F&C Global Smaller Companies PLC

Report and Accounts

2015

Contents

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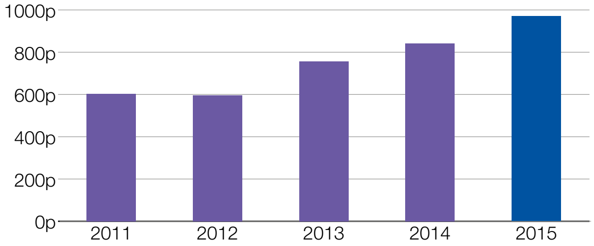
Registered in England and Wales with company registration number 28264.

Financial Highlights

Securing a high total return from investment in smaller companies worldwide

Net asset value (diluted) per share with debt at nominal value at 30 April – pence

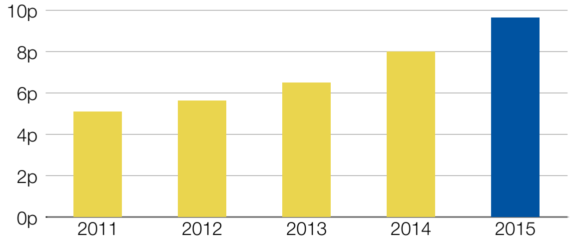


Source: F&C

Net Asset Value (diluted) per share up to **970.25p** and a Total Return of **16.2%**

(debt at nominal value)

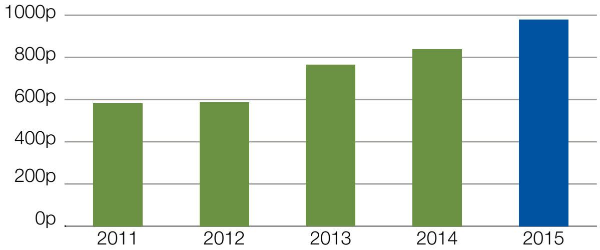
Dividends per share – pence



Source: F&C

Annual Dividend per share up **20.6%** to **9.65p** – the 45th consecutive annual increase

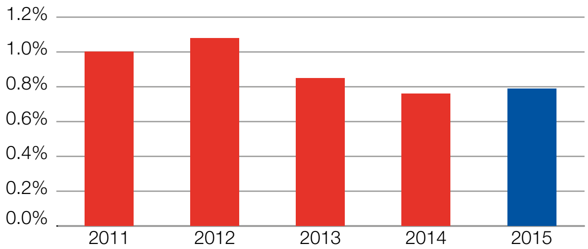
Mid-market price per share at 30 April – pence



Source: F&C

Share Price up **16.7%** to **980.0p** Share Price Total Return of **17.6%**

Ongoing charges excluding performance fees – %



Source: F&C

Ongoing Charges **0.79%**

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.

Chairman's Statement

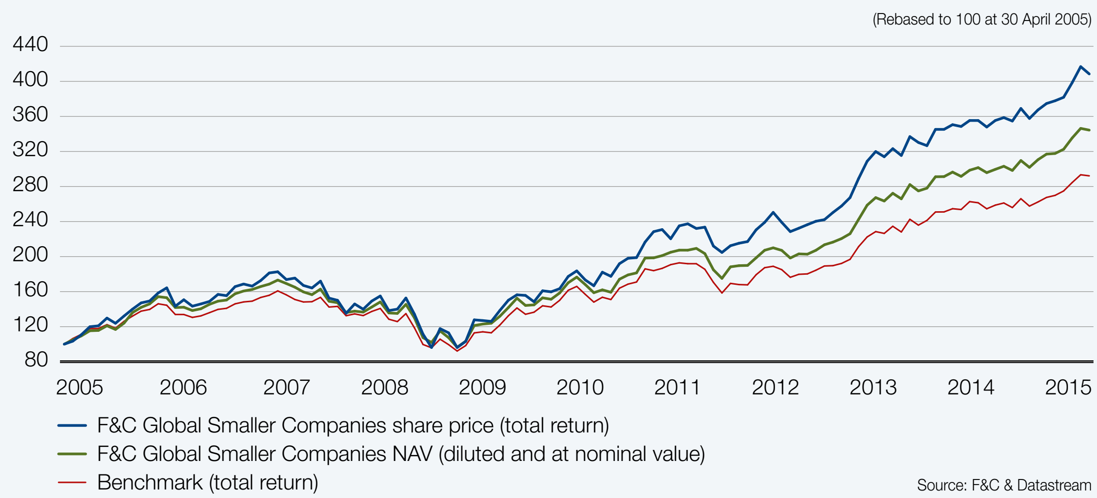
Anthony Townsend Chairman

I am pleased to be able to report on another year of progress for your Company. With interest rates remaining near record lows and yields on higher quality government and corporate bonds negligible or in some cases even negative, equities have found support among investors seeking superior returns and income.

After a number of years when smaller stocks have led the way, this year, larger stocks have performed better in most global markets. Despite this, the net asset value ("**NAV**") total return on a diluted basis for the year was still a healthy 16.2% and the share price total return was 17.6%. Dilution takes account of both the potential increase in net assets and the additional number of shares in issue, were the Convertible Unsecured Loan Stock issued in July 2014 to be converted into new equity. On an undiluted basis the NAV total return was 16.6%.

Ten years ago the Board adopted a blended Benchmark compiled from the weighted returns from an international small cap index and a UK smaller companies index to assess the relative performance of the Company's overall portfolio. The Benchmark is now derived from the returns of the MSCI All Country World ex UK Small Cap Index and Numis UK Smaller Companies (excluding investment companies) Index in a 70%/30% proportion, broadly reflecting the prevailing split of the investment portfolio. This produced a 14.8% total return in sterling terms, somewhat less than the Company's NAV return for the year. Over the ten years to the end of April 2015, the NAV (diluted) total return of 247.4% has far surpassed the Company's Benchmark total return of

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



192.2%, while the share price total return has been higher still at 309.6%.

As a consequence of the outperformance of the Benchmark in 2014/15, F&C will receive a performance fee of £983k. The Company's Ongoing Charges (including this payment and additional performance fees attached to the collective investments held) will be 1.08% for the year, or 0.79% excluding all performance fees. Transactions costs of 0.11% incurred in the management of the investment portfolio are not included in these numbers.

The Board believes that in the light of the strong short and long term track record, the fee structure remains competitive in what is an evolving environment for fund management charges. This will however, remain under close review to ensure that shareholders' interests are being protected.

With consistent incremental demand in the market for the Company's shares, the share price remained at a modest premium to the prevailing NAV through most of the year. As a consequence the Company was able to issue a further 1,909,000 new ordinary shares in the year (3.7% of the initial issued share capital) on an accretive basis for the NAV.

Dividends

I have commented in recent years on how well the underlying income has grown from the investment portfolio, and this year again we have seen very healthy increases in dividends received from our holdings, particularly from markets outside of the UK. Companies around the globe are increasingly recognising the relevance of income to their investors at a time when interest rates are so low. As a result of this, the Board is in the pleasing position of being able to propose a 27.3% increase in the final dividend this year, which together with the 2.65p interim makes a full year payment of 9.65p, some 20.6% higher than last year's level. The dividend will be paid on 14 August 2015 to those on the register on 17 July 2015. The Board's aim remains to follow a progressive dividend policy in the future, building on the record of 45 years of consecutive increases.

Economic background

The last year has seen heightened volatility from time to time on the back of geo-political issues, notably in the Middle East and Ukraine, while Greece's change of government also created uncertainty. Perhaps the most significant developments of the last year in relation to financial markets were the collapse of oil prices in the late Autumn and the move to use full blown quantitative easing ("**QE**") in the Eurozone.

The Manager's Review will pick up on these and other macro-economic issues, but in short, the sharp fall in crude oil prices served to push further out into the future the time at which the monetary authorities in the US and elsewhere (including the UK) would need to start to move interest rates higher. The diminishing threat of higher rates provided a lift to equities globally in the second half of the financial year, and the change of policy in Europe also encouraged investors to look again at European equities on the basis that QE would lift the Eurozone economy out of the doldrums, as has been the case elsewhere where it has been deployed.

Aside from the positive influences on equity performance set out above, it is probably fair to say that economic growth data has been, in the main, lacklustre, certainly relative to expectations from six months ago. The two largest economies, the US and China, have slowed, though expectations are for the US to pick up again through the rest of 2015 as the benefits of lower oil prices on consumer behaviour come through. Japan's economy too, has been under pressure, failing to recover momentum post the increase in sales tax in Spring 2014. This was despite the combination of the Bank of Japan stepping up its on-going QE policy, and further efforts by the government to improve corporate governance and overall competitiveness. More positively, the domestic UK economy has surpassed hopes from a year ago, with unemployment falling significantly, although the country's public finances remain deeply in the red.

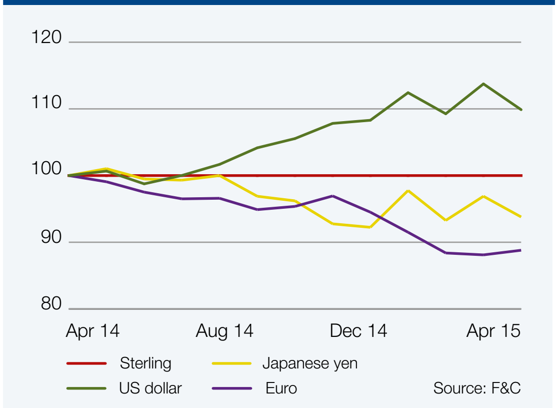
Despite a relatively unexciting global macro-economic backdrop, many companies have been working hard to enhance their profit margins, and equity markets have benefited from investors' willingness to pay higher multiples of earnings to acquire shares.

Portfolio performance

In the year under review, currency moves have once again had quite an impact on performance. The chart on page 4 highlights the extent to which sterling

Chairman's Statement (continued)

Currency movements relative to sterling in the year ended 30 April 2015



has strengthened against the euro and yen over the last year, while in contrast, it fell in value in relation to the US dollar. The euro and yen have, perhaps predictably, been undermined by the impact of QE. The dollar rose after US QE ended, and investors started to look towards an eventual increase in interest rates.

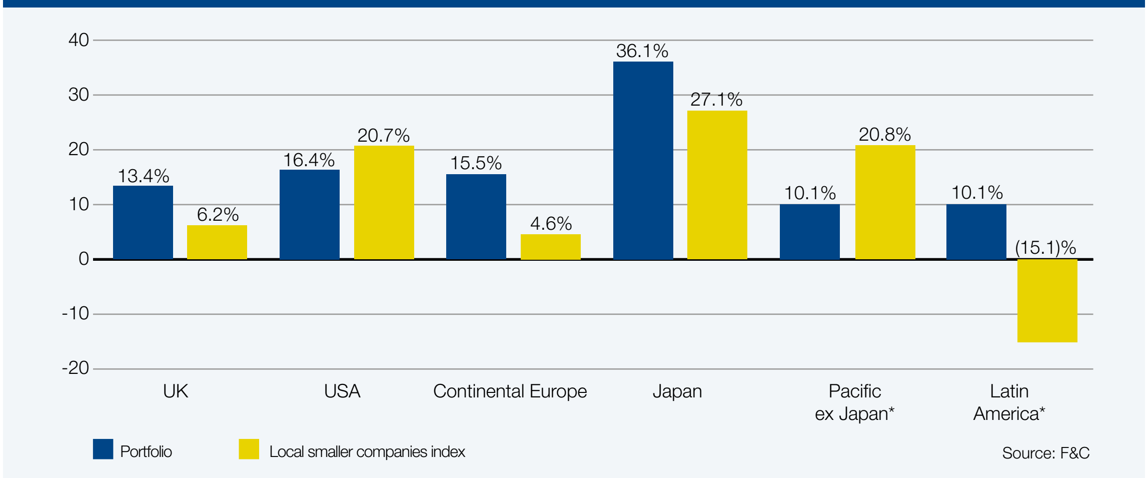
The returns measured in sterling terms, of the geographical segments of the portfolio compared to the local small cap market performance, are shown below. Despite a negative impact on sterling returns from the weakness of the yen, the Japanese portfolio has delivered by far the best returns this year, after a difficult 2013/14. While the economy did not perform as well as anticipated, a more competitive currency helped Japanese companies to deliver healthier earnings growth compared to other markets. The market was also lifted by moves by the country's largest pension fund to lift its exposure to equities at the expense of bonds. The two funds we hold to gain exposure to Japanese small caps performed very well and comfortably beat the local market return.

Returns in the US market in sterling terms benefited from the stronger dollar although companies here generally struggled to deliver much revenue growth. The Manager believes that valuations in some parts of the US market, notably in biotechnology, are looking aggressive and with this and other more risky sectors leading the market higher, our portfolio was unable to match the local small cap index this year.

While the UK and European markets were not at the forefront of gains this year, the Company's portfolios in these markets delivered strong relative outperformance. In the former we benefited from good stock selection across the sector spectrum and from a bout of takeover activity for a number of our holdings. In Europe, a focus on high quality business franchises paid off in a year where growth on the Continent has been hard to come by.

Asian small caps did quite well this year, in contrast to Latin American stocks. Some Asian markets such as India, benefited from signs that political reforms would help local competitiveness, and interest rates fell in a number of other countries as the authorities sought to stimulate growth. Latin American markets were mainly

Geographical performance (total return sterling adjusted) for the year ended 30 April 2015



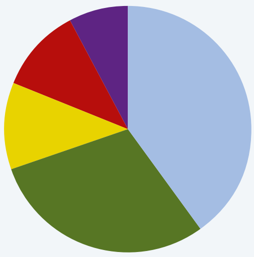
*Performance of the Rest of World portfolio is measured against both the Asian and Latin American smaller company indices.

undermined by disappointing developments in Brazil. Here a business un-friendly government retained power in the Autumn election, there was a corruption scandal at the national oil company Petrobras, and the Brazilian real came under severe pressure. Our Rest of World portfolio was up by a double-digit percentage, but ideally would have had a higher exposure to some of the better performing Asian markets.

Asset allocation

As in many previous years, the weightings by country or region have not changed materially. The Manager did add to the UK weighting during the year as the team have found it easier of late to identify new opportunities in this market, while the exposure to Japan was trimmed back in light of the strong performance there. The overall contribution to relative performance from asset allocation decisions was marginally positive, with the benefit from the overweight to Japan almost cancelled out by the negative impact of being overweight in Europe and underweight to the US during the year.

Geographical distribution of the investment portfolio as at 30 April 2015



The percentages in brackets are as at 30 April 2014

Source: F&C

Gearing

The Board believes that the use of structural, or on-going, leverage, is likely to be beneficial over the long term for investors, and as a consequence in July 2014 the Company issued £40m of 3.5% Convertible Unsecured Loan Stock. The Manager immediately deployed the proceeds of this issue into the markets, and NAV returns in the year were enhanced as a result given the further advance in share prices post July 2014. The £10m 11.5% debenture was repaid on 31 December 2014. The Company ended the period with effective gearing of 4.8%.

The Board and Corporate Governance

The Board has continued to work closely with our Manager on a number of fronts. As highlighted in my report last year, F&C was taken over by Bank of Montreal (“**BMO**”) in May 2014. The Board has reappointed the Manager for another year and welcomes the stability and broadening of investment expertise that BMO will add. We will continue to monitor all aspects of the Manager’s performance.

The Alternative Investment Fund Managers Directive became effective during the year and F&C Investment Business Limited was appointed as Alternative Investment Fund Manager. JPMorgan Europe Limited was appointed as the depositary and when entering into this agreement, we also reviewed the safe custody agreement. Your Board remains committed to the highest standards of corporate governance and has complied with the relevant guidance throughout the year.

We are sorry to lose two excellent longstanding Directors in Mark White, who resigned in February 2015, and Les Cullen who will retire immediately following the 2015 Annual General Meeting. I wish to thank them both for their valuable contributions over the years, with a special mention for Les for his scrutiny and efficiency as chairman of the Audit & Management Engagement Committee. Jo Dixon, who was appointed to the Board in February 2015, will take on that very important role. Two further appointments have been made since the year end; Anja Balfour and David Stileman, both of whom joined on 1 June 2015. Our three new Directors will help ensure that your Board continues to have the right level of investment knowledge, business and financial skills and experience for the future success

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.

Chairman's Statement (continued)

of your Company. Further biographic details about them can be found on page 28.

The new Directors will stand for election at the Annual General Meeting. Jane Tozer and I have been Directors for more than nine years and will therefore stand for re-election, as will Andrew Adcock who shortly will have served for eight years. In line with corporate governance best practice all the Directors will stand for re-election annually in future.

Annual General Meeting

I look forward to seeing shareholders at our Annual General Meeting on 23 July 2015 at the Chartered Accountants Hall, when our lead manager Peter Ewins will present his overview of the year and his thoughts for our portfolio going forward. It will give me the opportunity to introduce our new Directors in person and thank our retiring Directors for their contribution. I hope to see many shareholders there.

Outlook

It is clear that QE and ultra-low interest rates have lifted financial markets in the last few years and the risk is that this could be the year when the rates cycle turns in the US and potentially elsewhere including the UK. This could cause renewed volatility for both bonds and shares. However, most commentators expect only a slow and modest move up in rates given the ongoing low inflation on a global basis, so there may be less impact on equities than some fear. The Board takes encouragement from the number of new holdings recently identified and remains of the belief that it will still be possible to add value through a successful approach to stock-picking in the small cap universe in the future.

Anthony Townsend
Chairman
17 June 2015

Business Model and Strategy

Investment Objective

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

The Board and the Manager

F&C Global Smaller Companies PLC is an investment trust company. It is not self-managed and has no employees. Its wholly non-executive Board of Directors has, therefore, appointed F&C Investment Business Limited as Manager with overall responsibility for the management of the Company's assets and the delivery of investment performance. The Manager is part of F&C which employs Peter Ewins as Lead Manager with responsibility for the allocation of the assets on a regional basis and for the construction of the investment portfolio. Under the investment management agreement, the Manager is also the appointed Alternative Investment Fund Manager in accordance with the EU's Alternative Investment Fund Managers Directive ("**AIFMD**"). The Manager's fee is based on the net assets of the Company thus aligning its interests with shareholders through investment performance. The fee is reduced in respect of any investments made in external collective investment funds.

Whilst day to day responsibility lies with the Manager, the Board of Directors retains responsibility for: corporate strategy; corporate governance; risk and control assessment; the overall investment and dividend policies; setting limits on gearing and asset allocation; monitoring investment performance and for approving marketing budgets. The Company's ancillary functions of administration, secretarial, accounting and marketing services are carried out by F&C.

More detail on the Board's responsibilities can be found on pages 37 and 38 and the biographies of the three female and four male Directors can be found on page 28. The Remuneration Report is set out on pages 40 to 42. The fees payable under the investment management agreement can be found on pages 33 and 34 and in notes 4 and 5 on the accounts.

Investment strategy

Smaller company equities have historically delivered strong longer term returns to investors, ahead of overall equity market returns in most parts of the world. As an investment trust, the Company is particularly well suited to long-term investment in smaller companies where liquidity restrictions limit the scope for shorter term trading strategies. F&C's investment team is therefore focused on the long term when considering individual stock opportunities. There are large numbers of publicly listed companies in the major developed economy stock-markets that fit within the generally accepted local definition of a smaller company. The team's approach is to seek out suitable global investment opportunities in companies with market capitalisations that meet that criteria.

F&C has teams of smaller company specialist managers focusing on fundamental analysis of the opportunities in the North American, UK and Continental European stock markets. The emphasis is on meeting individual companies and understanding the quality of their management, their position in their targeted market, and their strategy for growth. Attention is also focused on each individual company's financial strength and cash flow dynamics, which is particularly important given that smaller companies will tend to have less flexibility around funding options than larger companies. The aim is to invest in high quality companies at attractive prices, offering the potential to deliver strong returns.

