electronically will not preclude members/investors from attending and voting at the meeting should they wish to do so. On a vote on a show of hands every member attending in person (or by proxy or corporate representative) is entitled to one vote and, where a poll is called, every member attending in person or by proxy is entitled to have one vote for every share of which he is the holder.

7. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

8. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps, the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

9. This notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 13 June 2013, being the latest practicable date prior to publication of this document, and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at www.fandcglobalsmallers.com.

10. As at 13 June 2013, the latest practicable date prior to publication of this document, the Company had 45,603,102 ordinary shares in issue with a total of 45,603,102 voting rights. No shares are held in treasury.

11. In accordance with section 319A of the Act, the Company must answer any question that a member may ask relating to the business being dealt with at the meeting unless:

    (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. In accordance with section 527 of the Act, members of the Company meeting the qualification criteria set out below may require the Company to publish, on its website (without payment) a statement, which is also passed to the auditors, setting out any matter relating to the audit of the Company's accounts, including the Independent Auditors' Report and the conduct of the audit. The qualification criteria are that the Company has received such requests from either members representing at least 5% of the total voting rights of all the members who have a relevant right to vote or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the members' full names and addresses and be sent to the Company's registered office.

13. The final dividend in respect of the year ended 30 April 2013, if approved, will be paid on 16 August 2013 to holders of ordinary shares on the register at the close of business on 19 July 2013.

14. Copies of the articles of association of the Company, the register of Directors' holdings, Directors' terms of appointment letters and a deed poll in relation to Directors' indemnities are available for inspection at the registered office of the Company during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof. No Director has any contract of service with the Company.

15. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy or form of direction) to communicate with the Company for any purpose other than those expressly stated.

Registered office:

Exchange House, Primrose Street, London EC2A 2NY

Tel: 020 7628 8000   Fax: 020 7628 8188

www.fandcglobalsmallers.com

info@fandc.com

Registrars:

Computershare Investor Services PLC,

PO Box 82, The Pavilions, Bridgwater Road,

Bristol BS99 7NH

Tel: 0870 889 4088   Fax: 0870 703 6142

www.computershare.com

web.queries@computershare.co.uk

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