



# **F&C Managed Portfolio Trust plc**

Annual Report and Accounts  
2009

From incorporation on 20 February 2008 to 31 May 2009

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**This document is important and requires your immediate attention. Shareholders who are in any doubt as to what action to take should consult an appropriate independent financial adviser immediately. If you have sold or otherwise transferred all of your Shares in the Company, you should immediately send this document and the accompanying form of proxy to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for transmission to the purchaser or transferee.**

# Company Summary

## The Company

The Company is an investment trust and was incorporated on 20 February 2008. It was launched and commenced business on 16 April 2008 and its shares are listed on the Official List and traded on the main market of the London Stock Exchange. It is a member of the Association of Investment Companies ('AIC').

Net assets attributable to shareholders at 31 May 2009 were £15.0 million (Income shares) and £13.0 million (Growth shares).

## Investment Objective

The Company's investments are managed in two separate portfolios; the Income Portfolio and the Growth Portfolio, to which the Income shares and the Growth shares are respectively entitled.

The investment objective for each portfolio is:

### Income Portfolio

To provide Income shareholders with an attractive level of income with the potential for income and capital growth from a diversified portfolio of investment companies.

### Growth Portfolio

To provide Growth shareholders with capital growth from a diversified portfolio of investment companies.

The Company invests in investment companies that have underlying investment exposures across a range of geographic regions and sectors which assists in spreading investment risk.

The benchmark index for both the Income Portfolio and the Growth Portfolio is the FTSE All-Share Index.

## Investment Policy

The Company's investment policy is set out in the Report of the Directors on pages 13 to 14.

## Management

The Board has appointed F&C Investment Business Limited (the 'Manager'), a wholly-owned subsidiary of F&C Asset Management plc, as investment manager. The notice period for termination of the contract between the Company and the Manager is six months. Further details of the management contract, including fees, are provided in note 4 to the Accounts.

## Capital Structure

The Company has two classes of shares, Income shares and Growth shares. There is no fixed ratio between them and the relative sizes of the Income and Growth portfolios will vary over time. Subject to certain minimum thresholds, shareholders have the right to convert their Income shares into Growth shares and vice versa, upon certain dates, the first of which will be in October 2009 and then annually thereafter. Further details of the Capital Structure are provided on page 24.

## How to Invest

F&C Asset Management plc operates a number of investment plans which facilitate investment in the Income shares and Growth shares of the Company. Details are contained on page 51.

You may also invest through a stockbroker.

## ISA Status

The Company's shares are eligible for Individual Savings Accounts ('ISAs').

## Website

The internet address for the Company is [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk)

## Telephone

F&C Investment Business Limited Investment Services  
0845 600 3030

# Financial Highlights for the Period from 16 April 2008 to 31 May 2009

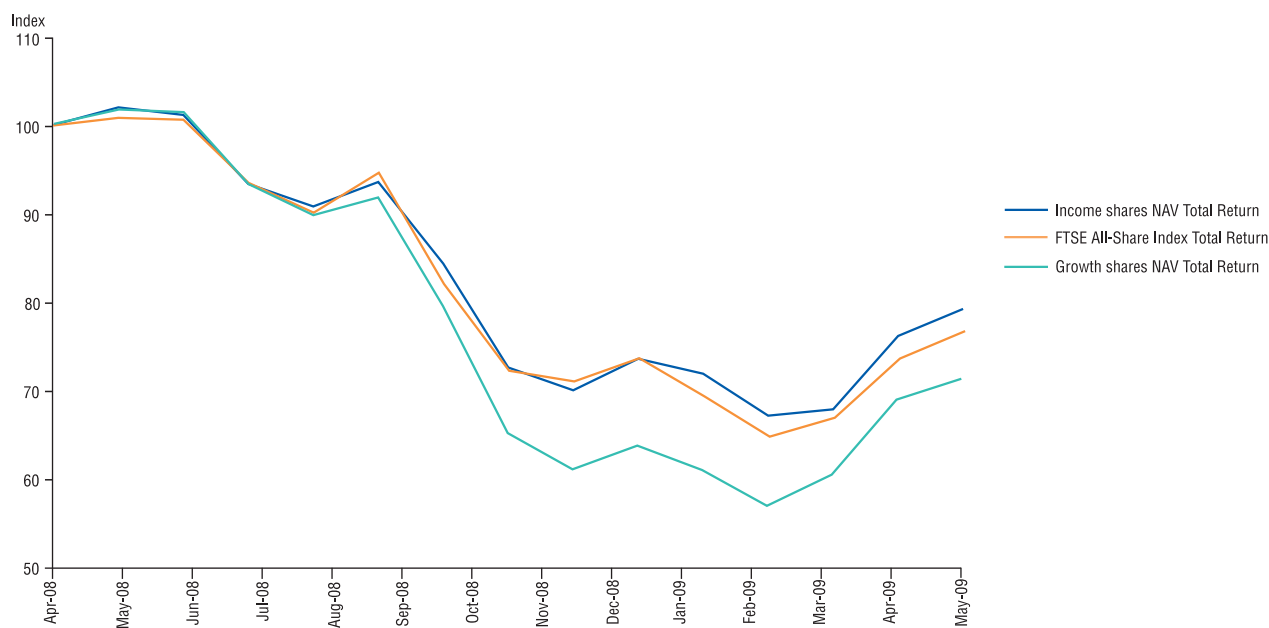
## Income Shares

- Net asset value total return per share was  $-20.8\%$ , compared to the FTSE All-Share Index total return of  $-23.2\%$
- Four interim dividends paid totalling 4.9p per Income share in respect of the period from launch to 31 May 2009
- Dividend yield of 5.9% at 31 May 2009, based on dividends at an annualised rate of 4.4p per Income share, compared to the yield on the FTSE All-Share Index of 4.6%

## Growth Shares

- Net asset value total return per share was  $-28.8\%$ , compared to the FTSE All-Share Index total return of  $-23.2\%$

## Performance from launch on 16 April 2008 to 31 May 2009 Net Asset Value Total Return against FTSE All-Share Total Return Index



Source: F&C Investment Business Limited

# Performance Summary

	31 May 2009	16 April 2008 (at launch)	% change
<b>Income Shares</b>			
<b>Capital</b>			
Net asset value per share	73.86p	98.00p	-24.6
FTSE All-Share Index	2,252.64	3,079.14	-26.8
<b>Share Price</b>			
Share price (mid market)	75.0p	100.0p	-25.0
<b>Premium</b> (% difference between share price and net asset value per share)	1.5%	2.0%	
<b>Total Return*</b>			
Net asset value per share			-20.8
FTSE All-Share Index			-23.2
Share price (mid market)			-21.0
<b>Gearing†</b>			
Actual Gearing			nil
<b>Revenue and Dividends</b>			
Revenue return per share (including net income transfer from Growth shares)			5.33p
Dividends per share			4.90p
<b>Total Expense Ratio</b> (as percentage of average shareholders' funds)			1.5%

	31 May 2009	16 April 2008 (at launch)	% change
<b>Growth Shares</b>			
<b>Capital</b>			
Net asset value per share	69.79p	98.00p	-28.8
FTSE All-Share Index	2,252.64	3,079.14	-26.8
<b>Share Price</b>			
Share price (mid market)	68.5p	100.0p	-31.5
<b>(Discount)/Premium</b> (% difference between share price and net asset value per share)	(1.8)%	2.0%	
<b>Total Return*</b>			
Net asset value per share			-28.8
FTSE All-Share Index			-23.2
Share price (mid market)			-31.5
<b>Gearing†</b>			
Actual Gearing			nil
<b>Total Expense Ratio</b> (as percentage of average shareholders' funds)			1.5%

Period end 31 May 2009 Highs/Lows	Income Shares		Growth Shares	
	High	Low	High	Low
Net asset value per share	101.74p	60.3p	101.54p	53.59p
Share price	100.0p	58.5p	100.0p	51.5p
Premium/(discount)‡	5.6%	(10.4)%	9.6%	(11.8)%

\* All total returns are based on net dividends re-invested.

† Gearing: The Company has no borrowings.

‡ Premium/(discount) high – Widest premium/narrowest (discount) in period  
Premium/(discount) low – Narrowest premium/widest (discount) in period

Sources: F&C Investment Business Limited and Datastream

# Chairman's Statement



**Richard Martin** Chairman

- Successful launch in a challenging year.
- Dividends paid totalling 4.9p per Income share, meeting the prospectus forecast.

The Company was launched only a few months before the full force of the financial and economic storm broke in the autumn of 2008. As a result, it is inevitable, but disappointing, that at the period end the Company's two share classes stood below their issue price.

Much has been written about the crisis, with excessive use of credit leading to the near collapse of the financial system and about the actions of governments and central banks to restore some degree of stability. I see little point in adding more here.

The vast majority of our shareholders are private individuals so we will endeavour to report to you as clearly as possible with the minimum of jargon.

The Board and Investment Manager are strong believers in the investment trust movement, which offers stable, low cost vehicles for investors. We are fortunate in having Peter Hewitt as the lead fund manager, who has spent much of his career managing and investing in investment trusts. As you would expect, the majority of the Directors have invested in the shares of the Company and did so at launch. I have also added to my holding of Income shares during the period.

## Some background

The Company was launched following the roll-over of assets held in the F&C investment trust managed portfolio service ('MPS'). We were delighted that approximately 95 per cent of investors supported the launch providing assets of £42.8 million at the

start of trading on 16 April 2008. The Company's structure enables the two investment portfolios – one, targeting income and the other capital growth – to be managed more effectively, since no corporation tax is paid on capital gains. We thank you for your support.

The Company has an innovative structure and any net income earned by the Growth Portfolio is passed to the Income Portfolio which it is able to use to increase the dividends paid to Income shareholders. In return, the Income Portfolio passes an equal amount of capital to the Growth Portfolio. It is important that shareholders appreciate that the Company is not in any sense a "split capital trust" as there is no element of gearing or borrowing involved. The structure merely allows each of the two Portfolios to enhance the returns to shareholders, as dividends and capital growth respectively.

## Performance

Over the 13<sup>1</sup>/<sub>2</sub> month period since launch to the Company's 'year end' on 31 May 2009, the total return (i.e. adding dividends paid to capital performance) of the FTSE All-Share Index was –23.2 per cent. This index is the performance benchmark for both Portfolios.

The net asset value (NAV) per share of the Income shares fell by 24.6 per cent to 73.86p per share. However, if the three dividends paid out during the period are included, then the total return of –20.8 per cent was ahead of the benchmark. The fourth interim dividend in respect of the period to 31 May 2009 was paid after the period end.

The Growth Portfolio fared less well as its broader exposure to growth – in sector and region – struggled in difficult markets. Its NAV per share fell by 28.8 per cent to 69.79p. However, as some confidence has returned and the strength of Asian and Emerging Markets has been recognised, it has outperformed the benchmark index over the last six months to 31 May 2009.

## Dividends

The prospectus issued at the launch of the Company forecast that dividends of 4.9p per Income share would be paid in respect of this first 13<sup>1</sup>/<sub>2</sub> month financial period to 31 May 2009. We have been able to achieve this and transfer £101,000 to revenue reserves.

In the absence of unforeseen circumstances, your Board intends to declare three interim dividends each of 1p per Income share payable in October

2009, January 2010 and April 2010. It is intended that a fourth interim dividend will be paid to Income shareholders in July 2010 but, in view of the current uncertain outlook, your Board will determine the amount of the fourth interim dividend when a clearer view of income emerges for the year to 31 May 2010.

I have to stress that forecasting income over the coming year is extremely difficult. Much depends on movements in the oil price and the sterling/US dollar exchange rate. Shell, BP and HSBC, which together contribute 34 per cent of the dividend stream from the FTSE All-Share Index, all pay dividends in US dollars. Clearly, we cannot make a formal forecast of dividends from the Company at present.

#### **Discounts and share buy-backs**

As shareholders will be aware, the share price of investment trusts does not always mirror closely their underlying NAV and many trusts trade at a substantial discount. By buying back shares from time to time, we have been able to maintain an average discount of 3.0 per cent for the Income shares and 1.9 per cent for the Growth shares. At the period end, the ratings were a premium of 1.5 per cent for the Income shares and a discount of 1.8 per cent for the Growth shares.

During the period the Company bought back 1,825,000 Income shares and 2,035,000 Growth shares, all to be held in Treasury and available to re-sell. In addition, 260,000 Growth shares were bought back and cancelled, as the powers to hold further Treasury shares had been utilised.

By keeping the discount within reasonable limits we have been able to re-sell some of these shares as demand arose. During the period, 268,000 Income shares and 25,000 Growth shares were re-sold out of these Treasury shares. We will be seeking shareholders' approval to renew these powers at the AGM. In addition, since the period end, a further 550,000 Income shares and 100,000 Growth shares have been re-sold out of Treasury at a small premium to NAV.

#### **Share plans and conversion facility**

F&C operates various share plans which enable shareholders to invest in the Company's shares in a cost effective way. One of these, the F&C Managed Portfolio Trust Share Plan and ISA, provides investment protection, which repays the gross amount invested, in the event of death. We consider this to be a valuable benefit which may be of

interest to many, including trustees. Further details are shown on page 51. Subject to certain minimum thresholds, shareholders have the opportunity to convert their Income shares into Growth shares and/or their Growth shares into Income shares upon certain dates, the first of which will be 28 October 2009. Full details are shown on pages 48 and 49 and on the Company's website.

