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Smallers/int/14

F&C Investments

F&C Global Smaller Companies PLC

Report and accounts
for the half-year ended **31 October 2014**

Company Summary

Objective

The investment objective of the Company is to invest in smaller companies worldwide in order to secure a high total return.

Suitable for retail distribution

F&C Global Smaller Companies PLC is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth in capital and income from investment in global markets and who understand and are willing to accept the risks, and rewards, of exposure to equities.

Alternative Investment Fund

The Company is an Alternative Investment Fund ("AIF") under the European Union's Alternative Investment Fund Managers' Directive ("AIFMD"). Its Alternative Investment Fund Manager ("AIFM") is F&C Investment Business Limited. Further disclosures required under the AIFMD can be found on the Company's website www.fandcglobalsmallers.com

Directors

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

Manager

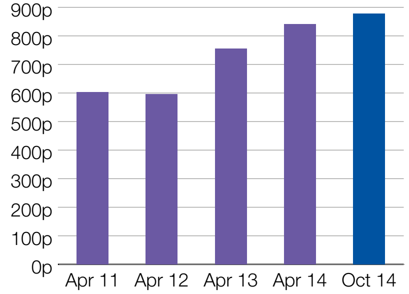
Peter Ewins
F&C Investment Business Limited

This report 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 report. Nothing should be construed as a profit forecast.

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

Financial Highlights

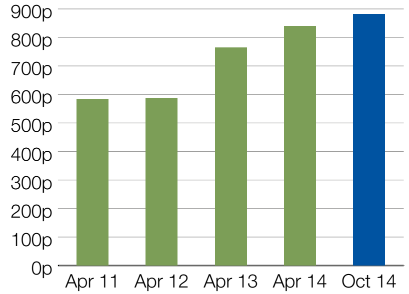
Net asset value per share with debt at nominal value – pence



Source: F&C Management Limited

Net Asset Value per share up to **877.98p** and a Total Return of **5.0%** (debt at nominal value)

Mid-market price per share – pence



Source: F&C Management Limited

Share price up **4.9%** to **881.50p** and a Total Return of **5.6%**

Interim dividend increased by 6.0% to 2.65p per share

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.

Manager's Review

In the first six months of the financial year, equity markets around the world produced a mixed performance. The 2013/14 financial year had delivered strong returns from the UK and European markets, while the Japanese and Asian stocks had lagged, but these patterns reversed in the first six months of 2014/15. Investors were un-nerved by lacklustre economic data in the Eurozone, and were drawn to more attractive valuations in the Far East, with the Japanese equity market also receiving a fillip from a weaker yen. The US dollar appreciated in the period against nearly all global currencies as the Federal Reserve moved to end quantitative easing as previously scheduled in October.

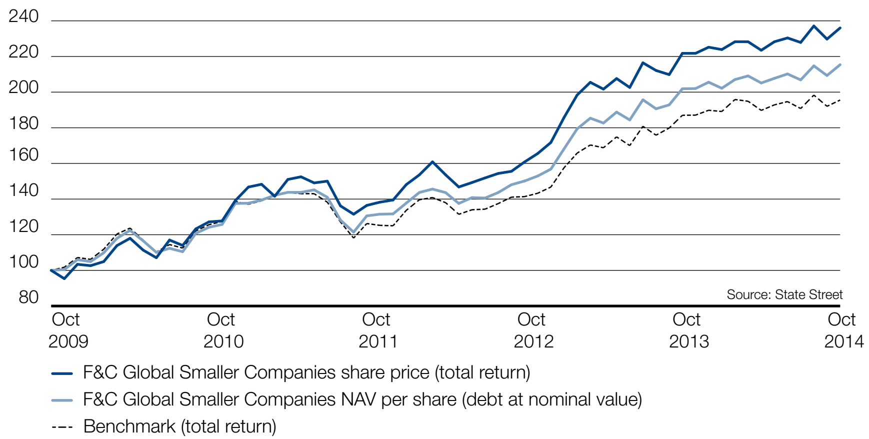
Performance

Against a backdrop of some pressure on corporate earnings particularly for European exposed companies, and heightened currency volatility, smaller company shares underperformed larger stocks during the six months in most markets. Nevertheless, solid stock selection led to further progress for your Company's investment portfolio, with the Net Asset Value ("NAV") per share delivering a total return over the six months of 5% and the share price, excluding dividend income, rose by 4.9%.

The Company's Benchmark is a blended index of the returns from the MSCI All Country World ex UK Small Cap Index (70%) and Numis UK Smaller (excluding investment companies) Index (30%). This produced a total return of 3.1% in the period.

