



F&C US Smaller Companies PLC
Report and Accounts
2009

Objective

The objective of
F&C US Smaller Companies PLC
is to achieve long-term capital growth
by investing in a diversified portfolio
of quoted US smaller and
medium sized companies.

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

Visit the website at www.fandcusmallers.com

Registered in England and Wales with company registration number 02781968.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Financial Highlights

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Summary of results

Attributable to equity shareholders	30 June 2009	30 June 2008	% Change
Net assets	£60.61m	£55.98m	8.3
Net assets per share	292.69p	269.32p	8.7
Russell 2000 Index (sterling adjusted)	308.64	346.54	-10.9
Share price	253.50p	245.50p	3.3
Increase in net asset value per share since inception on 8 March 1993			203.1
Increase since 8 March 1993 in the Russell 2000 Index (sterling adjusted)			95.7

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Financial calendar

Annual general meeting	18 November 2009
Half-yearly results for 2010 announced	February 2010
Final results for 2010 announced	September 2010

Chairman's Statement



Gordon Grender Chairman

Dear Shareholders

I am pleased to report good results for the twelve months to 30 June 2009, notwithstanding that it was another difficult year for the US equity market. The net asset value ("NAV") per share of the Company rose 8.7% to 292.69p. This compared to a fall of 10.9% in our benchmark, the sterling-adjusted Russell 2000 Index and 13.2% in the sterling-adjusted Standard & Poor's Composite Index.

Market review

During the year under review the Russell 2000 dropped 26.3% in dollar terms while the major US equity indices also declined: the Standard & Poor's Composite Index fell 28.2% and the technology-orientated NASDAQ Composite Index lost 20.0%.

Sterling investors benefited from a rebound in the US dollar over the year, although the dollar's rally versus sterling partially reversed in the second half of the year. The Company's investments are denominated in dollars but are valued in the portfolio in sterling. The 20.9% rise in the dollar against sterling this year meant that shareholders experienced gains instead of losses. The dollar's rise reflected, on the one hand, its safe haven status and a sharp fall in commodity prices, and, on the other hand, concerns about the impact of the financial crisis particularly on the UK economy. Later in spring, the stresses in the credit markets eased and commodity prices began to recover, with the result that the dollar lost ground.

After the failure of Lehman Brothers last September, the US stock market suffered a very painful sell-off, lasting about two months. In that time the Russell 2000 Index lost around half its value. Shares bounced but again plunged to new lows in March as the reality of the depth of the US recession further undermined

confidence. The market then began to recover as the financial system responded to the support applied by central banks and hopes grew that the decline in economic activity might abate.

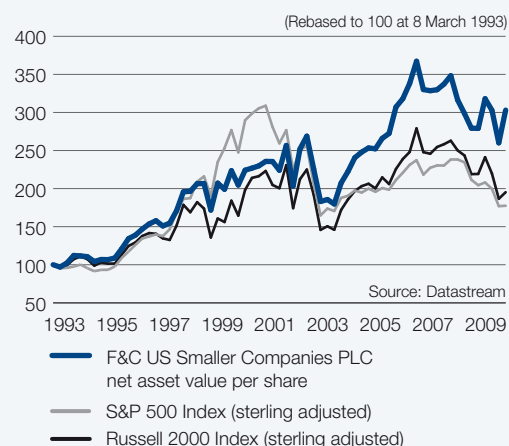
The dominant features of the market in the first half of the period were the bursting of the bubble in energy-related shares and the collapse in shares of companies perceived to have any significant financial risk. Subsequently, both groups staged a recovery. The best performing sectors in the Russell 2000 were defensive ones, such as utilities and consumer staples, and technology. The laggards were energy (which fell more than 50%, even after a partial recovery), financial services and producer durables.

The Company's disciplined investment approach paid off this year. The sell-off in the market presented new investment opportunities and the fund manager took advantage of these.

Discount and buybacks

The price of the shares rose by 3.3% to 253.5p over the year. The discount to NAV per share widened during the year from 8.8% to 13.4% and at 28 September 2009 was 13.4%. The average discount during the year was 12.9%. Although the average discount was somewhat wider than the Board's long-term target of around 10%, market conditions were extraordinary and it was more difficult to justify repurchase when the underlying NAV per share was extremely volatile from day to day.

Net asset value per share performance since launch



Nevertheless, the Company bought back some of its own shares during the year. There were purchases of 79,500 shares at an average discount of 13.0%.

The Board will continue to apply its policy of buying back shares at appropriate times with a view to limiting the discount in the longer term to around 10%.

Foreign currency hedging policy and gearing policy

It is worth reiterating the Board's policy in relation to hedging and gearing. Although the Board has the authority to hedge out the £/\$ risk for a sterling based investor, it does not routinely do so and the portfolio is not currently hedged.

The Company is not currently geared although the Board does have the authority to apply gearing. The Board takes the view that the asset class in which it invests is sufficiently risky that it does not wish to compound this by adding additional risk by borrowing. The Board believes that most of the Company's shareholders are conservative long-term investors and that this policy suits their needs.

Annual general meeting

The annual general meeting ("AGM") will be held at 12.30 p.m. on Wednesday 18 November 2009 and I hope that you will attend. The meeting will be held in the offices of F&C Management Limited at Exchange House, Primrose Street, London EC2A 2NY. A map showing the location is included in the Notice of Annual General Meeting on page 47.

F&C savings plans proportional voting

In 2008, F&C modified the arrangements for voting by its savings plans at shareholder meetings. At last year's AGM, the nominee company, which holds the Company's shares on behalf of these investors, voted all the planholders' shares, whether or not they actually voted. In particular, where planholders had not voted, these shares were voted in the same proportion as

those who did vote. The savings plans currently hold approximately 19% of the Company's share capital. This arrangement will apply again at the Company's AGM, but with two modifications, which are in line with the practice for other F&C investment trusts: firstly, at least 5% of the shares held in the savings plans must actually vote before the arrangement can be applied; secondly, when the voting proportion is calculated, the votes of any one individual cannot exceed 9,800 shares, being approximately 0.25% of shares in the savings plans (in other words 5% of the threshold just mentioned). Any shares voted by an investor in excess of that limit will remain valid, but will not form part of the proportional voting assessment. Finally, as last year, any investor wishing to exclude their shares from the proportional voting basis may do so.

Prospects

The US smaller company sector proved to be an exciting one in which to invest this year and I expect it will continue so in the future. The market has staged an impressive recovery from its lows in March but the US, in common with other developed economies, faces many obstacles before it returns to the path of sustainable growth; however, given the vitality of its people, its wealth of resources and well-developed manufacturing sector it is likely to recover first and stands to benefit from expansion in Asia. The enormous growth of government borrowing suggests that inflationary risks are probably higher than they have been for a generation. It is worth recalling that in the 1970s, the last time inflation became a serious problem, smaller companies experienced one of their strongest periods of performance.



Gordon Grender
Chairman
30 September 2009

Manager's Review

It was an extraordinary year for investing in the US stock market, with a severe sell-off last autumn followed by enormous volatility in individual share prices. Market sentiment fluctuated wildly in the face of the potential melt-down of the financial system. These should be ideal conditions for a stock-picker to add value. In addition the market's fall presented us with new opportunities, especially in the area of energy-related stocks. Some of our holdings with higher levels of debt suffered badly and we sold a number of them when they rebounded in the second half, especially consumer stocks and small business lenders. The portfolio was repositioned in the year towards energy and manufacturing and away from the consumer. In the last months, we became more cautious and added to the insurance sector and increased cash.

Performance

Performance was well above the benchmark: NAV per share performance was 19.6% better. As mentioned above, conditions were ideal for a stock-picker as we traded more actively to take advantage of volatile share prices, we benefited from five takeovers and we were able to capitalise on the sell-off in energy. Stock selection was good in energy, consumer discretionary, producer durables and technology.

Twenty five holdings each contributed 0.5% or more to the out-performance achieved versus the benchmark (in comparison, only ten contributed a negative 0.5% or more). Amongst those out-performers, five were as a result of takeovers: Centennial Communications (a communications service company with operations in Puerto Rico and US suburbs) received a bid from AT&T at a substantial premium; Foundation Coal Holdings (a mining company) agreed to a bid from Alpha Natural Resources; Longs Drug Stores (a Californian retail chain) was acquired by CVS; Cherokee International was bought by Lineage Power, a private-equity controlled power supply producer; and Intervoice (a provider of interactive voice response systems) was acquired by Convergys (a relationship management company).

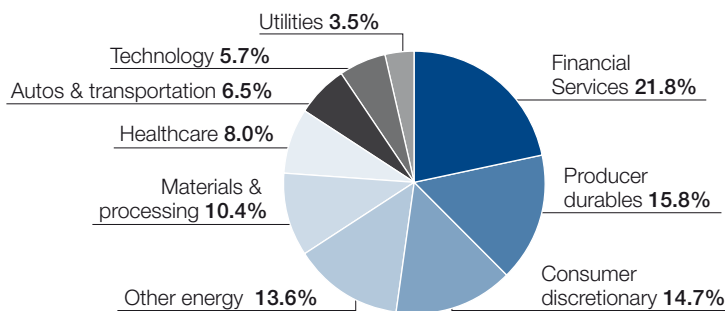
The five largest contributors to performance were Centennial Communications (a takeover), Career Education, Big 5 Sporting Goods, Beacon Roofing

Supply and Crawford & Co. Career Education, based in Hoffman Estates, Illinois, is a provider of post secondary education. This sector suffered a collapse in 2004 when it was hit by a series of scandals, growth stopped and profitability collapsed. We bought the shares last year as a turnaround when new management were appointed: their efforts are now beginning to pay off and profits are recovering. Big 5 Sporting Goods is a retail chain based in El Segundo, California. We owned it because of the insensitivity of sporting goods to the economy and the company's free cash flow generation. However, California was particularly hard hit by the housing slump and the shares suffered last year. This stock featured as one of the worst contributors last year and our faith in management paid off when the shares rallied on good cost control and improving sales trends. Beacon Roofing Supply, based in Peabody, Massachusetts, is a regional distributor of roofing products. We bought the shares three years ago as a housing recovery stock given the company's high proportion of replacement sales but this year the stock advanced strongly as high oil prices fed into inflation in roofing products (which are made from asphalt) boosting the profitability of this distributor. We sold the position. Crawford & Co is an insurance claims adjuster based in Atlanta Georgia, which we bought as a turnaround in 2007 and this is the second time in a row that it has been a top contributor.

Other areas where stocks made strong contributions included consumer (Aaron's, America's Car-Mart, Conn's and Jarden), energy-related (Bucyrus International and McDermott International), insurance (AMERIGROUP, Brown & Brown and HCC Insurance Holdings), and housing-related (Simpson Manufacturing and Toll Brothers).

On the negative side, the worst contributions to performance came from ATP Oil & Gas, Caraustar Industries, Actuant, American Capital and Cousins Properties. ATP Oil & Gas is an offshore oil and gas acquisition and development company based in Houston, Texas. Its plans to develop fields in the deep shelf of the Gulf of Mexico and North Sea were thrown off course by the credit crisis, its high level of debt and falling energy prices. The company was forced to sell assets, reducing the potential upside

Industrial classification of the investment portfolio as at 30 June 2009



Source: F&C Management Limited

and we sold. Carastar Industries is the leading manufacturer of uncoated recycled board, based in Austell, Georgia, which we bought because of the opportunity to rationalize industry capacity, as had already occurred in the coated board sector. This did not work as the company was forced to make repeated rounds of cost cuts as conditions spiralled down and was hamstrung by the need to refinance debt this year. The investment was a disaster, we sold, and the company subsequently went into Chapter 11. Actuant is a niche manufacturer of industrial components, such as hydraulics, based in Butler, Wisconsin, with a good record of acquiring and improving businesses. The shares were hit by the severity of the recession (especially where it affected for example car or recreational vehicle markets) and its previously manageable levels of debt became a problem. The shares are depressed but we believe that management is exceptional and we have added to the holding. American Capital is based in Bethesda, Maryland, and is a leading mezzanine lender. Its shares collapsed when its ability to borrow was undermined by the credit crunch. Credit losses continued to worsen and we sold. Although this holding suffered a substantial capital loss, we received a similar amount in dividends since its purchase. Finally, Cousins Properties, the Atlanta-based property development real estate investment trust, was affected by the recession and cut its dividend. The company has a long record of investing astutely and then selling

properties at the top of the market, and its land bank around Atlanta should stand it in good stead, so we have added to the holding.

