



**Registered office:**

Exchange House, Primrose Street  
London EC2A 2NY  
Tel: 020 7628 8000 Fax: 020 7628 8188  
[www.fandcussmallers.com](http://www.fandcussmallers.com)  
[info@fandc.com](mailto:info@fandc.com)

**Registrars:**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road, Bristol BS99 6ZZ  
Tel: 0870 889 4089 Fax: 0870 703 6142  
[www.computershare.com](http://www.computershare.com)  
[web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

## F&C US Smaller Companies PLC

Report and accounts

for the half-year ended **31 December 2010**

## Objective

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

### Directors

Gordon Grender (Chairman)  
Peter Barton  
Norman Bachop  
Clive Parritt

### Manager

Robert Siddles  
F&C Management Limited

Visit the website at [www.fandcusmallers.com](http://www.fandcusmallers.com)

Registered in England, company registration number: 02781968

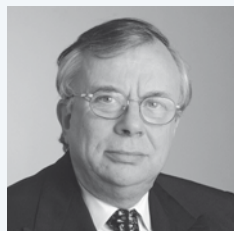
## Summary of Unaudited Results

### Attributable to equity shareholders

	31 December 2010	30 June 2010	% Change
Net assets	<b>£91.04m</b>	£77.30m	+17.8
Net asset value per share	<b>439.66p</b>	373.29p	+17.8
Russell 2000 Index (sterling adjusted)	<b>500.53</b>	407.39	+22.9
Share price	<b>425.50p</b>	354.50p	+20.0
Gearing/(net liquidity)*	<b>(2.0)%</b>	(1.2)%	
Increase in net asset value per share since inception on 8 March 1993			356.0%
Increase in the Russell 2000 Index (sterling adjusted) since 8 March 1993			216.7%

\* Calculated as loans less cash and investment debtors plus overdrafts and investment creditors at balance sheet value as a percentage of net assets.

# Chairman's Statement



Gordon Grender, Chairman

*Dear Shareholders*

The US stock market rallied strongly from the end of August, recovering from the fears of a double-dip recession that emerged in early summer. Business activity improved and the Federal Reserve gave the market extra help with a further increase in money supply. Smaller

companies led the market outpacing blue chips but the dollar fell slightly against sterling.

## Performance

I am pleased to report that the net asset value ("NAV") per share of your Company advanced in the six month period to 31 December 2010, gaining 17.8%. The Company's benchmark, the sterling-adjusted Russell 2000 Index rose 22.9%. In the period under review, the value style of investing, the one used by your Company, underperformed as the technology sector did particularly well.

Although performance in this period is disappointing when compared to the benchmark, the Company has performed well over the financial crisis. In the three years to 31 December 2010 NAV per share rose 50.6% against a rise in the benchmark of 30.1%

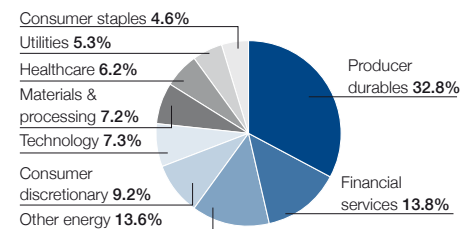
## Market review

During the six month period, the US equity market rallied strongly. The Russell 2000 Index gained 28.6% in dollar terms. The dollar's fall against sterling meant that this rise was reduced to 22.9% in sterling terms so investors suffered from the exchange rate movement as the Company's assets are valued in sterling.

As earlier fears of a double-dip recession faded and confidence in the economic recovery returned, the market advanced strongly. In particular, the Institute of Supply Managers report, a key business indicator, turned positive at the end of August. The Federal Reserve, deciding to take no risks with the recovery, provided another round of quantitative easing or printing of money. The dollar declined because

## Industrial classification of the investment portfolio

at 31 December 2010



Source: F&C Management Limited

of this and the end of the flight to safety in the first half of 2010.