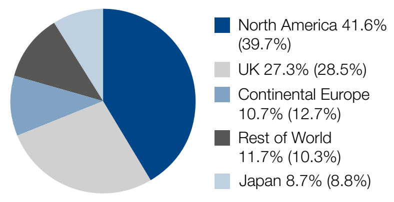
Share price and net asset value per share performance

Five years from 31 October 2009 to 31 October 2014
Rebased to 100 at 31 October 2009



Geographical distribution of the investment portfolio

at 31 October 2014



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

Convertible Unsecured Loan Stock Issue

The Company's £10m 11.5% debenture will be repaid at the end of 2014. In July, shareholders approved the issue of £40m of five year dated 3.5% Convertible Unsecured Loan Stock ("CULS") to keep in place structural gearing at a fixed and lower cost. The cash proceeds from the CULS issue were rapidly deployed into topping up holdings across our investment portfolio. The Company ended the period with effective gearing of 8.5%. The share price ended the six months at a 0.4% premium to the NAV per share including the debenture at fair value and 705,000 new shares were issued to satisfy demand from the market.

Dividends

We seek to invest in companies with the ability to grow their dividends over time and once again, income received from the portfolio benefited from this. The Board has decided to raise the interim payment by 6.0% to 2.65p. The dividend will be paid to shareholders on 30 January 2015.

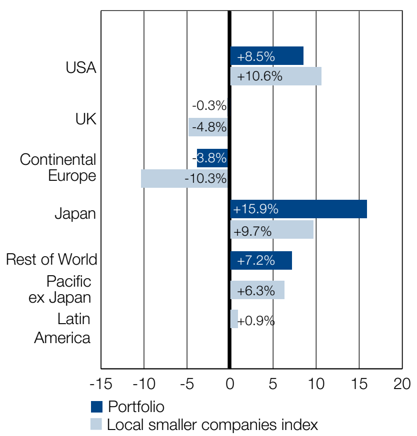
Economic background

The US economy has been expanding at a reasonable pace in 2014 after the weather induced weakness in the winter months, with good growth in the number of people in employment, improved industrial production and a stronger housing market, while consumer inflation has remained low. The same can largely be said for the UK, and in both cases, the question from here is how long it is likely to be before interest rates need to be pushed up from near zero to more normalised levels. The absence of inflationary pressures outside of certain asset classes such as real estate, remains something of a mystery given the extent of monetary stimulus applied in the last few years in both countries. However, with oil prices falling sharply in the last couple of months on the back of weaker global demand for energy and expanding supply from the US shale oilfields, it seems likely that inflation will remain low for a while, reducing the need for the authorities to rush to move rates higher.

Manager's Review (continued)

Geographical performance (total return sterling adjusted)

for the half-year ended 31 October 2014



Source: F&C Management Limited

The weakness of mainland European economies was disappointing and prompted further action from the European Central Bank ("ECB"), which moved to push interest rates even lower, and to buy asset backed securities in the financial markets. The Bank's aim is to stimulate extra bank lending into the real economy over time and avert a damaging slide towards deflation. This policy and a suspicion that further moves might be necessary, combined with the better outlook for the US, fed through into weakness for the euro. This in itself should in time help the European growth environment though there remains a need for structural reform to enhance competitiveness in a number of countries.

The Japanese economy was not surprisingly hit by the 3% rise in sales tax imposed in April and there was a contraction in GDP in Q2, but this had been anticipated by investors. More surprisingly, the Bank of Japan moved to increase the scale of its quantitative easing bond buying in October, prompting further equity market gains and yen weakness late in the period.

Elsewhere while published economic data does not necessarily show the true picture, China's growth evidently slowed. Countries such as Australia and Brazil dependent on supplying commodities to China have felt the pinch as a result, and there have been signs of stress in the Chinese banking sector requiring some intervention in recent months from the People's Bank of China. It has not all been bad news in Asia however, with the Indian election result being enthusiastically received by equity investors looking for a more reform orientated and less bureaucratic future for the country, and a number of other markets such as Thailand and Taiwan posted solid gains. In Latin America, Brazil's election, on the other hand, did not change the status quo, which was a disappointment for those investors hoping for a more pro-business administration to take control.

Portfolio performance

This has been a decent period for stock selection on the portfolio, and we beat the local small cap indices in the UK, Europe, Japan and the Rest of World, only underperforming in the US, where returns, augmented by dollar strength, were still more than respectable as shown in the table on page 4.