For markets outside North America, the UK and Continental Europe, where F&C lacks dedicated smaller company investment teams, third party managed smaller company funds are assessed and a limited number of these are held to give the Company's investment portfolio exposure to companies in Japan, Asia, Latin America and Africa.

The Company's exposure to the different geographic markets is adjusted within specific ranges in the light of the attraction of local valuations and the outlook for currencies, but stock selection is the main driver of the Company's overall returns. The Company does not generally seek to hedge currency exposures although, in accordance with the Investment Policy Statement, as set out on page 8, and the investment guidelines set by the Board from time to time, foreign currency loans may be used if required. A full list of investments appears on pages 23 to 25.

Responsible ownership

The Board's primary responsibility is to ensure that the Company's portfolio is properly invested and

Business Model and Strategy (continued)

managed in accordance with the investment objective. The Board supports the Manager in its belief that good governance creates value. The Manager takes a particular interest in corporate governance and sustainable business practices, which includes the integration of environmental, social and governance issues into its investment decisions. Information on the Company's voting policy can be found in the Directors' Report on page 31.

Gearing strategy

The Board believes that structural gearing throughout the investment cycle is appropriate for the enhancement of future shareholder returns. The Company therefore issued £40m of 3.5% Convertible Unsecured Loan Stock ("**CULS**") in July 2014 in advance of the redemption of the long-standing debenture that took place on 31 December 2014. The Company's gearing level remains well within the limit stipulated in the Investment Policy Statement, as set out opposite.

Share issue and buyback strategy

In recent years, the Company has issued new shares in order to provide liquidity to the market and to moderate the premium at which the shares trade in relation to the net asset value per share. In the event that the shares revert to trading at a price lower than the net asset value, the Board would aim to keep the discount at no more than 5% in normal market conditions. In either scenario, this strategy has the benefit of enhancing net asset value per share for continuing shareholders.

Marketing strategy

F&C continues to promote investment in the Company's shares through their flexible and cost effective savings plans. As an investment trust, the shares can also be recommended by independent financial intermediaries to ordinary retail investors in accordance with the Financial Conduct Authority's rules on non-mainstream investment products. The Board also hopes to see increasing availability through as many investment platforms as possible as more and more investors look to make their own investment decisions following the Retail Distribution Review. The Board will continue to work closely with F&C to ensure optimal delivery of the Company's investment proposition through all available channels.

Investment Policy Statement

The Company invests in smaller companies worldwide in order to secure a high total return. The Company pursues this investment objective by investing in a large number of stocks in various industry sectors and geographic locations. There are no specific sector or geographical exposure limits. Whilst the Company has a global orientation, its objective is to find attractively valued investment opportunities wherever they may be and it is therefore not constrained to mandatory weightings per geographic region.

The Company invests mainly 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. No transaction can be made which would result in an increase in the value of a holding of the Company above 10% of the value of the total portfolio. Derivative instruments, such as futures, options, and warrants, can be used for efficient portfolio management up to a maximum of 10% of the NAV at any one time. At 30 April 2015, 0.5% of the portfolio was invested in unquoted securities. No derivatives were used during the year.

Under the Listing Rules, no more than 10% of the total assets may be invested in other listed closed-ended investment companies, unless such investment companies have themselves published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%. At 30 April 2015 the Company held 4.6% of its portfolio in listed investment companies.

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

The Company can borrow in either sterling or foreign currencies. Effective gearing is limited, in normal circumstances, to a maximum of 20% of shareholders' funds. As at 30 April 2015, the Company had gearing of 4.8%.

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

Any material change to the investment policy of the Company may only be made with the prior approval of shareholders by way of an ordinary resolution at a general meeting.

Key Performance Indicators

The Board recognises that it is longer term share price performance that is most important to the Company's investors, coupled with a steadily rising dividend. Underlying share price performance is driven by the performance of the net asset value. The overriding priority is to continue to strive for the consistent achievement of relative outperformance; adding value for shareholders through net asset value and share price total return; discount/premium management; dividend growth; low and competitive ongoing charges; and effective marketing. The Board assesses its performance in meeting the Company's objective against the following key performance indicators ("**KPIs**"):

1. Net asset value per share total return
2. Share price total return
3. Share price discount/premium
4. Ongoing charges
5. Annual dividend growth
6. Regional performance against local benchmarks

Information in relation to these KPIs is set out in the tables below and on page 10. Commentary can be found in the Chairman's Statement and Manager's Review in relation to regional performance.

Revenue results and dividends

for the year ended 30 April 2015

	£'000s	£'000s
Revenue return attributable to equity shareholders		5,659
Dividends paid in the year:		
Final dividend of 5.50p per share paid on 15 August 2014 to shareholders on the register at 18 July 2014	(2,839)	
Interim dividend of 2.65p per share paid on 30 January 2015 to shareholders on the register at 5 January 2015	(1,384)	
		(4,223)
Surplus transferred to the revenue reserve		1,436

Source: F&C

Premium/(Discount)

(including current period income)

At 30 April	%
2015	1.0
2014	(0.1)*
2013	1.6*
2012	(0.4)*
2011	(2.1)*

*Debenture at market value
Source: F&C

Total return performance

	1 Year %	3 Years %	5 Years %
Company NAV (diluted) total return*	16.2	66.3	99.2
Benchmark total return	14.8	57.9	76.0
Company share price total return	17.6	71.4	123.0
Retail Prices Index	0.9	6.4	15.8

*Debenture at nominal value
Source: F&C & Datastream

Ongoing charges*

(as a percentage of average net assets)

At 30 April	% (excluding performance fees)	% (including performance fees)
2015	0.79	1.08
2014	0.76	0.78
2013	0.85	1.49
2012	1.08	1.56

Source: F&C
*Calculated under the AIC Guidelines issued in May 2012. See page 85.

Dividend growth

	1 Year %	3 Years %	5 Years %
Dividends	20.6	71.4	93.0
Retail Prices Index	0.9	6.4	15.8

Source: F&C & Datastream

Manager's Review

Peter Ewins Lead Manager

Smaller company shares lagged the returns from the market leaders in the majority of markets this year. While in some cases, this relative weakness was in part currency driven, with for example, the larger more export focused stocks in Japan receiving a boost from the weak yen, ultimately it also reflected the fact that small caps were probably due a period of consolidation after the strong relative performance of recent times.

Nevertheless, the year under review ended with another more than satisfactory performance for your Company's portfolio, with an NAV total return on an diluted basis of 16.2%, compared to 14.8% for the Benchmark. In addition, dividend income from our portfolio was very strong. I view this as a decent lead indicator for the future, as it signals that the management teams we are backing have confidence in the outlook for their businesses.

We manage the portfolio predominantly on a stock-picking basis, by which I mean that our team of fund managers focus on analysing individual companies to assess whether or not they merit inclusion in the portfolio. We try to assess the fundamental quality of the underlying business franchise, the prospects for medium term growth, and critically, also try to ascertain where the risks lie.

The wider macro-economic perspective however cannot be entirely ignored and the major fall in the oil price in the latter part of 2014 was one of the most important macro issues to take into consideration in our deliberations. While there has been a lot of debate around what drove oil down so suddenly, it is clear that demand for the commodity was lagging the growth in supply coming though from the US. While the pie chart on page 12 shows that the fund only had a 4.2% direct exposure to Oil and Gas stocks at the start of the 2014/15 financial year, a large move in the price of oil has repercussions across many other stocks and sectors. This is because of the importance that energy plays in the cost structure of lots of other companies and the impact that it can have on the wider economy through its effect on consumer spending power. In addition, certain individual countries' overall economies can be highly dependent on oil revenues to finance government spending. Falling energy costs also

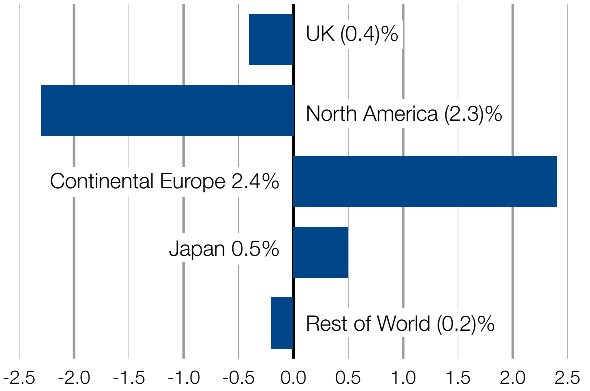
Table of returns

	1 year		3 years		5 years	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK	13.4%	6.2%	84.8%	62.4%	152.1%	98.2%
US	16.4%	20.7%	67.9%	64.6%	84.1%	81.6%
Continental Europe	15.5%	4.6%	83.5%	67.0%	117.9%	51.3%
Japan	36.1%	27.1%	71.3%	44.2%	81.8%	49.7%
Rest of World*	10.1%	20.8%	25.5%	32.6%	54.3%	26.8%

*Rest of World performance is benchmarked against an Asian small cap index

Source F&C, sterling total returns

Geographical weightings against Benchmark as at 30 April 2015



Source: F&C & MSCI

have connotations for inflation. Weakness in oil together with a number of other commodity and agricultural prices meant that in some parts of the world deflation is now the order of the day.

We reviewed the balance sheet risk of our oil related investments and tried to rationalise our holdings down to those with strong balance sheets. At the same time, we selectively added to a number of stocks that we perceived to be beneficiaries of lower oil prices on the consumer side of the portfolio and within other sectors such as financials, which benefit from low interest rates. We also later in the period introduced new positions in energy related stocks that looked too cheap based on a medium term view.

During the last year, we have also had to give a lot of thought to the outlook for the Eurozone. Against a backdrop of lacklustre growth, sentiment was further depressed by the Russia/Ukraine conflict. In addition to our European holdings, some of our US and UK investments have a high exposure to the Continent. Through the year, we saw a number of companies having to moderate their profits guidance due to sluggish European trading and the impact of the fall in the euro on translation of European profits back into US dollars or sterling. Despite this headwind, we expected at some stage that the European Central Bank was likely to be forced to adopt quantitative easing, and when this was announced in January 2015 there was a recovery in the appetite for European stocks.

Looking forward, if we do see a broader economic recovery in Europe, we could even see at some point a recovery in the euro, in the same way that we saw the dollar recover once the US economic recovery became entrenched, although the turnaround could take some time to gain full traction. In the meantime, strong European based exporting companies are benefiting from the current situation. We retained an overweight stance to Europe during the period and our stock selection was excellent. It should be noted that our exposure to Greece remains negligible as the outlook for the country remains highly uncertain given the different agenda of its government and creditors.

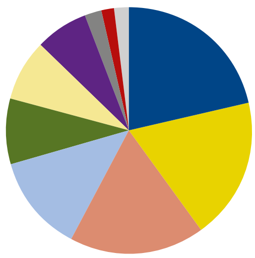
The US stock market advanced again in year, albeit returns were polarised, with technology and specifically biotechnology investments leading the market up, while some of the more defensive sectors lagged. Biotechnology is not generally an area where we have had much exposure on the basis that it is very hard to have confidence around the potential returns that early stage drug development companies will deliver. Given this, I was pleased that the US portfolio managed to keep relatively close to the Russell 2000 index this year. The team have identified a number of interesting new stocks over the last year and I expect these to deliver good returns in the fullness of time.

Our decision to hold our nerve last year and retain an overweight position in Japan paid off despite in truth a disappointing year for the local economy. The market was lifted in particular by local pension funds buying equities, but during the year, we trimmed back our exposure. It was another good year for us in the UK, with the portfolio ahead of the local small cap market for a fifth consecutive year. Domestically focused companies gained from the recovery in the UK economy and we managed to avoid many of the poorly performing small caps of the year. We also benefited from no less than nine UK takeovers.

Returns from the Rest of World as we define it, were mixed, with decent gains in many Asian indices notably in China and India, and pronounced weakness in Latin America. Emerging Market currencies generally weakened. We modestly increased our exposure to Asia, as we felt that valuations for small

Manager's Review (continued)

Industrial classification of the investment portfolio as at 30 April 2015



The percentages in brackets are as at 30 April 2014 Source: F&C

caps in the region were becoming relatively more attractive, and there was scope for monetary easing. The better local companies have been working hard at managing their costs down, recognising that the years of relying on super-normal top line growth to drive profits may be in the past.

The NAV return for the year benefited from the gearing put into place through the Convertible Unsecured Loan Stock issue last July. We immediately used the proceeds of the capital raised to add to holdings across the portfolio and the leverage worked in our favour with markets advancing further during the rest of the financial year.

The reports that follow outline some of the key stock contributors of the year and highlights some of the activity on the portfolio. Turnover across the fund rose this year as we invested the proceeds from the CULS and share issues, booked profits on stocks that had performed strongly and re-invested in new ideas to a greater degree than in the prior year. At a time when many stocks are at all-time highs, it is important to look for new opportunities and stocks where there is still potential for good management teams to drive better profitability.

UK Review	%
Portfolio Performance	+13.4
Numis UK Smaller Companies (excluding investment companies) Index	+6.2
FTSE All Share	+7.5

With the UK economy doing better than expected in 2014, recording GDP growth of a healthy 2.8%, UK equities posted further advances, with small caps just failing to keep up with the broader market. Pleasingly our portfolio beat both the small and large cap indices.

The Bank of England kept its base rate at 0.5% through the year, and this once again was supportive for financials, and in particular, the property sector. With demand for London offices and residential property prices continuing to be strong, our positions in **CLS Holdings**, **Workspace** and **Safestore** all performed well. Shares in **Novae**, the Lloyds underwriter were up 28.7% as the company delivered a strong underwriting result and sector consolidation took place. One disappointment within financials was fund manager **Polar Capital**, where weak performance on its Japanese equity funds led to some heavy outflows. We decided to sell our holding given the headwind that this is currently creating for the company's profits, although we may well revisit this in time given the strength of the company's broader range.

In Industrials, our long-term holding in infrastructure and galvanising business **Hill and Smith** again did well. The company is very tightly managed, generates strong free cash-flow and is set to benefit from increased spending on the UK roads network in the coming years. On the consumer side, the outlook for companies generally improved, with rising employment and moderating inflation leading to higher personal disposable income. **Ted Baker** and **JD Sports Fashion** delivered excellent results, with the latter's core sports fascia doing much better than the main peer and analyst expectations.

When new companies list on the market, we are generally cautious as they often come at unattractive valuations and sometimes management teams are not ready to make the transition into the public arena. This year however, we took part in eight IPOs, as we felt that each offered us exposure to an interesting new growth story at an attractive price. One of these, **Fevertree Drinks**, more than doubled in less than six months post its launch. This company supplies a range of premium drinks mixers into restaurants, bars and retailers on a global basis. We see considerable potential growth in the years to come given the opportunity to broaden distribution over time. We also participated in the listings of specialist

Domino Printing Sciences broad range of equipment, including this label printer, attracted a bid from a larger peer

mortgage company **OneSavings Bank**, audio products supplier **Focusrite**, infrastructure investor **John Laing**, fund administration business **Sanne**, transport company **Clipper Logistics**, bar operator **Revolution Bars** and furniture retailer **ScS**. With the exception of ScS, which has lately seen business tail-off ahead of the general election, these companies have made a good start to their time on the public markets and contributed meaningfully to the overall outperformance of our portfolio.

It is probably fair to say that we had more than our fair share of takeovers this year. At the interim stage we reported that six stocks had received bid approaches, and in the second half **Salamander Energy**, **Pace** and **Domino Printing Sciences** were also the subject of recommended deals. Aside from this, a number of our stocks also completed acquisitions of their own and we supported placings by **RPC**, **Optimal Payments** and **Restore**.

We acquired a number of other new holdings in the year. Five of these; **Craneware** (hospital software), **SDL** (translation software), **Phoenix IT** (IT services), **E2V Technologies** (electronics) and **Speedy Hire** (plant hire) we have held before. Hopefully having owned these stocks in the past, we are well placed to understand their key dynamics. Other new holdings can genuinely claim to be global leaders in what they do, for example, ship-broker **Clarkson** has a world class and nicely spread business serving many different parts of the shipping industry. Less well known software business **Brady**, has a strong position supplying trading, process and risk management software solutions into global commodity and energy trading companies.

Unsurprisingly some of the worst contributors were oil related. Although it was taken-over by **Ophir Energy**, our investment in Salamander Energy lost considerable value as the whole exploration sector plunged on the back of the fall in oil price, while **Faroe Petroleum** didn't fare much better despite making a large oil discovery in Norwegian waters. We feel this company remains significantly undervalued given the potential for growth in its oil reserves, its strong balance sheet and solid existing production base, so we added to our holding. Oil services related stocks were hard-hit, with **Hunting's** high exposure to US onshore drilling counting against it, as activity here has been falling away rapidly. Our holding in **Pressure Technologies** also suffered a severe reverse with the company issuing a profits warning in February as its offshore business started to be impacted.

Manager's Review (continued)

Other weaker performers in the year where companies failed to hit targets included **Regenersis**, **Digital Barriers**, and **Xchanging**, all of which we have retained for now although our confidence has been dented to varying degrees. Many of the stocks that we sold during the year were companies where the share price had performed well and no longer looked attractive.

The UK small cap market should be supported in the year ahead by a stable domestic backdrop post the general election, with consumer facing companies likely to feel an ongoing benefit from the lower oil price as elsewhere in the world. We feel optimistic about the quality of the portfolio and have recently added to our UK weighting, as we feel the market will perform better in relation to global markets in the year ahead.

North American Review	%
Portfolio Performance	+16.4
Russell 2000 Index	+20.7
S&P 500 Composite Index	+21.8

In the last year, the US portfolio rose strongly delivering a good absolute return helped in sterling terms by the rise in the dollar, but we did not keep up pace with the local small and large cap indices. A momentum driven market led by higher risk sectors was not a helpful backdrop for the portfolio's conservative investment style.

The macro-backdrop was relatively benign with satisfactory growth through much of 2014 and unemployment fell to less than 6%, lifting consumer spending. This prompted some concern that the Federal Reserve might move interest rates up in the Summer of 2015, but as in early 2014, the start of 2015 has seen a moderation in the rate of growth of the economy. This is expected to defer the first rate rise until later in 2015 at the earliest.

The best performer in the portfolio during the year was financial risk management services company **INTL FCStone**. Increased volatility in energy and commodity prices produced strong revenue growth and margin expansion for the company and the shares rose 69.7%. Another good contributor was **Cinemark**, an owner and operator of suburban cinemas in the US and Latin America. The company reported very

Cinemark's business is set to receive a boost from a better film release schedule in 2015 good results from its Latin American operations and continued to deploy free cash-flow into new locations, cinema upgrades and acquisitions. Also in the leisure field, **Vail Resorts**, an owner of high-end ski resorts in North America delivered strong season ski-pass sales and completed a highly accretive acquisition, and the shares jumped 43.3%. **Microsemi**, a producer of analog semiconductors, was also well up, benefitting from an industry recovery and the company announced the acquisition of Vitesse Semiconductor.

Investing in high risk, often binary outcome stocks in the biotechnology area has never appealed to us and the strength of a number of stocks within the Russell 2000 in this area hurt our relative performance. During the year, we did identify a number of new investments within the wider healthcare space. One of these was **PharMerica**, a provider of prescription drugs to the long-term care sector. The company is well placed to take market share from its smaller competitors because of its scale advantages. We also purchased a holding in **WellCare Health Plans** which is more of a recovery situation. Wellcare is a provider of managed care programs where margins have been weak of late, but we see the potential for a recovery over the long term, particularly with the implementation of process improvements by a new management team. Another new holding was **U.S. Physical Therapy**, which runs more than 400 outpatient centres across the country. This is a growth market driven by positive demographic trends, and the company has a good management team, which has been able to successfully assimilate acquisitions.