#### **AGM**

The Company's first Annual General Meeting will be held at 12.30 pm on 22 September 2009 at the offices of F&C Asset Management plc, 80 George Street, Edinburgh. I do hope as many shareholders as possible will be able to attend as it is a good opportunity to meet the Directors and Manager. I would encourage those shareholders who are unable to attend to complete their voting form, which is enclosed.

Over 95 per cent of the Income shares and Growth shares are held by investors through F&C retail plans. Under F&C's current arrangements, the nominee company, which holds these shares on behalf of the plan holders, will vote the shares held on behalf of plan holders who have not returned their voting directions in the same proportion, for, against and withheld, to those that have voted. This proportional voting arrangement will apply, subject to certain limits, at the forthcoming Annual General Meeting. Any investor wishing to exclude his shares from the arrangement may do so. Further information is provided on the voting forms for F&C plan holders.

#### **Outlook**

Central banks and financial authorities appear to have succeeded in stabilising economies by nationalising and providing support for failing banks and by providing liquidity for the financial system. Ahead lies the equally difficult task of steering between runaway inflation (which may arise from the injection of billions into the system) and prolonged recession if this stimulus is withdrawn too quickly.

While it is difficult to be optimistic about the outlook for Western economies, equity markets should be supported by reasonable dividend yields – well in excess of interest on bank deposits – and exposure to growing economies in Asia and Emerging Markets.

#### **Richard M Martin**

Chairman  
21 July 2009



# Investment Manager and Investment Process



**Peter Hewitt**  
Investment Manager

**Peter Hewitt** Investment Manager has managed the Company's assets (which were previously held in 'MPS') since 2002, and is the lead fund manager of the Company. He has over 25 years' investment experience and specialises in investment companies.

## Investment Manager

F&C Managed Portfolio Trust plc is managed by F&C Investment Business Limited, a wholly-owned subsidiary of F&C Asset Management plc (F&C). F&C is a leading asset manager in both the UK and Europe with some £93 billion (at 31 March 2009) of funds under management. F&C is a company listed on the London Stock Exchange.

F&C provides management and other services to a range of investment clients.

## Investment Process

The investments of F&C Managed Portfolio Trust are managed in two separate portfolios, the Income Portfolio and the Growth Portfolio, to which the Income shares and the Growth shares are respectively entitled.

## Income Portfolio

The objective for the Income Portfolio of assets is to provide investors with an attractive level of income, with the potential for income and capital growth, from a diversified portfolio of investment companies.

The Income Portfolio holds a portfolio of investment companies which focus on offering an income yield



**Ian Ridge**  
Company Secretary

**Ian Ridge** Company Secretary, a chartered accountant, joined F&C Asset Management in 2005 and is responsible for the provision of accounting and company secretarial services to the Company.

above the yield of the FTSE All-Share Index and diversified through holding at least 25 investments. Each underlying investment provides further diversification through holding a significant number of underlying investments.

The benchmark index for the Income Portfolio is the FTSE All-Share Index.

## Growth Portfolio

The objective for the Growth Portfolio of assets is to provide investors with capital growth from a diversified portfolio of investment companies.

The focus for the Growth Portfolio is to maximise total returns, principally through capital growth. The Manager is entitled to acquire higher yielding investment companies if it believes such companies will offer superior returns, although it is not expected that such investment companies will form a significant part of the Growth Portfolio.

The Growth Portfolio is diversified through holding at least 25 investments. Each underlying investment provides further diversification through holding a significant number of underlying investments.

The benchmark index for the Growth Portfolio is the FTSE All-Share Index.



# Manager's Review

## Stockmarket background

The shares of F&C Managed Portfolio Trust were listed on the London Stock Exchange on 16 April 2008. The subsequent period to the end of the financial year on 31 May 2009 proved to be one of the most turbulent and challenging ever for investors. When the Company was launched, the FTSE 100 Index stood at 6046; it subsequently rose to 6376 on 19 May 2008, but by 3 March this year had fallen to 3512: a truly momentous decline. By 31 May the Index had rallied to 4418, still substantially lower than May last year, but a welcome recovery nonetheless.

The chart below illustrates the volatility in global markets in the period since the Company's launch.



The factors behind such moves have been well documented; sub-prime mortgages in the US and the collapse of US investment bank Lehman Brothers in September, which then triggered a near-failure of the banking system both in Europe and the US. To prevent this required unprecedented intervention and support from authorities and governments. The real economy, which had shown signs of tipping into recession earlier in 2008, rapidly tumbled into a very sharp and severe downturn.

This created very adverse conditions for equity markets which caused substantial falls in index levels as illustrated in the numbers above for the FTSE 100 Index. What the numbers don't reveal is the effect on investor sentiment during this period which could best be described as capitulation and extreme pessimism.

Policy action by monetary authorities, however, was significant and rapid and probably averted the worst. Interest rates have been cut to almost zero, re-capitalisation of the banking system has been undertaken, followed by quantitative easing, whereby the Bank of England purchases both gilts and corporate bonds and, through this mechanism, liquidity is injected into the financial system. By mid-March these actions began to take effect and stock markets staged a marked recovery through to the end of the period covered by this report.

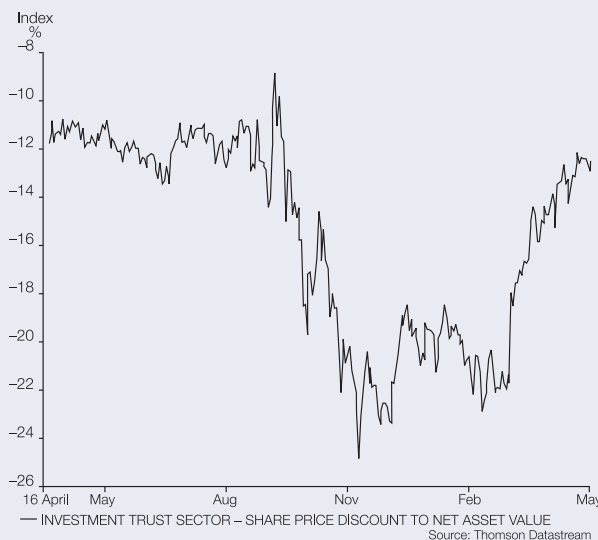
## Performance

Despite the recent improvement, equity markets remain well below the level when the Company was listed on the London Stock Exchange last April. For the period under review the FTSE All-Share Index returned -23.2 per cent (in total return terms) whilst the Net Asset Value per share of the Income Portfolio returned -20.8 per cent and the Growth Portfolio -28.8 per cent (again both in total return terms).

In general, when equity markets experience a "bear" phase, investment companies will tend to underperform market averages. Two factors are behind this trend. First, the discount between the share price of an investment company and its underlying asset value typically widens in a bear market. Second, many investment companies employ gearing (borrowings) which, in a falling market, has an adverse effect on both absolute returns and on returns relative to a benchmark index. It should be remembered that both of the above trends work in reverse when equity markets enter a "bull" phase.

# Manager's Review

The chart below illustrates the average share price discount to net asset value for the Investment Trust sector in the period to 31 May 2009.



One of the key features of performance was the level of cash held in both Portfolios throughout 2008. This reflected the Manager's cautious view of markets and was used to provide a measure of protection for the Portfolios. Cash levels were maintained well above average from launch through to the end of 2008. They peaked at 25 per cent for the Growth Portfolio and 22 per cent for the Income Portfolio at the end of October. In December it was decided to gradually move to a more fully invested position and this was achieved by the end of the financial year on 31 May 2009. At that stage cash levels were 6 per cent for the Income Portfolio and 4 per cent for the Growth Portfolio.

A combination of the levels of cash held, and holdings that are typically more defensive in nature, were behind the outperformance of the Income Portfolio relative to that of the FTSE All-Share Index. The Growth Portfolio however did not fare as well, despite the high levels of cash maintained. The traditional reasons why investment companies underperform a falling market, as explained on the previous page, were the main factors behind the Growth Portfolio's performance.

However, it should be noted that the reverse trend, also as explained on the previous page, was at work as the

market recovered. From the end of February to the end of May (effectively the last quarter of the Company's accounting period) the FTSE All-Share Index returned 18.3 per cent whilst the Net Asset Value per share of the Growth Portfolio returned 25.0 per cent (both in total return terms). There is still some way to go; however it is encouraging that the Growth Portfolio in particular performed well during a recovery phase of the stockmarket.

## Investment Approach

For investment companies, whilst the discount between the share price and the net asset value is an important element in the decision to invest, and close attention is paid to it, it is not the dominant factor behind the investment selections of F&C Managed Portfolio Trust. The policy which we believe will serve shareholders best is to employ a long-term approach to investment and, as such, the key driver to performance is asset growth over the long-run. Integral to this approach is endeavouring to identify fund managers, within the investment company universe, who can demonstrate good performance records over the long-term either relative to a benchmark index or against a relevant peer group.

Once a potential investment has been identified an analysis of the fundamentals is then undertaken. Examples of factors to focus on include:

- what the prospects are for the relevant market or sector in which the company specialises,
- the need to understand the capital structure, the attitude to and use of gearing, as well as the cost and flexibility of the borrowings,
- it is essential to meet with the fund manager regularly to gain an understanding and appreciation of their views and approach and also to ensure that they are properly resourced and not managing too many other funds or different mandates,
- what is the investment style; for example, value or growth and how does this translate into portfolio selections.

### **Investment Strategy and Outlook**

On balance it appears likely that economic activity in the UK (and probably the US) will stabilise during the second half of this year. The interesting question then revolves around the likely trajectory and profile of growth from 2010 onwards. Given the high levels of both government and personal indebtedness in the UK any upturn may well be of a more muted variety than otherwise would have been the case. Inflation and higher interest rates, neither of which is on the agenda currently, will also serve to constrain the strength of any recovery over the medium-term.

Against this background, and despite the recent rally, the valuation of UK equities in a historic context is modest. At the time of writing the historic price earnings ratio is around 10 times and the historic dividend yield 4.6 per cent. Indeed, even allowing for a further fall in corporate earnings and dividends over the rest of 2009, equities are attractively valued when compared to bonds or cash.

In terms of strategy, it is the intention that the Company continues to be fully invested. Within that a key theme for both Portfolios is to have considerable exposure to overseas markets. This is primarily because growth prospects, particularly in the Pacific Rim region and also for other Emerging Markets, are superior to those of the UK. The charts on pages 10 and 11 illustrate the Portfolios' geographic exposure. Returns from overseas

holdings are boosted should sterling weaken and, whilst it is extremely hazardous to forecast currency movements in the near term, looking ahead to the long-term it is difficult to view sterling as anything else but a relatively weak currency.

Given the underlying gearing in our investee companies it is not our intention to use gearing in either Portfolio at present.

An additional theme for the Income Portfolio is to have a high exposure to equities and not to be overly reliant on bond or property-related holdings, which tend to have good income streams but less growth potential. This strategy should permit robust capital returns from the Income Portfolio over the medium-term and highlights that the Income Portfolio is managed from a total return perspective with a focus on both capital and income.

The first accounting period for F&C Managed Portfolio Trust could hardly have been more challenging; however, both Portfolios have emerged in reasonable shape. The Manager is cautiously optimistic for the year ahead.

### **Peter Hewitt**

Investment Manager

F&C Investment Business Limited

21 July 2009

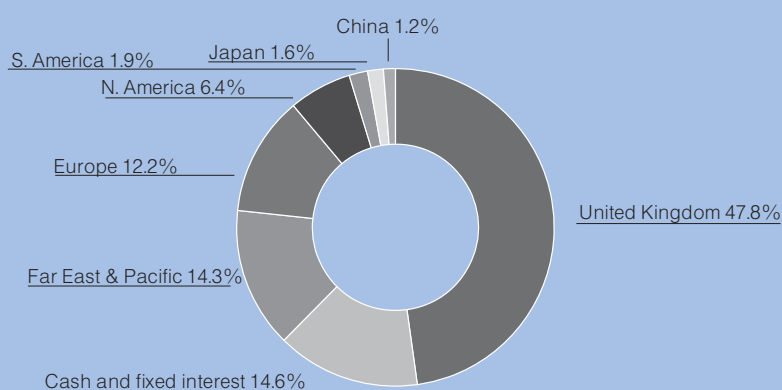
## Income Shares

# Investment Portfolio at 31 May 2009

Company	Sector	Valuation £'000	% of Net assets of Income Portfolio
British Assets Trust†	Global Growth & Income	961	6.4
Murray International Trust	Global Growth & Income	839	5.6
European Assets Trust†	European Smaller Companies	770	5.1
Law Debenture Corporation	Global Growth	692	4.6
Perpetual Income & Growth Investment Trust	UK Growth & Income	665	4.4
Aberdeen Asian Income Fund	Asia Pacific – excluding Japan	659	4.4
Henderson Far East Income	Asia Pacific – excluding Japan	643	4.3
Investors Capital Trust (A Shares)†	UK High Income	640	4.3
City of London Investment Trust	UK Growth & Income	638	4.2
Temple Bar Investment Trust	UK Growth & Income	582	3.9
<b>Ten largest investments</b>		<b>7,089</b>	<b>47.2</b>
Bankers Investment Trust	Global Growth	580	3.9
The Merchants Trust	UK Growth & Income	574	3.8
Ecofin Water & Power Opportunities	Utilities	566	3.8
Utilico Emerging Markets	Global Emerging Markets	557	3.7
Edinburgh Investment Trust	UK Growth & Income	551	3.7
Schroder Oriental Income Fund	Asia Pacific – including Japan	512	3.4
Keystone Investment Trust	UK Growth	506	3.3
The Mercantile Investment Trust	UK Growth	496	3.3
Invesco Leveraged High Yield Fund	Global High Income	445	2.9
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	440	2.9
<b>Twenty largest investments</b>		<b>12,316</b>	<b>81.9</b>
Aberforth Smaller Companies Trust	UK Smaller Companies	324	2.2
JPMorgan Income & Growth Investment Trust (Units)	UK Growth & Income	323	2.2
TR Property Investment Trust	Property Securities	309	2.1
Henderson High Income Trust	UK High Income	282	1.9
City Merchants High Yield Trust	UK High Income	211	1.4
New Star Financial Opportunities Fund	Growth & Income	187	1.2
JZ Capital Partners	Private Equity	96	0.6
Candover Investments	Private Equity	56	0.4
Investors Capital Trust (Units)†	UK High Income	31	0.2
Standard Life Equity Income Trust	UK Growth & Income	2	–
<b>Thirty largest and total investments</b>		<b>14,137</b>	<b>94.1</b>
<b>Net current assets</b>		<b>894</b>	<b>5.9</b>
<b>Net assets of Income Portfolio</b>		<b>15,031</b>	<b>100.0</b>