Smaller companies led the market; in dollar terms the 28.6% gain in the Russell 2000 exceeded that of the Standard & Poor's Composite Index, which rose 22.0% and the technology-oriented NASDAQ Composite Index, which moved up 25.8%. This outperformance by smaller companies is typical in periods of economic recovery because they are perceived as being more geared to economic growth.

The best performing sectors in the six month period under review were energy, technology, and materials and processing. The laggards were more defensive sectors such as consumer staples and utilities together with financial services.

## Portfolio review

Good performance came from basic industries such as materials, fertilisers and railcar manufacturing. Poor performance occurred in areas still affected by the recession

such as lenders, or pressurised by regulators, for example, home nursing.

Overall, the portfolio still favours producer durables and energy but avoids technology. Within financials, insurance is preferred. The Manager increased exposure to utility services and education.

## Buy-backs and discount

The Company bought back no shares in the six-month period. 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%.

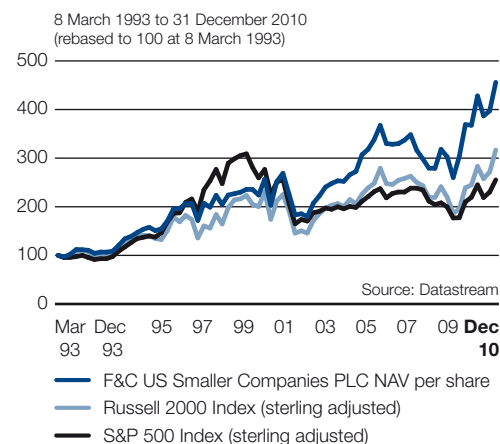
The discount narrowed from 5.0% at 30 June 2010 to 3.2% at 31 December 2010. As at 22 February 2011, the discount was 2.0%.

## Outlook

Business activity is expanding at a good pace but in order to put the recovery on a firmer footing we need to see growth in employment. There is reason to be somewhat optimistic as the first signs of this are appearing in the weekly US Initial Jobless Claims. It seems likely that US monetary policy will be accommodative for some time, however, the Russell 2000 Index is approaching its 2007 highs. The immediate danger for equities is that investor psychology becomes over-optimistic, although concerns about tighter monetary policy in China may well keep this at bay. Nevertheless, with corporate profitability high, merger and acquisition activity is likely to provide support for the market.

Looking further out, the US has plenty of spare capacity to sustain expansion but once recovery is on a more secure footing, the market

## Net asset value (NAV) per share performance since launch



## Chairman's Statement (continued)

may have to adjust to a less accommodative interest rate policy.

In recovering from the recent severe financial and economic crisis, the US has shown its vitality, although it waits to be seen whether the lessons learnt will avert another bubble in the medium term. The Company takes a risk averse approach to investment and it is pleasing that good returns have been generated through the crisis period.



Gordon Grender  
24 February 2011

## Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist mainly of listed equities and its principal risks are therefore market related.

Other key risks faced by the Company relate to investment strategy, currency, gearing, investment management resources, regulation, financial control and counterparties (including custodian default). These risks, and the way in which they are managed, are described in

more detail under the heading "Principal risks and their management" within the Directors' Report and Business Review contained within the Company's annual report for the year ended 30 June 2010. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remainder of the Company's financial year.

## Directors' Statement of Responsibilities in Respect of the Financial Statements

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

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards and gives a true and fair view of the assets, liabilities, financial position and return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;

- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the principal risks and uncertainties for the remainder of the financial year; and
- the half-yearly report includes details on related party transactions.