Portfolio review

We responded to the bursting of the bubble in energy by adding to energy-related shares beginning late last autumn; we also took advantage of the market weakness to buy metals-related shares, given depressed commodity prices in this area. We have taken the view that US consumers will be chastened in their spending habits for the foreseeable future, hence we are favouring manufacturers and have bought new holdings in producer durables. The new Administration's goal of broadening healthcare coverage will, we believe, weigh heavily on the sector, and we are underweight. Finally we became more defensive as the market rallied; we added to insurance holdings.

Following the fall in energy prices last year, we became much more positive on the sector. This is subject to long-term cycles in capital spending and after 20 years of underinvestment until earlier this decade, the industry lacks sufficient supply to satisfy future market demands. This means that energy prices are likely to rise. We bought nine new positions in the following areas: exploration and production, energy service, coal, solar power and electric utility construction services. Examples of these are Continental Resources (which has the leading position in the biggest US unconventional oil play), Helmerich & Payne (a premium land driller), Foundation Coal (which has now been taken over) and GT Solar (a supplier of wafer manufacturing equipment). We have taken profits in the sector already and sold GT Solar having made a quick return.

We bought four metals-related stocks: not only were metal-prices depressed but steel manufacturers' utilisation rates had fallen to around 50% in the US, with considerable potential for recovery. We bought metallurgical coal producer, Walter Energy, steel mill services provider, Harsco, specialized alloy manufacturer, Allegheny Technologies and advanced materials producer, Brush Engineered, the leading US beryllium supplier.

We sold seven consumer stocks (not including Longs, which was bid for), in the belief that the

Manager's Review (continued)

outlook for consumer spending will be anaemic at best. A repeat of the run-up in house prices which began in the early 90s is unlikely. This will depress consumers' sense of well-being and limit spending sprees based on home-equity financing. We sold Aaron's (previously Aaron Rents) which had done well as this rent-to-own retailer benefited from trading down by consumers. We also sold Lamar Advertising, a billboard advertiser. Its shares bounced as worries about its levels of debt eased. Its business, however, has proved to be more cyclical than expected and future growth opportunities are more limited so we sold, given our view that the shares were fairly valued. We also disposed of Fred's, Jarden and Cox Radio into strength but sold Dollar Thrifty and MarineMax, which were unsuccessful.

Unlike the consumer area, there are several areas within manufacturing that offer good prospects, for example, commercial and nuclear power, defence and infrastructure as well as manufacturers who may benefit directly or indirectly from growth in Asia. We bought CommScope, a manufacturer of cables whose shares were hit by the recession: this is a well run company which will benefit from investment in communication and in Asia. We also bought GATX, a rail truck lessor: the business generates strong cash flow and we were able to buy the shares close to book value. Other new purchases were Astec Industries and Curtiss-Wright.

We have retained our position in agriculture-related stocks, such as The Andersons (diversified agri-business) and Sanderson Farms (chickens) but have taken profits this year as the shares recovered.

We remain underweight in healthcare on the belief that if the new Administration succeeds in expanding coverage, this will have to be paid for by curtailing existing Medicare payments to healthcare providers. The Administration's focus on the environment and energy efficiency prompted us to buy the government IT consultant ICF International, which focuses on this area.

In financials we sold unsuccessful investments in mezzanine finance. These business lenders provide the unsecured debt typically required in a management buy-out in order to achieve the degree of leverage that is needed. Although losses are higher than in bank lending, the lenders leverage is

much lower than that of banks. Despite their lower leverage, these lenders' ability to borrow was called into question by the credit crunch. In addition credit losses grew. We added to the shares at low levels but when they bounced in spring, we sold them. In one case, the holding was small and there was limited upside (Apollo Investments) and, in another, losses were worsening and the risks multiplying (American Capital). We added and held on to CapitalSource (which lends on a secured basis) because of the quality of their management and the steps they had taken to shore up their balance sheet.

As the market rally progressed we became more cautious and so we added to our holdings in insurance and bought two new ones: WR Berkley and Markel. Both are disciplined underwriters operating in niche lines and we were able to buy the shares close to book value. These stocks particularly suit our investment style: by avoiding underwriting losses, the companies are able to grow book value consistently, which offers us reasonable returns with limited risk.

Outlook

It is likely to be a tough road to recovery for the US economy and when it comes, the recovery will probably look different from recent ones. In particular, we do not expect consumer spending to grow as rapidly as in the past. Fortunately, the US has a vital manufacturing sector (despite headlines about its domestic car manufacturers) and a large resource base. We are taking a slightly more cautious approach, given that equities have already recovered in part, with a higher level of cash and greater commitment to insurance stocks while retaining a heavy weighting to energy and manufacturing.

We shall continue to apply the Company's risk averse investment approach, which has provided shareholders with good long-term returns.

Robert Siddles
F&C Management Limited
30 September 2009

Twenty Largest Equity Holdings

30 June 2009	30 June 2008	Company Description	Stock Exchange	% of total investments	Value 30 June 2009 £'000s	Value 30 June 2008 £'000s
1	-	Atlantic Tele-Network A holding company for communication service businesses in the USA, Caribbean and Guyana. Management focuses on making acquisitions at attractive prices and maintains a conservative balance sheet.	NASDAQ	2.1%	1,197	-
2	34	Career Education A provider of post secondary education in North America. New management aims to turn the business around following problems earlier this decade.	NASDAQ	2.0%	1,187	830
3	6	Amedisys Amedisys is a leading provider of home nursing services. The company exploits its superior efficiency (based on scale and investment in IT) to gain share in a fragmented industry. It uses its free cash flow to supplement growth with acquisitions.	NASDAQ	2.0%	1,159	1,097
4	47	CapitalSource The company lends to small and medium-sized businesses. Management are experienced in this sector and have been imaginative in obtaining new sources of financing during the credit crisis.	NYSE	1.9%	1,125	701
5	10	SBA Communications SBA Communications owns and leases wireless communication towers. The industry is appealing because of high barriers to entry, recurring cash flow and increasing demand for wireless. The company should benefit from rapidly rising free cash flow and a successful acquisition strategy.	NASDAQ	1.9%	1,098	1,051
6	-	GATX GATX is a specialised lender whose main business is rail truck leasing. This is attractive because of the strong cash flow which it generates.	NYSE	1.8%	1,079	-
7	11	Alleghany Alleghany is a specialist commercial insurer that operates in several niche lines. The company has a long history of astute investments: the Kirby family still hold a substantial stake – Fred Kirby was a co-founder of Woolworth in the 19th century – and brought in outside management recently to focus on insurance.	NYSE	1.8%	1,076	985
8	-	Markel Markel is a specialist commercial underwriter which focuses on niche markets. It has a strong underwriting record and is unusual in committing a significant proportion of its investment portfolio to equities.	NYSE	1.8%	1,061	-
9	21	Conn's Conn's is a retailer of home appliances and consumer electronic goods based in Texas. It has the industry's best margins and most consistent same store sales growth. The success is based on its approach of combining a high level of service with heavy use of credit.	NASDAQ	1.8%	1,032	915
10	2	America's Car-Mart America's Car-Mart is a leading "buy here, pay here" used car dealer. Its emphasis on service and its ability to offer financing are its edge. It is benefiting from trading down by consumers. Insiders own around 20% of the company.	NASDAQ	1.8%	1,025	1,396

Twenty Largest Equity Holdings (continued)

30 June 2009	30 June 2008	Company Description	Stock Exchange	% of total investments	Value 30 June 2009 £'000s	Value 30 June 2008 £'000s
11	19	Roper Industries Roper is a diversified industrial company that provides engineered products and services to global niche markets, including water, energy, radio frequency and research/medical applications.	NYSE	1.7%	997	925
12	31	HCC Insurance Holdings HCC Insurance is a specialised property and casualty insurer that operates in niche markets. It has a good underwriting record and management use its strong cash flow to invest in new niches which have recovery potential.	NYSE	1.7%	995	867
13	-	Service Corporation International The company operates funeral homes, cemeteries and crematoria as well as selling prearranged funeral services. The business generates strong cash flow but has been depressed by the impact of low birth rates during the Great Depression, the impact of which should ameliorate over time.	NYSE	1.7%	990	-
14	4	Universal Truckload Services Universal Truckload Services is a transportation services company that operates a network of sales agents and owner-operators. It uses its strong cash flow to grow by acquisition. Management ownership is very high.	NASDAQ	1.7%	979	1,138
15	9	Prestige Brands Prestige Brands markets niche household and healthcare products. It out-sources manufacturing and this approach means free cash flow is strong. New management plan to boost growth.	NYSE	1.7%	976	1,088
16	-	Brush Engineered Materials The company produces high-performance engineered materials. In the case of beryllium, an ultra lightweight metal, it is the only integrated producer in the US. It has been able to exploit its know-how to diversify into other niche advanced materials.	NYSE	1.7%	973	-
17	44	Bottomline Technologies The company provides software that automates electronic payments for companies, especially in areas such as accounts payable. After struggling to leverage its costs, sales growth is now leading to improved profitability.	NASDAQ	1.7%	971	740
18	60	Cardinal Financial A bank based in the suburbs of Washington, DC, one of the country's wealthiest regions. It has experienced a very low level of losses because of its strong credit culture and community bank focus. There is plenty of scope to expand profitability.	NASDAQ	1.7%	970	524
19	-	Kirby Kirby is the leading operator of inland tank barges, which carry liquid chemicals, petroleum products, black oil and agricultural chemicals. Growth of new supply tends to be modest, which helps pricing. The company uses its cash flow to acquire existing fleets of barges.	NYSE	1.7%	966	-
20	-	WR Berkley This is a specialist property casualty insurer with a strong underwriting record. The founder, Bill Berkley, owns 15% of the company.	NYSE	1.6%	962	-

The value of the twenty largest equity holdings represents £20.8 million (2008: £21.3 million) and 35.8% (2008: 39.2%) of the Company's total investments.

List of Investments

30 June 2009				30 June 2009			
United States	Stock		Value	United States	Stock		Value
Listed investments	Exchange	Holding	£'000s	Listed investments	Exchange	Holding	£'000s
AUTOS & TRANSPORTATION				MATERIALS & PROCESSING			
Genesee & Wyoming "A"	NYSE	58,244	935	Airgas	NYSE	35,171	864
Horizon Lines	NYSE	389,083	912	Allegheny Technologies	NYSE	38,323	812
Kirby	NYSE	50,060	966	Brush Engineered Materials	NYSE	95,961	973
Universal Truckload Services	NASDAQ	103,042	979	McDermott International	NYSE	71,371	878
			3,792	Sanderson Farms	NASDAQ	27,975	764
				Simpson Manufacturing	NYSE	64,919	852
				The Andersons	NASDAQ	49,412	898
							6,041
CONSUMER DISCRETIONARY				OTHER ENERGY			
America's Car-Mart	NASDAQ	82,316	1,025	Continental Resources	NYSE	55,955	941
Big 5 Sporting Goods	NASDAQ	133,233	895	Denbury Resources	NYSE	85,226	761
Career Education	NASDAQ	78,530	1,187	FMC Technologies	NYSE	28,075	641
Conn's	NASDAQ	135,973	1,032	Foster Wheeler	NASDAQ	62,240	897
CRA International	NASDAQ	56,199	947	Foundation Coal Holdings	NYSE	50,497	862
ICF International	NASDAQ	55,117	923	Global Industries	NASDAQ	205,166	705
Mac-Gray	NYSE	102,599	824	GT Solar International	NASDAQ	176,710	572
Mohawk Industries	NYSE	34,484	746	Helmerich & Payne	NYSE	41,454	776
Service Corporation International	NYSE	298,649	990	Pride International	NYSE	58,166	883
			8,569	Walter Energy	NYSE	40,450	890
							7,928
FINANCIAL SERVICES				PRODUCER DURABLES			
Alleghany	NYSE	6,578	1,076	ACCO Brands	NYSE	414,770	710
American Equity Investment Life Holding	NYSE	263,821	894	Actuant "A"	NYSE	114,992	852
Brown & Brown	NYSE	78,365	946	Astec Industries	NASDAQ	48,499	874
CapitalSource	NYSE	379,820	1,125	Baldor Electric	NYSE	61,455	887
Cardinal Financial	NASDAQ	203,935	970	Bucyrus International	NASDAQ	55,456	961
Cousins Properties	NYSE	159,222	821	CommScope	NYSE	60,273	959
Crawford & Company "B"	NYSE	306,688	894	Curtiss-Wright	NYSE	49,061	886
FirstCity Financial	NASDAQ	146,477	392	Harsco	NYSE	55,984	960
GATX	NYSE	69,219	1,079	Roper Industries	NYSE	36,282	997
HCC Insurance Holdings	NYSE	68,330	995	SBA Communications	NASDAQ	73,774	1,098
Infinity Property & Casualty	NASDAQ	36,752	814				9,184
Markel	NYSE	6,237	1,061				
United Community Banks	NASDAQ	165,818	603				
WR Berkley	NYSE	73,996	962				
			12,632	TECHNOLOGY			
				ACI Worldwide	NASDAQ	94,014	797
				Avocent	NASDAQ	83,034	703
				Bottomline Technologies	NASDAQ	177,454	971
				SRA International "A"	NYSE	76,832	818
							3,289
HEALTHCARE				UTILITIES			
Amedisys	NASDAQ	57,792	1,159	Atlantic Tele-Network	NASDAQ	50,170	1,197
Community Health Systems	NYSE	58,800	901	Premiere Global Services	NYSE	128,609	848
Five Star Quality Care	AMEX	553,743	639				2,045
Harvard Bioscience	NASDAQ	396,376	946				
Prestige Brands	NYSE	261,478	976				
			4,621	TOTAL INVESTMENTS			
							58,101