As in the UK, some of the largest negative contributions in the year came from energy related companies. **Rex Energy** and **Resolute Energy** were both casualties of the collapse in oil and local gas prices, and their balance sheets came under stress so we decided to cut our losses and sold. **Willbros Group**, an energy infrastructure contracting business, lost money on a large pipeline project and their balance sheet also came under strain as end markets deteriorated with the tumbling oil price. Once again, we felt the risk profile had become too high and decided to sell. Later in the year however, we acquired a new position in **Carrizo Oil & Gas**. The company is focused on the Eagle Ford shale area where the production economics are better with a lower cost per barrel. The financial position of the company is stronger than many peers, allowing it the potential to take advantage of potentially attractive acquisition opportunities from distressed operators. We also bought a holding in **MRC Industrial**, a specialist distributor of pipes, valves and fitting products mainly for the energy market. This purchase was made after the oil price fell and the shares have subsequently bounced back.

Outside of energy the largest individual negative contribution to performance came from the holding in retailer **Conn's**. This company suffered from higher credit losses as it experienced growing pains but management outlined a sensible turnaround strategy and as a result we retained our position.

Turnover was higher than usual as we moved to freshen up the portfolio. New purchases were spread between compounders (companies that grow steadily over time), recovery situations and those with valuable assets. In the consumer area, we started a position in **ClubCorp**. This is an owner and operator of golf and country clubs in the US. Downside protection is provided by recurring revenues from membership dues and a very good franchise. The company should continue to grow by consolidating a fragmented industry, refurbishing existing clubs and expanding marketing initiatives.

In financials we added two stocks in the insurance sector and increased our exposure to banks. **ProAssurance** is a healthcare focussed specialty insurance company. Over the long term, the company should deliver solid book value per share growth through disciplined underwriting and a conservative investment strategy. **Brown & Brown** is an insurance broker that focuses on small and medium sized customers. Recently, growth has been lacklustre because of a sluggish middle market, but earnings growth should pick up as the economy recovers and the company uses its very strong free cash-flow to repurchase shares. We initiated positions in **State Bank Financial** and **Sterling Bancorp**. These are both commercial lenders that should grow book value per share over time through disciplined underwriting, acquisitions, growth in service fee income and above average

Manager's Review (continued)

organic loan growth because of vibrant local economies in Atlanta and New York respectively.

We also bought a holding in **DST Systems**. This is a provider of software and systems to the asset management industry. The company should continue to use strong free cash-flow and proceeds from the sale of underappreciated assets to repurchase shares. Another new holding, **Total System Services**, is a provider of payment processing services. The industry it serves has high barriers to entry and the shares should benefit from continued deployment of free cash-flow into acquisitions. We also purchased **Ingram Micro**, a distributor of technology products, in expectation of a recovery in revenues and margins as corporate spending on technology improves.

Our sales were mostly instances where companies performed well and reached their price targets or where we lost confidence in the management team or franchise. In the former camp during the year **Alere** (a medical diagnostics company), **CRA International** (specialty consulting services), **Monro Muffler Brake** (an operator of car repair centres), **VASCO Data Security International** (a provider of data security products), **Orbital ATK** (a defence contractor) and **DENTSPLY International** (a manufacturer of dental supplies) all reached the targets we had set for them and as a result we took profits. Of the companies where we lost confidence, inter-modal transport company **Hub Group** felt the ill effects of onerous contracts with its workforce and rail partner. Also in transportation, **Universal Truckload Services** produced weak results as the company suffered from underinvestment and its customer base became too concentrated. Competition intensified for one of our longer term holdings, conferencing technology business **Premiere Global Services** and we decided to exit. Finally, organic growth at payments processor **ACI Worldwide** seemed to be deteriorating. This led the company to make a series of questionable acquisitions, Directors started to reduce their holdings and we joined them.

We remain confident in the potential for our US portfolio, particularly following the recent introduction of new positions. On the macro side, while recent data has been weaker, some of the causes of this seem temporary in nature, while much of the US economy remains well positioned and competitive on a global basis. Although some valuations are high, and the dollar's rise is impacting some companies' earnings, we believe an acceleration in economic growth, M&A activity and increased corporate capital spending can provide further upside.

Continental European Review	%
Portfolio Performance	+15.5
Euromoney Smaller Europe Ex UK Index	+4.6
FTSE All World Developed Europe ex UK Index	+7.2

Ultimately our European portfolio had a strong year, significantly outperforming the benchmark, which had a reasonable year in Sterling terms though a much stronger performance in Euro terms. The year under review started somewhat tentatively as a strong start to calendar year 2014 gave way to renewed concern over the direction of the European economy and nervousness around Mr Putin's ambitions in Eastern Europe. Eventually though, the announcement of QE by the ECB, the publication of improving leading indicators, arrival of cheaper energy prices, and a declining Euro, fed through to a strong rally in European indices into the year close. Asset allocators began to redistribute money to the region as the combination of potential profit improvements from depressed levels and attractive relative valuations caught the attention of investors. We were delighted with the performance of the portfolio, with the return close to the other parts of the Company's portfolio despite the less helpful market back-drop.

The stand out performer for the year was **Leonteq**, the Swiss provider of structured financial products, which rose 99.50% during the period under review. Structured products themselves can be fairly complex, however the investment case of this stock is relatively simple; they are the lowest cost provider in an industry where the incumbent operators with legacy systems are struggling to compete. This has resulted in Leonteq winning some large new distribution deals.

One of our largest holdings, **Glanbia**, also had another strong year rising 54.5%. This has been a long-term winner for us as the business has successfully transformed from a domestic Irish dairy processor, to a global nutrition business, with strong positions in sports nutrition in particular. Nothing specific happened over the last year, but the company delivered consistently good results and became better known to wider investment community. **Viscofan** in the same sector had a good year, with the problems of a competitor playing into its hands, and the sausage skin market that they serve continues to grow at a steady pace.

Other strong performers included **Aer Lingus**, the Irish airline, and **Nutreco**, the Dutch animal nutrition business. Both stocks performed well although interestingly each had a relatively lacklustre start to the year as their operations went through, what has turned out to be, temporary softness. We maintained our belief in the long-term merits of both companies during these periods, adding to both and were delighted when their value was realised. We have since sold Nutreco to SHV the investment vehicle of a wealthy Dutch family, but have held on to Aer Lingus, awaiting the outcome of negotiations between IAG, the potential acquirer, and the Irish government. Other stocks that have left the portfolio were **Jazztel**, the Spanish broadband supplier, and **Exact**, the Dutch software business, they were both, like Nutreco, subject to bids.

While takeovers can be very welcome, it is often more rewarding to see steady organic growth from our investments feeding through. In this context, **Amer Sports** was another positive contributor, with the company's push to expand sales of apparel under some of its key sporting brands working well, while ingredients business **Symrise** was re-rated as investors sought high quality global businesses and management moved to make a couple of well received acquisitions.

There were few heavy fallers, not least because we had no significant exposure to energy stocks going into the year, although luxury good company **Tod's** continued to struggle as lucrative Far Eastern based demand dropped away. Elsewhere in the consumer arena, **C&C's** US cider business failed to take-off and competition intensified in the UK market. **Storebrand**, the Norwegian based insurance company was hit by fears surrounding its capital position as interest rates continued to move lower, increasing the scale of future liabilities

Origin Enterprise's agronomy business Agrii provides wide-ranging advice, helping arable, fruit and vegetable growers to increase their output

Manager's Review (continued)

on its long-term life insurance book of business. **Elringklinger**, the automotive business saw its margins squeezed as a surge in sales led to inefficiencies in its production lines, while heavier investment hurt cash-flow performance. We have retained all of these holdings for now after due consideration of their medium term merits.

In terms of additions to the fund we initiated a position in **CTT Correios de Portugal**, the Portugese post office. This has turned out so far to be a good investment, returning 37.6% since purchase. The company offers a strong balance sheet and a good dividend yield, but should also benefit from profit growth as the economy recovers and as parcel deliveries grow as the penetration of internet shopping increases; Portugal lags significantly behind the rest of Europe on this measure. The only other addition was **Atresmedia**. This is a Spanish free to air TV operator that holds a duopolistic position in a market which has gone through significant consolidation in recent years. Advertising spend is picking up and they should benefit from this.

In terms of outlook, we think that the market is finely balanced. While share prices have moved considerably since the depths of the euro crisis and valuations are no longer as obviously attractive, these metrics fail to take account of the potential for aggregate profit levels, which have yet to recover from the financial crisis, to rise if the European economy continues its slow but encouraging recovery. Either way, we will continue to invest your capital with the measured, disciplined approach that has served us well in recent years.

Japanese Review	%
Portfolio Performance	+36.1
MSCI Japan Small Cap Index	+27.1
Topix Index	+28.7

This was an excellent year for the Japanese stock market, with local currency returns even better than the sterling total returns shown above. Our portfolio beat both the small and large cap indices this year.

As already alluded to, it was, in some ways surprising that the market did as well as it did. The rise in sales tax in early 2014 impacted on consumer spending to a greater extent and for a longer period than might have been expected, and the economy moved back into a technical recession. This prompted Prime Minister Abe to seek a mandate to deliver further reform of the economy and to delay a planned further rise in sales tax in an election, which he comfortably won.

The Bank of Japan acted to support the economy by stepping up its QE programme in October, and this together with further stimulatory actions from the government, led the economy out of recession. Nevertheless, recent growth has been anaemic. The administration's aim to generate some inflation to encourage general economic activity has yet to be met with much success, with reported CPI nowhere near the aimed for 2% level at this stage.

All of the above hardly sounds like a recipe for a strong stock market performance. It is always important to recall however, that stock markets are not always driven by near term economic data. Corporate profits performance can sometimes disconnect from the local economic trends and those Japanese companies with a high international exposure to their business were able to report much better profits, lifted by the weak yen. In addition, share prices reflect the relationship between demand and supply in the stock market. In October the Government Pension Investment Fund, the largest pool of retirement savings in Asia, announced a long awaited move to increase its allocation to Japanese equities to 25% from 12% previously, and this combined with similar moves from other funds had a major impact on the market in the subsequent period.

More subtler influences have also helped sentiment towards Japan. There has been a push to encourage companies to become more shareholder friendly, not least because a new stock market index has been set up for companies meeting certain governance and return on equity hurdles. The historic culture of cross-shareholdings is starting to be addressed and more companies are returning cash to shareholders as opposed to leaving it idle on their balance sheets. While much remains to be done to enhance labour flexibility and to address the long-term demographic issue of an ageing population, progress is being made.

One other thing that helped sentiment this year was the oil price correction. Japan is a large importer of oil, lacking indigenous supply, and as such, the cost of importing the fuel fell dramatically, in the process helping the competitiveness of many Japanese based industrial companies. The fall in oil price did however contribute to the lower than expected inflation number mentioned above.

We have been overweight to the market since early 2012. This has mainly been a valuation call rather than an overt vote of confidence in Abe's agenda to make Japan more competitive. Over the last year, being overweight clearly worked in our favour. We hold two funds to gain exposure to Japanese small caps rather than try to pick a portfolio ourselves. The managers of these funds; Aberdeen and M&G, have a good long-term track record investing in the Japanese market, and they both managed to beat the MSCI Japan Small Cap Index last year by a good margin. Aberdeen mainly look to hold long-term growth stocks, while M&G employ a value orientated process, looking to buy cheap, out of favour stocks with the potential to recover. Both investment styles have been applied consistently and appear to work well in Japan.

Looking forward, given recent macro-data in Japan and elsewhere, it is possible that earnings momentum could slow. Given this, and the extent to which Japanese small caps outperformed in 2014/15, it is hard to feel as positive about the market for the coming year. We have therefore taken some profits in recent months, although remain of the view than Japan is moving in the right direction at the corporate level.

Rest of the World Review	%
Portfolio Performance	+10.1
MSCI All Countries Asia ex Japan Small Cap Index	+20.8
MSCI EM Latin American Small Cap Index	-15.1

The above numbers show the divergence between Asian and Latin American small cap markets over the year, with our portfolio performance ending up somewhere in between.

Much of the commentary and sentiment in relation to Asian and Latin American markets has been downbeat this year. There has been lots of talk about the vulnerability of currencies in both regions to the eventual rise in US rates, as it is widely perceived that this could prompt a withdrawal of capital from these markets. To a certain extent, this has already happened, with flows out of Emerging Market funds throughout much of the year.

When money is moving out of markets, share prices are likely to be under pressure, but flows have not been consistent across all the regional markets, and monetary policy has also diverged. Within Asia, China's economy has continued to slow but late in the period interest rate cuts were announced, alongside a loosening of reserve requirements for banks. These moves led to a sharp rally in the market late on, with some technology and real estate stocks doing particularly well. India's interest rates were also cut as inflation fell and the current account deficit narrowed. Modi's new government also made some progress in opening up the economy to greater foreign investment, addressing corruption and freeing up the log-jam of delayed infrastructure projects. Indian equities were strong for most of the period although pulled back later on as the markets faith in the reform agenda started to waver and earnings forecasts came under pressure.

A number of other Asian markets including Korea and Thailand have recently cut their interest rates. Many countries in the region, like Japan, are large fuel importers, and therefore lower oil prices are helpful for their current accounts and competitiveness. Malaysia's higher exposure to energy and Australia's dependence on commodities as a whole worked against these markets this year.

The agenda for Latin America was dominated by developments in Brazil. With commodity prices weak, Brazil's exports have been weak for some time, and the local economy had been struggling. There had been hope of political change but the re-election of the incumbent administration in the Autumn, coincided with the start of the collapse in the oil price. This placed additional pressure on Brazil, which is in the middle of ramping up its oil production. A corruption scandal at the national oil company Petrobas has since served to cause further disruption to the economy. While Mexico, more linked to the US, proved more resilient as a market, other countries like Colombia were also well down on the year.

As with Japan, we utilise third party closed and open ended funds to gain exposure to these

Manager's Review (continued)

markets. We try to take a long-term approach to holding funds, as with the rest of the portfolio, and this year, we did not add any new ones, with the only changes being to sell two positions. These were the **Advance Brazil Leblon Fund**, partly due to the difficult outlook for Brazil described above, but also because the fund was not adding value at the stock selection level and our holding in **Utilico Investments**. This fund's leverage and portfolio structure have changed considerably in recent years and the discount has not been controlled.

Performance across the funds that we held through the year was, on the whole, a little disappointing. Our Asian facing holdings were underweight to the recovering Chinese market, and the discounts on **Scottish Oriental Smaller Companies** and **Utilico Emerging Markets** trusts widened late in the period. The best performing holding in the year was the **Manulife Asian Small Cap Fund**, which we had bought in the prior year. This had a higher exposure to the better performing North Asian markets.

Of the other holdings, the **Australian New Horizons Fund** produced a flat return largely due to the weakness of the local market. Stock selection within the fund has actually been quite reasonable. The Advance Frontier Markets fund that gives us exposure to African and Middle Eastern markets also lagged. Some of the larger Frontier Markets have seen pressure on their local currencies. Nigerian equities were particularly weak as a result of this, the impact of lower oil prices on the country's tax revenues and the internal fight against Boko Haram terrorists.

We have spent quite a bit of time of late looking for new funds to add to the portfolio, with the focus on Asia, but we wish to retain a short, concentrated list of fund holdings going forward. For now, we are inclined to be a little more positive in relation to Asian market exposure not least due to the scope for further monetary policy easing, but retain a more cautious stance elsewhere where the economies are potentially more vulnerable to a turn in the US rate cycle.

Outlook

It is always tricky to forecast what equity markets will do in the short term not least because of geopolitical uncertainties, but the last year's rises have left many equities looking fully valued by historic standards. It is also fair to say that government and high quality corporate bond yields look almost certain to rise to more normal levels in the next few years unless we are entering a protracted period of global deflation. A disorderly move up in bond yields would be likely to have a meaningful negative impact on equity markets.

However in the near term, lower oil prices are helpful to the world economy and the timeframe for Central Banks to move up interest rates appears to be slipping. We also take some comfort from the strength of corporate balance sheets and remain confident that your Company's portfolio has the potential to deliver more growth in the years ahead.

Peter Ewins
17 June 2015

Thirty Largest Holdings

30 April 2015	30 April 2014		% of total investments	Value £m
1	*2*	**Aberdeen Global-Japanese Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	**3.8**	**21.1**
2	*1*	**M&G Japan Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	**3.8**	**20.9**
3	*3*	**The Scottish Oriental Smaller Companies Trust** Rest of World Investment company providing exposure to Asian smaller companies.	**2.9**	**16.1**
4	*5*	**Manulife Global Fund – Asian Smaller Cap Equity Fund** Rest of World Investment company providing exposure to Asian smaller companies.	**2.8**	**15.6**
5	*4*	**Aberdeen Global-Asian Smaller Companies Fund** Rest of World Investment company providing exposure to Asian smaller companies.	**2.5**	**13.5**
6	*6*	**Utilico Emerging Markets** Rest of World Investment company focusing on utility and infrastructure companies in emerging markets.	**1.7**	**9.2**
7	*31*	**INTL FCStone** United States Provider of financial risk management services to small and medium sized companies.	**1.4**	**7.8**
8	*7*	**CLS Holdings** United Kingdom Property investment company mainly operating in the UK, France, Germany and Sweden.	**1.2**	**6.4**
9	–	**DST Systems** United States Software and services business focussed on the financial services and healthcare markets.	**1.0**	**5.7**
10	*26*	**Wex** United States An operator of a fuel card payment network.	**0.9**	**5.1**
11	*24*	**Alleghany** United States Specialist commercial insurer.	**0.9**	**5.1**
12	*36*	**HCC Insurance** United States A specialty property and casualty insurance company.	**0.9**	**5.0**
13	–	**PharMerica** United States Provider of prescription drugs to the long term care sector.	**0.9**	**4.9**
14	*39*	**Cardinal Financial** United States Bank based in North Virginia that focuses on commercial lending.	**0.9**	**4.9**
15	*10*	**Granite Construction** United States Civil construction contractor.	**0.9**	**4.8**

Thirty Largest Holdings (continued)

30 April 2015	30 April 2014		% of total investments	Value £m
16	–	**Carrizo Oil & Gas** United States Exploration and production company in the US with assets located in the Eagleford shale basin.	0.9	4.8
17	*33*	**Microsemi** United States A semiconductor company focussed on the communication, aerospace and industrial markets.	0.9	4.8
18	*29*	**Roper Technologies** United States An operator of niche industrial business.	0.9	4.7
19	*14*	**LKQ Corp** United States A distributor of alternative car parts.	0.8	4.6
20	*27*	**Astec Industries** United States A manufacturer of road construction and mining equipment.	0.8	4.5
21	*18*	**Atlantic Tele-Network** United States Telecommunications holding company.	0.8	4.4
22	*23*	**Vail Resorts** United States Operator of luxury ski resorts in the US.	0.8	4.4
23	*17*	**Airgas** United States The leading distributor of packaged gases in the US.	0.8	4.3
24	–	**ProAssurance** United States Insurer that specialises in medical professional liability insurance.	0.8	4.3
25	*22*	**Covanta Holding** United States A waste energy company.	0.8	4.3
26	*12*	**Genesee & Wyoming** United States Operator of short line railways.	0.8	4.2
27	*32*	**The Chefs' Warehouse** United States A distributor of fine foods to high end restaurants.	0.8	4.1
28	–	**U.S. Physical Therapy** United States One of the largest providers of physical and occupational therapy in the US with over 400 centres in 43 states.	0.7	4.1
29	–	**Wellcare Health Plans** United States Provides managed care health plans exclusively to government sponsored programs in the US.	0.7	3.9
30	*51*	**RPC Group** United Kingdom Supplier of rigid plastic packaging selling in to an increasing range of end markets.	0.7	3.8

The value of the thirty largest equity holdings represents 38.5% (30 April 2014: 38.9%) of the Company's total investments.