The best returns came from our Japanese portfolio, up 15.9% in sterling terms after taking account of the fall in the yen. Here small caps beat large caps, bucking the overall global trend, and our two fund holdings managed by M&G and Aberdeen both comfortably beat the local small cap index. We also employ funds to give exposure to the Rest of World incorporating Asia outside of Japan, Latin America and Africa, and after a disappointing performance for these markets in 2013/14, our portfolio delivered a positive return over this period as global investors became less negative on the local outlook. The two largest fund holdings concentrating on Asia, managed by Aberdeen and First State (Scottish Oriental Smaller Companies trust), both outperformed by a good margin. Returns from two other funds focusing on Brazil and Australia representing a smaller part of the Rest of World portfolio, were negative in the period, at least in part reflecting the trickier local macro-economic situation in these countries and consequential local currency weakness.

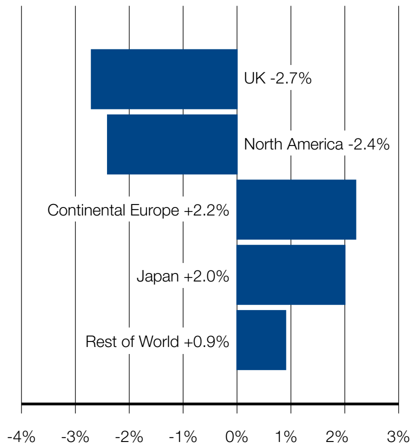
The UK and European portfolios both materially outperformed weak local small cap indices, in both cases benefiting from corporate activity. In the UK, six holdings received firm offers from peers. **Max Property**, healthcare services company **Synergy Health** and technology business **CSR**, were all the subject of offers from US based acquirers. Media content provider **Perform Group** received a bid from its major shareholder after a disappointing 2013 for the business, while **Spirit Pub Company** and **Hyder Consulting** were both approached by more than one party, leading to higher eventual agreed terms. We had held all of these stocks with the exception of CSR for some time, and were happy with their prospects on a stand-alone basis, but the premiums over the pre bid share price levels have been good enough to gain overall shareholder support.

Corporate results on the UK portfolio have generally been encouraging, especially in relation to more domestically focused stocks. We were pleased with the performance of a number of recently acquired stocks including the records management company, **Restore** and the IPOs of **Clipper Logistics**, which focuses on online business fulfilment and **OneSavings Bank**, which primarily serves the non-standard mortgage and buy to let lending markets. Disappointments are a fact of life on any equity portfolio and in the six months our energy sector investments, notably **Faroe Petroleum** and **Salamander Energy**, were hard hit by the fall in oil prices while shares in **Regenersis**, a mobile devices repairing business, fell as the company surrendered some low margin business and was hit by currency movements.

In Europe, three of our stocks were bid for. Orange agreed a takeover of Spanish telecoms business **Jazztel**, while Dutch based software provider **Exact** succumbed to a private equity bidder. **Nutreco**, the animal nutrition and fish feed business received an offer from a Dutch family business and subsequently some further interest from US based trade peer Cargill in conjunction with private equity.

Geographical weightings against benchmark

at 31 October 2014



Source: F&C Management Limited and MSCI

As in the UK though outperformance of the European portfolio was not solely due to bids, with the quality focus of the portfolio helping at a time when investors were becoming more reluctant to back the more cyclical and lower quality stocks given the weaker macro tone. Quality business franchises that performed well and reported positive results in the first half included non-life insurer **Topdanmark**, flavours and fragrances business **Symrise** and robotics business **Kuka**. Structured financial products business **Leonteq** did well as it expanded its client base and moved to strengthen its distribution capability. On the downside **Plastics Omnium** suffered in the general fall-out within cyclicals, **Tods** dropped as luxury goods lost appeal in some of the key Far Eastern markets, while **C&C** dropped as its UK and US cider businesses produced disappointing returns, prompting the company to examine the potential of bidding for Spirit Pub Company mentioned above.

On the US portfolio there were several very strong performers. **Vail Resorts** rose as its results pleased the market and the company announced the acquisition of another ski resort. **Pernix Therapeutics**, a turnaround story under new management more than doubled with the company acquiring additional drugs including a migraine treatment from GlaxoSmithKline. **Covanta**, the integrated waste management business, now our largest individual company investment, also made progress and won additional contracted business in Ireland. One of the new holdings in the period **Cinemark**, which operates a chain of cinemas in the US and through Latin America also made a positive contribution to performance, while insurer **Hallmark** did well on the back of strong underwriting results.