The number of companies in the portfolio is 65 (2008: 67).
There are no convertible securities in the portfolio.

Management and Advisers

The management company

F&C US Smaller Companies PLC ("the Company") is managed by F&C Management Limited ("F&C" or the "Manager"), a wholly owned subsidiary of F&C Asset Management plc. The Manager is authorised and regulated by the Financial Services Authority. F&C is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

Robert Siddles

Fund Manager and Head of US Smaller Companies, responsible for the overall portfolio management and investment performance of the Company since 2001. He has 23 years of experience as a US equity fund manager.

Mike Woodward

Head of investment trusts at F&C and responsible for F&C's relationship with the Company. He joined F&C in 2006.

Debbie Fish

Carries out the company secretarial duties of the Company on behalf of the Manager. She joined F&C in 2004.

Secretary and registered office

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Directors

Gordon Grender Chairman

A Director of the Company since its inception in 1993, he became Chairman in October 1998. He has been actively involved in fund management in North American stock markets since 1974. He has been the investment adviser to GAM North American Growth Fund since its inception in 1985 and is a director of GAM International Management Limited. Age 65.

Norman Bachop Senior Independent Director

Appointed to the Board in February 1999, and as Senior Independent Director on 14 June 2007. He was with Mercury Asset Management PLC and its predecessor companies for 30 years, 21 of which were spent managing US equities. Age 62.

Peter Barton

Appointed to the Board in February 1998, he is Chairman of the Audit and Management Engagement Committee. He is a solicitor, investment banker and a deputy lieutenant of Greater London. He has many years' experience in the finance sector including nine years with Lehman Brothers International and four years with Robert Fleming & Co Limited

following a career of over 20 years as a corporate lawyer. He is chairman of Howard de Walden Estates Ltd, The Guinness Partnership, Bramdean Asset Management LLP and Chelsminster Group Ltd, a director of easyGroup Holdings Ltd and a member of Oxford University audit and scrutiny committee and Royal Commission for the Exhibition of 1851 Finance Committee. Age 72.

Clive Parritt

Appointed to the Board in January 2007. He is a chartered accountant with over 30 years' experience of providing strategic, financial and commercial advice to medium sized businesses. Until February 2001 he was chairman of Baker Tilly, having been its national managing partner for ten years until June 1996. He is vice president of the Institute of Chartered Accountants in England and Wales and chairman of DiGiCo Europe Limited and BG Consulting Group Limited. He is also a director of London & Associated Properties plc and Baronsmead AIM VCT plc and chairman of Baronsmead VCT 2 plc. He specialises in corporate finance and has previously chaired or been a director of a number of investment trusts, VCTs and media businesses. Age 66.

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

Directors' Report and Business Review

The Directors present their Report, Business Review and the financial statements of F&C US Smaller Companies PLC ("the Company") for the year ended 30 June 2009. The financial statements are set out on pages 28 to 43.

Results and dividends

The Company's net asset value ("NAV") per share increased by 8.7% in the year ended 30 June 2009, compared to a fall of 10.9% in the sterling adjusted Russell 2000 Index ("the benchmark"). The Manager's Review on pages 4 to 6, which forms part of this Business Review, describes the background to this performance.

The net assets of the Company as at 30 June 2009 were £60.6 million. The Company has a revenue reserve deficit and no dividend is recommended for payment on the ordinary shares.

Principal activity and status

The Company is an investment company as defined by Section 833 of the Companies Act 2006 ("the Act"). As such, it analyses its income between revenue, which is available for distribution by way of dividends, and capital, which it is prohibited from distributing other than by way of share buybacks. The Company is subject to the UK Listing Authority's Listing Rules, UK company law, financial reporting standards, taxation law and its own articles of association, amendments to which must be approved by shareholders via a special resolution.

Duration of the Company

In accordance with the articles of association, a continuation vote is proposed at every third annual general meeting ("AGM"). The next such vote will be at the AGM in 2011.

Investment trust taxation status

The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains, provided it complies at all times with section 842 of the Income and Corporation Taxes Act 1988 ("section 842"). Such compliance, which includes investing no more than 15% of the total portfolio in any one investment, deriving its income wholly or mainly from shares and securities and

retaining no more than 15% of such income, qualifies the Company as an investment trust. This status is granted annually in retrospect by HM Revenue and Customs subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has qualified as an investment trust in respect of all relevant years up to and including the year ended 30 June 2008 and continues to conduct its affairs in compliance with section 842.

Accounting and going concern

The financial statements, starting on page 28, comply with current UK financial reporting standards, supplemented by the statement of recommended practice for investment trust companies issued in January 2009 ("SORP"). The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified auditors' opinion on the financial statements appears on page 27. The Company's objective and policy, which is described below and is subject to a process of regular Board monitoring, is designed to ensure that the Company is invested mainly in readily realisable, liquid, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by its custodian. Cash is held only with banks approved and regularly reviewed by a committee of the Manager.

Note 21 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in: the value of securities; the rates of exchange of the US dollar against sterling; and the changes in market rates of interest.

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

Investment objective and policy

The Company's investment objective is to achieve long-term capital growth by investing in a diversified portfolio of quoted US smaller and medium sized companies. The Board believes that this sector is a diverse and dynamic part of the

North American market and continues to provide opportunities for capital growth over the long term. At the same time it considers the structure of the Company as a UK listed investment trust, with a fixed capital and an independent Board of Directors, to be well suited to investors seeking longer term returns from this sector.

The Board recognises that by its nature the US smaller companies sector can be a risky asset class in which to invest. The sector is highly diversified with a great many companies from which to choose. Many companies are relatively immature, whether financially or operationally or in terms of management or market position, and highly geared to growth and are particularly vulnerable to market and other changes. Against this background, the Company has adopted a disciplined and relatively conservative investment style that focuses on companies with a strong franchise, free cash flow and insider ownership by management and whose shares are considered by the Manager to be cheap at the time of investment. Whilst shares in these companies will not always be the best performing, the Directors believe that this is an excellent approach to long-term investment in this sector and one which has produced good results since the Company was launched in 1993.

The Company's objective is achieved through diversification of holdings, being at least 50 in number across a variety of economic/industrial sectors. A full list of investments by sector is included on page 9 of this report.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated that they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%.

The Company can borrow money so long as the level of borrowings does not exceed the lower of £10 million or an amount equal to the adjusted capital reserves as set out in the Company's articles of association. The Company is not currently geared.

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

Capital structure and buyback policy

As at 30 June 2009 there were 20,707,135 ordinary shares of 25p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. Details of the capital structure can be found in note 12 on the accounts. To the extent that they exist, 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 paid to the holders of ordinary shares and distributed to shareholders pro rata to their holdings of ordinary shares.

Subject to annual shareholder approval, the Company may purchase its own shares at a discount to NAV per share. The Company's shares have traded at a discount to NAV per share through the year, the level of which varies according to factors such as market sentiment and supply and demand, and has ranged from a high of 23.1% to a low of 3.0% over the year. In order to manage potential discount volatility, the Board has a policy of buying back shares when it considers it to be appropriate with a view to limiting the share price discount to NAV per share in the longer term to around 10%. Shares will only be purchased when the Board considers this will enhance shareholder value. At the annual general meeting held on 20 November 2008, shareholders gave the Board authority to buy back up to 3,109,920 shares. The Company repurchased 79,500 shares during the year, representing 0.4% of the issued share capital at 30 June 2008, at prices ranging from 224p to 285.75p per share. No shares have been repurchased between the year end and 30 September 2009. The Board closely monitors the discount, the historic levels of which are shown in the table on page 44. The discount at 30 June 2009 was 13.4%.

Principal risks and their management

The Company's assets consist mainly of listed equities and its principal risks are therefore market related. The Corporate Governance Statement includes a summary of the risk management arrangements on pages 24 and 25. By means of

Directors' Report and Business Review (continued)

the procedures set out in that summary, and in accordance with the Internal Control: *Guidance for Directors on the Combined Code* published by the Working Party for the Institute of Chartered Accountants in England and Wales, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the period. This process has been in place throughout the year under review, and to the date hereof, and will continue to be regularly reviewed by the Board on an ongoing basis.

The specific key risks faced by the Company, together with our mitigation approach, include the following:

- **Market** – the Company's investments consist of quoted equity securities and it is therefore exposed to movements in the price of individual securities and the market generally. The large number of investments held and the sector diversity of the portfolio enable the Company to spread its risks with regard to individual companies and sectors, but a significant fall in US equity markets could have an adverse impact on the value of the Company's investment portfolio. The Board recognises that by its nature the US smaller companies sector can be a risky asset class to invest in and has adopted a disciplined and relatively conservative investment style that it considers appropriate to long-term investment in this sector.
- **Investment strategy** – inappropriate investment strategy or ineffective implementation of this strategy could result in poor returns for shareholders and a widening of the discount of the share price to the NAV per share. The Board periodically reviews the investment strategy and regularly monitors the Company's investment portfolio and the investment selection, performance and operations of the Manager.
- **Currency** – the Company's investments are denominated in US dollars but are valued in sterling in accordance with the Company's accounting policies. Any weakening of the US dollar against sterling will adversely affect performance of those assets when measured in sterling. Although the Board has the authority to hedge currency risk, it does not routinely do so.
- **Gearing** – borrowing money for investment ("gearing") increases the negative impact on the Company's asset value if the value of those investments subsequently falls. Although the Company is authorised to borrow money in accordance with its investment policy, as set out on pages 12 and 13, it does not generally do so.
- **Investment management resources** – the quality of the management team employed by F&C is a crucial factor in delivering good performance and loss by the Manager of key staff could adversely affect investment returns. The Manager has training and development programmes in place for its employees and develops its recruitment and remuneration packages in order to retain key staff.
- **Regulation** – failure to comply with applicable legal and regulatory requirements could result in the Company losing its listing and/or being subject to corporation tax on its capital gains. The Board reviews regular reports from the Manager on the controls in place to ensure compliance by the Company with rules and regulations. The Board also receives regular investment valuations and income forecasts as part of its monitoring of compliance with the provisions of section 842.
- **Financial control** – inadequate financial controls could result in misappropriation of assets, loss of income and debtor receipts and inaccurate reporting of NAVs. The Board regularly reviews the Manager's reports on its internal controls and procedures and subjects the books and records of the Company to an annual audit. The financial risks are set out in more detail in note 21 on the accounts on pages 40 to 43.
- **Counterparties** – the Company is exposed to potential failures by counterparties to deliver securities for which it has paid or to pay for securities which it has delivered. Further details are included on page 43.