List of Investments

Quoted investments	Holding	30 April 2015 Value £'000s
CONTINENTAL EUROPE		
DENMARK		
Christian Hansen	46,348	1,460
Ringkjoebing Landbobank	12,920	1,881
Topdanmark	69,357	1,351
Total Denmark		4,692
FINLAND		
Amer Sports	117,611	1,919
FRANCE		
Plastic Omnium	104,803	1,903
GERMANY		
Aareal Bank	58,959	1,657
CTS Eventim	77,248	1,714
Elringklinger	51,400	921
Gerresheimer	31,310	1,156
Norma Group	45,068	1,562
Rational	4,145	954
SAF Holland	156,160	1,550
SHW	22,737	662
Symrise	22,164	880
Takkt	158,041	1,876
Total Germany		12,932
IRELAND		
Aer Lingus	898,211	1,520
C&C Group	365,169	961
Glanbia	189,908	2,299
IFG Group	889,662	1,244
Irish Continental	689,150	2,005
Origin Enterprises	323,428	1,887
Permanent TSB Group	213,681	763
Total Ireland		10,679
ITALY		
Azimut Holding	107,441	2,060
Banca Generali	76,915	1,675
Cerved Information Solutions	106,710	503
Credito Emiliano	176,241	963
Interpump Group	118,235	1,293
Tod's	14,979	897
Total Italy		7,391
NETHERLANDS		
ASM International	54,314	1,719
Delta Lloyd	80,305	987
Kendrion	45,092	911
Total Netherlands		3,617

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 April 2015 Value £'000s
NORWAY		
Sparebank	311,467	1,506
Storebrand	383,870	883
Tomra Systems	217,546	1,376
Total Norway		3,765
PORTUGAL		
CTT Correios de Portugal	242,479	1,775
SPAIN		
Atresmedia	108,937	1,148
Bolsas Y Mercados	52,698	1,538
Mediaset España	165,221	1,460
Viscofan	30,150	1,244
Total Spain		5,390
SWEDEN		
Betsson	62,567	1,703
Indutrade	44,166	1,404
Total Sweden		3,107
SWITZERLAND		
EFG International	184,433	1,768
Forbo Holdings	2,730	2,156
Leonteq	19,078	2,128
Total Switzerland		6,052
TOTAL CONTINENTAL EUROPE		**63,222**
ASIA PACIFIC (EXCLUDING JAPAN)		
Aberdeen Global-Asian Smaller Companies Fund	457457	13,519
Advance Frontier Markets Fund	5,602,624	3,249
Manulife Global Fund – Asian Smaller Cap Equity Fund	13,927,982	15,607
The Scottish Oriental Smaller Companies Trust	1,913,487	16,064
Utilico Emerging Markets	4,734,649	9,233
TOTAL ASIA PACIFIC (EXCLUDING JAPAN)		**57,672**
JAPAN		
Aberdeen Global-Japanese Smaller Companies Fund	2,919,940	21,147
M&G Japan Smaller Companies Fund	6,020,379	20,944
TOTAL JAPAN		**42,091**

List of Investments (continued)

Quoted investments	Holding	30 April 2015 Value £'000s
UNITED KINGDOM		
4Imprint Group	139,539	1,524
Acacia Mining	429,587	1,238
Acal	467,221	1,364
Alternative Networks	312,497	1,491
Anite	2,131,179	1,795
Anpario*	420,825	1,347
Arrow Global Group	738,564	1,902
Bovis Homes Group	280,889	2,618
Brady*	1,293,800	1,268
Cambian Group	846,611	2,150
Chime Communications	337,527	980
Clarkson	72,058	1,626
Clinigen Group*	401,672	2,420
Clipper Logistics	911,785	1,732
CLS Holdings	347,256	6,369
Computacenter	211,652	1,473
Craneware*	295,987	1,805
Dechra Pharmaceuticals	239,694	2,445
Development Securities	1,220,126	3,062
Digital Barriers*	800,219	264
Domino Printing Sciences	207,298	1,894
E2V Technologies	979,383	2,262
Ebiquity*	1,029,394	1,297
Elementis	442,612	1,348
Entertainment One	577,721	1,817
Faroe Petroleum*	1,747,427	1,507
Fevertree Drinks*	635,828	1,888
Fidessa Group	47,297	1,057
Focusrite*	641,190	1,090
Fuller Smith & Turner	163,024	1,634
Galliford Try	248,451	3,737
Genus	154,933	2,087
Halfords Group	349,633	1,590
Hellermanntyton	270,660	934
Hill & Smith Holdings	515,256	3,555
Hunting	340,377	1,993
Innovation Group	7,042,915	1,990
Interserve	290,945	1,686
James Fisher + Sons	261,284	3,020
JD Sports Fashion	444,728	2,555
John Laing Group	1,031,110	2,292
Keller Group	183,316	1,833
Kier Group	99,733	1,617
Laird	802,355	2,885
Lavendon Group	842,059	1,465
LXB Retail Properties*	1,843,247	2,622
Mears Group	461,406	1,963

Quoted investments	Holding	30 April 2015 Value £'000s
Nahl Group*	311,796	920
National Express Group	613,315	1,762
Novae Group	405,454	2,808
Optimal Payments*	243,925	724
Optimal Payments rights*	392,350	531
Pace	399,188	1,656
Petra Diamonds	672,337	1,060
Phoenix IT Group	946,305	1,173
Plastics Capital*	1,006,249	1,036
Pressure Technologies*	370,876	946
Rank Group	860,059	1,643
Rathbone Brothers	51,253	1,097
Regenersis*	510,802	1,130
Restaurant Group	349,545	2,375
Restore*	750,703	1,802
Revolution Bars Group	796,873	1,610
Robert Walters	511,582	1,949
RPC Group	629,907	3,786
RPS Group	202,900	431
Safestore Holdings	768,702	2,141
Sanne Group	437,081	1,088
ScS Group	667,256	1,455
SDL	285,458	1,329
Senior	981,220	3,087
Sirius Real Estate*	8,247,698	2,616
Skyepharma	312,264	929
Speedy Hire	1,514,777	1,110
St. Modwen Properties	409,319	1,781
Stanley Gibbons Group*	312,972	832
Synergy Health	101,484	2,248
Tarsus Group	719,466	1,676
Ted Baker	118,464	3,379
Topps Tiles	1,625,729	1,874
Trifast	1,420,402	1,523
Tyman	1,164,515	3,453
UDG Healthcare	394,172	2,097
Ultra Electronics Holdings	78,720	1,367
Vertu Motors*	4,069,584	2,198
Workspace Group	193,331	1,630
Xchanging	887,292	1,085
XP Power	87,109	1,298
Zotefoams	369,797	1,046
TOTAL UNITED KINGDOM		**162,172**

* Quoted on the Alternative Investment Market in the UK.

Quoted investments	Holding	30 April 2015 Value £'000s
NORTH AMERICA		
CANADA		
Progressive Waste Solutions		3,343
UNITED STATES		
Airgas	65,987	4,349
Alleghany Corp	16,477	5,077
Allscripts Healthcare Solutions	315,419	2,728
Amag Pharmaceuticals	60,605	2,009
America's Car-Mart	90,973	3,036
Astec Industries	165,407	4,529
Atlantic Tele-Network	102,843	4,417
Big Lots	68,859	2,041
Bottomline Technologies	217,321	3,784
Brown & Brown	160,372	3,334
Cardinal Financial	362,192	4,862
Carrizo Oil & Gas	131,300	4,762
Catchmark Timber Trust	453,573	3,424
Cinemark Holdings	123,453	3,425
ClubCorp Holdings	258,355	3,680
Commscope Holding	185,656	3,564
Conn's	200,268	3,644
Covanta Holding	326,155	4,304
DeVry	116,851	2,299
DST Systems	76,200	5,707
FTI Consulting	138,207	3,695
Genesee & Wyoming	70,167	4,245
Graftech International	435,874	1,373
Grand Canyon Education	111,284	3,277
Granite Construction	214,634	4,846
Hallmark Financial Services	417,029	3,007
Harvard Bioscience	423,910	1,531
HCC Insurance	135,346	5,022
Healthsouth	128,508	3,782
HMS Holdings	231,633	2,564
ICF International	144,204	3,613
Ingram Micro	213,582	3,497
INTL FCStone	372,636	7,781
Kirby	54,883	2,805
Leucadia National	222,746	3,445
LKQ Corp	262,452	4,621
Mercury Systems	292,697	2,630
Microsemi	219,190	4,758
MRC Global	233,489	2,220
Pernix Therapeutics Holdings	491,745	2,042
PharMerica	264,759	4,938
Pool	50,560	2,135
ProAssurance	147,663	4,319
Roper Technologies	42,805	4,684
Safeguard Scientifics	317,732	3,707
Simpson Manufacturing	153,368	3,271
Sothebys	103,601	2,879
State Bank Financial	261,953	3,409
Sterling Bancorp	394,255	3,330
The Chefs' Warehouse	346,661	4,108
Total System Services	139,291	3,586
U.S. Physical Therapy	133,100	4,085
Vail Resorts	67,923	4,382
Valmont Industries	14,994	1,230
VWR	211,967	3,658
W.R. Berkley	68,763	2,191
Wci Communities	223,198	3,377
Wellcare Health Plans	76,682	3,864
Wex	69,256	5,079
Zayo Group Holdings	188,048	3,248
Total United States		217,209
TOTAL NORTH AMERICA		**220,552**
TOTAL QUOTED INVESTMENTS		**545,709**

Unquoted investments	Holding	30 April 2015 Value £'000s
AUSTRALIA		
Australian New Horizons Fund	2,375,135	2,930
TOTAL UNQUOTED INVESTMENTS		**2,930**
TOTAL INVESTMENTS		**548,639**

The number of investments in the portfolio is 202 (2014: 203).

* Quoted on the Alternative Investment Market in the UK.

Principal Risks and Changes in the Year

Most of the Company's principal risks are market-related and no different from those of other investment trusts investing primarily in listed markets. The principal ongoing risks and uncertainties currently faced by the Company, which may vary in significance from time to time, and the controls and actions to mitigate those risks, are described below.

Principal Risks	Mitigation
Security and operational issues Loss of assets or other damage to the interests of investors and the Company could arise due to poor systems and physical access security, operational errors, control failures or regulatory failures by or between service providers, including the Manager. *No change in overall risk in year.*	The Board receives regular reports from the Manager in respect of its own control and regulatory environment and on its oversight of service providers including arrangements that are in place for the safe custody of the assets, the administration of the F&C savings plans and to protect against cyber-attacks. Audit assurance reports prepared by leading audit firms on each of the key service providers are reviewed annually by the Board. A depositary has been appointed in accordance with the AIFMD to further enhance the protection of the Company's assets.
Investment Performance An inappropriate investment strategy or policy, or ineffective implementation, could result in poor returns for shareholders. *No change in overall risk in year.*	The Board regularly reviews overall strategy and in considering investment policy reviews regular reports from the Manager: on stock selection; asset allocation; gearing; currency exposure; investment performance and the cost of running the Company. The Board meets regularly with the senior management of the Manager, which structures its recruitment and remuneration packages in order to retain and enhance the quality of the management team. Assurances have been received from the Manager's new owner, BMO, as to their continuing support for the Manager's key staff, operations and policies. The management contract can be moved at short notice.
Discount/premium to NAV A significant share price discount or premium to the Company's net asset value per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence. *No change in overall risk in year.*	The Board has established share buyback and share issue policies, together with a dividend policy, in order to moderate the level of share price premium or discount to the net asset value per share and related volatility and seeks shareholder approval each year for the necessary powers to implement these policies.

The Report of the Audit and Management Engagement Committee on pages 43 to 46 summarises the risk management arrangements. Note 27 on the Accounts on pages 70 to 75 sets out the Company's Financial Risk Management policy and analysis of the risks.

Actions taken in the year

As part of its annual assessment, the Board has reviewed and is satisfied with F&C's controls and risk management structure. The Board welcomed the acquisition of F&C by BMO in May 2014 F&C has, since acquisition by BMO, further strengthened its Compliance, Risk and Internal Audit functions and continues to invest in IT security. The Board is satisfied that the acquisition of F&C by BMO has not diluted the emphasis of the group on the Company's business and has not resulted in the loss of staff key to the Company's operations or in a reduction of systems capability or other resources. The investment management agreement with the Manager was revised during the year to reflect its new responsibilities under AIFMD.

Supervision of third party service providers, including State Street and IFDS, has been maintained throughout the year by F&C and includes assurances regarding IT security and cyber-attack prevention. The Company's Depositary commenced its duties under AIFMD requirements, including those relating to security over the Company's assets, in July 2014. The Depositary has provided quarterly reports to the Board evidencing the Manager's and Board's satisfactory controls over, and ownership of, assets.

The Board, through its review process, did not identify any specific new actions required to mitigate performance risks. During the year structural gearing was increased to 4.8% through the issue of £40m listed CULS, providing a long-term modest borrowing "facility" which has the potential to convert into ordinary shares and hence not to require repayment.

The Lead Manager's Review on pages 10 to 20 explains the changes in the year in the portfolio.

The share price traded at a small premium to net asset value for most of the year and 1,909,000 shares were issued during the period to satisfy demand and maintain a manageable level of premium to net asset value. Most of these shares were issued to private investors through F&C's Investor Plans, expanding the shareholder base.

The Board has proposed an increase in full year dividends.

The Lead Manager continued to present on the Company to a range of existing and prospective investors to maintain interest in the Company.

On behalf of the Board
Anthony Townsend
Chairman
17 June 2015

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, Gresham House plc and Miton Worldwide Growth Investment Trust plc.

Shared directorships with other Directors: None

Andrew Adcock was appointed to the Board on 31 July 2007. He was, until mid 2009, vice chairman of Citigroup Corporate Finance 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 VPC Specialty Lending Investments PLC and a non-executive director of Kleinwort Benson Bank Ltd, JPMorgan European Investment Trust PLC and Foxtons Group PLC.

Shared directorships with other Directors: JPMorgan European Investment Trust plc with Jo Dixon

Anja Balfour was appointed to the Board on 1 June 2015. She is a non-executive director of Schroder Japan Growth Fund plc and Martin Currie Pacific Trust and a trustee of Venture Scotland, a charity specialising in personal development for young people. Previously she spent over 20 years as a fund manager, running Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and latterly, Axa Framlington.

Shared directorships with other Directors: None

Les Cullen, chairman of the Audit and Management Engagement Committee, was appointed to the Board on 1 September 2006. 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.

Shared directorships with other Directors: None

Jo Dixon was appointed to the Board on 11 February 2015. She is a non-executive director of Plutus Powergen plc, Strategic Equity Capital plc, JPMorgan European Investment Trust plc, Standard Life Equity Income Trust plc and Worldwide Healthcare Trust plc.

Shared directorships with other Directors: JPMorgan European Investment Trust plc with Andrew Adcock

David Stileman was appointed to the Board on 1 June 2015. He is a member of the Advisory Boards of Corsair Capital LLP and FTV Capital LLP as well as a member of the UK Advisory Group of Silicon Valley Bank. Having been with Standard Chartered Bank since 1984, he retired as Chairman Americas in late 2012. He is now a consultant to Standard Chartered Bank.

Shared directorships with other Directors: None

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

Shared directorships with other Directors: None

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

Management and Advisers

The management company

The Company has been managed by F&C Investment Business Limited ("**FCIB**" or the "**Manager**") since 22 July 2014. Previously the Manager was F&C Management Limited. Both managers are wholly-owned subsidiaries within the F&C Asset Management Group ("**F&C**") which is now owned by Bank of Montreal Group ("**BMO**"). FCIB 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.

Nish Patel: Responsible for the US portfolio. He joined F&C in 2007.

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

Jan Baker: Represents the Manager as Company Secretary and is responsible for the Company's statutory compliance. She joined F&C in 2005.

Marrack Tonkin: Head of Investment Trusts of F&C Asset Management plc. He has responsibility for F&C's relationship with the Company. He joined F&C in 1989.

Secretary and registered office

F&C Investment Business Limited, 80 George Street, Edinburgh EH2 3BU

Telephone: 020 7628 8000

Facsimile: 020 7628 8188

Website: www.fandcglobalsmallers.com

Email: info@fandc.com

Registered in England and Wales

Solicitors

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

Independent 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

Custodian

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

Depositary

JPMorgan Europe Limited (the "**Depositary**"),
25 Bank Street, Canary Wharf, London E14 5JP

Registrars

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

Telephone: 0870 889 4088

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

Stockbrokers

Stifel Nicolaus Europe Limited, 150 Cheapside,
London EC2V 6ET

Trustee for CULS holders

The Law Debenture Trust Corporation plc
Fifth Floor, 100 Wood Street, London EC2V 7EX

Directors' Report

The Directors submit the Annual Report and Accounts of the Company for the year ended 30 April 2015. The Corporate Governance Statement commencing on page 37; the Report of the Audit and Management Engagement Committee (the "**Audit Committee**") on pages 43 to 46; and the Remuneration Policy and Remuneration Report on pages 40 to 42 form part of this Directors' Report. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

Statement regarding Report and Accounts

The Directors consider that, following advice from the Audit Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Results and dividends

The results for the year are set out in the attached accounts. The recommended final dividend of 7.00 pence per share is payable on 14 August 2015 to shareholders on the register of members on 17 July 2015 (Resolution 4). This, together with the interim dividend of 2.65 pence per share, makes a total dividend of 9.65 pence per share and represents an increase of 20.6% over the comparable 8.00 pence per share for the previous year.

Company status

The Company is an investment company as defined by Section 833 of the Companies Act 2006. 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 and European legislation and regulations including UK company law, financial reporting standards, taxation law and its own articles of association.

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 been accepted by HMRC as an approved investment trust 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.

Accounting and going concern

The Financial Statements, starting on page 54, comply with current UK Financial Reporting Standards, supplemented by the SORP. The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified auditors' report on the Financial Statements appears on pages 48 to 53. The Company's investment policy statement, as set out on page 8, places the emphasis on investing in readily realisable listed securities and puts a limit on borrowings. The Company retains title to all assets held by the Custodian. A trust deed governs the CULS. Cash is held on deposit only with banks approved and regularly reviewed by F&C.

Note 27 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 that, in light of the controls and monitoring processes that are in place, the Company has adequate resources and arrangements to continue operating within its stated policy for the twelve-month period commencing from the date of this report. In addition, the Directors believe that the Company's objective and policy continue to be relevant to investors and that this, together with a robust regulatory environment within which it operates, supports the Company's long-term future prospects. 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 Report and Accounts at the Annual General Meeting (Resolution 1).

Independent Auditors

PwC have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting (Resolutions 11 and 12).

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 PwC are aware of this information.

Voting Policy

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all meetings worldwide where practicable in accordance with F&C's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. Environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company.

F&C's statement of compliance with The UK Stewardship Code, issued by the Financial Reporting Council in July 2010 and updated in 2012, has been reviewed and endorsed by the Board, which encourages and supports F&C on its voting policy and its stance towards environmental, social and governance issues. The statement is available on F&C's website at www.fandc.com/ukstewardshipcode. The Board periodically receives a report on instances where F&C has voted against the recommendation of the management on any resolution. It also expects to be informed of any sensitive voting issues involving the Company's investments.

Capital structure

As at 30 April 2015 there were 53,125,077 ordinary shares of 25p each ("**ordinary shares**") in issue. As at 16 June 2015 (being the latest practicable date before publication of this report) the number was 53,412,077. 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. Full details are set out in the Company's articles of association.

Following shareholder approval at a General Meeting held on 24 July 2014, the Company issued £40 million of CULS on 30 July 2014. Following the first conversion date at the end of January 2015, 48,697 units of CULS were converted into 4,975 new ordinary shares on 16 February 2015, in accordance with the terms of the issue. CULS holders are entitled to convert their CULS into ordinary shares on each 31 January and 31 July until 31 July 2019.