Among the stocks that dragged on US performance were **Conn's**, **Chefs Warehouse** and **Graftech**. Conn's credit business suffered a worse than expected amount of bad debts, Chefs Warehouse margins fell below hopes as it struggled to pass on rising meat prices to its restaurant customers. Graftech, a graphite electrode and carbon based materials producer was a new holding during the period. Sadly it had to reduce profits guidance as demand for its products failed to meet expectations especially within the steel sector. Not surprisingly, in common with the UK situation, our energy sector stocks **Rex Energy**, **Resolute Energy** and contractor **Willbros** suffered as oil prices weakened.

Asset allocation

There were no dramatic changes to the geographic skew of the portfolio in the first half. The decision to be overweight in Japan was beneficial to overall fund performance, as was being underweight to the UK. However, these gains were more than offset by the overweight stance to Europe and underweight position in relation to the US. We moved from being underweight to overweight in the Rest of the World segment. Valuations in Asia in particular looked relatively more attractive compared to the other developed markets and so we added to some of our fund holdings during the six months. Lately, we have taken some cash out of Japan after this market's rally and added a little to the UK. Domestic stocks are benefiting from the UK economic recovery, we are finding some new ideas and sterling has now fallen back from an arguably overbought position earlier in the year.

Outlook

Financial markets have been more volatile of late as US quantitative easing has ended, while geopolitical tensions remain elevated. More helpfully, the threat of rising interest rates seems to have abated a little for now, especially given the marked weakness in the oil price. We remain of the view that our investment portfolio contains many companies with the inherent ability to become much larger businesses in the future.

Peter Ewins
15 December 2014

Thirty Largest Holdings at 31 October 2014

31 Oct 2014	*30 Apr 2014*		% of total investments	Value £'000s
1	*1*	**M&G Japan Smaller Companies Fund** *Japan* Fund providing exposure to Japanese smaller companies.	4.4	21.8
2	*2*	**Aberdeen Global-Japanese Smaller Companies Fund** *Japan* Fund providing exposure to Japanese smaller companies.	4.3	21.3
3	*3*	**The Scottish Oriental Smaller Companies Trust** *Rest of World* Investment company providing exposure to Asian smaller companies.	2.9	14.2
4	*4*	**Aberdeen Global-Asian Smaller Companies Fund** *Rest of World* Investment company providing exposure to Asian smaller companies.	2.7	13.4
5	*5*	**Manulife Global Fund - Asian Smaller Cap Equity Fund** *Rest of World* Investment company providing exposure to Asian smaller companies.	2.6	13.0
6	*6*	**Utilico Emerging Markets** *Rest of World* Investment company focusing on utility and infrastructure companies in emerging markets.	1.7	8.7
7	*22*	**Covanta Holding** *United States* A waste energy company.	1.0	5.2
8	*18*	**Atlantic Tele-Network** *United States* Telecommunications holding company.	1.0	5.1
9	*13*	**Alere** *United States* Diagnostic and patient monitoring equipment.	1.0	4.9
10	*10*	**Granite Construction** *United States* Civil construction contractor.	1.0	4.9
11	*26*	**Wex** *United States* An operator of a fuel card payment network.	1.0	4.9
12	*35*	**Cinemark Holdings** *United States* An operator of suburban cinemas in the US and Latin America.	1.0	4.8
13	*47*	**Americas Car Mart** *United States* A used car dealer located in small cities or rural locations.	1.0	4.8
14	*42*	**FTI Consulting** *United States* A provider of specialty management consulting services.	1.0	4.8
15	*23*	**Vail Resorts** *United States* Operator of luxury ski resorts in the US.	1.0	4.8
16	*11*	**Mercury Systems** *United States* A manufacturer of electronics for defence applications.	0.9	4.7