† Investment managed by the Investment Manager, F&C

### Geographical Analysis of the Net Assets of the Income Portfolio on a 'look-through' basis



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2009)

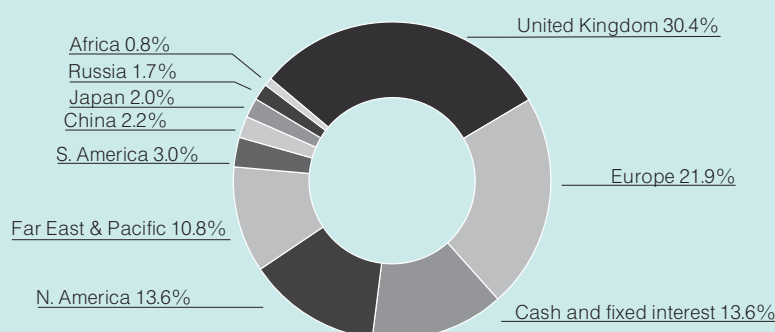
## Growth Shares

# Investment Portfolio at 31 May 2009

Company	Sector	Valuation £'000	% of Net assets of Growth Portfolio
British Empire Securities & General Trust	Global Growth	888	6.8
Perpetual Income & Growth Investment Trust	UK Growth & Income	676	5.2
The Mercantile Investment Trust	UK Growth	572	4.4
Templeton Emerging Markets Investment Trust	Global Emerging Markets	559	4.3
TR Property Investment Trust	Property Securities	556	4.3
Monks Investment Trust	Global Growth	472	3.6
Aberforth Smaller Companies Trust	UK Smaller Companies	463	3.5
Pacific Assets Trust†	Asia Pacific – excluding Japan	442	3.4
Alliance Trust	Global Growth	428	3.3
BlackRock World Mining Trust	Commodities & Natural Resources	416	3.2
<b>Ten largest investments</b>		<b>5,472</b>	<b>42.0</b>
RCM Technology Trust	Technology Media & Telecom	410	3.2
Edinburgh Dragon Trust	Asia Pacific – excluding Japan	379	2.9
British Assets Trust†	Global Growth & Income	379	2.9
EP Global Opportunities Trust	Global Growth	366	2.8
Graphite Enterprise Trust	Private Equity	365	2.8
JP Morgan American Investment Trust	North America	353	2.7
TR European Growth Trust	European Smaller Companies	331	2.6
Schroder UK Mid & Small Cap Fund	UK Growth	330	2.5
Murray International Trust	Global Growth & Income	319	2.4
Scottish Investment Trust	Global Growth	309	2.4
<b>Twenty largest investments</b>		<b>9,013</b>	<b>69.2</b>
Lowland Investment Company	UK Growth & Income	306	2.3
Polar Capital Technology Trust	Technology Media & Telecom	304	2.3
Artemis Alpha Trust	UK Growth	304	2.3
Scottish Mortgage Investment Trust	Global Growth	294	2.3
SVM Global Fund	Global Growth	291	2.2
Fidelity European Values	Europe	287	2.2
Baring Emerging Europe	European Emerging Markets	272	2.1
Jupiter European Opportunities Trust	Europe	270	2.1
Standard Life European Private Equity Trust	Private Equity	267	2.1
Impax Environmental Markets	Environmental	248	1.9
<b>Thirty largest investments</b>		<b>11,856</b>	<b>91.0</b>
European Assets Trust†	European Smaller Companies	244	1.9
F&C UK Select Trust†	UK Growth	154	1.2
SVG Capital	Private Equity	131	1.0
Candover Investments	Private Equity	78	0.6
<b>Total investments</b>		<b>12,463</b>	<b>95.7</b>
<b>Net current assets</b>		<b>563</b>	<b>4.3</b>
<b>Net assets of Growth Portfolio</b>		<b>13,026</b>	<b>100.0</b>

† Investment managed by the Investment Manager, F&C

### Geographical Analysis of the Net Assets of the Growth Portfolio on a 'look-through' basis



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2009)

# Board of Directors



## **Richard Martin**

**Chairman of the Board and the Nomination Committee**

He is an adviser to several family groups and a director of Invesco Perpetual Aim VCT plc, Montanaro

European Smaller Companies Trust plc as well as various private companies. He is Chairman of the Investment Committee of the National Trust for Scotland.



## **Colin McGill**

**Chairman of the Audit Committee**

He is a qualified lawyer and accountant. He was Chief Executive Officer of Sportech PLC, a company

listed on the London Stock Exchange, between 2000 and 2003. Between 1975 and 2000 he was with the Bank of Scotland and from 1998 to 2000 was Chief Executive of the Corporate Division of the Bank of Scotland, responsible for all UK and global corporate banking.



## **David Harris**

**Senior Independent Director**

He is Chief Executive of InvaTrust Consultancy Ltd, a specialist investment and marketing consultancy group that undertakes a variety of

projects within the investment fund management industry. He was previously director responsible for training, education and marketing issues at the Association of Investment Companies from 1995 to 1999. He is currently a non-executive director of The Character Group plc, COBRA Holdings plc, Aseana Properties Ltd, Small Companies Dividend Trust plc, Manchester and London Investment Trust plc and SDF Productions Ltd.



## **Alistair Stewart**

**Chairman of the Remuneration Committee**

After qualifying as a Chartered Accountant he joined Murray Johnstone Ltd (investment managers) in

1973 where he served as a director between 1983 and 1999. Between 2000 and 2007 he was head of research at Speirs & Jeffrey Ltd, private client stockbrokers.

All of the Directors are non-executive, were appointed on 22 February 2008 and are considered by the Board to be independent. All of the Directors are members of the Audit Committee, Remuneration Committee and Nomination Committee.



# Report of the Directors

The Directors submit the first Annual Report and Accounts of the Company for the period from incorporation on 20 February 2008 to 31 May 2009. The Company's Income shares and Growth shares commenced trading on the London Stock Exchange on 16 April 2008.

## Results and Dividends

The results for the period are set out in the attached accounts.

<b>Dividends</b>	<b>£'000</b>
Current period net revenue available for dividends	1,114
Dividends on Income shares	
First interim of 1.5p per income share paid on 9 October 2008	(310)
Second interim of 1.0p per income share paid on 9 January 2009	(207)
Third interim of 1.0p per income share paid on 9 April 2009	(203)
Fourth interim of 1.4p per income share paid on 9 July 2009*	(293)
	<hr/>
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\*The fourth interim dividend of 1.4p per income share which was paid after the period end has not been included as a liability in these accounts.

## Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 (number: SC338196). The Company is an investment company within the terms of section 833 of the Companies Act 2006.

The Company carries on business as an investment trust. In the opinion of the Directors, the Company has conducted its affairs so as to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988.

The Company is required to comply with company law, the rules of the UK Listing Authority, UK Financial Reporting Standards, and its Articles of Association.

The Company is a member of the Association of Investment Companies (the 'AIC').

## Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment

and dividend policies, corporate strategy, gearing, corporate governance and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 12.

The following review is designed to provide information primarily about the Company's business and results for the period to 31 May 2009 and covers:

- Investment policy.
- Performance and dividends.
- Management of assets and shareholder value.
- Performance measurement and key performance indicators.
- Principal risks and risk management.

A review of the Company's business during the period, the position of the Company at the period end, and outlook for the coming year is contained in the Chairman's Statement and Manager's Review.

## Investment Policy

The Company's investment objective is:

- to provide Income shareholders with an attractive level of income with the potential for income and capital growth from a diversified portfolio of investment companies; and
- to provide Growth shareholders with capital growth from a diversified portfolio of investment companies.

The Income Portfolio will invest in a diversified portfolio of at least 25 investment companies:

- that have underlying investment exposures across a range of geographic regions and sectors.
- that focus on offering an income yield above the yield of the FTSE All-Share Index.

The Growth Portfolio will invest in a diversified portfolio of at least 25 investment companies:

- that have underlying investment exposures across a range of geographic regions and sectors.
- the focus of which will be to maximise total returns, principally through capital growth.

The Company invests principally in closed ended investment companies, wherever incorporated, which are listed on the Official List of the UK Listing Authority. The majority of the Company's holdings

# Report of the Directors (continued)

comprise equity investments although it is permitted to invest in other securities issued by investment companies.

- The Company is permitted to invest in other closed ended investment companies, wherever incorporated, whose shares are traded on AiM or a Regulated Exchange (other than the Official List of the UKLA) up to a maximum of 25 per cent of the total assets of the relevant Portfolio.
- In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 10 per cent of its total assets in other UK listed investment companies that themselves may invest more than 15 per cent of their total assets in other UK listed investment companies.
- There are no maximum levels set for underlying exposures to geographic regions or sectors.
- No investment in either Portfolio may exceed 15 per cent of the relevant Portfolio's total assets at the time of the latest purchase.
- The Manager may invest the assets of the Company in other investment companies managed by the Manager, provided that such investments in the Income or Growth Portfolios shall not exceed 20 per cent of the total assets of the relevant Portfolio at the time of investment.
- There are no defined limits on securities and accordingly the Company may invest up to 100 per cent of total assets in any particular type of security.

The Company may use derivatives, principally, for the purpose of efficient portfolio management, including protecting the Portfolios against market falls.

Currently the Company has no borrowings. However, the Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20 per cent of the total assets of the relevant Portfolio. Under the Company's Articles of Association the maximum borrowing limit is 50 per cent of the total assets of the relevant Portfolio.

## **Performance and dividends**

### **Income shares**

In the period to 31 May 2009, the NAV total return of the Income shares was –20.8 per cent compared to the benchmark FTSE All-Share Index total return of –23.2 per cent.

In the reporting period, the Company paid interim dividends totalling 3.5p per Income share and has declared a further dividend of 1.4p per Income share which was paid after the period end, on 9 July 2009. These payments totalling 4.9p per Income Share were in respect of the period from launch on 16 April 2008 to 31 May 2009. Based on an annualised rate of 4.4p per Income share and a share price of 75.0p at the period end, this represents a yield of 5.9 per cent.

### **Growth shares**

In the period to 31 May 2009, the NAV total return of the Growth shares was –28.8 per cent compared to the benchmark FTSE All-Share Index total return of –23.2 per cent.

Dividends are not paid on the Growth shares, but instead, any net income arising in the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount made from the capital attributable to the Income Portfolio to the Growth Portfolio. In this regard, in the period to 31 May 2009 a transfer of £318,000 was made between the Portfolios.

### **Management of Assets and Shareholder Value**

As part of its strategy, the Board has contractually delegated the management of the investment portfolios, and other services, to F&C Investment Business Limited.

The Company invests in investment companies which the Manager believes are most appropriate for the Income and Growth portfolios and their objectives.

Investment risks are spread through holding a wide range of investment companies that have underlying investment exposures across a range of geographic regions and sectors. As at 31 May 2009, 30 investments were held in the Income Portfolio and 34 in the Growth Portfolio. At each Board meeting, the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and market outlook. It also considers compliance with the investment policy and investment restrictions during the reporting period.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on the following page.

The Chairman's Statement and Manager's Review within this Report provide a review of investment performance, the investment portfolios and market conditions during the period and the outlook for the coming year, both of which form part of this Business Review. An analysis of the Company's Income and Growth Portfolios is contained on pages 10 and 11.

The Board recognises the importance of both marketing and share buy-backs in enhancing shareholder value. In terms of marketing, the Manager offers a range of private investor savings schemes, details of which can be found in the 'How to Invest' section of this report. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment trust sector. Share buy-backs help reduce the volatility of the discount and enhance the net asset value per share for continuing shareholders. Communication of up-to-date portfolio information is made through the Company's website.

#### **Performance Measurement and Key Performance Indicators**

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value total return of the Income and Growth shares relative to the total return on the FTSE All-Share Index, the benchmark index.
- Dividend level of the Income shares.
- Discount of the share price of the Income and Growth shares, relative to their net asset value.
- Total expenses as a ratio of shareholders' funds.

A record of these indicators is contained in the page entitled 'Performance Summary'. Additional comments are provided in the Chairman's Statement and Manager's Review discussing the performance of the Company over the current period.

#### **Principal Risks and Risk Management**

The Company's assets consist mainly of listed equity securities and its principal risks are therefore market-related. More detailed explanations of these risks and the way in which they are managed are contained in the notes to the accounts.