The Board

The Board of non-executive Directors, whose appointment is approved by shareholders, is charged with ensuring that the Company complies with its objectives and the various rules and

regulations. Further information on the role and powers of the Board is contained in the Corporate Governance Statement on pages 21 and 22.

Directors

Information on the individual Directors of the Company, all of whom are resident in the UK and have held office through the year under review, is set out on page 11.

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.

Directors' remuneration and shareholdings

The Directors' Remuneration Report, which can be found on page 20, provides detailed information on the remuneration of the Directors. Shareholders will be asked to approve the Directors' Remuneration Report at the AGM. The Directors' remuneration is not conditional upon the resolution being passed.

It is compulsory for all Directors to hold shares in the Company. The beneficial interests of the Directors in the ordinary shares of the Company were as follows:

Directors' interests		
at 30 June	2009	2008
Mr G D Grender	18,000	18,000
Mr N M Bachop	10,000	10,000
Mr M P S Barton	5,000	5,000
Mr C A Parritt	7,000	7,000

There have been no changes in any of the Directors' interests in shares detailed above since the Company's year end.

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

Directors' re-election

It is the Company's policy for all Directors to stand for re-election annually. Each of the Directors has made a relevant and significant contribution to your Company and the Board therefore recommends that you vote in favour of their re-election.

Director indemnification and insurance

On 13 December 2006, the Company entered into a deed poll providing the Directors with indemnities against liability to third parties arising in connection with any negligence, default, breach of duty or breach of trust by the Directors (such indemnities being qualifying third party indemnities and providing for the funding of defence costs, in each case as permitted under the Act). No such indemnity is provided in relation to a liability incurred by a Director to the Company in respect of proceedings in which he is convicted or a liability to pay a fine is imposed in criminal proceedings or by a regulatory authority. Any funding provided to a Director who is not exonerated must be repaid. The deed poll is available for inspection at the Company's registered office during normal business hours and at the AGM. The Company has insurance in place which indemnifies the Directors against certain liabilities arising in carrying out their duties.

Investment management and administration

In common with most investment trusts, the Company does not have any employees and the Board has appointed F&C Management Limited ("F&C" or "the Manager") to manage the investment portfolio on a day-to-day basis. F&C also carries out administrative, accounting, secretarial and marketing activities on behalf of the Company.

This appointment is governed by a management agreement, which is terminable upon six months' notice given by either party. Further information on the management agreement is set out in note 4 on the accounts.

Investment selection and monitoring is undertaken by the fund manager Robert Siddles, who specialises in US smaller companies, with support from F&C analysts and research teams. Assessing the quality of management through meetings with potential and existing investee companies is a key input into the investment process. Extensive work is also done on analysing potential investments for their market positioning and competitive advantage, financial strength and cash flow characteristics. Various valuation benchmarks are used to assess the potential attractiveness of investment opportunities and to set price targets for the individual stocks.

Directors' Report and Business Review (continued)

The Board believes that individual fund managers holding shares in companies that they manage is a positive indicator of their conviction to those companies. The fund manager, Mr Siddles, held 10,650 shares in the Company as at 30 June 2009.

The Manager undertakes investor relations and marketing for the Company and offers a range of savings plans through which the Company's shares can be held.

The Manager is a subsidiary of F&C Asset Management plc ("FCAM"), a large European investment group.

JPMorgan Chase is appointed to act as custodian of the Company's assets. Operational matters with the custodian are carried out by the Manager in accordance with the provisions of the management agreement.

Responsible ownership

The Manager's stated belief is that good governance creates value and therefore it takes a particular interest in corporate governance and sustainable business practices. This includes the integration of environmental, social and governance issues into its investment decisions. It votes all of its shares across all global markets whenever possible and engages with companies on corporate governance matters to encourage good practice. This includes engagement on significant social and environmental issues where these may impact shareholder value.

Management fee

A quarterly management fee equal to 0.20% of the funds under management is payable in arrears to the Manager in respect of the management, administration and ancillary services provided to the Company. In addition, the Manager is eligible for a performance-related fee, charged through the capital account, of 5% of any annual out-performance by the NAV per share of "target performance", defined as a margin of 2% over the Russell 2000 Index (both converted to sterling). A performance fee of £416,000 was payable for the year under review (2008: nil).

Creditor payment policy

The Company's principal supplier is the Manager, the payment terms for which are set out in note 4 on the accounts. Other suppliers are paid in accordance with individually agreed payment terms. At 30 June 2009, the Company's outstanding trade creditors were equivalent to three days' payment to suppliers (2008: three days).

Key performance indicators

The Board uses the following key performance indicators ("KPIs") to help assess progress against the Company's objectives:

- NAV per share compared to benchmark return in sterling.
- Share price return compared to benchmark return in sterling.
- Share price discount to NAV.

The following tables, the Ten Year Record on pages 44 and 45 and the Manager's Review on pages 4 to 6 show how the Company has performed against these KPIs.

Performance			
	1 Year	3 Years	5 Years
Company NAV per share return %	8.7	-8.1	19.7
Company share price return %	3.3	-11.8	17.1
Benchmark return* %	-10.9	-21.2	-5.4

* Benchmark – Russell 2000 Index sterling adjusted.
Source: F&C Management Limited and Datastream

Discount	
At 30 June	%
2009	13.4
2008	8.8
2007	10.6
2006	9.7
2005	11.0

Source: F&C Management Limited

Investment performance is measured primarily against the Russell 2000 Index, adjusted to sterling, which measures the performance of

2000 US smaller companies with capitalisations ranging between approximately US\$125 million and US\$3.3 billion.

Manager's evaluation and re-appointment

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting, with a formal annual evaluation taking place in September each year. This evaluation takes into consideration the Company's investment record over short and long-term periods and the performance, competence and resources of the Manager, both as a management company and with regard to the fund management team led by Robert Siddles. Following the 2009 evaluation, the Board is satisfied with the long-term performance of the Company and with the way it is currently managed. On the basis of this review, and that carried out by the Audit and Management Engagement Committee in respect of other services provided by, and the contractual arrangements with, the Manager, it is the Board's opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of shareholders as a whole.

Outlook

The outlook for the Company is reported in the Chairman's Statement on page 3 and in the Manager's Review on page 6.

Voting rights

At 28 September 2009 the Company had 20,707,135 ordinary shares in issue with a total of 20,707,135 voting rights. As at that date the Company had received notification of the following holding of voting rights in accordance with the FSA's Disclosure and Transparency Rules:

	%
Foreign & Colonial Investment Trust PLC	21.09

The percentage is calculated by applying the holding notified to the Company to the aggregate voting rights in respect of the issued ordinary share capital as at 28 September 2009.

The Manager holds approximately 19% of the Company's share capital on behalf of non-discretionary clients through its savings plans. It

is intended that the nominee company holding these shares will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have. 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 9,800 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, will also apply. Any shares voted by an investor in excess of the maximum limit will remain valid, but will not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Individual savings accounts ("ISAs")

The Company's shares are qualifying investments for ISAs and the Board intends that the Company will continue to conduct its affairs so as to satisfy the requirements to remain so.

Independent auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors believe that they have each taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors to the Company and resolutions to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Annual general meeting

The AGM will be held on Wednesday 18 November 2009 at 12.30 p.m. at Exchange House, Primrose Street, London EC2. The Notice of Annual General Meeting ("the Notice") appears on pages 46 to 50, which includes a map of the venue. Robert Siddles will give a presentation covering progress in the year to date and his views on the market for the rest of the year. There will be an opportunity to ask questions during the AGM and shareholders will be able to meet the Directors and Mr Siddles more

Directors' Report and Business Review (continued)

informally over refreshments following the meeting. In addition to the ordinary business of the meeting, the resolutions numbered 9 to 12 are proposed as special business and are explained below.

Authority to allot shares (resolution 9)

Resolution 9 is similar in content to the authority and power given to the Directors at previous AGMs. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 9 gives the Directors, for the period until the conclusion of the AGM in 2010, the necessary authority to allot securities up to an aggregate nominal amount of £258,839 (1,035,356 ordinary shares). This is equivalent to approximately 5% of the issued ordinary share capital of the Company at 28 September 2009. It also empowers the Directors to allot such securities for cash, otherwise than to existing shareholders on a pro-rata basis. This authority and power provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders.

The Directors will, if necessary, use this authority to satisfy demand from participants in the various F&C savings plans when they believe it is advantageous to plan participants and the Company's shareholders to do so.

Under no circumstances would the Directors use the authority and power to dilute the interests of existing shareholders by issuing shares at a price which is less than the NAV attributable to the shares at the time of issue.

Authority for the Company to purchase its own shares (resolution 10)

Resolution 10 authorises the Company to purchase up to a maximum of 3,103,999 ordinary shares (equivalent to approximately 14.99% of the issued share capital) at a minimum price of 25p per share and a maximum price per share (exclusive of expenses) in the market 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. The Directors intend to continue using this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing NAV per ordinary share which would have the effect of increasing the NAV per ordinary share for the remaining shareholders. Any ordinary shares that are purchased would be cancelled.

The authority will continue until the expiry of 18 months from the date of the passing of the resolution unless it is varied, revoked or renewed prior to that by the Company in general meeting by special resolution. The Board intends to seek a renewal of such authority at subsequent AGMs.

Amendments to the articles of association (resolution 11)

The Board is seeking to amend the articles of association of the Company in order to reflect further provisions of the Act which are coming into force on 1 October 2009 and certain provisions of the Companies (Shareholders' Rights) Regulations 2009 which came into force on 3 August 2009.

An explanation of the main changes as a result of the amendments to the articles of association is set out in Appendix 1 to the Notice of Annual General Meeting, which appears on pages 49 and 50. A copy of the amended articles of association will be available for inspection at Charles Russell LLP, 5 Fleet Place, London EC4M 7RD and at the registered office of the Company from the date of this notice until the conclusion of the AGM and on the date of the AGM at the meeting 15 minutes prior to the start until the conclusion of the meeting.

Notice period for meetings (resolution 12)

The Act provides that all general meetings (other than AGMs) can be convened on 14 days' notice where under the Companies Act 1985 21 days' notice was required for a general meeting to consider a special resolution. Your Board is of the view that it is in the Company's interests to have a shorter notice period which complies with these new

provisions of the Act. Therefore one of the proposed amendments to the articles this year is to allow all general meetings (other than an AGM) to be called on 14 clear days' notice.

However, one of the requirements of the Companies (Shareholders' Rights) Regulations 2009 (implemented in August 2009) is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. The passing of Resolution 12 would constitute shareholders' agreement for the purposes of the Companies (Shareholders' Rights) Regulations 2009 (which agreement is required annually) and would therefore preserve the Company's ability to call general meetings (other than an AGM) on 14 clear days' notice, should Resolution 11 be passed. The Board intends to seek a renewal of such authority at subsequent AGMs.

Form of proxy

Registered shareholders will find enclosed a form of proxy for use at the AGM. Please complete, sign and return the form of proxy, either in the envelope provided or by electronic means as indicated on the form of proxy, as soon as possible in accordance with the instructions whether or not you intend to be present at the AGM. This will not preclude you from attending the AGM and voting in person if you wish to do so.

A proxy appointment should in any event be submitted so as to be received not later than 48 hours before the time appointed for holding the AGM.

Form of direction and proportional voting

If you are an investor in any of the F&C savings plans, you will find enclosed a form of direction for use at the AGM. The Manager operates a proportional voting arrangement for the F&C savings plans. Under this arrangement, the nominee

company, which holds approximately 19% of the share capital on behalf of these investors, will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to those who have. This arrangement will apply at the 2009 AGM, subject to a minimum threshold of 5% of the shares held in the F&C savings plans being voted. A maximum limit of 9,800 shares that any one individual investor can vote, being approximately 5% of the relevant minimum threshold, will also apply. Any individual voting directions received in excess of the maximum limit will remain valid, but will not form part of the proportional voting basis. Planholders may exclude their shares from the proportional voting arrangements if they wish.