31 Oct 2014	*30 Apr 2014*		% of total investments	Value £'000s
17	*17*	**Airgas** *United States* The leading distributor of packaged gases in the US.	0.9	4.7
18	*14*	**LKQ** *United States* A distributor of alternative car parts.	0.9	4.6
19	*12*	**Genesee & Wyoming "A"** *United States* Operator of short line railways.	0.9	4.6
20	*29*	**Roper Industries** *United States* An operator of niche industrial business.	0.9	4.6
21	–	**DST Systems** *United States* Software and services business focussed on the financial services and healthcare markets	0.9	4.5
22	*7*	**CLS Holdings** *United Kingdom* Property investment company mainly operating in the UK, France, Germany and Sweden.	0.9	4.5
23	*59*	**CRA International** *United States* A provider of specialty management consulting services.	0.9	4.5
24	*24*	**Alleghany** *United States* Specialist commercial insurer.	0.9	4.5
25	*34*	**Universal Truckload Services** *United States* Provides trucking and logistics related services to customers in the USA.	0.9	4.5
26	*36*	**HCC Insurance** *United States* A specialty property and casualty insurance company.	0.9	4.4
27	–	**Wellcare Health Plans** *United States* Provides managed care health plans exclusively to government sponsored programs in the US.	0.9	4.4
28	*33*	**Miscrosemi** *United States* A semiconductor company focussed on the communication, aerospace and industrial markets.	0.9	4.3
29	*71*	**Pernix Therapeutics Holdings** *United States* A speciality pharmaceutical company operating in the neurological marketplace.	0.9	4.3
30	*32*	**The Chefs' Warehouse** *United States* A distributor of fine foods to high end restaurants.	0.9	4.3

The value of the thirty largest holdings represents 41.1% (30 April 2014: 38.9%) of the Company's total investments.

Unaudited Condensed Income Statement

Notes		Half-year ended 31 October 2014			Half-year ended 31 October 2013			Year ended 30 April 2014		
		Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	Gains on investments	–	19,753	19,753	–	35,740	35,740	–	41,451	41,451
	Foreign exchange (losses)/gains	(2)	273	271	3	(323)	(320)	5	(633)	(628)
2	Income	3,503	–	3,503	3,069	–	3,069	5,876	–	5,876
3	Management and performance fees	(208)	(1,577)	(1,785)	(172)	(516)	(688)	(371)	(1,120)	(1,491)
	Other expenses	(362)	(14)	(376)	(287)	(14)	(301)	(543)	(28)	(571)
	Return before finance costs and taxation	2,931	18,435	21,366	2,613	34,887	37,500	4,967	39,670	44,637
	Finance costs	(255)	(765)	(1,020)	(145)	(434)	(579)	(288)	(862)	(1,150)
	Return on ordinary activities before taxation	2,676	17,670	20,346	2,468	34,453	36,921	4,679	38,808	43,487
	Taxation on ordinary activities	(157)	–	(157)	(78)	–	(78)	(218)	–	(218)
	Return attributable to shareholders	2,519	17,670	20,189	2,390	34,453	36,843	4,461	38,808	43,269
4	**Return per share (basic) – pence**	4.88	34.21	39.09	5.15	74.31	79.46	9.31	81.01	90.32
4	**Return per share (diluted) – pence**	n/a	33.50	38.39	n/a	n/a	n/a	n/a	n/a	n/a

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.

Unaudited Condensed Reconciliation of Movements in Shareholders' Funds

Notes	Half-year ended 31 October 2014	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2014	12,803	102,460	16,158	–	289,568	10,097	431,086
	Movements during the half-year ended 31 October 2014							
5	Dividends paid	–	–	–	–	–	(2,839)	(2,839)
	Convertible Unsecured Loan Stock ("CULS")	–	–	–	1,339	–	–	1,339
	Issue costs of equity component of CULS	–	–	–	(27)	–	–	(27)
8	Shares issued	176	5,891	–	–	–	–	6,067
	Return attributable to equity shareholders	–	–	–	–	17,670	2,519	20,189
	Balance at 31 October 2014	12,979	108,351	16,158	1,312	307,238	9,777	455,815

Notes	Half-year ended 31 October 2013	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2013	11,243	53,009	16,158	250,760	8,920	340,090
	Movements during the half-year ended 31 October 2013						
5	Dividends paid	–	–	–	–	(2,071)	(2,071)
8	Shares issued	688	21,092	–	–	–	21,780
	Return attributable to equity shareholders	–	–	–	34,453	2,390	36,843
	Balance at 31 October 2013	11,931	74,101	16,158	285,213	9,239	396,642

Notes	Year ended 30 April 2014	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2013	11,243	53,009	16,158	250,760	8,920	340,090
	Movements during the year ended 30 April 2014						
5	Dividends paid	–	–	–	–	(3,284)	(3,284)
	Shares issued	1,560	49,451	–	–	–	51,011
	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