Share issue and buyback policy

The Board closely monitors the prevailing share price premium or discount to the diluted NAV per share. The Board's policy is for the Company to issue shares at a premium to the diluted NAV per share helping to prevent the excessive build-up of demand for the shares and to reduce premium volatility. Such issues are only made when the Company's shares are trading at a premium and therefore accretive to the NAV. At the Annual General Meeting held on 24 July 2014, shareholders authorised the Board to issue up to 10% of the Company's shares (5,148,000 shares) until the next Annual General Meeting in July 2015 and the power to allot such shares for cash without first offering them to existing shareholders in proportion to their holdings.

In the year under review the Company allotted a total of 1,909,000 shares. A further 287,000 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 diluted NAV per share; the

Directors' Report (continued)

Board aims to keep the discount (with the diluted NAV per share excluding current period income) at no more than 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 diluted NAV per share). At the Annual General Meeting held on 24 July 2014 shareholders gave the Board authority to buy back up to 14.99% of the Company's shares (7,721,000 shares) during the following 15 months. No shares have been purchased either during the year under review or since the year end and to the date of this report and no shares were held in treasury.

Borrowings

The Company repaid in full its 25-year £10m 11.5% debenture stock on 31 December 2014. Its revolving multi-currency credit facility of £5 million with Scotiabank (Ireland) Limited expired on 13 June 2014. In July 2014, shareholders approved the issue of £40m five year dated 3.5% CULS which provides gearing for the Company.

The interest rate on the CULS is 3.5% per annum, payable semi-annually in equal instalments in arrears on 31 January and 31 July in each year until 31 July 2019. In accordance with the terms of the CULS issue, the conversion price was determined at 977.6970 pence per £1 nominal of CULS for one ordinary share, which represented a 15% premium to the published unaudited NAV (cum income) per ordinary share of 850.1713 pence at close of business on 30 July 2014. Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 July 2019 at its nominal amount together with interest accrued up to but excluding the date of redemption. CULS holders have the power by Extraordinary Resolution to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. CULS holders have the right to receive notice of, but not to attend, annual general meetings of the Company.

On a winding-up of the Company, the nominal amount of the CULS will rank ahead of the ordinary shares but will be subordinated to the Company's other borrowings and creditors. Therefore, the rights and remedies available to the CULS Trustee and CULS holders may be limited by applicable winding-up, insolvency, re-organisation, moratorium or similar provisions relating to or affecting creditors' rights generally.

The Company has the ability to use short-term borrowings by way of loans and overdrafts, subject to the limit set out on page 8 in the Company's investment policy statement. The Trust Deed does not place any restriction on borrowing.

An overdraft facility equal to 10% of the Company's assets is made available to the Company by the Custodian.

Voting rights and proportional voting

At 16 June 2015 the Company's 53,412,077 ordinary shares in issue represented a total of 53,412,077 voting rights. As at 30 April 2015 and since that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure and Transparency Rules.

Approximately 55% of the Company's share capital is held on behalf of non-discretionary clients through the F&C savings plans. The nominee company holding these shares votes the shares held on behalf of planholders who have not returned their voting 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 73,000 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.

Directors' remuneration reports

The Directors' remuneration policy and annual remuneration report, which can be found on pages 40 to 42, provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders approved the remuneration policy at the Annual General Meeting last year. This is next due for shareholder approval in 2017. However, the Board has decided to seek annual approval and therefore ordinary resolutions to approve the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming Annual General Meeting. (Resolutions 2 and 3).

Directors' elections and re-elections

The names of the Directors of the Company, along with their biographical details, are set out on page 28 and are incorporated into this report by reference. Other than Jo Dixon, who joined the Board on 11 February 2015, and Anja Balfour and David Stileman, who both joined on 1 June 2015, all Directors held office throughout the year under review. The new Directors will stand for election at the forthcoming Annual General Meeting in accordance with the Company's articles of association (Resolutions 5, 6 and 7). Les Cullen will retire immediately following the Annual General Meeting. Andrew Adcock will stand for re-election and, having served for over nine years, the Chairman and Jane Tozer stand for re-election annually (Resolutions 8, 9, and 10). In line with corporate governance best practice all the Directors will stand for re-election annually in future. Franz Leibenfrost retired and Mark White resigned from the Board on 24 July 2014 and 11 February 2015 respectively.

The Nomination Committee has considered each Director and the Board has concurred with the Nomination Committee's assessment that each Director is independent, continues to make a valuable and effective contribution and remains committed in the role.

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 their 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. This deed of indemnity is a qualifying third-party provision (as defined by section 234 of the Companies Act 2006) and 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.

Safe custody of assets

The Company's listed investments are held in safe custody by the Custodian, JPMorgan Chase Bank, which was reappointed on 22 July 2014 after a full review by the Board under new terms inclusive of responsibilities under the AIMFD. Operational matters with the Custodian are carried out on the Company's behalf by the Manager via F&C in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held. The investment in Australian New Horizons Fund is not held by the Custodian but the Board has satisfied itself that adequate custodial arrangements exist.

Depositary

JPMorgan Europe Limited was appointed to the new role of Depositary on 22 July 2014 in accordance with the AIFMD. The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; segregation and safe keeping of the Company's financial instruments; and monitoring the Company's compliance with investment and leverage limits requirements. The Depositary receives for its services a fee of one basis point per annum, based on the Company's net assets, payable monthly in arrears.

The Manager's fee

A management fee of 0.40% per annum of the net assets managed by F&C is payable to the Manager in respect of the management, administration and ancillary services provided to the Company. A

Directors' Report (continued)

reduced annual management fee of 0.25% of the market value of investments in third party collective funds is paid to the Manager. This relates to fund investments 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.

A performance fee equal to 10% of any out-performance 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 £983,000 is payable to the Manager for the year under review.

Greenhouse gas emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not directly generate any greenhouse gas or other emissions.

Manager evaluation process

F&C's performance (including that of the Manager) is considered by the Board at every meeting with a formal evaluation by the Audit Committee in June each year. In evaluating their performance, 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.

Manager reappointment

The annual evaluation took place in June 2015 with a presentation from the Lead Manager and F&C's Head of Investment Trusts. This focused primarily on investment performance and the services provided to the Company more generally.

The Board met in closed session following the presentation and, 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 FCIB as Manager on the terms agreed is in the interests of shareholders as a whole.

Annual General Meeting

The Annual General Meeting will be held on Thursday 23 July 2015 at 12 noon at The Chartered Accountants' Hall, One Moorgate Place, London EC2. The Notice of Annual General Meeting appears on pages 78 to 81 and includes a map of the venue. The Lead Manager will give a presentation and there will be an opportunity to ask questions. Shareholders will be able to meet the Directors and the Lead Manager informally over refreshments afterwards.

Authority to allot shares and sell shares from treasury (Resolutions 13, 14 and 16)

Resolutions 13, 14 and 16 are similar in content to the authorities and power given to the Directors at previous annual general meetings. 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 13 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2016 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £1,335,000 (5,341,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company (excluding treasury shares) at 16 June

2015. As at 16 June 2015 no shares were held by the Company in treasury.

Resolution 14 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 £1,335,000 representing approximately 10% of the issued ordinary share capital of the Company at 16 June 2015). Resolution 16 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. Resolution 16 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 pages 31 and 32 or should any other favourable opportunities arise to the advantage of shareholders. The Directors anticipate that they will mainly use them to satisfy demand from participants in the F&C plans when they believe it is advantageous to plan participants and the Company's shareholders to do so. In no circumstances would the Directors use them to issue new shares unless the shares are trading at a premium to NAV.

Authority for the Company to purchase its own shares (Resolution 15)

Resolution 15 authorises the Company to purchase up to a maximum of 8,006,000 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 no more than 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 annual general meetings.

Notice period for meetings (Resolution 17)

The Act and the Company's articles of association provide that all general meetings (other than annual general meetings) 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 annual general meeting) to be called on 14 clear days' notice. The passing of resolution 17 would constitute shareholders' agreement for the purposes of the Shareholder Rights Directive (which agreement is required annually) and would therefore preserve the Company's ability to call general meetings (other than an annual general meeting) 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 annual general meetings.

Form of proxy

If you are a registered shareholder you will find enclosed a form of proxy for use at the Annual General Meeting. 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, alternatively, lodge your proxy vote via the internet or the CREST

Directors' Report (continued)

proxy voting system, whether or not you intend to be present at the Annual General Meeting. This will not preclude you from attending 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 Annual General Meeting (any part of a day which is a non-working day shall not be included in calculating the 48 hour period).

Form of direction and proportional voting

If you are an investor in any of the F&C saving plans you will have received a form of direction for use at the Annual General Meeting and you will also have the option of lodging your voting directions using the Internet. The Manager operates a proportional voting arrangement, which is explained on page 32.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 12 noon on 16 July 2015, 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 Meeting are in the best interests of the shareholders as a whole. The Board therefore recommends 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
For and on behalf of
F&C Investment Business Limited, Secretary
17 June 2015

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the Association of Investment Companies ("**AIC**") Code of Corporate Governance (the "**AIC Code**") by reference to the AIC Corporate Governance Guide for Investment Companies (the "**AIC Guide**"). The AIC Code addresses all the principles set out in 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 (published in September 2012 and effective for financial years commencing on or after 1 October 2012) 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 reviews the schedule of matters reserved for its decision. These are categorised under strategy, policy, finance, risk, investment restrictions, performance, marketing, appointments, the Board and public documents. It has responsibility for all corporate strategic issues, dividend policy, share buyback and issue policy and corporate governance matters which are all reviewed regularly.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Lead Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager.

The Board has responsibility for the approval of unlisted investments.

There is no chief executive position within the Company, as day-to-day management of the Company's affairs has been delegated to the Manager. The following table sets out the number of Board and committee meetings held and attended during the year under review. The Board held a strategy meeting in February 2015 to consider strategic issues and also met in closed session on one occasion during the year, without any representation from the Manager.

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
Jo Dixon[(1)]	2	0	0
Dr Franz Leibenfrost[(2)]	2	1	1
Jane Tozer	6	2	1
Mark White[(3)]	5	2	1

(1) Appointed on 11 February 2015
(2) Retired on 24 July 2014
(3) Resigned on 11 February 2015

Each Director has signed a terms of appointment letter with the Company, in each case including one month's notice of termination by either party. These are available for inspection at the Company's registered office during normal business hours and are also available 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 during the year under review. The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, 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

*Copies of both codes may be found on the respective websites: www.theaic.co.uk and www.frc.org.uk

Corporate Governance Statement (continued)

has the power to appoint or remove the Company Secretary in accordance with the terms of the investment management agreement. The powers of the Board relating to the buying back or issuance of the Company's shares are explained on pages 8, 31 and 32.

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. All new appointments by the Board are subject to election by shareholders at the next Annual General Meeting 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 being proposed for re-election. In line with corporate governance best practice all the Directors will stand for re-election annually in future.

The final decision with regard to new appointments always rests with the Board. A professional search consultancy is appointed for the purpose of finding suitable candidates. Webster Partners, an independent external recruitment consultancy, were appointed during the year to find replacement Directors for those retiring. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars.

The Board believes in the benefits of having a diverse range of experience, skills and backgrounds, including gender and length of service, on its board of Directors. All appointments will continue to be based on merit and therefore the Board is unwilling to commit to numerical diversity targets. The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. The Board has a policy that only a minority of the Board should generally have served for more than nine years.

Board effectiveness

The annual appraisal of the Board, the committees and the individual Directors has been carried out by the Chairman by way of a formal annual self-appraisal. This was facilitated by the completion of a questionnaire and confidential one-to-one interviews with the Chairman. The appraisal of the Chairman was covered as part of the process and led separately by the Senior Independent Director. 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. The provisions under which a Director would automatically cease to be a Director are set out in the Company's articles of association.

Independence of Directors

The Board, which is composed solely of independent non-executive Directors, regularly reviews the independence of its members. All the Directors, including the Chairman and Jane Tozer (the Senior Independent Director) who have both served for over nine years, have been assessed by the Board as remaining independent of F&C and of the Company itself; none has a past or current connection with F&C and each remains independent in character and judgement with no relationships or circumstances relating to the Company that are likely to affect that judgement. Jo Dixon and Andrew Adcock sit on the board of JPMorgan European Growth & Income Trust PLC, both as non-executive directors, and their fellow Directors do not consider this to affect their ability to act independently.

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 Directors. Limits can be imposed as appropriate.

Other than the formal authorisation of the Directors' other directorships 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.

Audit and Management Engagement Committee

The Board has established an Audit and Management Engagement Committee, the role and responsibilities of which are set out in the report on pages 43 to 46.

Nomination Committee

The role of the Nomination Committee is to review and make recommendations to the Board with regard to:

(i) Board structure, size and composition, the balance of knowledge, experience, skill range and diversity;

(ii) succession planning and tenure policy;

(iii) the criteria for future Board appointments and the methods of recruitment, selection, appointment and induction;

(iv) the appointment of new Directors and the reappointment of those Directors standing for re-election at annual general meetings;

(v) the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;

(vi) the question of each Director's independence prior to publication of the Report and Accounts;

(vii) the authorisation of each Director's situational conflicts of interests in accordance with the provisions of the Companies Act 2006 and the policy and procedures established by the Board in relation to these provisions; and

(viii) the Directors' contract for services and terms of office as set out in their Letter of Appointment.

All of the Nomination Committee's responsibilities have been carried out during the year and to date.

The Nomination Committee's terms of reference are available on request and can also be found on the Company's website at www.fandcglobalsmallers.com The Nomination Committee is composed of the full Board and is chaired by Anthony Townsend. Attendance at meetings is listed on page 37.

Remuneration Committee

As the Board has no executive Directors and no employees, and is composed solely of non-executives, it does not have a remuneration committee. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Policy and Directors' Annual Report on Remuneration on pages 40 to 42 and in note 6 on the accounts.

Relations with shareholders

Shareholder communication 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 available on the Company's website at www.fandcglobalsmallers.com

A regular dialogue is maintained with the Company's institutional shareholders and with private client asset managers.

Unclaimed dividends

The Company has engaged the services of Georgeson (a subsidiary of Computershare) to locate shareholders, or their beneficiaries, who have lost track of or are unaware of their investments. This service is provided at no cost to the Company; Georgeson retain 10% of unclaimed dividends from the shareholder on completion of each successful claim. Alternatively, shareholders are given the option of contacting the registrar themselves, thereby incurring no charges.

By order of the Board
For and on behalf of
F&C Investment Business Limited
Secretary
17 June 2015

Remuneration Report
Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Senior Independent Director, Directors and chairmen and members of the various committees of the Board and their retention are taken into account. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies.

At the Company's last Annual General Meeting, held on 24 July 2014, shareholders approved the Directors' Remuneration Policy by 93% and the Directors' Remuneration Report by 92%. The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has decided to seek annual approval and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting.

The Board considers the level of Directors' fees annually. The Chairman's fees and Directors' basic fee were previously increased on 1 May 2014. The Board carried out a review of Directors' annual fees during the year and concluded that these should remain unchanged for the year to 30 April 2016. The Board has not received any direct communications from the Company's shareholders in respect of the levels of Directors' remuneration.

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 and approve the Directors' fees, following a recommendation from the Chairman and, in his case, from the Senior Independent Director; the Board of Directors 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 are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Each new Director is provided with a letter of appointment. There is no provision for compensation upon early termination of appointment. The letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming Annual General Meeting, In addition to the new Directors standing for shareholder election, the continuing Directors will stand for re-election.

The fees for specific responsibilities are set out in the table below.

Year ending 30 April	2016 £	2015* £
Board		
Chairman**	38,000	38,000
Senior Independent Director	23,500	23,500
Director	22,000	22,000
Audit & Management Engagement Committee		
Chairman	6,000	6,000
Members	2,000	2,000
Nomination Committee		
Chairman	Nil	Nil
Members	Nil	Nil

* Actual
**Includes membership of the Audit and Management Engagement Committee

Based on the current levels of fees, Directors' remuneration for the year ending 30 April 2016 would be as follows:

Year ending 30 April	2016 £	2015* £
Anthony Townsend	38,000	38,000
Andrew Adcock	24,000	24,000
Anja Balfour(1)	22,000	–
Les Cullen(2)	6,430	28,000
Josephine Dixon(3)	27,136	5,286
Dr Franz Leibenfrost(4)	–	5,548
David Stileman(1)	22,000	–
Jane Tozer(5)	25,500	25,157
Mark White(6)	–	18,786
Total	165,066	144,777

*Actual
(1) Appointed on 1 June 2015
(2) Retiring on 23 July 2015
(3) Appointed on 11 February 2015. To be appointed chairman of Audit Committee w.e.f. 23 July 2015
(4) Retired on 24 July 2014
(5) Appointed Senior Independent Director on 24 July 2014
(6) Resigned on 11 February 2015

Remuneration Report

Directors' Annual Report on Remuneration

Shareholders will be asked to approve this Directors' Annual Report on Remuneration at the forthcoming Annual General Meeting.

Directors' emoluments for the year

The Directors who served during the year received the following emoluments in the forms of fees:

Fees for services to the Company (audited)

Director	Year ended 30 April 2015 £	2014 £
Anthony Townsend (Chairman and highest paid Director)	38,000	36,650
Andrew Adcock	24,000	23,000
Les Cullen (Chairman of the Audit Committee)	28,000	26,000
Josephine Dixon(1)	5,286	–
Dr Franz Leibenfrost(2) (Senior Independent Director)	5,548	23,000
Jane Tozer(3)	25,157	23,000
Mark White(4)	18,786	23,000
	144,777	154,650

(1) Appointed on 11 February 2015
(2) Retired on 24 July 2014
(3) Appointed Senior Independent Director on 24 July 2014
(4) Resigned on 11 February 2015

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other operating expenses and shareholder distributions:

Year ended 30 April	2015 £'000s	2014 £'000s	% change
Aggregate Directors' Remuneration	148.1	154.7	(4.3)
Management and other operating expenses*	3,527	2,064	72.2
Dividends paid to Shareholders in the year	4,223	3,284	28.6

* Includes Directors' remuneration and performance fees

Directors' shareholdings

The Directors who served during the year held the following interests in the Company's ordinary shares and CULS at the year end:

Directors' interests (audited)

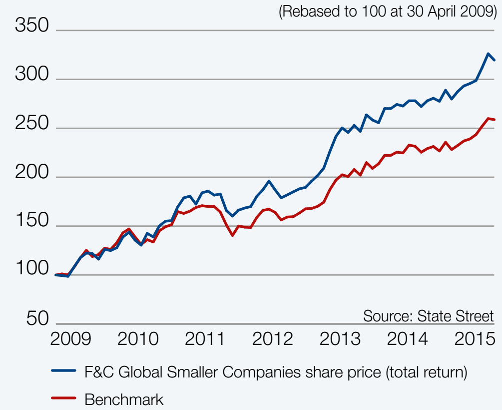
at 30 April	2015		2014	
Director	Ordinary Shares	CULS	Ordinary shares	CULS
Anthony Townsend	18,000	–	18,000	–
Andrew Adcock	5,000	25,000	5,000	–
Les Cullen	6,000	14,982	6,000	–
Josephine Dixon(1)	–	–	–	–
Jane Tozer	3,722	6,389	3,722	–

(1) Appointed on 11 February 2015

Since the year-end, Anja Balfour, who was appointed on 1 June 2015, acquired 1,600 ordinary shares. There have been no changes in any of the other Directors' shareholdings detailed above since the Company's year end.

No Director held any interest, beneficial or otherwise, in the issued shares or CULS of the Company other than stated above.

Total shareholder return over six years



It is a company law requirement to compare the performance of the Company's share price to a single broad equity market index. 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%).

As at 16 June 2015 the Lead Manager held 13,819 ordinary shares and 20,208 CULS in the Company.