Other risks faced by the Company include the following:

- External – events such as terrorism, protectionism, inflation or deflation, economic recessions and movements in interest rates and exchange rates could affect share prices in particular markets.
- Investment and strategic – incorrect strategy, asset allocation, stock selection and the use of gearing could all lead to poor returns for shareholders.
- Credit risk – is the risk that a counterparty will fail to discharge an obligation or commitment that it had entered into with the Company. All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with the respect to securities held by the custodian to be delayed or limited.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Breach of section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

The Board seeks to mitigate and manage these risks through continual review, policy-setting and reliance upon contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail later in the Report of the Directors.

# Report of the Directors (continued)

## Directors

The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting following their appointment and therefore all Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

The Board confirms that, following formal performance evaluations, the performance of each of the Directors seeking re-appointment continues to be effective and demonstrates commitment to the role. The Board believes, therefore, that it is in the interests of shareholders that these Directors are re-appointed.

The Directors who held office and their interests in the shares and other securities of the Company at 31 May 2009 were:

	Income Shares	Growth Shares
R M Martin	31,000	10,000
D Harris	–	–
C S McGill	10,000	10,000
A G Stewart	10,000	10,000

The office of Director does not require a shareholding.

There have been no changes in the holdings of the Directors since 31 May 2009 up to the date of this report.

No Director has any material interest in any contract to which the Company is a party. No Director has a contract of service with the Company.

## Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

## Substantial Interests in Share Capital

At 21 July 2009 there had been no disclosures and the Company was not aware of any beneficial interests exceeding 3 per cent of the Company's issued Income share or Growth share capital.

## Management and Administration

The Manager provides management, secretarial and administrative services to the Company. A summary of the management agreement between the Company and F&C Investment Business Limited in respect of the services provided are given in notes 4 and 5 to the accounts.

Since the end of the period, the Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the investment management contract and the fees payable to the Manager, together with the standard of other services provided which include company secretarial, accounting and marketing services. Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

## Other Companies Act Disclosures

- The Company's capital structure is explained in the 'Capital Structure' section on page 24 of this Annual Report and details of the share capital are set out in note 12 to the accounts. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 May 2009, the total issued share capital of the Company (excluding treasury shares) was represented 52.2 per cent by Income shares and 47.8 per cent by Growth shares.
- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retirement by rotation, the Articles of Association provide that each Director is subject to re-election at intervals of not more than three years.
- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.
- There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special

rights with regard to control attached to securities. There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

### **Corporate Governance**

Arrangements in respect of corporate governance have been put in place by the Board, which it believes are appropriate to an investment trust. The Company complied throughout the period with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Code') available at website: [www.frc.org.uk](http://www.frc.org.uk). The Board has also taken into account the recommendations of the AIC Code of Corporate Governance ('the AIC Code') issued in May 2007 and subsequently revised in March 2009. Since all the Directors are non-executive, the Company is not required to comply with the provisions of the Code in respect of Directors' remuneration, except in so far as they relate specifically to non-executive Directors.

Under the requirements of the Articles of Association, each Director is subject to re-election at intervals of not more than three years. Directors are appointed for a term of no more than three years as recommended by the Code, subject to reappointment by shareholders. In addition, the terms of Directors' appointments also adhere to the requirements of the Companies Act 2006 and Directors are not appointed for a guaranteed term of more than two years without shareholder approval. Full details of the duties of Directors are provided at the time of appointment.

The Board consists solely of non-executive Directors. Richard Martin is Chairman and David Harris is the Senior Independent Director. All the Directors are considered by the Board to be independent of the Company's Manager. New Directors receive an induction from the Manager on joining the Board, and all Directors are made aware of appropriate training courses.

The Company has no executive Directors or employees. A management agreement between the

Company and its Manager, F&C Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, corporate governance and risk management procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

Throughout the period a number of committees have been in existence. The committees are the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these Committees operate within clearly defined written terms of reference which are available upon request.

The Audit Committee is chaired by Colin McGill and comprises the whole Board. The duties of the Audit Committee in discharging its responsibilities include reviewing the Financial Statements, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. It also provides a forum through which the auditors may report to the Board of Directors and meets at least twice a year. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Non-audit fees paid to the Company's auditors Ernst & Young LLP, amounted to £51,000 for the period ended 31 May 2009, including £44,000 relating to the Company's launch and £7,000 for the provision of taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.



# Report of the Directors (continued)

The Remuneration Committee, chaired by Alistair Stewart, comprises the full Board and reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee chaired by Richard Martin, comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

During the period the performance of the Board and Committees was evaluated through a formal assessment process, led by the Senior Independent Director. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director. This process involved consideration of completed questionnaires tailored to suit the nature of the Company and discussion of the points arising amongst the Directors. The Board confirms that the performance of each of the Directors continues to be effective and demonstrates commitment to the role and recommends to shareholders the approval of Resolutions 3 to 6 contained in the Notice of Annual General Meeting relating to the Directors seeking re-appointment.

The table below sets out the number of Board and Committee meetings held during the period ended 31 May 2009 and the number of meetings attended by each Director.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of

their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

## Going Concern

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. The process is based principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of internal control reports issued by the Manager and other service providers.

Such review procedures have been in place throughout the full financial period and up to the date of approval of the accounts, and the Board is

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Martin	6	6	1	1	–	–	–	–
D Harris	6	5	1	1	–	–	–	–
C S McGill	6	6	1	1	–	–	–	–
A G Stewart	6	6	1	1	–	–	–	–

Meetings of the Board, Audit, Remuneration and Nomination Committees have been held following 31 May 2009.



satisfied with the effectiveness of the internal controls. These procedures are designed to manage, rather than eliminate, risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting, the Board monitors the investment performance of the Company in comparison to its objective and relevant equity market indices. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, which are reported on by a firm of external auditors, together with the Manager's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. An internal audit function, specific to the Company, is therefore considered unnecessary.

### **Environment**

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company. The Company's Manager considers socially responsible investment and actively engages with investee companies.

### **Relations with Shareholders**

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The notice for the forthcoming Annual General Meeting, to be held on 22 September 2009 is set out on pages 52 to 54.

### **Creditor Payment Policy**

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the period end.

### **Auditors**

The Directors appointed Ernst & Young LLP as auditors of the Company and a resolution confirming their re-appointment will be submitted at the forthcoming Annual General Meeting.

### **Financial Instruments**

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in notes 17 to 22 to the accounts.

### **Recommendation**

The Directors consider that the passing of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of those resolutions. Information on shareholder voting rights is set out in the Notes to the Annual General Meeting.

### **Directors' Authority to Allot Shares**

The Directors are seeking authority to allot Income shares and Growth shares. Resolution 8 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £209,001 consisting of 2,090,010 Income shares and new Growth shares up to an aggregate nominal amount of £184,055 consisting of 1,840,550 Growth shares, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 21 July 2009. This authority therefore authorises the Directors to allot up to 3,930,560 shares in aggregate representing approximately 10 per cent of the total share capital in issue (excluding treasury shares). Resolution 9 will, if passed, authorise the Directors to allot new

# Report of the Directors (continued)

Income shares up to an aggregate nominal amount of £209,001 and new Growth shares up to an aggregate nominal amount of £184,055, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 21 July 2009, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 3,930,560 shares in aggregate for cash on a non pre-emptive basis representing approximately 10 per cent of the total ordinary share capital in issue (excluding treasury shares). These authorities will continue until the earlier of 22 December 2010 and the conclusion of the Annual General Meeting in 2010. The Directors have no current intention to exercise this authority and will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in resolutions 8 and 9 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

## **Directors' Authority to Buy Back Shares**

During the period to 31 May 2009, the Company purchased through the market, for treasury 1,825,000 Income shares, representing 8.3 per cent of the Income shares in issue at Admission, for a total consideration of £1,401,000. 268,000 Income shares were re-sold during the period from treasury raising net proceeds of £182,000.

During the period to 31 May 2009, the Company purchased through the market, for treasury 2,035,000 Growth shares, representing 9.7 per cent of the Growth shares in issue at Admission, for a total consideration of £1,564,000. 25,000 Growth shares were re-sold during the period from treasury raising net proceeds of £16,000. The Company also purchased for cancellation 260,000 Growth shares, representing 1.2 per cent of the Growth shares in issue at Admission, for a total consideration of £153,000.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued Income shares and the Growth shares

expires at the end of the Annual General Meeting and Resolution 10, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued Income shares and issued Growth shares (excluding treasury shares) of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 10p per share nor more than the higher of (a) 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will either be held in treasury or cancelled. This authority will expire on the later of 22 December 2010 and the conclusion of the next Annual General Meeting of the Company.

Since the period end, the Company has resold 550,000 Income shares from treasury. Since the period end the Company has resold 100,000 Growth shares from treasury and purchased for cancellation 360,000 Growth shares. Accordingly there were 39,305,759 Income shares and Growth shares in issue (excluding treasury shares) as at 21 July 2009; of which 20,900,192 (53.2 per cent) are Income shares and 18,405,567 (46.8 per cent) are Growth shares. At that date, the Company held 1,007,000 Income shares (4.6 per cent of the total Income share capital) in treasury and 1,910,000 Growth shares (9.4 per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds 2,917,000 shares in treasury representing 6.9 per cent of the total share capital in issue.

## **Treasury Shares**

The Board continues to believe that the effective use of treasury shares assists the liquidity in the Company's securities and management of the discount by addressing imbalances between demand and supply for the Company's securities.

The discount management policy that was adopted at the time of the Company's launch in 2008 included the ability of the Company to resell treasury shares at a discount to net asset value, subject to certain conditions (see Resolution 11 below).

Resolution 11, if passed, will continue to allow the Company to sell shares from treasury at a discount to net asset value. Shares would only be resold from treasury when market demand is identified and, pursuant to the authority conferred by this resolution, at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which shares are to be resold must be less than the average discount at which shares of that class held in treasury have been repurchased and, second, the net asset value dilution in any one financial year on the Income shares and the Growth shares respectively must not exceed 0.5 per cent of net assets attributable to the relevant share class. Resolution 11 is conditional on the passing of Resolution 12.

Resolution 12, if passed, will enable the Company to sell shares from treasury without having first to make a pro rata offer to existing shareholders. This authority will be limited to shares representing approximately 10 per cent of the Company's issued Income share capital and Growth share capital as at the date of passing of the resolution. Resolution 12 is not conditional on the passing of Resolution 11.

#### **Approval of the proposed Contingent Purchase Contract**

Resolution 13 gives the Company authority to buy its deferred shares, arising on the conversion of any of the Growth or Income shares into the other class of shares, by way of an off-market purchase in accordance with sections 164 and 165 of the UK Companies Act 1985. The Deferred shares will

be purchased for nil consideration (as they have no economic value) in order to keep the balance sheet transparent. The exact number of deferred shares which will arise as a result of any conversions is not yet known and therefore the purchase contract constitutes a contingent purchase contract (the "Contingent Purchase Contract") under section 165 of the Companies Act 1985. By law the Company will only be able to purchase these shares off-market if the Contingent Purchase Contract is approved by special resolution at a general meeting of the Company.

#### **Statement of Disclosure of Information to**

##### **Auditors**

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

##### **Individual Savings Accounts**

The Company's shares are qualifying investments for Individual Savings Accounts. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

By order of the Board

For F&C Investment Business Limited

Company Secretary

80 George Street

Edinburgh EH2 3BU

21 July 2009

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 1985. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in the Independent Auditors' Report.

## Directors' Fees and Remuneration Committee

The Board consists solely of independent non-executive Directors and considers annually the level of Directors' fees, in accordance with the Combined Code on Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The Board concluded following the review of Directors' fees for the forthcoming year that the amounts paid to Directors should remain unchanged.

The Remuneration Committee comprises Alistair Stewart, Richard Martin, David Harris and Colin McGill. As the Company has no executive Directors, the Committee will meet at least annually, to review the remuneration and terms of appointment of the Manager.

## Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment trusts that are similar in size and have similar investment objectives and structures. Furthermore the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £120,000 per annum in aggregate and the

approval of shareholders in a general meeting would be required to change this limit. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

## Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire by rotation. One third of the Directors are required to retire by rotation and seek re-election at each annual general meeting with each Director being subject to re-election at intervals of not more than three years.

These requirements for the retirement of Directors are also contained in the Company's Articles of Association. There is a one months notice period and no provision for compensation upon early termination of appointment.

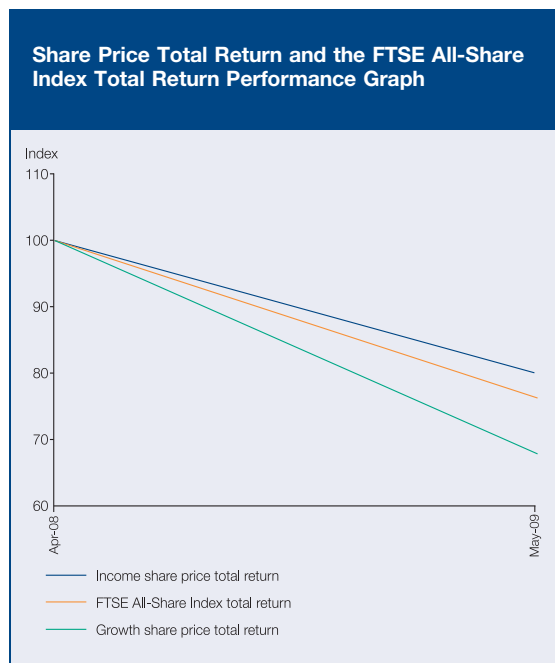
Director	Date of Appointment	Due date for Re-election
R M Martin	22 February 2008	AGM 2009
D Harris	22 February 2008	AGM 2009
C S McGill	22 February 2008	AGM 2009
A G Stewart	22 February 2008	AGM 2009

## Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Report of the Directors. The graph on the next page compares for the period from launch until 31 May 2009, the share price total return (assuming all dividends are reinvested) to Income and Growth shareholders compared to the total return from the FTSE All-Share Index. This index was chosen for comparison purposes as it is the Company's benchmark index. An explanation of the

# Directors' Remuneration Report (continued)

performance of the Company is given in the Chairman's Statement and Manager's Review.