Unaudited Condensed Balance Sheet

Notes		31 October 2014 £'000s	31 October 2014 £'000s	31 October 2013 £'000s	31 October 2013 £'000s	30 April 2014 £'000s	30 April 2014 £'000s
	Fixed assets						
	Investments		496,343		386,317		425,344
	Current assets						
	Debtors	418		1,283		3,574	
	Cash at bank and short-term deposits	9,722		20,602		16,705	
		10,140		21,885		20,279	
	Creditors: amounts falling due within one year						
	Creditors	(2,679)		(1,560)		(4,537)	
7	Debenture	(10,000)		–		(10,000)	
		(12,679)		(1,560)		(14,537)	
	Net current (liabilities)/assets		(2,539)		20,325		5,742
	Total assets less current liabilities		493,804		406,642		431,086
	Creditors: amounts falling due after more than one year						
7	Debenture		–		(10,000)		–
8	CULS		(37,989)		–		–
	Net assets		455,815		396,642		431,086
	Capital and reserves						
9	Called up share capital		12,979		11,931		12,803
	Share premium account	108,351		74,101		102,460	
	Capital redemption reserve	16,158		16,158		16,158	
	Equity component of CULS	1,312		–		–	
	Capital reserves	307,238		285,213		289,568	
	Revenue reserve	9,777		9,239		10,097	
			442,836		384,711		418,283
10	**Total shareholders' funds**		455,815		396,642		431,086
10	**Net asset value per share (basic and diluted) – pence**		877.98		831.13		841.78

Unaudited Condensed Cash Flow Statement

Notes		Half-year ended 31 October 2014 £'000s	Half-year ended 31 October 2013 £'000s	Year ended 30 April 2014 £'000s
11	Net cash inflow from operating activities	**2,491**	166	1,383
	Cash outflow from servicing of finance	**(575)**	(577)	(1,150)
	Net cash outflow from financial investment	**(52,449)**	(19,315)	(50,931)
	Equity dividends paid	**(2,839)**	(2,071)	(3,284)
	Net cash outflow before use of liquid resources and financing	**(53,372)**	(21,797)	(53,982)
	Net cash inflow from financing	**46,118**	21,949	50,544
	(Decrease)/increase in cash	**(7,254)**	152	(3,438)
	Reconciliation of net cash flow to movement in net (debt)/cash			
	(Decrease)/increase in cash and short term deposits	**(7,254)**	152	(3,438)
	Increase in CULS liability	**(37,989)**	–	–
	Foreign exchange movement	**271**	(321)	(628)
	Movement in net debt	**(44,972)**	(169)	(4,066)
	Net cash brought forward	**6,705**	10,771	10,771
	Net (debt)/cash carried forward	**(38,267)**	10,602	6,705
	Represented by:			
	Cash at bank and short term deposits	**9,722**	20,602	16,705
	Debenture	**(10,000)**	(10,000)	(10,000)
	CULS liability	**(37,989)**	–	–
		(38,267)	10,602	6,705

Unaudited Notes on the Condensed Accounts

1. Significant accounting policies

These condensed half-year financial statements for the six months to 31 October 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with the UK Accounting Standard Board's Half-yearly Financial Reports Statement. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 April 2014, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

These financial statements have been prepared on the basis of accounting policies set out in the Company's annual financial statements at 30 April 2014. In July 2014 the Company issued Convertible Unsecured Loan Stock (CULS), the accounting policies for which are set out below. The Company expects to follow these and all policies set out in the annual financial statements throughout the year to 30 April 2015.

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 is 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.

Cost 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.

Interest payable on the CULS is calculated based on an effective interest rate of 4.7% applied to the liability component of the CULS.

Interest payable and amortised costs incurred on the CULS are allocated 75% to capital reserve-arising on investments sold.

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 8.

Unaudited Notes on the Condensed Accounts (continued)

2. Income

	Half-year ended 31 October 2014 £'000s	Half-year ended 31 October 2013 £'000s	Year ended 30 April 2014 £'000s
Income from investments			
Dividends	**3,448**	2,968	5,668
Scrip dividends	**44**	76	159
	3,492	3,044	5,827
Other income			
Interest on cash and short-term deposits	**11**	25	49
Total income	**3,503**	3,069	5,876

3. Management and performance fees

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. The terms and conditions of the contract with FCIB are the same as those with FCM, as set out in detail in the annual Report and Accounts to 30 April 2014. Management fees have been allocated 75% to capital reserves in accordance with accounting policies. A performance fee of £952,000, allocated 100% to capital reserves in accordance with accounting policies, has been accrued in the period to 31 October 2014 as the Company's net asset value per share outperformed the Benchmark (half-year ended 31 October 2013: £nil and year ended 30 April 2014: £8,000).