Signed on behalf of the Board  
Gordon Grender  
Chairman  
24 February 2011

## Twenty Largest Equity Holdings at 31 December 2010

31 Dec 2010	30 June 2010	Company	Description	Stock Exchange	% of total investments	Value £'000s
1	45	<b>American Railcar Industries</b>	Manufacturer of railcars.	NASDAQ	2.3	2,048
2	35	<b>Alpha Natural Resources</b>	Coal producer.	NYSE	2.2	1,965
3	36	<b>Harsco</b>	Industrial service company.	NYSE	2.2	1,937
4	–	<b>Amedisys</b>	Provider of home nursing services.	NASDAQ	2.1	1,927
5	4	<b>CapitalSource</b>	Lender to small and medium-sized businesses.	NYSE	2.1	1,921
6	41	<b>Arch Coal</b>	Coal producer.	NYSE	2.1	1,890
7	–	<b>Willbros Group</b>	Provider of construction and repair services for gas pipelines and electric utilities.	NYSE	2.1	1,846
8	40	<b>Foster Wheeler</b>	Engineering and construction.	NASDAQ	2.1	1,843
9	5	<b>Genesee &amp; Wyoming</b>	Operator of short line railways.	NYSE	2.0	1,826
10	49	<b>Intrepid Potash</b>	A fertiliser producer.	NYSE	2.0	1,817

31 Dec 2010	30 June 2010	Company	Description	Stock Exchange	% of total investments	Value £'000s
11	7	<b>HCC Insurance</b>	Specialist insurance underwriter.	NYSE	2.0	1,773
12	53	<b>Career Education</b>	Provider of post-secondary education.	NASDAQ	2.0	1,773
13	46	<b>Simpson Manufacturing</b>	Manufacturer of reinforcement products.	NYSE	1.9	1,742
14	19	<b>Mohawk Industries</b>	Manufacturer of floor coverings.	NYSE	1.9	1,740
15	11	<b>Orbital Sciences</b>	Manufacturer of small rockets and satellites.	NYSE	1.9	1,729
16	18	<b>ViaSat</b>	Provider of satellite communications and networking equipment and services.	NASDAQ	1.9	1,727
17	50	<b>Global Industries</b>	Provider of offshore construction services.	NASDAQ	1.9	1,722
18	57	<b>Bottomline Technologies</b>	Provider of payment automation software.	NASDAQ	1.9	1,722
19	28	<b>CRA International</b>	Management consultant specialising in litigation.	NASDAQ	1.9	1,720
20	–	<b>DeVry</b>	Provider of post-secondary education.	NYSE	1.9	1,718

The value of the twenty largest equity holdings represents 40.4% (30 June 2010: 40.7%) of the Company's total investments.

## Unaudited Condensed Income Statement

Notes	Half-year ended 31 December 2010			Half-year ended 31 December 2009			Year ended 30 June 2010			
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	
	–	14,084	14,084	–	12,983	12,983	–	16,726	16,726	
	–	(61)	(61)	–	41	41	–	274	274	
2	Income	271	–	271	319	–	319	644	–	644
3	Management fee	(341)	–	(341)	(295)	–	(295)	(620)	–	(620)
	Other expenses	(166)	(2)	(168)	(132)	(2)	(134)	(245)	(2)	(247)
	<b>Net return on ordinary activities before taxation</b>	<b>(236)</b>	<b>14,021</b>	<b>13,785</b>	(108)	13,022	12,914	(221)	16,998	16,777
5	Taxation on ordinary activities	(41)	–	(41)	(41)	–	(41)	(86)	–	(86)
	<b>Net return attributable to equity shareholders</b>	<b>(277)</b>	<b>14,021</b>	<b>13,744</b>	(149)	13,022	12,873	(307)	16,998	16,691
6	<b>Return per share – pence</b>	<b>(1.34)</b>	<b>67.71</b>	<b>66.37</b>	(0.72)	62.89	62.17	(1.48)	82.09	80.61

The total column is the profit and loss account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

A statement of total recognised gains and losses is not required as all gains and losses of the Company have been reflected in the above statement.