## Directors' Emoluments for the Period (audited)

The Directors who served in the period from 22 February 2008 to 31 May 2009 received the following emoluments in the form of fees:

	Period to 31 May 2009 £
R M Martin (Chairman)	<b>25,460</b>
D Harris	<b>19,095</b>
C S McGill (Chairman of the Audit Committee)	<b>21,640</b>
A G Stewart	<b>19,095</b>
<b>Total</b>	<b>85,290</b>

With effect from appointment on 22 February 2008, the Chairman has been paid at the rate of £20,000 per annum, the Audit Committee Chairman at the rate of £17,000 per annum and the other Directors at the rate of £15,000 per annum.

On behalf of the Board

Richard M Martin

Chairman

21 July 2009

# Capital Structure

At 31 May 2009

## **The Company has a capital structure comprising Income shares and Growth shares.**

The Company has two classes of shares, Income shares and Growth shares, each with distinct investment objectives, investment policies and underlying asset portfolios. Both the Income shares and Growth shares are listed on the London Stock Exchange. There is no fixed ratio of Income shares to Growth shares and the relative sizes of the Income and Growth portfolios will vary over time.

Neither the Income shares nor the Growth shares represent capital gearing for the other share class.

### **Dividends**

Income shares are entitled to all dividends of the Company. It is expected that the Company will pay four quarterly dividends per financial year. The Growth shares do not carry an entitlement to receive dividends.

Any net income arising in the Growth Portfolio is transferred to the Income Portfolio, and a corresponding transfer of an identical amount made from the capital attributable to the Income Portfolio to the Growth Portfolio. It is expected that this will both benefit the income prospects of the Income shares and the capital growth prospects of the Growth shares.

### **Capital**

The net asset value of the Income shares is based on the Income Portfolio and the net asset value of the Growth shares is based on the Growth Portfolio.

As a matter of law, the Company is a single entity and, while under the articles of association the assets of the Income Portfolio are separated for the benefit of the Income shareholders and the assets of the Growth Portfolio are separated for the benefit of the Growth Shareholders, there is no distinction between the assets of the Income Portfolio and the Growth Portfolio as far as creditors of the Company are concerned.

On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprised in either of the Income Portfolio or the Growth Portfolio, after payment of all debts and satisfaction of all the liabilities associated with that Portfolio and any other relevant liabilities, shall be paid to the holders of the shares of the particular Portfolio and distributed amongst such holders rateably according to the amounts paid up on the relevant shares held by them respectively.

### **Voting**

At any general meeting of the Company, on a show of hands, each Income shareholder and each Growth shareholder shall have one vote and, upon a poll, a weighted vote determined in accordance with the underlying NAV of the relevant share as specified in the Articles.

At any class meeting of Income shareholders, on a show of hands, each Income shareholder shall have one vote and, upon a poll, one vote for each Income share held and at any class meeting of Growth shareholders, on a show of hands, each Growth shareholder shall have one vote and, upon a poll, one vote for each Growth share held.

Holders of shares of one class will not, however, have the right to vote at a general meeting of the Company on any resolution in relation to changes (material or otherwise) to the investment policy of the other Portfolio or on any other resolutions which the Board determines are not relevant to the holders of shares in that particular Portfolio.



**Conversion between Income and Growth shares**

Subject to certain minimum and maximum thresholds, shareholders have the right to convert their Income shares into Growth shares and/or their Growth shares into Income shares upon certain dates, the first of which will be in October 2009 and then annually thereafter. Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

The ratio in which shares convert will be determined on a relative net asset value basis as at the Conversion Date, adjusted for any dividends that will go ex-dividend prior to the Conversion Date and such that the converting shares bear the costs of conversion. Upon conversion, the converted shares shall rank *pari passu* with all other shares of its new class.

The Board may from time to time set a maximum number of Income or Growth shares which may be converted on any Conversion Date. If this limit is exceeded, requests to convert will be satisfied pro rata by the total number of shares each Shareholder wished to convert and any shares above those amounts shall not be converted. Full details are provided in the Shareholder Information section on page 48.

# Statement of Directors' Responsibilities

## Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law they have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the

Company and enable them to ensure that its financial statements comply with the Companies Act. They have 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review), Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Richard M Martin

Chairman

21 July 2009

# Independent Auditors' Report

## **Independent Auditors' Report to the Members of F&C Managed Portfolio Trust plc**

We have audited the financial statements of F&C Managed Portfolio Trust plc for the period ended 31 May 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and

whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Summary, Financial Highlights, Performance Summary, Chairman's Statement, Investment Manager and Investment Process, Manager's Review, Income Shares – Investment Portfolio, Growth Shares – Investment Portfolio, Board of Directors, Report of the Directors, Unaudited part of the Directors' Remuneration Report, Capital Structure, Shareholder Information, How to Invest, Notice of Annual General Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

# Independent Auditors' Report (continued)

## **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of

the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 May 2009 and of its return for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Ernst & Young LLP  
Registered Auditor  
Edinburgh  
21 July 2009

# Income Statement

Period from 20 February 2008 (date of incorporation) to 31 May 2009\*

	Notes	Revenue £'000	Capital £'000	Total £'000
Losses on investments	9	–	(11,462)	(11,462)
Income	3	1,527	–	1,527
Investment management fee	4	(62)	(180)	(242)
Other expenses	5	(319)	–	(319)
<b>Return on ordinary activities before tax</b>		<b>1,146</b>	<b>(11,642)</b>	<b>(10,496)</b>
Tax on ordinary activities	6	(32)	24	(8)
<b>Return attributable to shareholders</b>		<b>1,114</b>	<b>(11,618)</b>	<b>(10,504)</b>
<b>Return per Income share</b>	8	<b>5.33p</b>	<b>(27.39)p</b>	<b>(22.06)p</b>
<b>Return per Growth share</b>	8	<b>–</b>	<b>(30.00)p</b>	<b>(30.00)p</b>

The total column of this statement is the Profit and Loss Account of the Company.

The supplementary revenue and capital columns are prepared under guidance published by The Association of Investment Companies.

Segmental analysis, illustrating the two separate Portfolios of assets, the Income Portfolio and Growth Portfolio, is shown in note 2 to the accounts.

All revenue and capital items in the Income Statement derive from continuing operations.

\*The Company was incorporated on 20 February 2008 and commenced operations on 16 April 2008.

The accompanying notes are an integral part of these financial statements.

# Balance Sheet

As at 31 May 2009

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
<b>Non-current assets</b>				
Investments at fair value	9	14,137	12,463	26,600
<b>Current assets</b>				
Debtors	10	30	22	52
Cash at bank and on deposit		981	609	1,590
		1,011	631	1,642
<b>Creditors</b>				
Amounts falling due within one year	11	(117)	(68)	(185)
<b>Net current assets</b>		894	563	1,457
<b>Net assets</b>		15,031	13,026	28,057
<b>Capital and reserves</b>				
Called-up share capital	12	2,191	2,068	4,259
Capital redemption reserve	13	–	26	26
Special reserve	13	18,194	16,831	35,025
Capital reserve	13	(5,748)	(5,899)	(11,647)
Revenue reserve	13	394	–	394
<b>Shareholders' Funds</b>	14	15,031	13,026	28,057
<b>Net asset value per share (pence)</b>	14	73.86p	69.79p	

Approved by the Board and authorised for issue on 21 July 2009 and signed on its behalf by:

**Richard M Martin**, Director.

The accompanying notes are an integral part of these financial statements.



# Cash Flow Statement

Period from 20 February 2008 (date of incorporation) to 31 May 2009\*

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
<b>Operating activities</b>				
Investment income received		920	379	1,299
Deposit interest received		99	93	192
Investment management fees paid		(84)	(76)	(160)
Other cash payments		(125)	(106)	(231)
<b>Net cash inflow from operating activities</b>	15	<b>810</b>	<b>290</b>	<b>1,100</b>
<b>Taxation</b>				
Withholding tax paid		(6)	(2)	(8)
<b>Capital expenditure and financial investment</b>				
Purchases of investments		(9,675)	(13,139)	(22,814)
Disposals of investments		11,413	15,304	26,717
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>1,738</b>	<b>2,165</b>	<b>3,903</b>
<b>Equity dividends paid</b>		<b>(720)</b>	<b>-</b>	<b>(720)</b>
<b>Net cash inflow before financing</b>		<b>1,822</b>	<b>2,453</b>	<b>4,275</b>
<b>Financing</b>				
Issue of new shares		30	30	60
Expenses of share issue and launch costs		(328)	(314)	(642)
Shares purchased for cancellation		-	(153)	(153)
Shares purchased to be held in treasury		(1,401)	(1,564)	(2,965)
Sale of shares from treasury		182	16	198
<b>Net cash outflow from financing</b>		<b>(1,517)</b>	<b>(1,985)</b>	<b>(3,502)</b>
<b>Increase in cash</b>	16	<b>305</b>	<b>468</b>	<b>773</b>
<b>Reconciliation of net cash flow to movement in net cash</b>				
Increase in cash in the period		305	468	773
Cash inflow from transfer of cash at launch†		676	141	817
<b>Movement in net cash resulting from cash flows</b>		<b>981</b>	<b>609</b>	<b>1,590</b>
Opening net cash at 20 February 2008		-	-	-
<b>Closing net cash at 31 May 2009</b>	16	<b>981</b>	<b>609</b>	<b>1,590</b>

†On 16 April 2008, investments with a market value of £21,201,000 (Income) and £20,764,000 (Growth) together with cash of £676,000 (Income) and £141,000 (Growth) (all of which were held in F&C's investment trust managed portfolio service) were received by the Company in exchange for the issue of Income and Growth Shares.

\*The Company was incorporated on 20 February 2008 and commenced operations on 16 April 2008.

The accompanying notes are an integral part of these financial statements.

# Reconciliation of Movements in Shareholders' Funds

Period from 20 February 2008 (date of incorporation) to 31 May 2009\*

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
Opening shareholders' funds at 20 February 2008		-	-	-
Increase in share capital in issue		21,907	20,936	42,843
Launch costs		(328)	(314)	(642)
Sale of shares from treasury		182	16	198
Shares purchased for treasury	12	(1,401)	(1,564)	(2,965)
Shares purchased for cancellation	12	-	(153)	(153)
Transfer of net income from Growth shares to Income shares		318	(318)	-
Transfer of capital from Income shares to Growth shares		(318)	318	-
Dividends paid	7	(720)	-	(720)
Return attributable to shareholders	2	(4,609)	(5,895)	(10,504)
Closing shareholders' funds at 31 May 2009		15,031	13,026	28,057

\*The Company was incorporated on 20 February 2008 and commenced operations on 16 April 2008.

The accompanying notes are an integral part of these financial statements.

# Notes to the Accounts

## 1. Accounting policies

A summary of the principal accounting policies adopted is set out below.

### (a) Basis of accounting

These financial statements have been prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with guidelines set out in the Statement of Recommended Practice ("SORP"), issued in January 2009, for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ("AIC").

#### *Presentation of the Income Statement*

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

The notes and financial statements are presented in pounds sterling and are rounded to the nearest thousand except where otherwise indicated.

### (b) Valuation of investments

The Company's investments have been categorised as "financial assets at fair value through profit or loss" and are recognised and derecognised on a trade date basis. At the time of acquisition the investments are valued at cost of purchase.

Quoted investments are valued at their fair value which is represented by the bid price at the close of business on the relevant date on the exchange on which the investment is quoted.

As investments have been categorised as "financial assets at fair value through profit or loss," gains and losses arising from changes in fair value are included in the Income Statement as a capital item.

### (c) Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Other investment income and deposit interest are included on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income.

Special dividends are recognised in the revenue account unless they are of a capital nature, following which they will be recognised in the capital account.

### (d) Expenses

All expenses and interest are accounted for on an accruals basis. Expenses are charged to the Income Statement as a revenue item except where incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio and taking account of the expected long-term returns as follows:

- Management fees have been allocated 40 per cent to revenue and 60 per cent to capital in the Income Portfolio and 20 per cent to revenue and 80 per cent to capital in the Growth Portfolio;
- Performance fees will be charged wholly to capital.

Expenses charged to the Company common to both Portfolios are allocated to the Portfolios in the same proportion as their net assets at the quarter end immediately preceding the date on which the cost is to be accounted for.

Expenses charged to the Company in relation to a specific Portfolio are charged directly to that Portfolio, with the other Portfolio remaining unaffected.

# Notes to the Accounts (continued)

## 1. Accounting policies (continued)

### (e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax is computed for each Portfolio separately. A Portfolio which generates taxable revenues in excess of tax deductible expenses may benefit from the excess of tax deductible expenses in the other Portfolio. In return, by way of compensation, there would be a transfer from the Portfolio with taxable profits to the Portfolio with taxable losses.