All voting directions should be made as soon as possible in accordance with the instructions given on the form of direction and, in any event, not later than 96 hours before the time appointed for holding the AGM so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

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

By order of the Board
F&C Management Limited
Secretary
30 September 2009

Directors' Remuneration Report

The Company's articles of association limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities and the time committed to the Company's affairs. The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed.

The Chairman receives a fee of £20,000 per annum and the remaining Directors receive a fee of £12,000 per annum. In addition, the Chairman of the Audit and Management Engagement Committee ("Audit Committee"), Mr Barton, receives a fee of £5,000 per annum and the other members of the Audit Committee each receive a fee of £2,500 per annum.

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

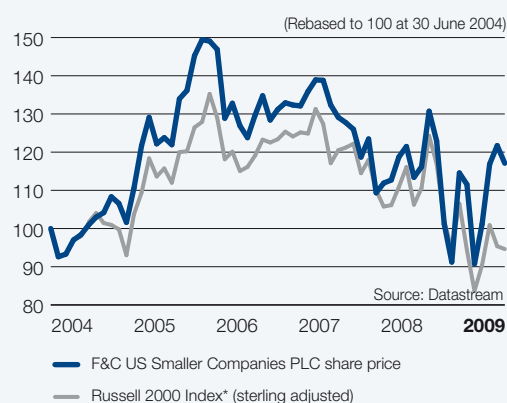
Director	Year ended	
	2009 £	2008 £
Mr G D Grender (Chairman and highest paid Director)	22,500	22,500
Mr N M Bachop	14,500	14,500
Mr M P S Barton (Chairman of the Audit and Management Engagement Committee)	17,000	17,000
Mr C A Parritt	14,500	14,500
Totals	68,500	68,500

Reference to the information in the table, which has been audited, can be found in the Independent Auditors' Report on page 27.

No Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Shareholders will be asked to approve this Directors' Remuneration Report at the annual general meeting (resolution 2).

Total shareholder return



* As the Manager's performance is measured against the Russell 2000 Index, this benchmark has been shown.

By order of the Board
F&C Management Limited
Secretary
30 September 2009

Corporate Governance Statement

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the principles and recommendations of the 2009 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, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the 2008 Combined Code of Corporate Governance (the “Combined 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 during the year under review and up to the date of this report and thereby the provisions of the Combined Code that are relevant to the Company.

The Board

The Board is responsible for the effective stewardship of the Company’s affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share buyback policy, risk and control assessment, monitoring investment performance and approving marketing budgets. It is responsible for the review and approval of annual and half-yearly reports, interim management statements and other public documents. The Company does not have a chief executive as day-to-day management of the Company’s affairs has been delegated to the Manager.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least five times a year and at each meeting reviews the Company’s management information, which includes reports on investment performance and strategic matters and financial analyses. It monitors compliance with the Company’s objectives and is responsible for setting the asset allocation, investment and gearing ranges within which the

Manager has discretion to act. Key representatives of the Manager attend each Board meeting. Board meetings are also held on an ad-hoc basis to consider particular issues as they arise.

The table below sets out the number of Board and committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the annual general meeting (“AGM”) in November 2008.

Directors’ attendance		
	Board	Audit and Management Engagement Committee
Number of meetings	5	2
Mr G D Grender	5	2
Mr N M Bachop	5	2
Mr M P S Barton	5	2
Mr C A Parritt	5	2

A committee of the Board, formed by Mr Barton and Mr Parritt, met on one occasion during the year to approve the Company’s interim management statement.

Each Director has a signed letter of appointment to formalise in writing the terms of his engagement as a non-executive Director, copies of which are available on request and at the Company’s AGM.

The Board regularly reviews its structure, size, composition, experience, diversity and skill ranges and considers succession planning and tenure policy and believes that it currently has a reasonable balance of skills and experience. The Board recognises the value of progressive refreshing of, and succession planning for, company boards. Accordingly, each Director’s appointment is reviewed prior to submission for re-election, which includes consideration of the independence of each Director.

The Board has a policy whereby all Directors are required to stand for re-election annually.

In order to review the effectiveness of the Board, its committees and the individual Directors, the Board carries out a process of formal annual self appraisal. This encompasses qualitative measures of performance in respect of the Board and the Audit and Management Engagement Committee, incorporating the completion of an evaluation questionnaire and interviews with the Chairman. The appraisal of the Chairman follows the same process

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

Corporate Governance Statement (continued)

and is carried out by the Board as a whole under the leadership of the Senior Independent Director, Mr Bachop. 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 committees and building on and improving collective strengths, 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 will be kept under review.

Directors are able to seek independent professional advice or training at the Company's expense in relation to their duties. No such professional advice was taken by Directors during the year under review. The Board has direct access to the company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Secretary in accordance with the terms of the management agreement.

Appointments of new Directors will be made on a formal basis with the Chairman agreeing a job specification and other relevant selection criteria and the method of recruitment, selection and appointment with his colleagues. The potential Director will meet with the Board prior to formal appointment.

All new appointments are subject to confirmation by shareholders and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish.

An induction process is in place for new appointees, who meet the Manager, the Secretary and other key employees of the Manager and are given a briefing on the workings and processes of the Company, including the receipt of a Directors' handbook and key documentation.

Independence of Directors

The Board regularly reviews the independence of its members in accordance with current guidelines. In line with the AIC Code, the Board feels that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies, where experience and continuity can be a significant strength. No limit on the overall length of service of any of the Directors, including the Chairman, has been imposed. The Board believes that its four non-executive Directors, including Mr Bachop, Mr Barton and Mr Grender who have served for over nine years, are independent in character and judgement, with no relationships or circumstances relating to the Company or the Manager likely to alter this position.

Conflicts of interest

It is now a statutory requirement that a company director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company (a "situational conflict"). While it remains the responsibility of each individual Director to avoid an unauthorised conflict situation arising, the Company has implemented procedures to enable it to assess situational conflicts and take action where necessary.

Directors are given guidance on the Company's procedure and must disclose any other directorships they hold and holdings in any of the Company's investments and identify the interests of any person closely connected to them in order to consider whether a situational conflict could arise out of those interests.

A Director wishing to seek authorisation must submit a formal request to the Board, which is then responsible for deciding whether or not to authorise the situational conflict. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties; whether the situational conflict has, or could have, any impact on the Company, for example, in financial or public relations terms and whether the situational conflict could be regarded as *de minimis* and unlikely to affect the judgement and/or actions of the Director in question.

Where the Board authorises a conflict, terms will usually be attached. These will include the Director absenting himself from meetings where the subject of the conflict is discussed and notifying the Secretary, who keeps a register of conflicts, as soon as the facts of the matter change. A Director interested in a matter must also abstain from voting on it.

The Board implemented authorisation procedures in November 2008, during which no situational conflicts were identified or authorised other than the formal authorisation of the Directors' other existing directorships and their holdings in some of the investee companies, none of which were material. There have been no instances of a Director being required to absent himself from a discussion or abstain from voting because of a conflict of interest in the year under review.

Going forward, the Board will annually review any situational conflicts which have been authorised, together with any updates that have been provided by the relevant Director. Provided that there has been no material change in circumstance and the Board is of the view that the situational conflict has not affected the individual in his role as a Director of the Company, it will usually not make any change to the terms of the authorisation. Where the Board is notified that the facts have changed materially, it will review the change and consider whether the authorisation should be renewed, varied or withdrawn.

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.

Board committees

The Board has established an Audit and Management Engagement Committee, details of which are below. The terms of reference of this Committee are available on the website www.fandcussmallers.com and on request.

The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 20, provides information on the remuneration arrangements for the Directors of the Company.

As the Board is formed entirely of independent non-executive Directors and is small in size, it operates without a nomination committee.

Audit and Management Engagement Committee

The primary responsibilities of the Audit and Management Engagement Committee ("Audit Committee"), which meets at least twice each year, are to review the integrity and contents of the Company's financial statements and the accounting policies included therein; to consider compliance with regulatory and financial reporting requirements; to review the Company's internal control and risk management systems; to review annually the need for the Company to have its own internal audit function; to consider the independence and objectivity of the auditors and the effectiveness of the audit process; and to make recommendations to the Board in relation to the reappointment and remuneration of the auditors. The Board retains ultimate responsibility for the annual and half-yearly accounts and other significant financial information that is published.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP ("PwC"), who have been the Company's auditors since inception in 1993. Representatives of PwC attend Audit Committee meetings to report on the audit of the Company and its review of the annual report. The Audit Committee also meets the auditors without the Manager being present at least once a year.

The Manager and the Company use different audit firms. Taking this into account, and given the nature of services provided and confirmation from PwC that they have complied with all relevant independence standards, the Company's auditors are deemed to be independent. All non-audit work to be undertaken by PwC is approved by the Audit Committee in advance. During the year under review the fee for all non-audit work, which was in relation to taxation advice, was £1,650 exclusive of irrecoverable VAT. The Audit Committee considers that the provision of these services is cost effective and does not impair the independence of PwC.

The appointment of the auditors is not regularly put to tender, but performance is reviewed annually. The Audit Committee, in conjunction with the

Corporate Governance Statement (continued)

Manager, has reviewed the work carried out by PwC in the year under review, including its audit of the annual financial statements. On the basis of PwC's experience in auditing the affairs of the Company, the standing and experience of the audit partner, the nature and level of service provided and confirmation of the auditors' independence, the Audit Committee recommended the continuing appointment of the auditors to the Board, which agreed that PwC should continue as the Company's auditors and that no tender was necessary.

The Audit Committee has direct access to the senior representatives of the Manager's audit, risk and compliance department and to its group audit committee and reports its findings to the Board. It receives and reviews the Report referred to below under "Internal controls and management of risk".

Following a recommendation from the Audit Committee, the Board concluded that there is currently no need for the Company to have its own internal audit function. All of the Company's management functions are delegated to the Manager, and the Board monitors the controls in place through the Manager's audit, risk and compliance department.

The Audit Committee carries out an annual review of the performance of the Manager, including a review of the management agreement, the level and structure of fees payable and the length of notice period.

The Audit Committee has reviewed, and is satisfied with, the "whistleblowing" policy that has been put in place by the Manager under which its staff may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters, including those relating to the Company. The necessary arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action.

The Audit Committee is currently composed of the full Board, each member of which is deemed to be independent, and is chaired by Mr Barton. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

Internal controls and management of risk

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations of the Company. These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, reputational, compliance and overall risk management, is exercised by the Board through regular reports provided by the Manager on investment performance, performance attribution, compliance with agreed investment restrictions, financial analyses, revenue estimates and other management issues. A control report is prepared by the Manager's audit, risk and compliance department that provides details of any material internal control failure. The control report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including risks that are not directly the responsibility of the Manager. The Company's principal risks are set out on pages 13 and 14 with additional information given in note 21 on the accounts.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement, loss or fraud.

The Board has carried out a risk and control assessment including a review of the Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the period 1 January to 31 December 2008 (the "Report") that has been prepared by the Manager for its investment trust clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). Containing a report from independent external accountants, the Report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these

controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action will be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Company were identified in the year under review.

Relations with shareholders

Communication with shareholders is given a high priority. In addition to the annual and half-yearly reports that are available to shareholders, monthly fact sheets and general information are also available on the www.fandcussmallers.com website.

At least one shareholder meeting is held each year to allow shareholders to vote on the appointment of Directors and the auditors, share issues and buybacks and any other special business. All shareholders are encouraged to attend the AGM, at which a presentation is made by the Manager and where there is an opportunity to question the Chairman, the Board and the Manager. Proxy voting figures are announced to shareholders at the AGM

and are reported on the website. All beneficial shareholders in the F&C savings plans have the right to attend, speak and vote at general meetings. The nominee company votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have, as detailed on page 19.

A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the Manager, which regularly reports to the Board on any such contact, the views of shareholders and any changes to the composition of the share register. The Chairman and the Senior Independent Director are available to meet with major shareholders, although no meetings were held in the year under review.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Secretary at the registered office address as detailed on page 10.

The Board receives regular reports from the Manager on the views and attitudes of shareholders in the Company, the level and nature of any complaints received from investors and its arrangements for "Treating Customers Fairly".