Remuneration Report

Directors' Annual Report on Remuneration

Company Performance

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Manager. The graph on page 41 compares, for the six financial years ended 30 April 2015, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the Company's benchmark, 70% MSCI All Country World ex UK Small Cap Index/30% Numis UK Smaller Companies (excluding investment companies) Index.

An explanation of the performance of the Company for the year ended 30 April 2015 is given in the Chairman's Statement and Manager's Review.

On behalf of the Board
Anthony Townsend
Chairman
17 June 2015

Report of the Audit and Management Engagement Committee

Role of the committee

The primary responsibilities of the Audit and Management Engagement Committee (the "**Committee**") are to monitor the integrity of the financial reporting and statements of the Company, and to oversee the audit of the annual accounts, preparation of the half yearly accounts and the internal control and risk management processes. The Committee met twice during the year; on both occasions with F&C's Head of Trust Accounting, Head of Investment Trusts and the Lead Manager in attendance. The Heads of Compliance and Business Risk attended consecutive meetings. The external auditor PwC attended both committee meetings and also met in private session with the Committee.

Specifically, the Committee considered, monitored and reviewed the following matters:

- The audited annual results statement and report and accounts and the half-yearly report and accounts and interim management statements;
- The accounting policies of the Company;
- On whether to advise the Board that the Report and Accounts taken as a whole is fair, balanced and understandable;
- The effectiveness of the Company's internal control and risk management 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 need for the Company to have its own internal audit function;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of AAF and SSAE16 reports or their equivalent from F&C, the Custodian and a due diligence report from the Company's share registrars;
- The performance of F&C and the fees charges;
- The services and fees of the Depositary; and
- The Committee's terms of reference.

Comprehensive papers and reports, including recommendations, relating to each of these matters were prepared by either F&C or the auditor for discussion. These were debated by the Committee and any recommendations were fully considered if there was a judgement to be applied in arriving at conclusions. Recommendations were then made to the Board as appropriate.

The Board sought the advice of the Committee as to whether the Annual Report taken as a whole was fair, balanced and understandable and, after consideration, was satisfied that it was.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Directors' Responsibility Statement on page 47. On broader control policy issues, the Committee has reviewed, and is satisfied with, F&C's Anti-Fraud, Bribery and Corruption Strategy and Policy and with the "whistleblowing" policy that has been put in place by F&C 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.

Composition of the Committee

The Committee is currently composed of the full Board 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, chairman of the Committee, is a Certified Accountant. Jo Dixon, who will succeed Les Cullen as Chairman of the Committee following the Annual General Meeting in July, is a Chartered Accountant. The other members of the Committee have a combination of financial, investment and business experience through the senior posts held throughout their careers.

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, which are managed via the Manager by F&C. The Committee has reviewed and reported to the Board on these controls, which aim to ensure that the assets of the Company are safeguarded, proper accounting records are

Report of the Audit and Management Engagement Committee (continued)

Significant accounting issues considered by the Committee for the year ended 30 April 2015

Matter	Action
Investment Portfolio Valuation	
The Company's portfolio is predominantly invested in securities listed on recognised stock exchanges. The listed securities are highly liquid. Errors in valuation of the portfolio could have a material impact on the Company's net asset value per share.	The Committee reviewed F&C's annual internal control report which is reported on by reputable independent external accountants, was unqualified, and which details the systems and controls around the daily pricing and valuation of securities in the year to 31 December 2014. F&C has provided further evidence of controls operating satisfactorily in the period since that date. The Committee reviewed the valuation of the unlisted portfolio in detail twice in the year.
Potential Misappropriation or Non-Existence of Assets	
Misappropriation or non-existence of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Committee reviewed F&C's annual internal control report for the year ended 31 December 2014 which details the controls around the reconciliation of F&C's records to those of the Custodian and indicates that the controls operated satisfactorily in the period. F&C has provided evidence to the Committee of its controls operating satisfactorily since that date. The Committee also reviewed the Custodian's latest annual internal control reports, which is reported on by external accountants and which provides details regarding its control environment. The Depositary has issued reports via the Manager confirming the safe custody of the Company's assets for the periods since implementation of the AIFMD to 31 March 2015 and the Committee met with the Depositary subsequent to the year end.
Income Recognition	
Incomplete or inaccurate recognition could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Committee reviewed F&C's annual internal control report and updates. It also compared the final level of income received against forecasts made during the year and discussed the accounting treatment of special or unusual dividends with F&C.
Performance Fee	
Verification of F&C's calculation of its £983,000 performance fee for the period.	The calculation, which is governed by strict measurement criteria set out in the investment management agreement, was reviewed by the committee as part of the approval of the Report and Accounts.
Convertible Unsecured Loan Stock	
Ensuring correct accounting treatment for the £40m Convertible Unsecured Loan Stock issued during the period.	The accounting policy relating to the CULS was reviewed by the committee as part of the approval of the Interim and Annual Report and Accounts.

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 Committee through regular reports provided by F&C. The reports cover investment performance, performance attribution, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the F&C savings plans and on other relevant management issues. The Committee has direct access to F&C's Group Audit Committee and Head of Business Risk for internal audit and risk management activities. F&C's Business Risk department provides regular control report updates to the committee covering risk and compliance issues and internal audit team findings that might affect the Company. The significant issues considered by the committee, and F&C's control report to the committees on policies and procedures in operation during the year, are discussed above.

The department produces a key risk summary to help identify the risks to which the Company is exposed and the controls in place and actions being taken to mitigate them. The Board discusses the resulting risk matrix at each of its meetings and dynamically reviews the significance of the risks and the reasons for any changes. The Company's principal risks are set out on pages 26 and 27 with additional information given in note 27 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 misstatement, or loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the internal control systems. This included a review of the F&C risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2014 (the "**Report**"). This has been prepared by F&C for all 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 reputable independent external accountants, KPMG, the Report sets out F&C'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 F&C's Group Audit Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within F&C's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Board meeting by F&C. No failings or weaknesses material to the overall control environment and financial statements were identified in the year under review. The committee also reviewed the control reports of the Custodian, the Depositary and the Registrar and were satisfied that there were no material exceptions.

Through the reviews noted above and by direct enquiry of F&C and other relevant parties, the Committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year nor to the date of this Report.

Based on review, observation and enquiry by the committee and Board of the processes and controls in place within F&C, including confirmation by a reputable independent accounting firm that those controls operated satisfactorily, the Committee has concluded that there is no current need for the Company to have an internal audit function and the Board has concurred. The Board has, nevertheless, questioned whether exceptions identified in the Report related to staff leaver access to systems constitutes a systemic risk and has sought and received assurances from F&C that the necessary controls have been tightened and are being adhered to.

The Committee has noted the revised UK Code issued by the Financial Reporting Council in September 2014 which strengthens the reporting on risk management and on viability and which is applicable to financial years beginning on or after 1 October 2014. The Company will report on these matters as required by the UK Code in 2016.

External audit process – significant issues

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the external

Report of the Audit and Management Engagement Committee (continued)

audit 2015. Procedures for investment valuation and existence, and recognition of income and the CULS were the main areas of audit focus and testing.

The table on page 44 describes the significant issues considered by the Committee in relation to the financial statements for the year and how these issues were addressed.

The Committee met in June 2015 to discuss the draft Report and Accounts, with representatives of the auditor and F&C in attendance.

PwC submitted their report to the Committee at this meeting and confirmed that they had no reason not to issue an unqualified audit report in respect of the Report and Accounts. The Committee established and agreed that there were no material issues or findings arising which needed to be brought to the attention of the Board. Consequently the Committee recommended to the Board that the Report and Accounts were in their view, fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice. The unqualified audit report, which sets out the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 48 to 53.

Auditor assessment, independence and appointment

The Company reviews the reappointment of the auditor every year. 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. From direct observation and indirect enquiry of management, the Committee remains satisfied that PwC provide appropriate challenge in carrying out their responsibilities. The Committee has been satisfied with the effectiveness of PwC performance on the audit just completed. The fee for the audit was £33,850 compared with £29,000 last year as shown in Note 6 on the accounts.

The appointment has not been put out to tender notwithstanding PwC's long tenure. Under new EU mandatory audit rotation rules and the UK Competition and Market Authority's rotation rules, however, the Company will be required to put the external audit out to tender at least every ten years and it is anticipated that the auditor will change at least every twenty years. Given the EU regulations and transition rules on firm rotation, PwC will not be available for appointment as auditors beyond the Annual General Meeting in 2020 in view of their tenure over many years. In the meantime, the Committee will continue to consider the appointment annually and the need for any change for reasons of quality or independence. At the Annual General Meeting in 2015 shareholders will, of course, vote on the reappointment of PwC for the 2016 audit.

The Committee regards the continued independence of the auditor to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services is that appropriate safeguards should be in place and that the subject of the services should not have a material effect on the financial statements. PwC non-audit services for the year on behalf of the Company were £6,000. The Committee considers the services to have been cost effective and not to have compromised the independence of PwC. PwC has also represented its independence to the Committee and that it has complied with the Company's policy.

The new EU Regulations will further constrain non-audit services provided by the auditor. Prohibited services will include tax and systems work, though the details are still to be decided. There will also be a cap of non-audit service fees set at 70% of audit fees over an averaged three year period, though again the detailed implementation has still to be decided. The Company's policy on non-audit services will be aligned to the finalised regulations. Auditor independence and objectivity will remain the primary concern of the Committee.

Committee evaluation

The activities of the Committee were evaluated as part of the Board appraisal process.

Les Cullen
Audit and Management Engagement Committee Chairman
17 June 2015

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the Report and Accounts, which is required to include a Strategic Report, Directors' Report, Directors' Annual Report on Remuneration and Corporate Governance Statement. The Directors must not approve the financial statements unless in their opinion they give a true and fair view of the state of affairs of the Company as at 30 April 2015 and of the results for the year then ended. The Directors are also responsible for ensuring: that the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and that adequate accounting records 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' Annual Report on Remuneration comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. In preparing the financial statements, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made.

The Report and Accounts is 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. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Overseas visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the Report and Accounts may differ from legislation in their jurisdiction.

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

- the financial statements have been prepared in accordance with applicable UK generally accepted accounting practice, on a going concern basis, and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Strategic Report includes a fair review of the development and performance of the Company and the important events that have occurred during the financial year and their impact on the financial statements, including a description of principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report include details on related party transactions.

On behalf of the Board
Anthony Townsend
Chairman
17 June 2015

Independent Auditors’ Report

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, F&C Global Smaller Companies PLC’s financial statements (the “**financial statements**”):

- give a true and fair view of the state of the company’s affairs as at 30 April 2015 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.

What we have audited

F&C Global Smaller Companies PLC’s financial statements comprise:

- the Balance Sheet as at 30 April 2015;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders’ Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

- Overall materiality: £5.2m which represents 1% of net assets.

- The company is a standalone Investment Trust Company and engages F&C Investment Business Limited (the ‘**Manager**’) to manage its assets.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

- Income;
- Valuation and existence of investments;
- Performance fee; and
- Accounting for convertible unsecured loan stock (‘CULS’).

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Table of areas of particular audit focus

Area of focus	How our audit addressed the area of focus
Income	
We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the company's net asset value and dividend cover.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. *No misstatements were identified which required reporting to those charged with governance.* To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. *Our testing did not identify any unrecorded dividends.* We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of income and capital special dividends to independent third party sources. *We did not find any special dividends that were not treated in accordance with the AIC SORP.*

Refer to page 44 (Report of the Audit Committee), page 60 (Accounting Policies) and page 61 (notes).

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments	
The investment portfolio at the year-end principally comprised listed equity investments valued at £545.7m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. *No misstatements were identified by our testing which required reporting to those charged with governance.* We tested the existence of the investment portfolio by agreeing the holdings for listed equity investments to an independent custodian confirmation from JP Morgan Chase Bank. *No differences were identified.*

Refer to page 44 (Audit Committee Report), page 59 (Accounting Policies) and page 65 (notes).

Independent Auditors' Report (continued)

Area of focus	How our audit addressed the area of focus
Performance fees	
A performance fee is payable for the year of £983k. We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the company and the Manager.	We independently recalculated the performance fee of £983k using the methodology set out in the Investment Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third party sources, where applicable. *No misstatements were identified which required reporting to those charged with governance.* We tested the allocation of the performance fee between the income and capital return columns of the Income Statement with reference to the accounting policy as set out on page 60. *We found that the allocation of the performance fee was consistent with the accounting policy.*

Refer to page 44 (Audit Committee Report), page 60 (Accounting Policies) and page 62 (notes).

Area of focus	How our audit addressed the area of focus
Accounting for convertible unsecured loan stock ('CULS')	
We focused on this area because of the amount involved (£40m), the fact that the company was entering into such transaction for the first time and that the accounting is relatively complex. The CULS have conversion features which require them to be classified for accounting purposes in accordance with Financial Reporting Standard ("FRS") 25 as debt, equity or as compound instruments.	We assessed the conversion features to determine whether they met the definition of equity. In accordance with FRS 25, a contract that will be settled by the entity receiving (or delivering) a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. This is commonly referred to as the "fixed for fixed" requirement. In this instance, we identified that the "fixed for fixed" criteria were met. Therefore we assessed the CULS to be a compound instrument comprising of both equity and debt characteristics. In accordance with FRS 25 the debt features are measured first, with the residual value then being attributed to the equity component. We obtained an independent third party confirmation from the company's registrar that there were 40m 3.5% Convertible Unsecured Loan Stock 2019 in issue at 30 April 2015. We also traced the details of the instrument to the signed prospectus and the disclosures in the financial statements as set out on page 66. We also traced the cash received to the custody accounts and tested the commission and expenses on a sample basis. *We found that the amount recognised for the CULS' debt and equity components and the related disclosures are consistent with our expectations and we had no misstatements to report to those charged with governance.*

Refer to page 44 (Audit Committee Report), page 59 (Accounting Policies) and page 66 (notes).

■ How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the company, the involvement of the Manager and State Street Bank and Trust Company (the

"**Administrator**"), the accounting processes and controls, and the industry in which the company operates.

The Manager delegates certain accounting and administrative functions to the Administrator on which they report to the Manager.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of one month between the period covered by the controls report and the year-end of the company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator was not required because additional substantive testing was performed.

■ Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality £5.2m (2014: £4.3m).
How we determined it 1% of net assets.
Rationale for benchmark applied We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £258k (2014: £431k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 30, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the company's financial statements using the going concern basis of accounting. The going concern basis presumes that the company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

■ Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 37 to 39 with

Independent Auditors' Report (continued)

respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

■ ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
  - otherwise misleading.

  We have no exceptions to report arising from this responsibility.
- the statement given by the directors on page 47, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "**Code**"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.

  We have no exceptions to report arising from this responsibility.
- the section of the Annual Report on page 43, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

  We have no exceptions to report arising from this responsibility.

■ Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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 Remuneration Report to be audited are not in agreement with the accounting records and returns.

  We have no exceptions to report arising from this responsibility.

■ Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

■ Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

■ Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a Corporate Governance Statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code.

We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 47, 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 ISAs (UK & 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.

What an audit of financial statements involves

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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 June 2015

Income Statement

Revenue notes	Capital notes	for the year ended 30 April	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
	11	Gains on investments	–	69,146	69,146	–	41,451	41,451
	21	Foreign exchange gains/(losses)	8	483	491	5	(633)	(628)
3		Income	7,786	–	7,786	5,876	–	5,876
4	4	Management fee	(436)	(1,307)	(1,743)	(371)	(1,112)	(1,483)
	5	Performance fee	–	(983)	(983)	–	(8)	(8)
6		Other expenses	(777)	(24)	(801)	(543)	(28)	(571)
		Net return before finance costs and taxation	6,581	67,315	73,896	4,967	39,670	44,637
7	7	Finance costs	(533)	(1,598)	(2,131)	(288)	(862)	(1,150)
		Net return on ordinary activities before taxation	6,048	65,717	71,765	4,679	38,808	43,487
8	8	Taxation on ordinary activities	(389)	–	(389)	(218)	–	(218)
		Net return attributable to equity shareholders	5,659	65,717	71,376	4,461	38,808	43,269
9	9	**Return per share (basic) – pence**	10.87	126.22	137.09	9.31	81.01	90.32
9	9	**Return per share (diluted) – pence**	n/a	121.02	131.90	n/a	n/a	n/a

n/a – there is no dilution applicable

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

for the year ended 30 April 2015

Notes		Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total share-holders' funds £'000s
	Balance at 30 April 2014	**12,803**	**102,460**	**16,158**	**–**	**289,568**	**10,097**	**431,086**
	Movements during the year ended 30 April 2015							
10	Dividends paid	**–**	**–**	**–**	**–**	**–**	**(4,223)**	**(4,223)**
15	Convertible Unsecured Loan Stock ("**CULS**")	**–**	**–**	**–**	**1,339**	**–**	**–**	**1,339**
	Issue costs of equity component of CULS	**–**	**–**	**–**	**(27)**	**–**	**–**	**(27)**
	Shares issued	**478**	**16,934**	**–**	**–**	**–**	**–**	**17,412**
	Net return attributable to equity shareholders	**–**	**–**	**–**	**–**	**65,717**	**5,659**	**71,376**
	Balance at 30 April 2015	**13,281**	**119,394**	**16,158**	**1,312**	**355,285**	**11,533**	**516,963**

for the year ended 30 April 2014

Notes		Share capital	Share premium account	Capital redemption reserve	Capital reserves	Revenue reserve	Total share-holders' funds
	Balance at 30 April 2013	11,243	53,009	16,158	250,760	8,920	340,090
	Movements during the year ended 30 April 2014						
10	Dividends paid	–	–	–	–	(3,284)	(3,284)
	Shares issued	1,560	49,451	–	–	–	51,011
	Net return attributable to equity shareholders	–	–	–	38,808	4,461	43,269
	Balance at 30 April 2014	12,803	102,460	16,158	289,568	10,097	431,086

Balance Sheet

Notes	at 30 April	£'000s	2015 £'000s	£'000s	2014 £'000s
	Fixed assets				
11	Investments		**548,639**		425,344
	Current assets				
12	Debtors	**4,086**		3,574	
	Cash at bank and short-term deposits	**13,502**		16,705	
		17,588		20,279	
	Creditors: amounts falling due within one year				
13	Creditors	**(11,135)**		(4,537)	
14	Debenture	**–**		(10,000)	
		(11,135)		(14,537)	
	Net current assets		**6,453**		5,742
	Total assets less current liabilities		**555,092**		431,086
	Creditors: amounts falling due after more than one year				
15	Convertible Unsecured Loan Stock ("**CULS**")		**(38,129)**		–
	Net assets		**516,963**		431,086
	Capital and reserves				
17	Share capital		**13,281**		12,803
18	Share premium account	**119,394**		102,460	
19	Capital redemption reserve	**16,158**		16,158	
20	Equity component of CULS	**1,312**		–	
21	Capital reserves	**355,285**		289,568	
21	Revenue reserve	**11,533**		10,097	
			503,682		418,283
	Total shareholders' funds		**516,963**		431,086
22	**Net asset value per share (basic) – pence**		**973.11**		841.78
22	**Net asset value per share (diluted) – pence**		**970.25**		n/a

n/a – there is no dilution applicable

The Financial Statements were approved by the Board on 17 June 2015 and signed on its behalf by:

Anthony Townsend, Chairman

Cash Flow Statement

Notes	for the year ended 30 April	£'000s	2015 £'000s	£'000s	2014 £'000s
	Operating activities				
	Investment income received	**6,920**		5,062	
	Interest received	**21**		49	
	Other revenue	**5**		–	
	Management fee paid to the management company	**(1,716)**		(1,458)	
	Performance fee paid to the management company	**(8)**		(1,478)	
	Directors' fees paid	**(146)**		(155)	
	Other payments	**(617)**		(637)	
23	**Net cash inflow from operating activities**		**4,459**		1,383
	Servicing of finance				
	Interest paid	**(1,850)**		(1,150)	
	Cash outflow from servicing of finance		**(1,850)**		(1,150)
	Financial investment				
	Purchases of equities and other investments	**(223,013)**		(173,123)	
	Sales of equities and other investments	**173,737**		122,218	
	Other capital charges and credits	**(25)**		(26)	
	Net cash outflow from financial investment		**(49,301)**		(50,931)
	Equity dividends paid		**(4,223)**		(3,284)
	Net cash outflow before use of liquid resources and financing		**(50,915)**		(53,982)
	Financing				
	CULS issued	**40,000**		–	
	Issue costs of CULS	**(795)**		–	
	Debenture repaid	**(10,000)**		–	
	Shares issued	**18,016**		50,544	
	Cash inflow from financing		**47,221**		50,544
24	**Decrease in cash**		**(3,694)**		(3,438)

Financial Report

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. 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 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 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.