### (f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in or more subsequent periods.

Investment trusts which have approval under section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

### (g) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the income statement depending on whether the gain or loss is of a capital or revenue nature respectively.

### (h) Reserves

- (a) Share premium – the surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The balance of this account which arose as a result of the issue of new shares at launch was subsequently cancelled by the Court of Session to create the Special reserve. Gains arising on the resale of shares from treasury will be credited to this reserve. The reserve is non-distributable.
- (b) Capital redemption reserve – the nominal value of any of the shares bought back for cancellation is added to this reserve. This reserve is non-distributable.
- (c) Special reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the Income and Growth shares at launch. Available as distributable profits to be used for the buy back of shares. The cost of any shares bought back is deducted from this reserve. The cost of any shares resold from treasury is added back to this reserve.
- (d) Capital reserve – investments sold – gains and losses on realisation of investments, including losses on transactions in own shares, are dealt with in this reserve together with the proportion of management fees and taxation allocated to capital. This reserve also includes dividends of a capital nature.
- (e) Capital reserve – investments held – increases and decreases in the valuation of investments held are accounted for in this reserve.
- (f) Revenue reserve – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. Available for paying dividends on the Income shares.

## 1. Accounting policies (continued)

### (i) Transfer of capital and revenue

All net revenue of the Company attributable to the Growth Portfolio is, immediately following recognition in accordance with the Company's accounting policies, reallocated, applied and transferred to, and treated as revenue attributable to, the Income Portfolio. Contemporaneously with any such reallocation, application and transfer of any revenue to the Income Portfolio, such assets comprising part of the Income Portfolio as have a value equal to the net revenue so reallocated, applied and transferred shall be reallocated, applied, transferred and treated as capital attributable to the Growth Portfolio.

### (j) Issue costs

Issue costs (of 1.5% of the gross proceeds from the issue of shares under the Placing and Offer for Subscription) were deducted from the share premium account, prior to its cancellation and the creation of a special reserve. In addition the Company incurred stamp duty at the rate of 0.5% of the relevant assets acquired by the Company at Admission and has been added to the cost of their acquisition.

## 2. Segmental analysis

The Company carries on business as an investment trust, and manages two separate portfolios of assets, the Income Portfolio and the Growth Portfolio.

The Company's Income Statement, on page 29, can be analysed as follows:

### Period from 20 February 2008 (date of incorporation) to 31 May 2009\*

	Notes	Income Portfolio			Growth Portfolio		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	9	-	(5,326)	(5,326)	-	(6,136)	(6,136)
Income	3	1,039	-	1,039	488	-	488
Investment management fee	4	(43)	(103)	(146)	(19)	(77)	(96)
Other expenses	5	(170)	-	(170)	(149)	-	(149)
<b>Return on ordinary activities</b>							
<b>before tax</b>		<b>826</b>	<b>(5,429)</b>	<b>(4,603)</b>	<b>320</b>	<b>(6,213)</b>	<b>(5,893)</b>
Tax on ordinary activities	6	(30)	24	(6)	(2)	-	(2)
<b>Return §</b>	8	<b>796</b>	<b>(5,405)</b>	<b>(4,609)</b>	<b>318</b>	<b>(6,213)</b>	<b>(5,895)</b>

\*The company was incorporated on 20 February 2008 and commenced operations on 16 April 2008.

§Any net revenue return attributable to the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount of capital is made from the Income Portfolio to the Growth Portfolio and accordingly the whole return in the Growth Portfolio is capital. Refer to the Reconciliation of Movements in Shareholders' Funds.

## 3. Income

	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
<b>Dividend income from listed investments†</b>			
UK dividend income	714	361	1,075
Overseas dividends	226	34	260
	<b>940</b>	<b>395</b>	<b>1,335</b>
<b>Other income‡</b>			
Deposit interest	99	93	192
<b>Total income</b>	<b>1,039</b>	<b>488</b>	<b>1,527</b>

†All investments have been designated as fair value through profit or loss on initial recognition, therefore all investment income arises on investments at fair value through profit or loss.

‡Other income on financial assets not designated as fair value through profit or loss.

# Notes to the Accounts (continued)

## 4. Investment management fee

	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	43	64	107	19	77	96	62	141	203
Performance fee	-	39	39	-	-	-	-	39	39
	43	103	146	19	77	96	62	180	242

The Company's investment manager is F&C Investment Business Limited. F&C Investment Business Limited receives an investment management fee comprising a base fee and, if certain conditions are met, a performance fee.

The base fee is a management fee at the rate of 0.65 per cent per annum of the total assets of each Portfolio payable quarterly in arrears, subject to being reduced to 0.325 per cent per annum on any assets which are invested in other investment vehicles managed by the Manager.

For the purposes of the revenue and capital columns in the income statement, the management fee has been allocated 60 per cent to capital and 40 per cent to revenue in the Income Portfolio. In respect of the Growth Portfolio, the base management fee has been charged 80 per cent to capital and 20 per cent to revenue.

A performance fee may be payable annually and is equal to 10 per cent of the monetary amount by which the total return of the relevant Portfolio over that year (after all costs and expenses excluding the Performance fee) exceeds the total return on the FTSE All-Share Index (in each case with dividends reinvested).

The performance fee payable in respect of any one year is capped at 0.35 per cent of the total assets of the relevant Portfolio and is charged wholly to capital.

In the event that a Portfolio has outperformed the benchmark index such that a performance fee would be payable as described above, but the NAV per share for the relevant portfolio at the end of the financial year is less than (i) the NAV per share at the start of the financial year or (ii) the NAV per share immediately following Admission, whichever is the higher, (the "Watermark NAV") payment of the Performance fee in respect of that financial year shall be deferred until the end of the next financial year when the NAV per share for the relevant portfolio is in excess of the Watermark NAV. If the Watermark NAV is not reached by the end of the fourth financial year subsequently, it will no longer be payable. Any underperformance of the relevant Portfolio in relation to the FTSE All-Share Index in any financial year must be made up in any subsequent financial year before any Performance fee is payable, thereby creating a "high watermark" for the relative performance against the FTSE All-Share Index.

At 31 May 2009 the total return of the Income Portfolio exceeded that of the FTSE All-Share Index and a Performance fee of £39,000 has been recognised, however as the NAV per Income share is less than 98p (NAV per Income share immediately following Admission) payment shall be deferred as described above. At 31 May 2009 the total return of the Growth Portfolio did not exceed that of the FTSE All-Share Index.

The Investment Management Agreement between the Company and F&C Investment Business Limited is terminable by either party on six months' notice. The Company may terminate the Agreement early upon payment of an amount equal to the base fee which would have been payable had the notice period been complied with plus any performance fee accrued at termination.

## 5. Other expenses

	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Directors' fees	45	40	85
Secretarial fees	45	39	84
Auditors' remuneration for:			
– statutory audit	9	8	17
– audit of initial accounts	9	8	17
– taxation services (non-audit)	4	3	7
Other expenses including custody and registrar costs, printing, listing fees and marketing	58	51	109
	<b>170</b>	<b>149</b>	<b>319</b>

The Manager, F&C Investment Business Limited receives a secretarial and administrative fee of £65,000 per annum, subject to annual increases in line with the Consumer Price Index. During the period the Company has incurred secretarial and administrative fees of £84,000, of which £19,000 is payable to F&C Investment Business Limited at the period end.

In addition to the expenses detailed above the Company's auditors received £44,000, relating to the listing of the Company and the provision of taxation services at the Company's launch. During the period, costs relating to the Company's launch of £328,000 were charged to the share premium account of the Income shares and costs of £314,000 were charged to the share premium account of the Growth shares (refer note 13).

The emoluments of the Chairman, the highest paid Director, were at the rate of £20,000 per annum. Full details are provided in the Directors' Remuneration Report.

## 6. (a) Tax on ordinary activities

	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporation tax	25	(19)	6	–	–	–	25	(19)	6
Double tax relief	(6)	–	(6)	–	–	–	(6)	–	(6)
Overseas taxation	6	–	6	2	–	2	8	–	8
Current tax charge/(credit) for the period	25	(19)	6	2	–	2	27	(19)	8
Deferred taxation on accrued income (note 6c)	5	(5)	–	–	–	–	5	(5)	–
Taxation on ordinary activities	<b>30</b>	<b>(24)</b>	<b>6</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>32</b>	<b>(24)</b>	<b>8</b>



# Notes to the Accounts (continued)

## 6. (b) Reconciliation of tax charge

The tax charge for the period is different to the standard rate of corporation tax in the UK for an investment company (28 per cent). The differences are explained below:

	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Return on ordinary activities before tax:	(4,603)	(5,893)	(10,496)
Corporation tax at standard rate of 28 per cent	(1,289)	(1,650)	(2,939)
Effects of:			
Losses on investments not relievable	1,491	1,718	3,209
Overseas tax suffered	6	2	8
Double tax relief	(6)	–	(6)
Non taxable dividend income	(200)	(101)	(301)
Expenses not utilised	5	33	38
Marginal relief	(1)	–	(1)
Current year tax charge (note 6. (a))	6	2	8

## 6. (c) Provision for deferred taxation

	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charge/(credit) for the period	5	(5)	–	–	–	–	5	(5)	–

As at 31 May 2009, the Company had unutilised expenses of £128,000. No deferred tax asset has been recognised on the unutilised expenses as it is unlikely there will be suitable taxable profits from which the future reversal of the deferred tax could be deducted.

## 7. Dividends

	Income Shares £'000	Growth Shares £'000	Total £'000
Amounts recognised as distributions to Income shareholders during the period:			
– first interim dividend for the period ended 31 May 2009 of 1.5p per share	310	–	310
– second interim dividend for the period ended 31 May 2009 of 1p per share	207	–	207
– third interim dividend for the period ended 31 May 2009 of 1p per share	203	–	203
	720	–	720
Distributions to Income shareholders in relation to the period ended 31 May 2009 on which the requirements of S842 ICTA 1988 are considered:			
– fourth interim dividend for the period ended 31 May 2009 of 1.4p per share*	293	–	293
	293	–	293

\*Based on 20,900,192 Income shares in issue (excluding 1,007,000 shares held in treasury) at the record date of 26 June 2009.

## 8. Return per share

The Return per share is as follows:

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	796	(5,405)	(4,609)	318	(6,213)	(5,895)
Transfer of net income from Growth to Income Portfolio	318	-	318	(318)	-	(318)
Transfer of capital from Income to Growth Portfolio	-	(318)	(318)	-	318	318
Return attributable to shareholders	1,114	(5,723)	(4,609)	-	(5,895)	(5,895)
Return per share	5.33p	(27.39)p	(22.06)p	-	(30.00)p	(30.00)p

Both the Revenue and Capital returns per share have been calculated using a denominator, being a specific number of shares as follows:

	Income Shares	Growth Shares
Weighted average number of shares in issue during the period	20,897,345	19,647,465

# Notes to the Accounts (continued)

## 9. Investments

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated as fair value through profit or loss.

	Listed in the UK £'000	Listed Overseas £'000	Quoted on the Alternative Investment Market	Total £'000
			£'000	
<b>Income Shares</b>				
Acquired at launch*	19,997	1,309	–	21,306
Movements in the period:				
Purchases at cost	9,093	–	477	9,570
Sales – proceeds	(11,413)	–	–	(11,413)
– losses on sales	(788)	–	–	(788)
(Decrease)/increase in fair value adjustment	(4,079)	(539)	80	(4,538)
Closing valuation	12,810	770	557	14,137
Closing book cost	16,889	1,309	477	18,675
Closing fair value adjustment	(4,079)	(539)	80	(4,538)
Closing valuation	12,810	770	557	14,137

\*Stamp duty of £105,000 was incurred on the acquisition of the investments at launch and is included above.

During the period the Company incurred transaction costs on purchases of £54,000 and transaction costs on sales of £32,000.

	Listed in the UK £'000	Listed Overseas £'000	Total £'000
	<b>Growth Shares</b>		
Acquired at launch†	20,452	415	20,867
Movements in the period:			
Purchases at cost	13,036	–	13,036
Sales – proceeds	(15,304)	–	(15,304)
– losses on sales	(1,163)	–	(1,163)
Decrease in fair value adjustment	(4,802)	(171)	(4,973)
Closing valuation	12,219	244	12,463
Closing book cost	17,021	415	17,436
Closing fair value adjustment	(4,802)	(171)	(4,973)
Closing valuation	12,219	244	12,463

†Stamp duty of £103,000 was incurred on the acquisition of the investments at launch and is included above.

During the period the Company incurred transaction costs on purchases of £95,000 and transaction costs on sales of £41,000.