Statement of Directors' Responsibilities in Respect of the Financial Statements

As required by company law, the Directors are responsible for the preparation of the annual report and financial statements which give a true and fair view of the state of affairs of the Company as at 30 June 2009 and of the results for the year then ended. 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 Directors are also responsible for ensuring that adequate accounting records are maintained and 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.

The financial statements are published on the www.fandcussmallers.com website, which is maintained by the Company's Manager, F&C Management Limited ("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 financial statements 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 accounting standards, on a going concern basis, and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the annual report includes a fair review of the important events that have occurred during the financial year and their impact on the financial statements;
- the principal risks section of the Directors' Report and Business Review describes the principal risks and uncertainties for the forthcoming financial year; and
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

On behalf of the Board

Gordon Grender

Chairman

30 September 2009

Independent Auditors' Report

Independent Auditors' Report to the members of F&C US Smaller Companies PLC

We have audited the financial statements of F&C US Smaller Companies PLC for the year ended 30 June 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 26, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material mis-statement, 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of its net return and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Corporate Governance Statement with respect to Rules 7.2.5 and 7.2.6 of the Disclosure and Transparency Rules issued by the Financial Services Authority is consistent with the financial statements; and
- the information given in the Directors' Report and Business Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 12, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

P. S. Purewal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
London
30 September 2009

Income Statement

Revenue notes Capital notes		for the year ended 30 June					2009			2008
		Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
8		Gains/(losses) on investments	–	4,631	4,631	–	(14,730)	(14,730)		
16		Foreign exchange gains/(losses)	–	605	605	–	(19)	(19)		
3		Income	837	–	837	836	–	836		
4		Management fee	(474)	–	(474)	(485)	–	(485)		
4		Performance fee	–	(416)	(416)	–	–	–		
5	16	Other expenses	(232)	(4)	(236)	(209)	(6)	(215)		
Net return before finance costs and taxation			131	4,816	4,947	142	(14,755)	(14,613)		
Finance costs			–	–	–	–	–	–		
Net return on ordinary activities before taxation			131	4,816	4,947	142	(14,755)	(14,613)		
6		Taxation on ordinary activities	(124)	–	(124)	(102)	–	(102)		
7	7	Net return attributable to equity shareholders	7	4,816	4,823	40	(14,755)	(14,715)		
7	7	Return per share – pence	0.03	23.22	23.25	0.19	(69.15)	(68.96)		

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 June 2009	Share capital £'000s	Share premium account £'000s	Non- distributable reserve £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
Balance at 30 June 2008	5,197	2,468	841	8,155	40,400	(1,079)	55,982
Movements during the year ended 30 June 2009							
Shares purchased and cancelled by the Company	(20)	-	-	20	(198)	-	(198)
Net return attributable to equity shareholders	-	-	-	-	4,816	7	4,823
Balance at 30 June 2009	5,177	2,468	841	8,175	45,018	(1,072)	60,607

for the year ended 30 June 2008	Share capital £'000s	Share premium account £'000s	Non- distributable reserve £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
Balance at 30 June 2007	5,444	2,468	841	7,908	57,635	(1,119)	73,177
Movements during the year ended 30 June 2008							
Shares purchased and cancelled by the Company	(247)	-	-	247	(2,480)	-	(2,480)
Net return attributable to equity shareholders	-	-	-	-	(14,755)	40	(14,715)
Balance at 30 June 2008	5,197	2,468	841	8,155	40,400	(1,079)	55,982

Balance Sheet

Notes	at 30 June	£'000s	2009 £'000s	£'000s	2008 £'000s
Fixed assets					
8	Listed investments		58,101		54,413
Current assets					
9	Debtors	250		50	
	Cash at bank and short-term deposits	3,182		1,720	
			3,432		1,770
10	Creditors: amounts falling due within one year	(926)		(201)	
	Net current assets		2,506		1,569
11	Net assets		60,607		55,982
Capital and reserves					
12	Share capital		5,177		5,197
13	Share premium account	2,468		2,468	
14	Non-distributable reserve	841		841	
15	Capital redemption reserve	8,175		8,155	
16	Capital reserves	45,018		40,400	
16	Revenue reserve	(1,072)		(1,079)	
			55,430		50,785
	Total shareholders' funds		60,607		55,982
17	Net asset value per share – pence		292.69		269.32

Approved by the Board on 30 September 2009
and signed on its behalf by:

Gordon Grender, Chairman

Cash Flow Statement

Notes	for the year ended 30 June		2009	2008
	£'000s	£'000s	£'000s	£'000s
Operating activities				
	658		661	
Investment income received				
Interest received	16		59	
Other income received	12		–	
Fee paid to management company	(466)		(519)	
Fees paid to Directors	(69)		(70)	
Other payments	(162)		(132)	
18 Net cash outflow from operating activities		(11)		(1)
Financial investment				
Purchases of investments	(42,781)		(29,798)	
Sales of investments	43,852		31,933	
Other capital charges and credits	(4)		(7)	
Net cash inflow from financial investment		1,067		2,128
Net cash inflow before use of liquid resources and financing		1,056		2,127
Management of liquid resources				
Increase in short-term deposits		(1,531)		(1,714)
Financing				
Shares purchased and cancelled	(198)		(2,555)	
Cash outflow from financing		(198)		(2,555)
19 Decrease in cash		(673)		(2,142)

Notes on the Accounts

1. GENERAL INFORMATION

F&C US 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 02781968 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 842 of the Income and Corporation Taxes Act 1988 ("Section 842"). Approval of the Company under Section 842 has been received (subject to there being no subsequent enquiry) in respect of the year ended 30 June 2008 and all previous applicable financial years. Such approval exempts the Company from UK corporation tax on gains realised in the relevant year on its portfolio of fixed asset investments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accounts of the Company have been prepared under the historical cost convention, modified to include fixed asset investments at fair value and in accordance with the Companies Act 2006, Accounting Standards applicable in the United Kingdom and with the Revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued in January 2009.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

There have been no significant changes to the accounting policies during the year ended 30 June 2009.

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. Net revenue returns are allocated via the revenue account to the revenue reserve, out of which dividend payments may be made. Capital returns include, but are not limited to, profits and losses on the disposal and revaluation of fixed asset investments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the capital reserves. Dividends payable to equity shareholders are shown in the Reconciliation of Movement in Shareholders' Funds.

(b) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the disposal and revaluation of investments 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 arms' length transactions in the same or similar investment instruments. Where no reliable fair value can be estimated, investments are carried at cost or, where subsequently revalued, at their previous carrying amount less any provision for impairment.

(ii) 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, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

Foreign exchange profits and losses on fixed asset investments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) 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 as 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.

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.

(iv) Expenses, including finance charges

Expenses, including finance charges, 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 are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to capital reserve – arising on investments sold via the capital account; and
- performance fees insofar as they relate to capital performance are allocated to capital reserve – arising on investments sold.

All expenses are accounted for on an accruals basis. Finance charges are accrued using the effective interest rate method.

(v) Taxation

Deferred tax is provided 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 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.

(vi) 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.

(vii) Capital reserves

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of fixed asset investments;
- realised foreign exchange differences of a capital nature;
- performance fee payable to the Manager;
- 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
- the 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 held at the year end; and
- unrealised foreign exchange differences of a capital nature.

Notes on the Accounts (continued)

3. INCOME

	2009 £'000s	2008 £'000s
Overseas dividends	764	760
Overseas scrip dividends	45	20
Interest on cash and short-term deposits	16	56
Other income	12	–
Total income	837	836

4. MANAGEMENT FEES

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Management fee – basic	474	–	474	485	–	485
Performance fee	–	416	416	–	–	–
	474	416	890	485	–	485

The Manager provides investment management, marketing and general administrative services to the Company for a quarterly management fee payable in arrears equal to 0.20% of the funds under management.

The Manager is also eligible for a performance-related management fee, charged through the capital account, of 5% of any annual out-performance by the net asset value (“NAV”) per share of “target performance”, defined as a margin of 2% over the Russell 2000 Index (in both cases converted to sterling). If the NAV per ordinary share performance (adjusted to exclude the relevant performance-related fee) exceeds the target, the performance-related fee is payable on the excess. If the NAV per ordinary share underperforms the Russell 2000 Index by 2% or more, the under-performance will be carried forward and no further performance-related fee will be payable until the NAV per ordinary share has both recovered the accumulated under-performance and exceeded the target performance for the year. The maximum performance-related fee which may be payable in respect of any year is 0.7% of gross assets.

The management agreement may be terminated upon six months’ notice given by either party.

5. OTHER EXPENSES

	2009 £'000s	2008 £'000s
Auditors’ remuneration:		
for audit services	24	23
for taxation services	2	2
Directors’ emoluments:		
fees for services to the Company (see Directors’ Remuneration Report on page 20)	69	69
Directors’ and Officers’ liability insurance	10	6
Printing and postage	26	24
Private investor plan and marketing expenses	50	44
Sundry expenses	51	41
	232	209

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

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Current tax charge (all overseas) on ordinary activities (note 6 (b))	124	–	124	102	–	102

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

	Revenue £'000s	Capital £'000s	2009 Total £'000s	Revenue £'000s	Capital £'000s	2008 Total £'000s
Return on ordinary activities before tax	131	4,816	4,947	142	(14,755)	(14,613)
Return on ordinary activities multiplied by the effective rate of corporation tax in the UK of 28.0% (2008: 29.5%)	37	1,348	1,385	42	(4,353)	(4,311)
Movement in taxable income accruals	14	–	14	1	–	1
Expenses not deductible for tax purposes	7	–	7	6	–	6
Expenses utilised from prior years	(45)	–	(45)	(43)	–	(43)
Overseas taxation in excess of double tax relief	124	–	124	102	–	102
Overseas income not subject to corporation tax	(13)	–	(13)	(6)	–	(6)
Expenses not utilised in the year	–	116	116	–	–	–
Capital returns*	–	(1,464)	(1,464)	–	4,353	4,353
Current tax charge (note 6 (a))	124	–	124	102	–	102

*These capital returns are not subject to corporation tax within an investment trust company.

The deferred tax asset of £395,000 in respect of unutilised expenses and eligible unrelieved foreign tax at 30 June 2009 (2008: £270,000) has not been recognised as it is unlikely that this will be utilised.

7. RETURN PER ORDINARY SHARE

Revenue return

The revenue return per share is based on the net revenue return attributable to equity shareholders of £7,000 profit (2008: £40,000 profit).

Capital return

The capital return per share is based on the net capital return attributable to equity shareholders of £4,816,000 profit (2008: £14,755,000 loss).

Weighted average ordinary shares in issue

Both the revenue and capital returns are based on a weighted average of ordinary shares in issue during the year of 20,737,606 (2008: 21,338,447).

Notes on the Accounts (continued)

8. INVESTMENTS

	Total £'000s
Cost at 30 June 2008	66,216
Losses at 30 June 2008	(11,803)
Valuation at 30 June 2008	54,413
Movements in the year:	
Purchases at cost	43,127
Sales proceeds	(44,070)
Gains on investments sold in year	1,340
Gains at investments held at year end	3,291
Valuation at 30 June 2009	58,101
Cost at 30 June 2009	61,260
Losses at 30 June 2009	(3,159)
Valuation at 30 June 2009	58,101

A list of investments is set out on page 9.