## Unaudited Condensed Reconciliation of Movements in Shareholders' Funds

	Called-up share capital £'000s	Share premium account £'000s	Non- distributable reserve £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
<b>Half-year ended 31 December 2010</b>							
Balance at 30 June 2010	5,177	2,468	841	8,175	62,016	(1,379)	77,298
<b>Movements during the half-year ended 31 December 2010</b>							
Net return attributable to equity shareholders	-	-	-	-	14,021	(277)	13,744
<b>Balance at 31 December 2010</b>	<b>5,177</b>	<b>2,468</b>	<b>841</b>	<b>8,175</b>	<b>76,037</b>	<b>(1,656)</b>	<b>91,042</b>
<b>Half-year ended 31 December 2009</b>							
Balance at 30 June 2009	5,177	2,468	841	8,175	45,018	(1,072)	60,607
<b>Movements during the half-year ended 31 December 2009</b>							
Net return attributable to equity shareholders	-	-	-	-	13,022	(149)	12,873
<b>Balance at 31 December 2009</b>	<b>5,177</b>	<b>2,468</b>	<b>841</b>	<b>8,175</b>	<b>58,040</b>	<b>(1,221)</b>	<b>73,480</b>
<b>Year ended 30 June 2010</b>							
Balance at 30 June 2009	5,177	2,468	841	8,175	45,018	(1,072)	60,607
<b>Movements during the year ended 30 June 2010</b>							
Net return attributable to equity shareholders	-	-	-	-	16,998	(307)	16,691
<b>Balance at 30 June 2010</b>	<b>5,177</b>	<b>2,468</b>	<b>841</b>	<b>8,175</b>	<b>62,016</b>	<b>(1,379)</b>	<b>77,298</b>

## Unaudited Condensed Balance Sheet

Notes	31 Dec 2010 £'000s	31 Dec 2009 £'000s	30 June 2010 £'000s
<b>Fixed assets</b>			
Listed investments	89,420	72,185	76,525
<b>Current assets</b>			
Debtors	63	191	68
Cash at bank and short-term deposits	1,808	1,393	1,036
	<b>1,871</b>	1,584	1,104
<b>Creditors: amounts falling due within one year</b>	<b>(249)</b>	(289)	(331)
<b>Net current assets</b>	<b>1,622</b>	1,295	773
<b>Net assets</b>	<b>91,042</b>	73,480	77,298
<b>Capital and reserves</b>			
7 Called-up share capital	5,177	5,177	5,177
Share premium account	2,468	2,468	2,468
Non-distributable reserve	841	841	841
Capital redemption reserve	8,175	8,175	8,175
Capital reserves	76,037	58,040	62,016
Revenue reserve	(1,656)	(1,221)	(1,379)
<b>Total shareholders' funds</b>	<b>91,042</b>	73,480	77,298
8 <b>Net asset value per share – pence</b>	<b>439.66</b>	354.85	373.29

## Unaudited Condensed Cash Flow Statement

Notes	Half-year ended 31 Dec 2010 £'000s	Half-year ended 31 Dec 2009 £'000s	Year ended 30 June 2010 £'000s
9 Net cash outflow from operating activities	(244)	(594)	(780)
Net cash inflow/(outflow) from financial investment	1,058	(1,200)	(1,602)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>	<b>814</b>	(1,794)	(2,382)
(Increase)/decrease in short-term deposits	(807)	1,889	2,259
<b>Increase/(decrease) in cash</b>	<b>7</b>	95	(123)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash	7	95	(123)
Increase/(decrease) in short-term deposits	807	(1,889)	(2,259)
Foreign exchange movement	(61)	41	274
<b>Movement in net funds</b>	<b>753</b>	(1,753)	(2,108)
Net funds at the beginning of the period	1,036	3,144	3,144
<b>Net funds at the end of the period</b>	<b>1,789</b>	1,391	1,036
<b>Represented by:</b>			
Short-term deposits	1,808	1,393	1,017
(Bank overdraft)/cash at bank	(19)	(2)	19
	<b>1,789</b>	1,391	1,036

## Notes on the Condensed Accounts

### 1 Accounting policies

These financial statements have been prepared on the basis of the accounting policies set out in the Company's financial statements at 30 June 2010. These accounting policies are expected to be followed throughout the year ending 30 June 2011.