	Income Shares £'000	Growth Shares £'000	Total £'000
Losses on sales in the period	(788)	(1,163)	(1,951)
Movement in fair value of investments held	(4,538)	(4,973)	(9,511)
Losses on investments	(5,326)	(6,136)	(11,462)

<b>10. Debtors</b>	<b>Income Shares £'000</b>	<b>Growth Shares £'000</b>	<b>Total £'000</b>
Accrued income	20	16	36
Other debtors	10	6	16
	<b>30</b>	<b>22</b>	<b>52</b>

<b>11. Creditors: amounts falling due within one year</b>	<b>Income Shares £'000</b>	<b>Growth Shares £'000</b>	<b>Total £'000</b>
Management fee accrued	23	20	43
Performance fee accrued	39	–	39
Other accruals	55	48	103
	<b>117</b>	<b>68</b>	<b>185</b>

## 12. Share capital

	£'000
<b>Authorised share capital at 31 May 2009</b>	
100,000,000 Income Shares of 10p each	10,000
100,000,000 Growth Shares of 10p each	10,000
	<b>20,000</b>

### Allotted, called up and fully paid

#### Income Shares

21,907,192 Income Shares of 10p each, listed at 16 April 2008	2,191
21,907,192 Income Shares of 10p each, listed at 31 May 2009	2,191
1,825,000 Income Shares of 10p each, repurchased during the period to be held in treasury	(183)
268,000 Income Shares of 10p each, resold from treasury during the period	27
1,557,000 Income Shares of 10p each, held in treasury at 31 May 2009	(156)
20,350,192 Income Shares of 10p each, in issue at 31 May 2009	<b>2,035</b>

#### Growth Shares

20,935,567 Growth Shares of 10p each, listed at 16 April 2009	2,094
260,000 Growth Shares of 10p each, repurchased during the period for cancellation	(26)
20,675,567 Growth Shares of 10p each, listed at 31 May 2009	2,068
2,035,000 Growth Shares of 10p each, repurchased during the period to be held in treasury	(203)
25,000 Growth Shares of 10p each, resold from treasury during the period	2
2,010,000 Growth Shares of 10p each, held in treasury at 31 May 2009	(201)
18,665,567 Growth Shares of 10p each, in issue at 31 May 2009	<b>1,867</b>

<b>Total share capital, listed at 31 May 2009</b>	<b>4,259</b>
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# Notes to the Accounts (continued)

## 12. Share capital (continued)

At incorporation, four subscriber shares (2 Income shares and 2 Growth shares) were subscribed for, fully paid, at a subscription price of £1 each (nominal value 10p each). On 15 April 2008, the Company issued 21,907,190 Income shares and 20,935,565 Growth shares each at an Issue price of £1 each. The value of the assets acquired in relation to the allotment of these Income Shares was investments with a market value of £21,201,034 and cash of £706,158. The value of the assets acquired in relation to the allotment of these Growth shares was investments with a market value of £20,764,440 and cash of £171,127.

During the period the Company bought back 1,825,000 Income shares at a cost of £1,401,000 and 2,035,000 Growth shares at a cost of £1,564,000 to be held in treasury. During the period the Company resold out of treasury 268,000 Income shares, receiving net proceeds of £182,000 and 25,000 Growth shares receiving net proceeds of £16,000.

During the period the Company bought back 260,000 Growth shares at a cost of £153,000 for cancellation.

At 31 May 2009 the Company held 1,557,000 Income shares and 2,010,000 Growth shares in treasury.

### Treasury shares

The movements in the shares held in treasury during the period were as follows:

	Income Shares		Growth Shares	
	Number of shares	Par value £'000	Number of shares	Par value £'000
Opening balance	–	–	–	–
Purchased during the period	1,825,000	183	2,035,000	203
Resold during the period	(268,000)	(27)	(25,000)	(2)
Closing balance	1,557,000	156	2,010,000	201

### Shareholder entitlements

The Company has two classes of shares: Income shares and Growth shares.

The entitlements of the Income shares and the Growth shares are set out in the “Capital Structure” section on page 24 of this report.

### 13. Reserves

	Share premium account £'000	Special reserve £'000	Capital reserve – sold £'000	Capital reserve – held £'000	Revenue reserve £'000
<b>Income Shares</b>					
At 20 February 2008	-	-	-	-	-
Increase in share capital in issue	19,716	-	-	-	-
Expenses of share issue and launch costs	(328)	-	-	-	-
Transfer to special reserve	(19,388)	19,388	-	-	-
Losses on investments	-	-	(788)	(4,538)	-
Income shares purchased to be held in treasury	-	(1,401)	-	-	-
Income shares resold from treasury	-	207	(25)	-	-
Management fees charged to capital	-	-	(103)	-	-
Tax	-	-	24	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	318
Transfer of capital from Income to Growth Portfolio	-	-	(318)	-	-
Retained net revenue for the period	-	-	-	-	796
Dividends paid	-	-	-	-	(720)
At 31 May 2009	-	18,194	(1,210)	(4,538)	394

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve – sold £'000	Capital reserve – held £'000	Revenue reserve £'000
<b>Growth Shares</b>						
At 20 February 2008	-	-	-	-	-	-
Increase in share capital in issue	18,842	-	-	-	-	-
Expenses of share issue and launch costs	(314)	-	-	-	-	-
Transfer to special reserve	(18,528)	-	18,528	-	-	-
Losses on investments	-	-	-	(1,163)	(4,973)	-
Growth shares purchased to be held in treasury	-	-	(1,564)	-	-	-
Growth shares purchased for cancellation	-	26	(153)	-	-	-
Growth shares resold from treasury	-	-	20	(4)	-	-
Management fees charged to capital	-	-	-	(77)	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	-	(318)
Transfer of capital from Income to Growth Portfolio	-	-	-	318	-	-
Retained net revenue for the period	-	-	-	-	-	318
At 31 May 2009	-	26	16,831	(926)	(4,973)	-

On 23 June 2008, the Court of Session confirmed the cancellation of the entire amount standing to the credit of the share premium account and the creation of a special reserve.

The special reserve is available to be used for the buy back of both Income shares and Growth shares.

# Notes to the Accounts (continued)

## 13. Reserves (continued)

### Capital management

The Company's capital is represented by the issued share capital, capital redemption reserve, special reserve, capital reserve – investments sold, capital reserve – investments held and revenue reserve. Details of the movement through each reserve are shown overleaf. The Company is not subject to any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors.

### 14. Net asset value per share

The net asset value per share and the net asset value attributable to the shares at the period end are calculated as follows:

	Net asset value per share attributable		Net asset values attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	73.86	69.79	15,031	13,026

The net asset value per Income share is calculated on net assets of £15,031,000, divided by 20,350,192 Income shares, being the number of Income shares in issue at the period end.

The net asset value per Growth share is calculated on net assets of £13,026,000, divided by 18,665,567 Growth shares, being the number of Growth shares in issue at the period end.

### 15. Reconciliation of net return before taxation to net cash inflow from operating activities

	Income Shares £'000	Growth Shares £'000	Total £'000
Net return before taxation	(4,603)	(5,893)	(10,496)
Losses on investments	5,326	6,136	11,462
Increase in accrued income	(20)	(16)	(36)
Increase in prepayments and other debtors	(10)	(5)	(15)
Increase in other creditors	117	68	185
Net cash inflow from operating activities	810	290	1,100



## 16. Analysis of change in net cash

<b>Income shares</b>				
	At 20 February 2008 £'000	Transfer of cash at launch £'000	Cash flow £'000	At <b>At 31 May 2009</b> £'000
Cash at bank and on deposit	–	676	305	981

<b>Growth shares</b>				
	At 20 February 2008 £'000	Transfer of cash at launch £'000	Cash flow £'000	At <b>At 31 May 2009</b> £'000
Cash at bank and on deposit	–	141	468	609

<b>Total</b>				
	At 20 February 2008 £'000	Transfer of cash at launch £'000	Cash flow £'000	At <b>At 31 May 2009</b> £'000
Cash at bank and on deposit	–	817	773	1,590

## 17. Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective.

Listed fixed asset investments held (see note 9) are valued at fair value. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 30.

The fair value of the financial assets and liabilities of the Company at 31 May 2009 is not materially different from their carrying value in the financial statements.

The main risks that the Company faces arising from its financial instruments are:

- (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;
- (ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- (iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates;
- (iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and
- (v) liquidity risk, being the risk that the Company may not be able to liquidate its investments quickly.

# Notes to the Accounts (continued)

## 17. Financial instruments (continued)

The Company held the following categories of financial instruments as at 31 May 2009:

	Income Shares £'000	Growth Shares £'000	Total £'000
<b>Financial instruments</b>			
Investment portfolio	14,137	12,463	26,600
Cash at bank and on deposit	981	609	1,590
Accrued income	20	16	36
Prepayments	7	5	12
Other debtors	3	1	4
<b>Financial liabilities</b>			
Other creditors and accruals	117	68	185

With the exception of the performance fee of £39,000 (refer note 4), the financial liabilities set out above will fall due in three months or less.

## 18. Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 10 and 11.

If the investment portfolio valuation fell by 10 per cent at 31 May 2009, the impact on the profit or loss and the net asset value would have been negative £1.4 million (Income shares) and negative £1.2 million (Growth shares). If the investment portfolio valuation rose by 10 per cent at 31 May 2009, the effect would have been equal and opposite. The calculations are based on the portfolio valuation as at the respective balance sheet date, are not representative of the period as a whole any may not be reflective of future market conditions.

## 19. Interest rate risk

### Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the UK base rate which was 0.5 per cent at 31 May 2009.

### Fixed rate

The Company does not hold any fixed interest investments and accordingly no sensitivity analysis has been presented.

## 20. Foreign currency risk

Although the Company's performance is measured in sterling and the Company's investments are denominated in sterling a proportion of their underlying assets are quoted in currencies other than sterling. Therefore movements in the rates of exchange between sterling and other currencies may affect the Company's investment portfolios and therefore they have currency exposure.

## 21. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The investment manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	981	609	1,590
Dividends and other receivables	30	22	52
	1,011	631	1,642

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the acceptable credit quality of the brokers used. The Manager monitors the quality of service provided by the brokers used to further mitigate this risk.

All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports as described in the Report of the Directors.

The credit risk on liquid funds is controlled because the counterparties are banks with acceptable credit ratings, normally rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

## 22. Liquidity risk

The Company's listed securities are considered to be readily realisable.

The Company's liquidity risk is managed on an ongoing basis by the investment manager in accordance with policies and procedures in place as described in the Report of the Directors. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. Short term flexibility is achieved, where necessary, through the use of overdraft facilities.

## 23. Related parties

The following are considered related parties: the Board of Directors (the "Board") and F&C Investment Business Limited ("the Manager").

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 22 and 23, and as set out in note 5 to the accounts. The beneficial interests of the Directors in the Income and Growth shares of the Company are disclosed on page 16. There are no outstanding balances with the Board at the period end. Transactions between the Company and the Manager are detailed in notes 4 and 5 on management fees and administrative fees.

Under a costs agreement, the Manager agreed to fix the costs of the Company's launch at 1.5 per cent of the gross proceeds from the issue of shares under the Placing and Offer for Subscription. These launch costs of £642,000 were incurred by the Company as shown in the Reconciliation of Movements in Shareholders' Funds on page 32.

# Shareholder Information

## **Dividends**

Dividends on Income shares are paid quarterly in July, October, January and April each year. Shareholders on the main register, who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from the Company's Registrars, Equiniti Limited (see Corporate Information page for contact details) on request.

## **Conversion Facility**

Subject to certain minimum and maximum thresholds which may be set by the Board of F&C Managed Portfolio Trust plc (the "Board") from time to time, shareholders have the right to convert their Income shares into Growth shares and/or their Growth shares into Income shares upon certain dates, the first of which will be 28 October 2009 and then annually or close to annually thereafter (subject to the articles of association of the Company). Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

## **Conversion Process**

### **Minimum level**

The Board may, in its sole and absolute discretion, specify a minimum number of converting shares which are to be converted by a shareholder in the case of either the Income shares or Growth shares.

The minimum amount for the 28 October 2009 Conversion is 1,000 shares or the whole shareholding, whichever is lower.

The Board will specify a minimum net value of assets to be transferred from a Portfolio on any Conversion date, and may change any such minimum from time to time. If on any Conversion date, the value of the assets to be so transferred is less than such specified minimum, then the Board may, in its sole and absolute discretion cancel any such conversion.

The minimum amount for the 28 October 2009 Conversion is £250,000.

### **Maximum level**

The Board may set a maximum number of Growth shares or Income shares which may be converted on any Conversion Date and may change such maximum from time to time. If on a Conversion date, the number of Growth shares or Income shares for which conversion notices have been delivered would exceed the limit, the shares will be reduced pro rata.

The maximum amount for the 28 October 2009 Conversion is 10% of the Income shares and 10% of the Growth shares in issue.

### **Conversion ratio**

Shares will be converted into the other share class by reference to the ratio of the relative underlying NAVs of the Growth shares and Income shares (as adjusted for realignment costs and related expenses and as set out in more detail in the Company's articles of association). Only the Income shareholders are entitled to receive dividends. The Company shall announce the Conversion Ratio applicable on the Conversion Date or Deferred Conversion Date and the number of resulting shares. The Board has discretion to defer the Conversion Date, inter alia, in the event that the level of conversions is above a certain materiality threshold in order to facilitate realignment of the Company's portfolios in order to effect the conversions in as effective a manner as possible. The Deferred Conversion Date will under normal circumstances not be more than one month later than the originally stated Conversion Date.

### **Result**

It is anticipated that, within 7 working days of the Conversion Date or the Deferred Conversion Date, the Company will send to each holder of Converting shares that are in certificated form a definitive certificate for the appropriate number of shares arising on conversion and a new certificate for any unconverted shares. No share certificates will be issued in respect of any deferred shares arising as a result of the conversion. These deferred shares have no economic value and will be automatically

transferred to a nominee holder or bought back for nil consideration by the Company in accordance with the Company's articles of association.

Income shares arising on Conversion will carry the right to receive all dividends declared by reference to a record date falling after the Conversion Date. Income shares which are converted into Growth shares will carry the right to receive all dividends declared by reference to a record date falling prior to the Conversion Date but not on or thereafter.