4. Return per 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.

	Half-year ended 31 October 2014	Half-year ended 31 October 2013	Year ended 30 April 2014
Revenue return – £'000s	**2,519**	2,390	4,461
Capital return – £'000s	**17,670**	34,453	38,808
Total return – £'000s	**20,189**	36,843	43,269
Revenue return per share – pence	**4.88**	5.15	9.31
Capital return per share – pence	**34.21**	74.31	81.01
Total return per share – pence	**39.09**	79.46	90.32
Weighted average number of ordinary shares in issue during the period	**51,654,331**	46,365,005	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.

	Half-year ended 31 October 2014	Half-year ended 31 October 2013	Year ended 30 April 2014
Revenue return – £'000s	**n/a**	n/a	n/a
Capital return – £'000s	**18,004**	n/a	n/a
Total return – £'000s	**20,634**	n/a	n/a
Revenue return per share – pence	**n/a**	n/a	n/a
Capital return per share – pence	**33.50**	n/a	n/a
Total return per share – pence	**38.39**	n/a	n/a
Weighted average number of ordinary shares in issue during the period	**53,744,425**	n/a	n/a

4. Return per share (continued)

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, assuming the CULS were converted on the date of issue. 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 earnings per share. Once dilution has been determined, individual revenue and capital earnings are calculated.

5. Dividends

Dividends on ordinary shares	Register date	Payment date	**Half-year ended 31 October 2014 £'000s**	Half-year ended 31 October 2013 £'000s	Year ended 30 April 2014 £'000s
Final for the year ended 30 April 2014 of 5.50p	18 Jul 2014	15 Aug 2014	**2,839**	–	–
Interim for the year ended 30 April 2014 of 2.50p	3 Jan 2014	31 Jan 2014	**–**	–	1,213
Final for the year ended 30 April 2013 of 4.50p	19 Jul 2013	16 Aug 2013	**–**	2,071	2,071
			2,839	2,071	3,284

The Directors have declared an interim dividend in respect of the year ending 30 April 2015 of 2.65p per share, payable on 30 January 2015 to all shareholders on the register at close of business on 5 January 2015. The amount of this dividend will be £1,383,000 based on 52,203,102 shares in issue at 12 December 2014. This amount has not been accrued in the results for the half-year ended 31 October 2014.

6. 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 period:				
Purchases at cost	115,020	–	–	115,020
Sales proceeds	(63,774)	–	–	(63,774)
Gains on investments sold in period	15,517	–	–	15,517
Gains/(losses) on investments held at period end	4,347	–	(111)	4,236
Valuation of investments held at 31 October 2014	**493,534**	**–**	**2,809**	**496,343**

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 31 October 2014	389,581	–	1,570	391,151
Gains at 31 October 2014	103,953	–	1,239	105,192
Valuation at 31 October 2014	**493,534**	**–**	**2,809**	**496,343**

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

7. Debenture

	31 October 2014 £'000s	31 October 2013 £'000s	30 April 2014 £'000s
11.5% debenture stock 2014	**10,000**	10,000	10,000

The debenture stock is secured by floating charges against the assets of the Company and is stated at nominal value. It is redeemable at par on 31 December 2014. The market value of the debenture at 31 October 2014, which was based on a comparable UK gilt, was £10,166,000 (31 October 2013: £10,694,000 and 30 April 2014: £10,655,000).

8. Convertible Unsecured Loan Stock ("CULS")

	31 October 2014 £'000s	31 October 2013 £'000s	30 April 2014 £'000s
Issue of 3.5% CULS	40,000	–	–
Issue costs of CULS	(768)	–	–
Transfer to equity component of CULS	(1,339)	–	–
Finance costs	96	–	–
Balance carried forward	**37,989**	–	–

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 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. 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.

The market price of the CULS on 31 October 2014 was 107p per 100p nominal. The CULS are unsecured and are subordinate to all other creditors of the Company.

9. Called up share capital

Equity share capital	Issued and fully paid Number	£'000s
Ordinary shares of 25p each		
Balance at 30 April 2014	51,211,102	12,803
Issue of new shares	705,000	176
Balance at 31 October 2014	**51,916,102**	**12,979**

During the half-year ended 31 October 2014 705,000 ordinary shares were issued for net proceeds of £6,049,000. There were no shares purchased for cancellation.

Since the period end a further 287,000 ordinary shares have been issued, raising additional capital of £2,570,000.

10. Net asset value per ordinary share (basic and diluted)

	31 October 2014	31 October 2013	30 April 2014
Net asset value per share (with debenture at nominal value) – pence	877.98	831.13	841.78
Net assets attributable at the period end – £'000s	455,815	396,642	431,086
Number of ordinary shares in issue at the period end	51,916,102	47,723,102	51,211,102

The net asset value per share at 31 October 2014 with the debenture at market value was 877.66p (31 October 2013: 829.68p and 30 April 2014: 840.50p).