Convertible Unsecured Loan Stock ("**CULS**") were issued in the year and the accounting policy is set out in Note 2(b)(iii) below. There have been no other significant changes to the accounting policies during the year ended 30 April 2015.

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.

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. 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.

In July 2014 the Company issued CULS the accounting policies for which are set out below.

The CULS are regarded as a compound instrument comprising a liability and an equity component. The fair value of the liability component, assessed at the date of issue of the CULS, was estimated based on an equivalent non-convertible security. The fair value of the equity component was derived by deducting the CULS issue proceeds from the fair value of the liability component.

The liability component is subsequently measured at amortised cost using the effective interest rate. The equity component value remains unchanged over the life of the CULS.

Costs incurred directly as a result of the CULS issue are allocated between the liability and equity components in proportion to the split of the proceeds. Expenses allocated to the liability component are amortised over the life of the CULS using the effective interest rate.

Finance costs on the CULS, comprising interest payable and amortised costs, are calculated based on an effective interest rate of 4.7%. Amortised costs are allocated against the CULS liability.

On conversion of the CULS, equity is issued and the relevant liability component is de-recognised.

Further details on the CULS can be found in note 15.

(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.

Notes on the Accounts (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 (including finance costs on CULS) 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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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(b)(vi);
- performance fees as set out in note 2(b)(vi);
- gains and losses on the realisation of fixed asset investments and derivative financial instruments;
- 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.

3. INCOME

	2015 £'000s	2014 £'000s
Income from investments		
Dividends	7,591	5,668
Scrip dividends	169	159
	7,760	5,827
Other income		
Interest on cash and short-term deposits	21	49
Underwriting commission	5	–
Total income	7,786	5,876
Total income comprises:		
Dividends	7,760	5,827
Other income	26	49
	7,786	5,876
Income from investments comprises:		
Quoted†	7,729	5,819
Unquoted	31	8
	7,760	5,827

† Includes investments quoted on AIM in the UK.

Notes on the Accounts (continued)

4. MANAGEMENT FEE

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Management fee	**436**	**1,307**	**1,743**	371	1,112	1,483

F&C Investment Business Limited ("**FCIB**") was appointed on 22 July 2014 as the Company's Manager, replacing F&C Management Limited ("**FCM**"), a fellow subsidiary of the F&C Asset Management Group ("**F&C**"). The terms and conditions of the contract with FCIB are the same as those with FCM.

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

	2015 Capital £'000s	2014 Capital £'000s
Performance fee	**983**	8

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. OTHER EXPENSES

	2015 £'000s	2014 £'000s
Auditors' remuneration:		
audit services*	**38**	32
non-audit services*	**6**	7
Directors' fees for services to the Company†	**145**	155
Marketing	**170**	94
Saving plans expenses	**–**	(27)
Printing and postage	**103**	64
Custody fees	**24**	27
Depositary fees	**41**	–
Sundry expenses	**250**	191
	777	543

* Auditors' remuneration for audit services, exclusive of VAT, amounts to £33,850 (2014: £29,000). Total auditors' remuneration for non-audit services, exclusive of VAT, amounts to £6,000 (2014: £7,000) comprising £6,000 for taxation compliance services (2014: £6,000 and £1,000 relating to other assurance services for review of a debenture compliance certificate). No part of these amounts was charged to capital reserves (2014: £nil).

† See the Directors' Remuneration Report on page 41.

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

7. FINANCE COSTS

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
CULS interest payable and amortised costs	341	1,022	1,363	–	–	–
Debenture interest	192	576	768	288	862	1,150
	533	1,598	2,131	288	862	1,150

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

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Corporation tax payable at 20.9% (2014: 22.8%)	–	–	–	–	–	–
Overseas taxation	389	–	389	218	–	218
Current tax charge for the year (note 8(b))	389	–	389	218	–	218
Deferred taxation on accrued income	–	–	–	–	–	–
Taxation on ordinary activities	389	–	389	218	–	218

The tax assessed is lower than the standard rate of Corporate Tax in the UK (2014: lower).

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

	Revenue £'000s	Capital £'000s	2015 Total £'000s	Revenue £'000s	Capital £'000s	2014 Total £'000s
Return on ordinary activities before tax	6,048	65,717	71,765	4,679	38,808	43,457
Return on ordinary activities multiplied by the standard rate of corporation tax of 20.9% (2014: 22.8%)	1,264	13,735	14,999	1,067	8,848	9,915
Effects of:						
Dividends*	(1,622)	–	(1,622)	(1,329)	–	(1,329)
Expenses not deductible for tax purposes	18	–	18	15	–	15
Overseas tax in excess of double taxation relief	389	–	389	218	–	218
Expenses not utilised in the year	340	818	1,158	247	459	706
Capital returns*	–	(14,553)	(14,553)	–	(9,307)	(9,307)
Total current taxation (note 8(a))	389	–	389	218	–	218

* 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 £5.3m (2014: £4.4m). 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 £1.2m (2014: £0.9m) relates to revenue expenses and £4.1m (2014: £3.5m) to capital expenses.

Notes on the Accounts (continued)

9. RETURN PER ORDINARY SHARE

Earnings for the purpose of basic earnings per share is the profit for the year attributable to ordinary shareholders and based on the following data.

	Revenue	Capital	2015 Total	Revenue	Capital	2014 Total
Net return attributable to equity shareholders – £'000s	**5,659**	**65,717**	**71,376**	4,461	38,808	43,269
Return per share – pence	**10.87**	**126.22**	**137.09**	9.31	81.01	90.32

Both the revenue and capital returns per share are based on a weighted average of 52,066,072 ordinary shares in issue during the year (2014: 47,903,986).

Diluted earnings per share

Earnings for the purpose of diluted earnings per share is the adjusted profit for the year attributable to ordinary shareholders and based on the following data.

	Revenue	Capital	2015 Total	Revenue	Capital	2014 Total
Net return attributable to equity shareholders – £'000s	**6,000**	**66,739**	**72,739**	n/a	n/a	n/a
Return per share – pence	**n/a**	**121.02**	**131.90**	n/a	n/a	n/a

There is no dilution of revenue return in the year (2014: dilutions are not applicable as CULS were not in issue).

Both the revenue and capital returns per share are based on a weighted average of 55,147,522 ordinary shares in issue during the year (2014: n/a).

For the purpose of calculating diluted total, revenue and capital returns per ordinary share, the number of ordinary shares used is the weighted average number used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all CULS. Total returns attributable to shareholders, adjusted for CULS finance costs accounted for in the period, are divided by the resulting weighted average shares in issue to arrive at diluted total returns per share. Once dilution has been determined, individual revenue and capital returns are calculated.

10. DIVIDENDS

Dividends on ordinary shares	Register date	Payment date	2015 £'000s	2014 £'000s
Interim for the year ended 30 April 2015 of 2.65p	05 January 2015	30 January 2015	**1,384**	–
Final for the year ended 30 April 2014 of 5.50p	18 July 2014	15 August 2014	**2,839**	–
Interim for the year ended 30 April 2014 of 2.50p	03 January 2014	31 January 2014	**–**	1,213
Final for the year ended 30 April 2013 of 4.50p	19 July 2013	16 August 2013	**–**	2,071
			4,223	3,284

The Directors have proposed a final dividend in respect of the year ended 30 April 2015 of 7.00p per share, payable on 14 August 2015 to all shareholders on the register at close of business on 17 July 2015. The recommended final dividend is subject to approval by shareholders at the Annual General Meeting.

The attributable revenue and the dividends paid and proposed in respect of the financial year ended 30 April 2015 for the purposes of the income retention test for section 1159 of the Income and Corporation Tax Act 2010, are set out below:

	2015 £'000s
Revenue attributable to equity shareholders	**5,659**
Interim for the year ended 30 April 2015 of 2.65p	**(1,384)**
Proposed final for the year ended 30 April 2015 of 7.00p*	**(3,739)**
Amount transferred to revenue reserve for section 1159 purposes**	**536**

*Based on 53,412,077 shares in issue at 16 June 2015.

** Undistributed revenue for the year equated to 6.9% of total income of £7,786,000 (see note 3).

11. INVESTMENTS

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 30 April 2014	322,818	–	1,570	324,388
Gains at 30 April 2014	99,606	–	1,350	100,956
Valuation at 30 April 2014	422,424	–	2,920	425,344
Movements in the year:				
Purchases at cost	228,595	–	–	228,595
Sales proceeds	(174,446)	–	–	(174,446)
Gains on investments sold in year	35,094	–	–	35,094
Gains on investments held at year end	34,042	–	10	34,052
Valuation of investments held at 30 April 2015	**545,709**	**–**	**2,930**	**548,639**

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 30 April 2015	412,061	–	1,570	413,631
Gains at 30 April 2015	133,648	–	1,360	135,008
Valuation at 30 April 2015	**545,709**	**–**	**2,930**	**548,639**

* 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 unquoted investments, which are held at Directors' valuation.

A list of investments is set out on pages 23 to 25

Gains on investments

	2015 £'000s	2014 £'000s
Gains on investments sold during the year	35,094	37,973
Gains on investments held at year end	34,052	3,478
Total gains on investments	69,146	41,451

Substantial interests

At 30 April 2015 the Company held more than 5% of the following undertaking held as an investment which, in the opinion of the Directors, did not represent a participating interest:

Company	Country of registration, incorporation and operation	Number of units held	Percentage of undertaking held
Australian New Horizons Fund	Australia	2,375,135	29.98

12. DEBTORS

	2015 £'000s	2014 £'000s
Investment debtors	2,772	1,894
Prepayments and accrued income	1,036	781
Share issue proceeds due	196	846
Overseas taxation recoverable	82	53
	4,086	3,574

Notes on the Accounts (continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors	**2015 £'000s**	2014 £'000s
Investment creditors	**9,452**	3,870
Interest accrued on CULS (2014: Debenture)	**381**	382
Management fee and performance fee accrued	**1,142**	141
Other accrued expenses	**160**	144
	11,135	4,537

14. DEBENTURE

	Falling due within one year 2015 £'000s	Falling due within one year 2014 £'000s
11.5% debenture stock 2014 (secured)	**–**	10,000

The 11.5% debenture stock was redeemed at par on 31 December 2014.

15. CONVERTIBLE UNSECURED LOAN STOCK ("CULS")

	2015 £'000s	2014 £'000s
Issue of CULS on 30 July 2014	**40,000**	–
Issue costs of CULS on 30 July 2014	**(768)**	–
Transfer to equity component of CULS on 30 July 2014 (see note 20)	**(1,339)**	–
Transfer to share capital and share premium on conversion of CULS on 31 January 2015	**(46)**	–
Amortised costs	**282**	–
Balance carried forward	**38,129**	–

Pursuant to the prospectus dated 27 June 2014 relating to "Issue of up to £40 million in nominal amount of 3.5 per cent. CULS at 100p per £1 nominal unit", the Company issued 40 million CULS at £1 each. The CULS were admitted to the Official List and to trading on the London Stock Exchange on 30 July 2014.

The interest rate on the CULS is fixed at 3.5 per cent. per annum, payable semi-annually with the first interest period ending on 31 January 2015. CULS holders will be able to convert their CULS into Ordinary Shares at no cost on 31 January and 31 July of each year throughout the life of the CULS, commencing on 31 January 2015. All outstanding CULS will be repayable at par on 31 July 2019 together with outstanding interest due. The rate of conversion of 977.6970 pence per £1 nominal of CULS for one Ordinary Share was set at a premium of 15% to the unaudited Net Asset Value per Ordinary Share at the time the CULS were issued.

On 31 January 2015, holders of 48,697 CULS converted their holdings into 4,975 ordinary shares. At 30 April 2015, 39,951,303 units of CULS were in issue.

The market price of the CULS at 30 April 2015 was 113p per 100p nominal. The CULS are unsecured and are subordinate to any creditors of the Company.

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

	North America %	UK %	Continental Europe %	Rest of World %	Japan %	2015 Total %	2014 Total %
Industrials	9.1	10.0	2.2	–	–	**21.3**	23.1
Collective investments	–	–	–	10.9	7.6	**18.5**	17.9
Financials	8.9	4.9	3.7	–	–	**17.5**	17.5
Consumer services	5.9	5.0	1.7	–	–	**12.6**	11.1
Health care	5.1	2.8	0.5	–	–	**8.4**	5.4
Technology	4.8	3.0	0.3	–	–	**8.1**	7.5
Consumer goods	2.4	1.6	2.8	–	–	**6.8**	5.3
Basic materials	0.8	1.0	0.2	–	–	**2.0**	1.9
Oil & gas	1.3	0.6	–	–	–	**1.9**	4.0
Telecommunications	1.4	0.3	–	–	–	**1.7**	1.9
Utilities	–	–	–	–	–	**–**	0.8
Total investments	39.7	29.2	11.4	10.9	7.6	**98.8**	96.4
Net current assets	0.4	0.4	0.2	0.2	–	**1.2**	3.6
Total assets less current liabilities (excluding borrowings)	**40.1**	**29.6**	**11.6**	**11.1**	**7.6**	**100.0**	
2014 totals	39.4	30.0	12.3	9.9	8.4		100.0

17. SHARE CAPITAL

Equity share capital	Issued and fully paid Number	£'000s
Ordinary shares of 25p each		
Balance brought forward	51,211,102	12,803
Shares issued	1,909,000	477
Shares issued on conversion of CULS	4,975	1
Balance carried forward	**53,125,077**	**13,281**

During the year 1,909,000 ordinary shares were issued, raising proceeds of £17,366,000. Since the year end a further 287,000 ordinary shares have been issued, raising proceeds of £2,869,000.

On 16 February 2015, 4,975 ordinary shares were issued on the conversion of 48,697 CULS (see note 15), at no cost.

18. SHARE PREMIUM ACCOUNT

	2015 £'000s	2014 £'000s
Balance brought forward	**102,460**	53,009
Premium on issue of shares	**16,889**	49,451
Transfer from CULS liability on conversion of CULS	**45**	–
Balance carried forward	**119,394**	102,460

19. CAPITAL REDEMPTION RESERVE

	2015 £'000s	2014 £'000s
Balance brought forward and carried forward	**16,158**	16,158

Notes on the Accounts (continued)

20. EQUITY COMPONENT OF CULS

	2015 £'000s	2014 £'000s
Balance brought forward	–	–
Transfer from CULS liability on issue of CULS (see note 15)	1,339	–
Issue costs of equity component of CULS	(27)	–
Balance carried forward	1,312	–

21. OTHER RESERVES

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Movements in the year				
Gains on investments sold in year	35,094	–	35,094	–
Gains on investments held at year end	–	34,052	34,052	–
Foreign exchange losses	827	(344)	483	–
Management fee (see note 4)	(1,307)	–	(1,307)	–
Performance fee (see note 5)	(983)	–	(983)	–
Other expenses	(24)	–	(24)	–
Finance costs (see note 7)	(1,598)	–	(1,598)	–
Revenue return	–	–	–	5,659
Net return attributable to ordinary shareholders	32,009	33,708	65,717	5,659
Dividends paid in the year	–	–	–	(4,223)
	32,009	33,708	65,717	1,436
Balance brought forward	188,268	101,300	289,568	10,097
Balance carried forward	220,277	135,008	355,285	11,533

Included within the capital reserve movement for the year are £394,000 (2014: £377,000) of transaction costs on purchases of investments, £118,000 (2014: £150,000) of transaction costs on sales of investments and £2,965,000 (2014: £747,000) of distributions received recognised as capital.

22. NET ASSET VALUE PER ORDINARY SHARE

	2015	2014
Net assets attributable at the year end – (£'000s)	516,963	431,086
Number of ordinary shares in issue at the year end	53,125,077	51,211,102
Net asset value per share (2014: debenture at nominal value) – pence	973.11	841.78

Diluted net asset value per ordinary share is based on net assets at the end of the year assuming the conversion of 39,951,303 100p CULS in issue at the rate of 977.6970 pence per £1 nominal of CULS for one ordinary share.

	2015 £'000s	2014 £'000s
Net assets attributable at the year end	516,963	431,086
Amount attributable to ordinary shareholders on conversion of CULS	38,129	–
Attributable net assets assuming conversion	555,092	431,086

	Number	Number
Ordinary shares in issue at the year end	53,125,077	51,211,102
Ordinary shares created on conversion of CULS	4,086,266	–
Number of ordinary shares for diluted calculation	57,211,343	51,211,102
Diluted net asset value per ordinary share – pence	970.25	n/a*

*CULS were not in issue prior to 30 July 2014 and there is therefore no dilution applicable at 30 April 2014.

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

	2015 £'000s	2014 £'000s
Total return before finance costs and taxation	73,896	44,637
Adjust for returns from non-operating activities		
Gains on investments	(69,146)	(41,451)
Foreign exchange (gains)/losses	(491)	628
Other expenses charged to capital	24	28
Return from operating activities	4,283	3,842
Adjust for non cash flow items		
Increase in accrued income	(254)	(385)
(Increase)/decrease in prepayments	(6)	3
Increase/(decrease) in creditors	1,021	(1,696)
Scrip dividends	(169)	(159)
Overseas taxation	(416)	(222)
Net cash inflow from operating activities	4,459	1,383

Notes on the Accounts (continued)

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

	2015 £'000s	2014 £'000s
Decrease in cash and short term deposits	**(3,694)**	(3,438)
Repayment of debenture	**10,000**	–
Received on issue of CULS	**(40,000)**	–
Issue costs of CULS	**795**	–
Non-cash flow movement on CULS	**1,076**	–
Foreign exchange movement	**491**	(628)
Movement in net debt in the year	**(31,332)**	(4,066)
Net cash/(debt) brought forward	**6,705**	10,771
Net cash carried forward	**(24,627)**	6,705

Represented by:	Balance at 30 April 2014 £'000s	Cash flow £'000s	Exchange movement £'000s	Non-cash flow movements £'000s	**Balance at 30 April 2015 £'000s**
Cash at bank and short term deposits	16,705	(3,694)	491	–	**13,502**
Debenture	(10,000)	10,000	–	–	**–**
CULS	–	(39,205)	–	1,076	**(38,129)**
	6,705	(32,899)	491	1,076	**(24,627)**

25. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board"), the Manager and fellow members of BMO.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Remuneration Report on page 41 and as set out in note 6 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 and note 13, where accrued management and performance fees are disclosed.

26. CONTINGENCIES

VAT legal case

A case has been brought against HMRC to seek recovery of recoverable VAT relating to the 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 is expected to remain uncertain for the foreseeable future.