### Market price of Income & Growth shares

The mid market price for the Income and Growth shares on the first dealing day in each of the last six months, and 20 July 2009, being the latest practicable date before the approval of the Annual report and accounts are:

	Income shares	Growth shares
2 January 2009	68.5p	64.0p
2 February 2009	66.0p	62.5p
2 March 2009	60.0p	51.5p
1 April 2009	61.0p	56.5p
1 May 2009	68.0p	63.5p
1 June 2009	75.0p	68.5p
20 July 2009	76.0p	67.5p

### Future conversions

It is intended that following the first conversion in October 2009 the conversion facility will be offered annually or close to annually thereafter.

### How do I convert?

Conversion instructions must be received by 5pm on 28 September 2009 in respect of the 28 October 2009 Conversion Date.

If you hold your shares:

1. through an Investment Product managed or marketed by ISIS Investment Manager plc, F&C Management Ltd or F&C Investment Business Ltd. please download a "Plan" conversion instruction form from the website at [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk), which will be available from 29 July 2009.
2. in certificated form, please download a "Certificated" conversion instruction form from the website at [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk), which will be available from 29 July 2009.
3. in uncertificated form (that is in CREST) then please follow the instructions on the website at [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk), which will be available from 29 July 2009.

Information on what to do if you have lost one or all of your share certificates and how to obtain a letter of indemnity is also included on the form.

This is not a recommendation to convert, or not to convert, any of your shares.

### Share Prices and Daily Net Asset Value

The Company's Income shares and Growth shares are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the *Financial Times*. The net asset value of the Company's shares can be obtained by contacting F&C Asset Management Investment Services on 0845 600 3030.

### Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment for main register holders this should be notified to Equiniti Limited, under the signature of the registered holder.

Profile of the Company's Ownership			
% of Income Shares held at 31 May 2009		% of Growth Shares held at 31 May 2009	
F&C Asset Management Retail Products	98.1%	F&C Asset Management Retail Products	98.6%
Individuals and Private Client Stockbrokers	1.9%	Individuals and Private Client Stockbrokers	1.4%
	100.0%		100.0%

# Shareholder Information (continued)

## Financial Calendar 2009/10

22 September 2009	Annual General Meeting
28 September 2009	Deadline for submitting Conversion Instructions
October 2009	Interim Management Statement for the quarter to 31 August 2009
9 October 2009	First interim dividend paid (XD Date 23 September 2009)
28 October 2009	Share Conversion Facility date
8 January 2010	Second interim dividend paid (XD Date 23 December 2009)
January 2010	Announcement of Interim Results for six months to 30 November 2009
9 April 2010	Third interim dividend paid (XD Date March 2010)
April 2010	Interim Management Statement for the quarter to 28 February 2010
9 July 2010	Fourth interim dividend paid (XD Date June 2010)
July 2010	Announcement of Annual Results and Posting of Annual Report
September 2010	Annual General Meeting

# How to Invest

As well as investing in F&C Managed Portfolio Trust plc directly through a stockbroker, you can enjoy some additional benefits by investing through one of the savings plans run by F&C Management Limited.

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA wrappers, receive a simple statement every six months and let us automatically reinvest your dividends for you.

- **F&C Private Investor Plan**

A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month.

- **F&C Investment Trust ISA**

Invest up to £7,200 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. It has been announced that ISA contribution limits are to be increased to £10,200 with effect from 6 April 2010 (or 6 October 2009 for individuals aged over 50). You can also transfer any existing ISAs.

- **F&C Child Trust Fund ('CTF')**

F&C is a leading provider of children's investment plans and is one of the few providers to offer an investment trust based CTF. Available for children born after 1 September 2002. Contributions can be added 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 Government voucher.

- **F&C Children's Investment Plan**

Available for all children, including those not eligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the original investor.

## Low charges

The plans above are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2%. Government stamp duty of 0.5% also applies on purchases (where applicable). There are no initial or exit charges. The only annual management fee is on the ISA, which is £60+VAT (no matter how many ISAs you take out annually with F&C, or how many ISAs you transfer).

The F&C Child Trust Fund has no initial charges, dealing charges or annual management fee.

## F&C Managed Portfolio Trust Share Plan and ISA

The Share Plan and ISA provide a flexible way to invest in the shares of F&C Managed Portfolio Trust. The minimum initial lump sum investment is £5,000 or regular savings from £100 a month. The minimum lump sum top-up is £1,500. The current maximum investment into an ISA is £7,200 each tax year.

Investment Protection is also included which offers up to £150,000 of protection, if on the death of the investor, the value of their holding is less than the initial amount invested (adjusted for any share sales).

## Charges for F&C Managed Portfolio Trust Share Plan and ISA

There is an initial dealing charge equal to 4% of the amount invested and a six monthly administration charge equivalent to 0.7% per annum of the Plan assets. In addition there is an exit dealing charge of 1% of the value of securities sold or transferred, but this will be waived where the Plan has been in force for at least five years. Government stamp duty of 0.5% also applies on purchases.

## How to invest

For more information on any of these products, please contact F&C's Investor Services Team:

Call us on **0800 136 420**

email at **info@fandc.com**

invest online at **www.fandc.co.uk**

Existing plan holders' enquiry line

**0845 600 3030**

Or write to:

F&C  
Freeport RLRY-LYSR-KYBU  
Clandeboyne Business Park  
West Circular Road  
Bangor BT19 1AR

Calls may be recorded.



*The information on this page has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority ('FSA'). Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount originally invested.*



# Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of F&C Managed Portfolio Trust plc will be held at 80 George Street, Edinburgh, on Tuesday, 22 September 2009 at 12.30 pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 8 and 11 will be proposed as Ordinary Resolutions and Resolutions 9, 10, 12 and 13 as Special Resolutions:

## Ordinary Resolutions

1. That the Report and Accounts for the period to 31 May 2009 be received.
2. To approve the Directors' Remuneration Report for the period to 31 May 2009.
3. That Richard M Martin, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
4. That David Harris, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
5. That Colin S McGill, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
6. That Alistair G Stewart, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
7. That Ernst & Young LLP be appointed as Auditors and the Directors be authorised to determine their remuneration.
8. That the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (as amended) (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £209,001 in respect of Income Shares and £184,055 in respect of Growth Shares in substitution for any existing authority under section 80 of the Act but without prejudice to any exercise of any such authority prior to the date of the passing of this resolution, such authority to expire on the earlier of 22 December 2010 or the date of the next Annual General Meeting of the Company after the passing of this resolution but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

## Special Resolutions

9. That, subject to the passing of Resolution 8 to be proposed at the Annual General Meeting of the Company convened for 22 September 2009 ("Resolution 8") and in substitution for any existing power under section 95 of the Companies Act 1985 (as amended) (the "Act") (but without prejudice to the exercise of any such power prior to the passing of this resolution), the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) (which shall not include shares held in treasury) wholly for cash pursuant to the authority under section 80 of the Act conferred on the Directors by Resolution 8 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £209,001 in respect of Income Shares and £184,055 in respect of Growth Shares at a price of not less than the net asset value per share of the existing Income Shares (in the case of an allotment of Income Shares) or Growth Shares (in the case of an allotment of Growth Shares), and shall expire at the earlier of 22 December 2010 or the conclusion of the Annual General Meeting of the Company to be held in 2010 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
10. That, in substitution for any existing authority under section 166 of the Companies Act 1985 (as amended) (the "Act") (but without prejudice to the exercise of any such authority prior to the passing of this resolution), the Company be and is hereby generally and unconditionally authorised pursuant to and for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of fully paid Income Shares of 10p each in the share capital of the Company and Growth Shares of 10p each in the share capital of the Company ("Income and/or Growth Shares"), provided that:
  - (a) the maximum aggregate number of Income and Growth Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Income Shares and 14.99 per cent of the issued Growth Shares (excluding Income and Growth Shares held in treasury) immediately prior to the passing of this resolution;

- (b) the minimum price which may be paid for an Income and Growth Shares shall be 10p (exclusive of expenses);
- (c) the maximum price (exclusive of expenses) which may be paid for an Income or Growth Share shall be the higher of (i) an amount equal to 105 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for an Income or Growth Share for the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
- (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire on the earlier of (i) the conclusion of the next Annual General Meeting of the Company to be held in 2010 or (ii) 22 December 2010, save that the Company may, prior to such expiry, enter into contracts or arrangements to purchase Income and/or Growth Shares under such authority which will or may be completed or executed wholly or partly after the expiration of such authority and may make purchases of Income and/or Growth Shares pursuant to any such contracts or arrangements as if the authority conferred hereby had not expired.

#### **Ordinary Resolution**

11. That, subject to the passing of Resolution 12 to be proposed at the Annual General Meeting of the Company convened for 22 September 2009 ("Resolution 12"), the Directors of the Company be authorised, for the purposes of paragraph 15.4.11 of the Listing Rules of the United Kingdom Listing Authority, to sell Income Shares and/or Growth Shares in the capital of the Company held in treasury for cash at a price below the net asset value per share of the existing Income Shares and/or Growth Shares in issue pursuant to the authority conferred by Resolution 12, provided always that Shares will only be resold from treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which such Shares are to be resold must be less than the average discount at which Shares held in treasury have been repurchased and, second, the net asset value dilution associated with the sale of treasury shares in any one financial year must not exceed 0.5 per cent of net assets.

#### **Special Resolution**

12. That, the Directors of the Company be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (as amended) (the "Act") to allot (within the meaning of section 94(3A) of the Act) equity securities (within the meaning of section 94(2) of the Act) wholly for cash as if section 89(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment (within the meaning of section 94(3A) of the Act) of equity securities for cash out of treasury up to an aggregate nominal amount of £209,001 in respect of Income Shares and £184,055 in respect of Growth Shares, representing approximately 10 per cent of the Company's Income Share capital in issue as at the date of the passing of this resolution and approximately 10 per cent of the Company's Growth Share capital in issue as at the date of the passing of this resolution and shall expire on the earlier of 22 December 2010 and the conclusion of the Annual General Meeting of the Company to be held in 2010, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

#### **Special Resolution**

13. That the proposed Contingent Purchase Contract (as defined in the annual report and accounts published by the Company on 21 July 2009) to enable the Company to make off-market purchases of its own deferred shares pursuant to sections 164 and 165 of the Companies Act 1985 in the form produced at the meeting and initialled by the Chairman, be and is hereby approved and the Company be and is hereby authorised to enter into, execute and perform such contract, but so that the approval and authority conferred by this resolution shall expire on the day immediately preceding the date which is 18 months after the passing of this resolution or, if earlier, the next Annual General Meeting of the Company.

By order of the Board  
 For F&C Investment Business Limited  
 Company Secretary  
 80 George Street  
 Edinburgh EH2 3BU  
 21 July 2009

# Notice of Annual General Meeting (continued)

## Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours (excluding non working days) before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours (excluding non working days) before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours (excluding non working days) before the time appointed for the taking of the poll). The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each Income Shareholder and each Growth Shareholder is entitled to a weighted vote determined in accordance with the underlying NAV of the relevant shares as specified in the Articles of Association.

2. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.
3. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that: (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in sub-paragraph (i) of this Note.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.00 pm on 20 September 2009 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 pm on 20 September 2009 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm on the day two days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.
5. As at 21 July 2009 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 21,907,192 Income Shares carrying one vote each and 20,315,567 Growth Shares carrying one vote each. The Company holds 1,007,000 Income Shares and 1,910,000 Growth Shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 21 July 2009 were 39,305,759 votes. Any person holding 3 per cent of the total 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.
6. The existing Articles of Association and the Contingent Purchase Contract will be available for inspection at the Annual General Meeting. The Contingent Purchase Contract will also be available at the Company's registered office 15 days prior to the AGM.
7. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and for 15 minutes prior to, and during the Annual General Meeting.

# Corporate Information

## Directors

Richard M Martin (Chairman) \*\*

David Harris ‡‡

Colin S McGill ††

Alistair G Stewart ¶¶

## Registered Office

80 George Street

Edinburgh EH2 3BU

Tel No. 0207 628 8000

Facsimile No. 0131 225 2375

## Investment Managers and Company Secretary

F&C Investment Business Limited

80 George Street

Edinburgh EH2 3BU

## Registrars and Transfer Office

Equiniti

Aspect House

Spencer Road

Lancing

West Sussex BN99 6DA

Registrars' Shareholder Helpline

Tel No. 0871 384 2030\*

Registrars' Broker Helpline

Tel No. 0871 384 2779†

## Auditors

Ernst & Young LLP

Ten George Street

Edinburgh EH2 2DZ

## Principal Bankers

JPMorgan Chase Bank

125 London Wall

London EC2Y 5AJ

## Solicitors

Dickson Minto W.S.

16 Charlotte Square

Edinburgh EH2 4DF

## Company Number

SC338196

\*\*Chairman of the Nomination Committee

‡‡Senior Independent Director

††Chairman of the Audit Committee

¶¶Chairman of the Remuneration Committee

\*Calls to this number are charged at 8p per minute from a BT Landline. Other telephony providers costs may vary.

†Calls to this number are charged at £1 per minute from a BT Landline. Other telephony providers costs may vary.



### **Registered Office**

80 George Street  
Edinburgh EH2 3BU  
Tel: 0207 628 8000  
Fax: 0131 225 2375

### **Registrars**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Registrars' Shareholder Helpline: 0871 384 2030\*  
Registrars' Broker Helpline: 0871 384 2779†

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†Calls to this number are charged at £1 per minute from a BT Landline. Other telephony providers' costs may vary.