### 2 Income

	Half-year ended 31 Dec 2010 £'000s	Half-year ended 31 Dec 2009 £'000s	Year ended 30 June 2010 £'000s
Overseas dividends	269	302	587
Overseas scrip dividends	1	14	52
Interest on cash and short-term deposits	1	3	5
	<b>271</b>	319	644

### 3 Management fee

The Manager provides investment management 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 outperformance 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 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 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 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.

No performance-related fee has been provided for in the period ended 31 December 2010 (31 December 2009: £nil, 30 June 2010: £nil).

### 4 Dividend

The Directors do not propose to pay an interim dividend.

### 5 Taxation

The taxation charge of £41,000 (31 December 2009: £41,000 and 30 June 2010: £86,000) relates to overseas taxation.

### 6 Return per share

Return per share attributable to shareholders reflects the overall performance of the Company in the period. Net revenue recognised in the first six months is not indicative of the total likely to be received in the full accounting year.

	Half-year ended 31 Dec 2010 £'000s	Half-year ended 31 Dec 2009 £'000s	Year ended 30 June 2010 £'000s
Revenue return	(277)	(149)	(307)
Capital return	14,021	13,022	16,998
Total return	<b>13,744</b>	12,873	16,691
Weighted average number of shares in issue	<b>20,707,135</b>	20,707,135	20,707,135

### 7 Share capital

Equity share capital	Issued and fully paid nominal number	£'000s
Ordinary shares of 25p each at 31 December 2010	<b>20,707,135</b>	<b>5,177</b>

There were no share buybacks during the period or since the period end.

### 8 Net asset value per share

The net asset value per share is based on 20,707,135 ordinary shares of 25p each in issue at 31 December 2010 (31 December 2009: 20,707,135 and 30 June 2010: 20,707,135).

## 9 Reconciliation of net return before finance costs and taxation to net cash flow from operating activities

	Half-year ended 31 Dec 2010 £'000s	Half-year ended 31 Dec 2009 £'000s	Year ended 30 June 2010 £'000s
Total return before taxation	13,785	12,914	16,777
Adjust for returns from non-operating activities:			
– Gains on investments	(14,084)	(12,983)	(16,726)
– Exchange losses/(gains) of a capital nature	61	(41)	(274)
– Non-operating expenses of a capital nature	2	2	2
Return from operating activities	(236)	(108)	(221)
Decrease/(increase) in accrued income	11	(21)	(32)
Increase in other debtors	(5)	(10)	(4)
Increase/(decrease) in creditors	28	(396)	(385)
Scrip dividends	–	(14)	(52)
Overseas taxation	(42)	(45)	(86)
Net cash outflow from operating activities	(244)	(594)	(780)

## 10 Results

The results for the half-year ended 31 December 2010 and 31 December 2009, which have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on the review of interim financial information, constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 June 2010; the report of the independent auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 June 2010 are an extract from those accounts.

By order of the Board  
F&C Management Limited, Secretary  
Exchange House, Primrose Street, London EC2A 2NY  
24 February 2011

## 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](http://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 and additional rate taxpayers.

### Private Investor Plan (“PIP”)

It only costs 0.2% (plus 0.5% government stamp duty on purchases and the dealing spread) 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. The annual plan charge is only 0.5% and this is capped at £500 (excluding transaction costs). 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”)

The government voucher required to open a CTF was only issued for children born between 1 September 2002 and 31 December 2010. It is however still possible to add to an existing CTF or transfer a CTF to the F&C 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 £10,200 each year (increasing to £10,680 for the 2011/2012 tax year onwards) in F&C's Stocks and Shares ISA.

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

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.

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.

In addition to the 0.2% dealing charge (and dealing spread plus 0.5% government stamp duty payable on purchases), 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.

The information on pages 17 and 18 has been issued and approved by F&C Management Limited, authorised and regulated in the UK by the Financial Services Authority.

**Availability of report and accounts**

The Company's report and accounts are available on the internet at [www.fandcusmallers.com](http://www.fandcusmallers.com). Printed copies may be obtained from the Company's registered office, Exchange House, Primrose Street, London EC2A 2NY