Convertible financial instruments are deemed to be 'in the money' if the cum income net asset value ("NAV") exceeds the conversion price of 977.6970p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 31 October 2014 the cum income NAV was 877.98p (31 October 2013 and 30 April 2014 – not applicable) and thus there is no dilution.

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

	Half-year ended 31 October 2014 £'000s	Half-year ended 31 October 2013 £'000s	Year ended 30 April 2014 £'000s
Total return before finance costs and taxation	21,366	37,500	44,637
Adjust for returns from non-operating activities			
Gains on investments	(19,753)	(35,740)	(41,451)
Foreign exchange (gains)/losses	(271)	320	628
Non-operating expenses of a capital nature	14	14	28
Return from operating activities	**1,356**	2,094	3,842
Adjust for non cash flow items			
Decrease/(increase) in prepayments and accrued income	474	(38)	(382)
Increase/(decrease) in creditors	906	(1,738)	(1,696)
Scrip dividends	(44)	(72)	(159)
Overseas taxation	(201)	(80)	(222)
Net cash inflow from operating activities	**2,491**	166	1,383

12. Results

The results for the half-year ended 31 October 2014 and 31 October 2013, which are unaudited and which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 April 2014; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 April 2014 are an extract from those accounts.

By order of the Board
F&C Investment Business Limited, Secretary
Exchange House
Primrose Street
London EC2A 2NY
15 December 2014

Directors' Statement of Principal Risks and Uncertainties

Most of the Company's principal risks and uncertainties are market related and no different from those of other investment trusts investing primarily in listed equities. The Board analyses these under three main categories: the security of assets; investment performance; and the deviation of the share price from the underlying net asset value per share. These risks are described in more detail under the heading "Principal risks and uncertainties and risk management" within the strategic report in the Company's annual report for the year ended 30 April 2014. They have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

Statement of Directors' Responsibilities in Respect of the Half-Yearly Financial Report

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

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the development and performance of the Company and important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the principal risks and uncertainties for the remainder of the financial year;
- the half-yearly report includes details on related party transactions that have taken place in the first six months of the financial year; and
- 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 objective and policy for the foreseeable future. Accordingly, the accounts continue to be drawn up on the basis that the Company is a going concern.

On behalf of the Board
Anthony Townsend
Chairman
15 December 2014

How to Invest

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

F&C Private Investor Plan ("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 Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £15,000 for the 2014/15 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum topups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ("CTF")
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £4,000 for birthdays in the 2014/15 tax year.

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

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 £4,000 for the 2014/15 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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

Annual account charge

ISA: £60+VAT

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 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***
Email: **info@fandc.com**
Investing online: **www.fandc.com**

*8:30 am – 5:30 pm, weekdays
Calls may be recorded.

Existing Plan Holders:
Contact our Investor Services Team
Call: **0845 600 3030****
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

**9:00 am – 5:00 pm, weekdays.
Calls may be recorded.

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

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape.

Please call 0845 600 3030.**

BMO A part of BMO Financial Group

F&C Investments CLIENTS FIRST RESPECT ACCOUNTABILITY INNOVATION

F&C Management Limited is authorised and regulated by the Financial Conduct Authority FRN: 119230 and is a member of the F&C Group. The ultimate parent company of the F&C Group is the Bank of Montreal.

Management and Advisers

The management company

The Company's manager, since 22 July 2014, is F&C Investment Business Limited. Prior to this, the manager was F&C Management Limited. Both companies are wholly owned subsidiaries of F&C Asset Management plc, a subsidiary of BMO Financial Group.

The Manager is authorised and regulated in the UK by the Financial Conduct Authority. It is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

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

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: Carries out the company secretarial duties of the Company on behalf of the Manager. She joined F&C in 2005.

Secretary and registered office

F&C Investment Business Limited, Exchange House, Primrose Street, London EC2A 2NY
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, 7 More London Riverside, London SE1 2RT

Bankers

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

Custodian

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

Depositary

JP Morgan Europe Limited,
25 Bank Street, Canary Wharf
London E14 5JP

Registrars

Computershare Investor Services PLC,
The Pavilions, Bridgwater Road,
Bristol BS99 6ZZ
Telephone: 0870 889 4088

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

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

Stockbrokers

Oriel Securities, 150 Cheapside, London EC2V 6ET

Warning to shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from www.fca.org.uk to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ('FCA') on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at **www.fca.org.uk/scams** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.