Gains/(losses) on investments

	2009 £'000s	2008 £'000s
(Losses)/gains based on historical cost	(4,013)	8,254
Amounts recognised in previous years	5,353	(8,055)
Gains on investments sold in year based on carrying value at previous balance sheet date	1,340	199
Gains/(losses) on investments held at 30 June	3,291	(14,929)
Total gains/(losses) on investments	4,631	(14,730)

9. DEBTORS

	2009 £'000s	2008 £'000s
Investment debtors	218	–
Prepayments and accrued income of a revenue nature	32	50
	250	50

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000s	2008 £'000s
Bank overdraft – unsecured	38	39
Investment creditors	301	–
Payable to the Manager	536	112
Accrued expenses	51	50
	926	201

11. INDUSTRIAL CLASSIFICATION (NET ASSETS)

	2009 %	2008 %
Investments		
Financial services	20.8	19.7
Producer durables	15.2	13.6
Consumer discretionary	14.1	19.8
Other energy	13.1	5.0
Materials & processing	10.0	9.0
Healthcare	7.6	6.4
Autos & transportation	6.3	6.4
Technology	5.4	8.9
Utilities	3.4	3.8
Consumer staples	–	4.6
Total investments	95.9	97.2
Net current assets	4.1	2.8
Net assets	100	100

12. SHARE CAPITAL

Equity share capital	Authorised		Issued and fully paid	
	Number	Nominal £'000s	Number	Nominal £'000s
Ordinary shares of 25p each				
Balance at 30 June 2008	75,000,000	18,750	20,786,635	5,197
Transfer to capital redemption reserve	–	–	(79,500)	(20)
Balance at 30 June 2009	75,000,000	18,750	20,707,135	5,177

During the year 79,500 ordinary shares were purchased and cancelled at a total cost of £198,000. No shares have been repurchased since the year end. At 28 September 2009, there were 20,707,135 shares in issue.

13. SHARE PREMIUM ACCOUNT

	2009 £'000s	2008 £'000s
Balance brought forward and carried forward	2,468	2,468

14. NON-DISTRIBUTABLE RESERVE

	2009 £'000s	2008 £'000s
Balance brought forward and carried forward	841	841

Notes on the Accounts (continued)

15. CAPITAL REDEMPTION RESERVE

	2009 £'000s	2008 £'000s
Balance at 30 June	8,155	7,908
Transferred from equity share capital	20	247
Balance at 30 June	8,175	8,155

16. 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 the year	1,340	–	1,340	–
Transfers on investments sold in the year	(5,353)	5,353	–	–
Foreign exchange gains	605	–	605	–
Performance fee	(416)	–	(416)	–
Other expenses	(4)	–	(4)	–
Decrease in unrealised depreciation	–	3,291	3,291	–
Revenue return	–	–	–	7
Net return attributable to equity shareholders	(3,828)	8,644	4,816	7
Cost of shares purchased and cancelled	(198)	–	(198)	–
	(4,026)	8,644	4,618	7
Balance at 30 June 2008	52,203	(11,803)	40,400	(1,079)
Balance at 30 June 2009	48,177	(3,159)	45,018	(1,072)

Included within the capital reserve movement for the year are £108,000 of transaction costs on purchases of investments (2008: £89,000), and £127,000 of transaction costs on sales of investments (2008: £85,000) and £34,000 of distributions recognised as capital (2008: £nil).

17. NET ASSET VALUE PER ORDINARY SHARE

Net asset value per ordinary share is based on net assets of £60,607,000 (2008: £55,982,000) and on 20,707,135 (2008: 20,786,635) ordinary shares in issue at 30 June 2009.

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

	2009 £'000s	2008 £'000s
Total return before finance costs and taxation	4,947	(14,613)
Adjust for returns from non-operating activities		
(Gains)/losses on investments	(4,631)	14,730
Foreign exchange (gains)/losses charged to capital	(605)	19
Other expenses charged to capital	4	6
Return from operating activities	(285)	142
Adjust for non cash flow items		
Decrease in accrued income	16	1
Decrease/(increase) in other debtors	2	(2)
Increase/(decrease) in creditors	420	(20)
Scrip dividends	(45)	(20)
Overseas taxation	(119)	(102)
Net cash outflow from operating activities	(11)	(1)

19. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET FUNDS

	2009 £'000s	2008 £'000s
Decrease in cash	(673)	(2,142)
Increase in short-term deposits	1,531	1,714
Movement in net funds resulting from cash flows	858	(428)
Foreign exchange movement	605	(19)
Movement in net funds	1,463	(447)
Net funds brought forward	1,681	2,128
Net funds carried forward	3,144	1,681

Represented by:	Balance at 30 June 2008 £'000s	Cash flow £'000s	Foreign exchange movement £'000s	Balance at 30 June 2009 £'000s
Cash at bank/(bank overdraft)	(39)	(673)	674	(38)
Short-term deposits	1,720	1,531	(69)	3,182
	1,681	858	605	3,144

20. RELATED PARTY TRANSACTIONS

The following are considered related parties: the Board of Directors (the "Board") and F&C Management Limited ("F&C"). There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 20 and as set out in note 5 on the accounts; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 15. 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 and the outstanding balance is detailed in note 10.

Notes on the Accounts (continued)

21. 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 842. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company invests in quoted US smaller and medium sized companies in order to secure long-term capital growth. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction of the value of the net assets. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Directors' Report and Business Review. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported balance sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 of the accounts. The policies are in compliance with UK Accounting Standards and best practice, and include the valuation of fixed asset investments at fair value. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity 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 US dollars and sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. Although the Company is authorised to borrow money, it is not the Board's general policy to do so. Consequently, no borrowings were entered into during the year.

Income earned in foreign currencies is converted to sterling on receipt.

Currency exposure

The principal currency to which the Company was exposed during the year was the US dollar, as all investments are quoted in that currency.

The exchange rates applying against sterling at 30 June and the average rates during the year ended 30 June were as follows:

	At 30 June	2009 Average for the year	At 30 June	2008 Average for the year
US dollar	1.6468	1.6311	1.9902	2.0092

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on the financial assets and liabilities held and the exchange rates applying at the balance sheet date, a weakening or strengthening of sterling against the principal currency, US dollar, by 10% would have the following approximate effect on returns attributable to equity shareholders and on the NAV per share:

Weakening of sterling by 10% against the US dollar	2009	2008
Net revenue return attributable to equity shareholders – £'000s	33	132
Net capital return attributable to equity shareholders – £'000s	6,802	6,241
Net total return attributable to equity shareholders – £'000s	6,835	6,373
NAV per share – pence	33.0	30.7
Strengthening of sterling by 10% against the US dollar	2009	2008
Net revenue return attributable to equity shareholders – £'000s	(90)	(114)
Net capital return attributable to equity shareholders – £'000s	(5,571)	(5,106)
Net total return attributable to equity shareholders – £'000s	(5,661)	(5,220)
NAV per share – pence	(27.3)	(25.1)

These analyses are presented in sterling and are representative of the Company's activities although the level of the Company's exposure to the US dollar fluctuates in accordance with the investment and risk management processes.

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

	Investments £'000s	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Net exposure £'000s
2009					
Sterling	–	14	–	(589)	(575)
US dollar	58,101	236	3,182	(337)	61,182
Total	58,101	250	3,182	(926)	60,607
2008					
Sterling	–	17	1	(162)	(144)
US dollar	54,413	33	1,719	(39)	56,126
Total	54,413	50	1,720	(201)	55,982

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate movements at 30 June was:

	Within one year £'000s	2009 Net total £'000s	Within one year £'000s	2008 Net total £'000s
Exposure to floating rates – cash and bank overdraft	3,144	3,144	1,681	1,681
Net exposure	3,144	3,144	1,681	1,681
Minimum net exposure during the year	437	437	195	195
Maximum net exposure during the year	3,416	3,416	3,064	3,064

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.

Notes on the Accounts (continued)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest received on cash balances is at ruling market rates. No borrowings were entered into during the current or prior year. There were no holdings in fixed interest investment securities during the year or at the year end (2008: same).

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 no material effect on the Income Statement revenue and capital returns after tax or on the NAV per share.

Other market price risk exposures

The Company does not usually enter into derivative transactions in managing its exposure to US market risks. The portfolio of investments, valued at £58,101,000 at 30 June 2009 (2008: £54,413,000) 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, held entirely in US dollars, by major industrial sector is set out in note 11 of 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 value of the portfolio, in sterling terms, by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV per share:

	2009		2008	
	Increase in value £'000s	Decrease in value £'000s	Increase in value £'000s	Decrease in value £'000s
Capital return	11,620	(11,620)	10,883	(10,883)
NAV per share – pence	56.1	(56.1)	52.4	(52.4)

(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 a temporary bank overdraft. The Company is authorised to borrow money but it is not the Board's general policy to do so. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Company's portfolio (65 at 30 June 2009); the liquid nature of the portfolio of investments; and the industrial diversity of the portfolio (see note 11). 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 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	Total £'000s
2009		
Current liabilities – other creditors	926	926
2008		
Current liabilities – other creditors	201	201

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. Such transactions must be settled on the basis of delivery against payment (except where local market conditions do not permit).

Responsibility for the approval, limit setting and monitoring of counterparties is delegated to the Manager and a list of approved counterparties is periodically reviewed by the Board. Counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with reputable banks.

The Company has an ongoing contract with its custodian for the provision of custody services. The contract is reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly.

To the extent that F&C carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of F&C (including the fund manager) and with F&C's internal audit function. In reaching its conclusions, the Board also reviews F&C's parent group's annual audit and assurance faculty report.

The Company had no credit-rated bonds or similar securities or derivatives in its portfolio at the year end (2008: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof.

The Company does not hold any unquoted investments.

(e) Capital risk management

The objective of the Company is stated as being to invest in quoted US smaller and medium sized companies in order to secure long-term capital growth. 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, to the extent that it is able to do so under company law, pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to ordinary share capital are set out in note 12 on the accounts.

22. POST BALANCE SHEET MOVEMENT IN NET ASSETS

The net asset value per share as at close of business on 25 September 2009 was 353.10p (30 June 2009: 292.69p).

Ten Year Record

Assets

at 30 June

£'000s	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total assets	115,955	80,946	86,743	74,590	53,265	64,763	71,350	75,464	73,177	55,982	60,607
Loans	-	-	-	-	-	-	-	-	-	-	-
Net assets	115,955	80,946	86,743	74,590	53,265	64,763	71,350	75,464	73,177	55,982	60,607

Net asset value ("NAV")

at 30 June

pence	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
NAV per share	230.3	243.4	267.1	227.1	200.1	244.5	296.0	318.5	336.1	269.3	292.7
NAV per share – diluted	217.8	228.4	249.2	218.4	†	†	†	†	†	†	†
NAV return on 100p – 5 years (per AIC)											120.1
NAV return on 100p – 10 years (per AIC)											134.7

Share price

at 30 June

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Middle market price per share – (pence)	183.3	200.0	222.5	207.0	192.0	216.5	263.5	287.5	300.5	245.5	253.5
Discount to NAV (%)	15.8	12.4	10.7	5.2	4.0	11.5	11.0*	9.7	10.6	8.8	13.4
Share price high (pence)	189.5	215.8	232.5	254.0	206.0	231.0	263.5	328.3	306.3	340.6	302.0
Share price low (pence)	119.0	164.0	192.5	168.0	142.5	190.5	189.5	259.5	260.5	219.2	179.0
Share price total return on 100p – 5 years (per AIC) (pence)											117.1
Share price total return on 100p – 10 years (per AIC) (pence)											138.3

Revenue

for the year ended 30 June

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Available for ordinary shares – £'000s	(2)	(319)	(357)	(322)	(143)	(61)	222	164	94	40	7
Return per share (pence)	0.0	(0.86)	(1.09)	(0.99)	(0.49)	(0.23)	0.88	0.69	0.41	0.19	0.03
Dividends per share	-	-	-	-	-	-	-	-	-	-	-

Performance

(rebased at 100 at 30 June 1999)

	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
NAV per share#	100.0	102.8	114.8	101.0	92.7	113.4	137.4	147.6	155.8	124.8	135.7
Middle market price per share	100.0	109.1	121.4	113.0	104.8	118.1	143.8	156.9	164.0	134.0	138.3
Russell 2000 Index (sterling adjusted)	100.0	117.7	125.6	104.5	93.6	112.3	122.9	134.9	143.1	119.4	106.3
RPI	100.0	103.3	105.3	106.4	109.5	112.8	116.1	119.9	125.2	130.9	128.9

* Restated to reflect change in accounting policy.

† There is no dilution. The warrants were exercised during the year ended 30 June 2003.

Using NAV per share – diluted where applicable.

Costs of running the Company (total expense ratio)

for the year ended 30 June

%	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Expressed as a percentage of average net assets:											
Total operating costs	0.94	1.02	0.97	0.99	1.15	1.08	1.11	1.05	1.09	1.16	1.83
Operating costs excluding performance fee	0.94	1.02	0.97	0.99	1.15	1.08	1.11	1.05	1.09	1.16	1.15

Liquidity

at 30 June

%	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net liquidity	7.0	3.0	1.1	1.9	2.4	2.1	2.1	3.3	2.5	3.0	5.1

* Restated to reflect change in accounting policy.