27. 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. 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. The Company does not make use of hedge accounting rules.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risks

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

The Company's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company aims to be fully invested, only holding cash to cater for short-term trading and business requirements. Borrowings, including CULS, 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 2015	2015 Average for the year	At 30 April 2014	2014 Average for the year
US dollar	1.5367	1.6030	1.6886	1.6037
Euro	1.3714	1.2912	1.2178	1.1904
Japanese yen	183.90	178.12	172.49	161.34

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%	2015 US$	2015 €	2014 US$	2014 €
Net revenue return attributable to equity shareholders – £'000s	191	109	119	87
Net capital return attributable to equity shareholders – £'000s	26,117	5,455	20,298	4,731
Net total return attributable to equity shareholders – £'000s	26,308	5,564	20,417	4,818
Net asset value per share (basic) – pence	49.52	10.47	39.87	9.41

Strengthening of sterling by 10%	2015 US$	2015 €	2014 US$	2014 €
Net revenue return attributable to equity shareholders – £'000s	(156)	(89)	(97)	(71)
Net capital return attributable to equity shareholders – £'000s	(21,368)	(4,463)	(16,608)	(3,871)
Net total return attributable to equity shareholders – £'000s	(21,524)	(4,552)	(16,705)	(3,942)
Net asset value per share (basic) – pence	(40.52)	(8.57)	(32.62)	(7.70)

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.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

2015	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	CULS £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,232	7,604	(6,448)	(38,129)	(35,741)	222,565	186,824
US dollar	–	5,461	(3,225)	–	2,236	232,816	235,052
Euro	1,896	437	(1,462)	–	871	48,221	49,092
Other	958	–	–	–	958	45,037	45,995
Total	**4,086**	**13,502**	**(11,135)**	**(38,129)**	**(31,676)**	**548,639**	**516,963**

2014	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	1,626	10,545	(1,553)	(10,000)	618	170,462	171,080
US dollar	1,732	5,327	(2,549)	–	4,510	178,173	182,683
Euro	53	833	–	–	886	41,693	42,579
Other	163	–	(435)	–	(272)	35,016	34,744
Total	3,574	16,705	(4,537)	(10,000)	5,742	425,344	431,086

Interest rate exposure

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

	Within one year £'000s	**More than one year £'000s**	**2015 Net total £'000s**	Within one year £'000s	More than one year £'000s	2014 Net total £'000s
Exposure to floating rates – cash	**13,502**	**–**	**13,502**	16,705	–	16,705
Exposure to fixed rates – CULS	**–**	**(39,951)**	**(39,951)**	–	–	–
Exposure to fixed rates – debenture	**–**	**–**	**–**	(10,000)	–	(10,000)
Net exposure	**13,502**	**(39,951)**	**(26,449)**	6,705	–	6,705
Minimum net exposure during the year	**9,508**	**(50,000)**	**(40,492)**	16,321	(10,000)	6,321
Maximum net exposure during the year	**21,061**	**(10,000)**	**11,061**	23,742	(10,000)	13,742

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 CULS is set out in note 15 and on the debenture is set out in note 14 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, and to the ability of CULS holders to convert their holdings into ordinary shares.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2015 Increase in rate £'000s	2015 Decrease in rate £'000s	2014 Increase in rate £'000s	2014 Decrease in rate £'000s
Revenue return	**270**	**(21)**	334	(49)
Capital return	**–**	**–**	–	–
Total return	**270**	**(21)**	334	(49)
NAV per share – pence	**0.51**	**(0.04)**	0.65	(0.09)

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

Other market risk exposures

The Company did not enter into derivative transactions in managing its exposure to other market risks (2014: same). The portfolio of investments, valued at £548,639,000 at 30 April 2015 (2014: £425,344,000) 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 geographical region 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:

	2015 Increase in value £'000s	2015 Decrease in value £'000s	2014 Increase in value £'000s	2014 Decrease in value £'000s
Capital return	**109,728**	**(109,728)**	85,069	(85,069)
NAV per share (basic) – pence	**206.55**	**(206.55)**	166.11	(166.11)

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, 202 at 30 April 2015 (2014: 203); the liquid nature of the portfolio of investments; and the industrial and geographical diversity of the portfolio (see note 16). 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 CULS is governed by a trust deed and is convertible in January and July each year at the behest of the holders, with outstanding CULS being redeemed in 2019. The Board does not consider the repayment of the CULS as a likely short-term liquidity issue.

Notes on the Accounts (continued)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

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
2015				
Current liabilities				
Other creditors	10,754	–	–	10,754
CULS	–	–	39,951	39,951
Interest payable on CULS	699	699	4,894	6,292
	11,453	**699**	**44,845**	**56,997**
2014				
Current liabilities				
Other creditors	4,155	–	–	4,155
Debentures	–	10,000	–	10,000
Interest payable on debentures	575	575	–	1,150
	4,730	10,575	–	15,305

(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 was reviewed and updated in 2014. 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. The Company's Depositary, appointed in 2014, has regulatory responsibilities relating to segregation and safekeeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

To the extent that the Manager 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 Lead Manager) and with F&C's Risk Management function. In reaching its conclusions, the Board also reviews F&C'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 (2014: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 CULS which the liability component is measured at amortised cost using the effective interest rate (2014: debenture was carried at par value). The fair value of the CULS was £45,145,000 (2014: Debenture fair value £10,655,000).

The fair value of investments quoted on active markets is determined directly by reference to published price quotations in those markets. 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.

(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 10 on the accounts. Details of the CULS are set out in note 15 on the accounts.

28. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on the Company's website or from F&C on request. The numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Company's maximum and actual leverage levels at 30 April 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	107%	107%

The Leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

29. POST BALANCE SHEET MOVEMENT IN NET ASSETS

On 15 June 2015, the net asset value per share (basic) was 994.75p (30 April 2015: 973.11p) and the net asset value per share (diluted) was 990.45p (30 April 2015: 970.25p).

Ten Year Record

Assets

at 30 April

£'000s	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assets	288,404	240,652	249,574	198,100	160,994	218,384	251,604	256,776	350,090	441,086	**555,092**
Debenture and loans	24,006	13,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	**–**
CULS	–	–	–	–	–	–	–	–	–	–	**38,129**
Net assets	264,398	227,652	239,574	188,100	150,994	208,384	241,604	246,776	340,090	431,086	**516,963**

Net asset value ("NAV")

at 30 April

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV (basic) per share	311.3p	470.8p	512.2p	428.2p	360.2p	518.1p	602.5p	596.4p	756.2p	841.8p	**973.1p**
NAV (diluted) per share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**970.3p**
NAV total return on 100p – 5 years (per AIC)											**199.2p**
NAV total return on 100p – 10 years (per AIC)											**347.4p**

Share price

at 30 April

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Middle market price per share	268.5p	435.0p	473.3p	385.0p	325.0p	461.0p	583.5p	588.0p	764.5p	840.0p	**980.0p**
Share price high	286.0p	444.5p	473.3p	482.0p	405.0p	461.0p	587.0p	618.0p	779.0p	879.5p	**1025.0p**
Share price low	209.5p	268.5p	364.3p	339.8p	221.0p	310.5p	405.0p	485.0p	554.0p	745.3p	**784.5p**
Share price total return on 100p – 5 years (per AIC)											**223.0p**
Share price total return on 100p – 10 years (per AIC)											**409.6p**

Revenue

for the year ended 30 April

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Available for ordinary shares – £'000s	3,930	3,210	2,270	2,510	2,430	2,016	2,039	2,799	3,044	4,461	**5,659**
Return per share	4.63p	4.54p	4.75p	5.54p	5.66p	4.88p	5.08p	6.87p	7.10p	9.31p	**10.87p**
Dividends per share	4.40p	5.53p#	4.69p	4.83p	4.89p	5.00p	5.10p	5.63p	6.50p	8.00p	**9.65p**

Performance

(rebased to 100 at 30 April 2005*)

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV per share	100	151.2	164.5	137.6	115.7	166.4	193.5	191.6	242.9	270.4	**312.6****
Middle market price per share	100	162.0	176.3	143.4	121.0	171.7	217.3	219.0	284.7	312.8	**365.0**
Earnings per share	100	98.1	102.6	119.7	122.2	105.4	109.7	148.4	153.3	201.1	**234.8**
Dividends per share	100	125.7	106.6	109.8	111.1	113.6	115.9	128.0	147.7	181.8	**219.3**
RPI	100	102.6	107.2	111.7	110.4	116.3	122.3	126.6	130.2	133.5	**134.7**

* 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).

** diluted

includes a special dividend of 1.00p.

Costs of running the Company (ongoing charges/TER)

for the year ended 30 April

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expressed as a percentage of average net assets											
Ongoing charges											
– excluding performance fees	–	–	–	–	–	–	1.00%	1.08%	0.85%	0.76%	**0.79%**
– including performance fees	–	–	–	–	–	–	1.02%	1.56%	1.49%	0.78%	**1.08%**
TER											
– excluding performance fees	0.66%	0.69%	0.74%	0.77%	0.93%	0.78%	0.76%	0.79%	0.71%	0.50%	**0.53%**
– including performance fees	0.66%	0.69%	0.99%	0.77%	0.93%	0.78%	0.76%	1.17%	1.22%	0.50%	**0.74%**

Gearing

at 30 April

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Effective gearing	7.4%	4.7%	2.7%	3.3%	4.1%	(3.3)%	2.7%	1.7%	(2.3)%	(1.3)%	**4.8%**
Fully invested gearing	9.1%	5.7%	4.2%	5.3%	6.6%	4.8%	4.1%	4.1%	2.9%	2.3%	**7.4%**

* restated to reflect changes in accounting policies.

Other Information

Analysis of Ordinary Shareholders

Analysis of ordinary shareholders at 30 April 2015

Category	Number of shares	% Holding
F&C savings plans	29,307,305	55.19
Nominee holdings	15,597,894	29.37
Direct individual holdings	4,041,960	7.61
Institutions	4,157,918	7.83

Source: F&C.

The total number of shareholders at 30 April 2015 was 42,040, of which 39,728 were investors through the F&C plans.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty-sixth Annual General Meeting of the Company will be held at The Chartered Accountants' Hall, One Moorgate Place, London EC2 on Thursday 23 July 2015 at 12 noon for the following purposes:

To consider and, if thought fit, pass the following resolutions 1 to 12 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 April 2015.
2. To approve the Directors' Remuneration Policy
3. To approve the Directors' Annual Remuneration Report.
4. To declare a final dividend of 7.00p per share.
5. To elect Anja Balfour as a Director
6. To elect Josephine Dixon as a Director
7. To elect David Stileman as a Director
8. To re-elect Andrew Adcock as a Director.
9. To re-elect Anthony Townsend as a Director.
10. To re-elect Jane Tozer as a Director.
11. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
12. To authorise the Directors to determine the remuneration of the auditors.
13. Authority to allot shares

    THAT, in substitution for any existing authority, 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 £1,335,000 (representing approximately 10% of the issue share capital of the Company (excluding treasury shares)), 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 2016 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:

14. Disapplication of pre-emption rights

    THAT, subject to the passing of resolution 13 set out above and in substitution for any existing authority, 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 13 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 2016 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 £1,335,000 (representing approximately 10% of the issued share capital of the Company), 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:

15. 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 8,006,000 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:

16. Treasury shares

THAT, subject to the passing of resolution 14 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 14, 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.

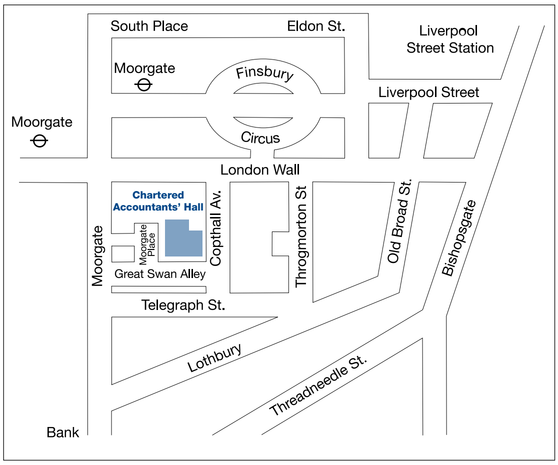
To consider and, if thought fit, pass the following resolution as a special resolution:

17. 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

F&C Investment	Registered office:
Business Limited	Exchange House
Secretary	Primrose Street
17 June 2015	London EC2A 2NY

Location of meeting



Notice of Annual General Meeting (continued)

NOTES

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.

2. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes 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.

3. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

4. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0870 889 4088. 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 received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's registrars by the deadline for receipt of Forms of Proxy.

5. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website www.eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0870 889 4088.

6. Investors holding shares in the Company through the F&C Private Investor, or Children's Investment Plans, the F&C Child Trust Fund, Junior ISA or in an F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 12 noon on 16 July 2015. Alternatively, voting directions can be submitted electronically at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 12 noon on 16 July 2015.

7. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in notes 1, 4 and 5 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

8. 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 Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

9. 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 Company has specified that only those members registered on the register of members of the Company at 11 p.m. on 21 July 2015 (the "**Specified Time**") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST).

The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 4 and 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

15. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or

    (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

16. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

17. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:

    (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;

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

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

18. As at 16 June 2015, being the latest practicable date before the publication of this notice, the Company's issued capital consisted of 53,412,077 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 16 June 2015 are 53,412,077. No shares are held in Treasury.

19. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 16 June 2015 being the last business day prior to the printing of this notice 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.

20. Any electronic address provided either in this notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

21. Copies of the letters of appointment between the Company and its Directors; a copy of the articles of association of the Company; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.

22. No Director has a service agreement with the Company.

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 section of the stock market page in most leading newspapers, usually under "F&C Global Smaller Cos"

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 £11,100 in the tax year ending 5 April 2016 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 2015. Individual UK resident shareholders who are subject to UK income tax at the lower rate or 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 a monthly statistical information service in respect of member companies. The publication also has details of ISA and other investment plans available. For further details, please contact the AIC on 020 7282 5555, or visit the website www.theaic.co.uk.

aic
The Association of Investment Companies

Financial Calendar

Annual General Meeting	**23 July 2015**
Final dividend payable*	**14 August 2015**
Half-yearly results for 2016 announced	**December 2015**
Interim dividend payable	**January 2016**
Final results for 2016 announced	**June 2016**

* to shareholders on the register at the close of business on 17 July 2015

Warning to shareholders – 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's website **www.fca.org.uk/consumer/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 Investments.

F&C Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for 2015/16 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 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 £4,080 for 2015/16 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. From 6 April, CTF holders will be able to transfer a CTF to a JISA.

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. From 6 April, the Registered Contact on a CTF will be able to transfer a CTF to a Junior ISA. Additional contributions can be made to the shares account version of the CTF from as little as £25 per month or £100 lump sum – up to a maximum of £4,080 for 2015/16 tax year.

F&C Private Investor Plan ("PIP")

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 Children's Investment Plan ("CIP")

A flexible way to save for a child. With no maximum contributions, the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) to help reduce inheritance tax liability or kept in your name if you wish to retain control over the investment. 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.

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

PIP: £40+VAT

JISA/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 for the PIP/CIP/JISA 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/apply**

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

A part of BMO Financial Group

Glossary of Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

Administrator – State Street Bank and Trust Company.

AIC – Association of Investment Companies, the trade body for Closed-end Investment Companies.

AIC Code – the principles set out in the Association of Investment Companies Code of Corporate Governance.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles ("**AIFs**") in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager ("**AIFM**"). The Board of Directors of an Investment Trust, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Company's AIFM is F&C Investment Business Limited.

Benchmark – a blend of two Indices, namely the MSCI All Country World ex UK Small Cap Index (70%) and the Numis UK Smaller Companies (ex investment companies) Index (30%). This benchmark, against which the increase or decrease in the Company's net asset value is measured, measures the performance of a defined selection of smaller companies listed in stock markets around the world and gives an indication of how those companies have performed in any period. Divergence between the performance of the Company and the Benchmark is to be expected as: the investments within the Benchmark are not identical to those of the Company; the Benchmark does not take account of operating costs; and the Company's strategy does not include replicating (tracking) this Benchmark.

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and which shares can only be issued or bought back by the company in certain circumstances.

CULS – 3.5% Convertible Unsecured Loan Stock – issued in July 2014 and listed on the LSE. The CULS can be bought and sold on the LSE and can be converted at specified dates into the Company's ordinary shares. Details of the conversion dates and rates of the CULS are set out in note 15.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JP Morgan Chase Bank.

Depositary – Under AIFMD rules applying from July 2014, the Company has appointed a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe–keeping duties. The depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading at a price above NAV per share are deemed to be at a premium. The Board of the Company tries to ensure that the shares trade, in normal market conditions, at around the value of the net assets. This is done by means of buying shares from sellers at the below-NAV price (and placing them in Treasury or cancelling and issuing at discount out of Treasury) or selling new shares to shareholders at a premium to NAV. Buybacks and issues effectively create an accretion to NAV for the Company and at least temporarily deal with the perceived excess of shares in the market.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see notes 2, 18, 19 and 20 on the accounts). Company Law requires that Share Capital, Share Premium and the Capital Redemption Reserve may not be distributed. The Company's articles of association do not allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. The cost of all share buybacks is deductible from Capital Reserves.

Dividend Dates – Reference is made in announcements of dividends to three dates. The "record" date is the date after which buyers of the shares will not be recorded on the register of shareholders as qualifying for the pending dividend payment. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date. The "ex-dividend" date is normally the second business day prior to the record date (most ex-dividend dates are on a Wednesday).

F&C – F&C Asset Management plc, together with its subsidiaries (including the Manager) which forms the F&C Asset Management Group.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary shareholders in their entitlement to capital and/or income. They include: preference shares; debentures; CULS; overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year (see note 2(a) on the accounts), provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 3 on the accounts). The Directors Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

Leverage – as defined under AIFMD rules, leverage is any method by which the exposure of an AIF (being an investment vehicle under the AIFMD) is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

LSE – London Stock Exchange

Manager (AIFM) – F&C Investment Business Limited ("**FCIB**"), a subsidiary within the F&C Asset Management Group, which in turn is wholly owned by the Bank of Montreal Group ("**BMO**"). Prior to 22 July 2014, the Manager was F&C Management Limited ("**FCM**"), a fellow subsidiary of BMO. The responsibilities and remuneration of FCIB are unchanged from those of FCM and are set out in the Business Model and Strategy, Directors' Report and note 4 on the accounts.

Net asset value (NAV) – the assets less liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 on the accounts) and UK Accounting Standards. The net assets correspond to Total Shareholders' Funds, which comprise the share capital account, share premium, capital redemption reserve and capital and revenue reserves. The Company's 11.5% debenture stock 2014 was valued in the Accounts, prior to its redemption on 31 December 2014, at par (redemption value). This Balance Sheet NAV is sometimes referred to as "NAV, debt at par". The debenture historically had a market value different from its redemption value and the NAV using the market value is described as "NAV, debt at market value". The CULS (see definition above) can convert into ordinary shares at a price which may cause the NAV per share to be "diluted" (see note 22), and this diluted NAV per share is used for certain performance statistics.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive Directors. Non-executive Directors' remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Corporate Governance Statement.

Ongoing Charges – all operating costs expected to be incurred in future and that are payable by the Company or suffered within underlying investee funds, expressed as a proportion of the average net assets of the Company over the reporting

Glossary of Terms (continued)

year (see Ten Year Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

Open-ended Fund – a collective investment scheme which issues shares or units directly to investors, and redeems directly from investors, at a price that is linked to the net asset value of the fund.

SSAE – Statement on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants.

Shareholder Rights Directive – Shareholder Rights Directive issued by the European Parliament in 2007. The Directive aims to improve corporate governance in companies throughout the EU which are traded on regulated markets by enabling shareholders to exercise their voting rights and rights to information across borders.

SORP – Statement of Recommended Practice. The accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 2 on the accounts.

Total expense ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company, calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

Total return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

Trust Deed – the trust deed between the Company and the Trustee constituting the CULS.

Trustee – The Law Debenture Trust Corporation plc.

UK Code – the principles set out in the UK Corporate Governance Code.

Notes

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