Definitions

Operating costs	All costs charged to revenue and capital, excluding related taxation relief, interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling of investments.
Net liquidity	Cash less loans, overdrafts and investment creditors plus investment debtors at balance sheet value as a percentage of net assets.
Total assets	Total assets less current liabilities (excluding loans).
NAV	Net asset value.
RPI	All-items retail price index.
Average net assets	Average of net assets at end of each quarter.
NAV return	Return on net assets per share.
Share price total return	Return to the investor on mid-market prices assuming that all dividends paid to shareholders were reinvested.
AIC	Association of Investment Companies.

Notice of Annual General Meeting

Notice is hereby given that the sixteenth annual general meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Wednesday 18 November 2009 at 12.30 p.m. for the following purposes:

Ordinary business

1. To receive and adopt the Directors' report and accounts for the year ended 30 June 2009.
2. To approve the Directors' Remuneration Report.
3. To re-elect Mr N M Bachop as a Director.
4. To re-elect Mr M P S Barton as a Director.
5. To re-elect Mr G D Grender as a Director.
6. To re-elect Mr C A Parritt as a Director.
7. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
8. To authorise the Directors to determine the remuneration of the auditors.

Special business

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

9. THAT:
 - (a) the Directors be and they are hereby:
 - (i) generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company under section 551 to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (together being "relevant securities") up to an aggregate nominal amount of £258,839 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 2010, and
 - (ii) empowered, pursuant to section 571 of the Act, to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority referred to in paragraph (a)(i) of this resolution as if section 561(1) of the Act did not apply to any such allotment, but so that this authority and power shall enable the Company to make offers or

agreements which would or might require relevant securities or equity securities to be allotted after the expiry of this authority and power and notwithstanding such expiry the Directors may allot relevant securities and/or equity securities in pursuance of such offers or agreements;

- (b) all authorities and powers previously conferred under section 80 or section 95 of the Companies Act 1985 be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and
- (c) words and expressions defined in or for the purposes of Part II of the Act shall bear the same meanings in this resolution.

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

10. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of 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 3,103,999;
 - (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 the higher of (i) 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 or (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the London Stock Exchange Daily Official List at the time the purchase is carried out;

- (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 18 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 expiry of such authority.

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

11. THAT:

- (a) the articles of association of the Company be and are hereby amended by deleting all the provisions of the memorandum of association of the Company which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the articles of association of the Company; and
- (b) the articles of association of the Company be and are hereby amended in the manner described in Appendix 1 to the Notice of Annual General Meeting.

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

12. THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board
F&C Management Limited
 Secretary
 30 September 2009

Registered office:
 Exchange House
 Primrose Street
 London EC2A 2NY

Location of meeting



Notes

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company at 11 p.m. on 16 November 2009 (the "specified time") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after the specified time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at 11 p.m. on the day which is two days before the day of the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

A member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. The proxy form includes details on how to appoint more than one proxy. You may not appoint more than one proxy to exercise rights attached to any one share. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services 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 Services Authority. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

Information regarding the meeting, including the information required by Section 311A of the Companies Act 2006 is available from www.fandcussmallers.com.

As at 28 September 2009, the latest practicable date prior to publication of this document, the Company had 20,707,135 ordinary shares in issue with a total of 20,707,135 voting rights. No shares are held in treasury.

Notice of Annual General Meeting (continued)

A member of the Company is entitled to attend and vote at the meeting. On a vote on a show of hands every member attending in person (or by corporate representative) is entitled to one vote and where a poll is called, every member attending in person is entitled to have one vote for every share of any class of which he is the holder.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Alternatively, the form of proxy may be returned by electronic means using the CREST Service as detailed below. In either case the form of proxy must be returned not less than 48 hours before the time appointed for the holding of the meeting (any part of a day which is a non-working day shall not be included in calculating the 48 hour period). You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) by the deadline stated above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. 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. 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. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those

sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Investors holding shares in the Company through the F&C savings plans should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 147 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

The register of Directors' holdings, Directors' terms of appointment letters and a deed poll in relation to Directors' indemnities are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof. No Director has any contract of service with the Company.

A copy of the articles of association of the Company as proposed to be adopted with effect from the passing of resolution 11 will be available for inspection at Charles Russell LLP, 5 Fleet Place, London EC4M 7RD and at the registered office of the Company from the date of this notice until the conclusion of the annual general meeting and on the date of the annual general meeting at the annual general meeting 15 minutes prior to the start until the conclusion of the meeting.

Under section 319A of the Companies Act 2006, the Company must answer any question that a member may ask relating to the business being dealt with at the meeting unless: (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

The members of the Company meeting the qualification criteria set out below may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Independent Auditors' Report and the conduct of the audit.

The qualification criteria for the preceding paragraph are that the Company has received such requests from either members representing at least 5% of the total voting rights of all the members who have a relevant right to vote or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100.

Appendix 1: Explanatory notes of principal changes to the Company's articles of association

1 The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 (the "Act") significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act the objects clause and all other provisions which are currently contained in a company's memorandum will, on 1 October 2009, be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are to be treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 11(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the amended articles also contain an express statement regarding the limited liability of the shareholders.

2 Change of name

Currently, a company can only change its name by special resolution. Under the Act a company will be able to change its name by other means provided for by its articles. Whilst there are no current plans to do so, the amended articles enable the Company to pass an ordinary resolution to change the Company's name.

3 Proxy voting

The Act, as amended by the Companies (Shareholders' Rights) Regulations 2009 (the "Regulations"), clarifies, to a great extent, the position concerning the rights of proxies when voting on a show of hands. There are two elements: a proxy appointed for the same meeting by more than one member; and a member who appoints more than one proxy, each one appointed in respect of different shares within the same holding.

If a proxy is appointed, in relation to the same meeting, by more than one member and all the shareholders who have appointed him instruct him to vote in the same way, he is only able to vote once, 'for' or 'against' as applicable. If, however, these members give different instructions to the proxy (so one or more 'for' and one or more 'against' on a resolution being voted on a show of hands) the proxy is able to reflect both types of instruction and have up to one vote 'for' and one vote 'against' on a show of hands. He is therefore able to put his hand up twice, once 'for' and once 'against'.

This scenario is the only stated exception in the Act as amended to the general rule that the proxy has one vote on a show of hands. There has been some debate about how this exception should be interpreted if the proxy also has discretionary votes (i.e. if all the concrete instructions are one way ('for' or 'against'), whether the proxy could have a second vote the other way if he wishes to use the discretions he has been given to vote the other way) and the amended articles confirm that a proxy appointed by more than one member is not restricted by the concrete instructions he has received from casting a second vote the other way under discretionary authority given by other members if he chooses to do so.

If a member appoints more than one proxy in respect of different shares within the same shareholding, each appointed proxy has one vote on a show of hands. This enables nominee shareholders, should they choose, to appoint the underlying beneficial owners as proxies in respect of those shares in which they have an interest, and the latter can vote at the relevant company meeting on a show of hands (as well as on a poll).

Appendix 1 (continued)

4 Proxies to vote in accordance with instructions

A proxy is already required to vote in accordance with any voting directions provided by the appointing shareholder but this has now been included in the Act at section 324A, which states that a proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A provision has been added to the amended articles to confirm that there is no obligation on the Company to check whether proxies (or corporate representatives) are voting in accordance with instructions and that the vote is not invalidated should instructions not be followed.

5 Authorised share capital and unissued shares

The Act abolishes the requirement for a company to have an authorised share capital and the Amended Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

6 Adjournments

Under the Act, if a general meeting is adjourned because the necessary quorum is not present at the meeting, the adjourned meeting must be held at least 10 clear days after the date of the original meeting and the amended articles have been amended to reflect this change.

7 Record dates

The Act as amended introduces a new requirement for a company to determine a record date for voting at general meetings. The voting record date must be determined by reference to the register of members not more than 48 hours before the time for holding the meeting, ignoring any part of any day that is not a working day. The amended articles have been amended to reflect the ability to disregard any part of a non-working day in the calculation of the 48 hour period.

8 Chairman's casting vote

Since the Regulations came into force on 3 August 2009, the chairman of a listed company cannot have a casting vote where there is an equality of votes on an ordinary resolution at a general meeting and so this provision has been deleted from the amended articles.

9 Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead provided they are so authorised by the articles. The amended articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

10 General

Generally the opportunity has been taken to bring clearer language into the amended articles and to update the references to the Companies Act 1985 to refer to the replacement provisions of the Act. In some areas the language of the amended articles has been conformed with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

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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 US Smaller Companies PLC is shown in the investment trust or investment companies section of the stock market page in most leading newspapers, usually under "F&C US 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 February and October respectively.

More up-to-date performance information is available on the internet at www.fandcussmallers.com. This website also provides a monthly update on the Company's largest holdings with comments from the Manager.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £10,100 in the tax year ending 5 April 2010 without incurring any tax liability.

Taper relief and indexation allowances were abolished with effect from 6 April 2008 in favour of a single rate of charge to CGT of 18%.

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

Association of Investment Companies ("AIC")

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



How to Invest

Our Manager, F&C, runs a number of savings products which have been set up to provide cost effective and flexible ways to invest. Details of these products are listed below. You can buy F&C US Smaller Companies PLC shares using a bank or stockbroker or through a telephone dealing service. The shares can also be bought online; the F&C website at www.fandc.com has a link to Selftrade, one of Europe's biggest online stockbrokers.

Gains arising from assets held in an Individual Savings Account and Child Trust Fund are exempt from tax. Interest and dividends received on assets in these savings products are free of income tax, and there are income tax savings for higher rate taxpayers.

Private Investor Plan ("PIP")

It only costs 0.2% (plus 0.5% government stamp duty) to invest in F&C US Smaller Companies PLC via this simple savings plan and there are no ongoing charges. You can invest from £50 each month via a direct debit (£25 on behalf of a child) or from £500 as a lump sum. The minimum for top-up investments is £250. Investments in the PIP can be made online.

Pension Savings Plan ("PSP")

You can maximise your tax benefits and save for your retirement using this low cost personal pension plan. There is only a 0.5% management fee and this is capped at £500. Contributions can be made via a minimum £1,000 lump sum or by a monthly minimum direct debit of £50. The minimum top-up is £500. Now that personal pensions are no longer restricted to those with earnings of their own, almost everyone under the age of 75 is eligible. This means that you can invest on behalf of non-working spouses or partners and children.

Child Trust Fund ("CTF")

Parents can invest the Government voucher issued to all children born since 1 September 2002 in a CTF. There are no initial or annual plan charges and there is only 0.5% government stamp duty on any purchases. Parents and grandparents (or other relatives or friends) can add contributions totalling

£1,200 a year. You can invest from £25 each month via direct debit or from £100 for lump sums once you have invested your voucher.

Individual Savings Account ("ISA")

Individuals can invest up to £7,200 each year in F&C's Stocks and Shares ISA. The limit is to be raised to £10,200 per annum, for individuals over 50 years old, with effect from 6 October 2009 and for all other individuals with effect from 6 April 2010.

The minimum monthly direct debit is £50, minimum lump sum investment is £500 and the minimum top-up is £250. Investments in the ISA can be made online.

ISA investments can also be phased over three or six months. This is especially useful near the end of the tax year when the option for monthly investment is no longer viable.

In addition to the 0.2% dealing charge, F&C charges £60 + VAT a year ISA plan charge to cover any ISAs held, no matter how many tax years' ISAs have been taken out with them, or how many ISAs have been transferred to them.

Contact details

For further details on the savings plans and application forms, please contact Investor Services on

0800 136 420 info@fandc.com

or broker support on

08457 992 299 adviser.enquiries@fandc.com

(UK calls charged at the local rate)

Fax **0131 243 1315**

You can also find more information on the website:

www.fandc.com

If you wish to write to us, the address is:

Investor Services Team, F&C Management Limited,
80 George Street, Edinburgh EH2 3BU

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example, large print or on audiotape. Please call 0845 600 3030 for more details.

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.

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

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