



F&C Managed Portfolio Trust plc

Annual Report and Accounts

2013

Year to 31 May 2013

Contents

Company Summary	1
Financial Highlights for the Year	2
Performance Summary	3
Chairman's Statement	4
Investment Manager and Investment Process	8
Manager's Review	9
Five Year Record	14
Income Shares – Investment Portfolio	15
Growth Shares – Investment Portfolio	16
Board of Directors	17
Report of the Directors	18
Directors' Remuneration Report	30
Capital Structure	32
Statement of Directors' Responsibilities	34
Independent Auditor's Report	35
Income Statement	36
Balance Sheet	37
Cash Flow Statement	38
Reconciliation of Movements in Shareholders' Funds	39
Notes to the Accounts	40
Shareholder Information	58
How to Invest	61
Notice of Annual General Meeting	62
Corporate Information	



The Association of
Investment Companies

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 launched on 16 April 2008. 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 2013 were £31.3 million (Income shares) and £31.2 million (Growth shares).

Investment Objective

The Company's investment objective is to provide an attractive level of income with the potential for income and capital growth to Income shareholders and to provide capital growth for Growth shareholders, in each case through investing principally in a diversified portfolio of investment companies.

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 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 18 to 19.

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. Details of the management contract, are provided in note 4 to the Accounts.

Capital Structure

The Company has two classes of shares, Income shares and Growth shares. Details of the Capital Structure are provided on pages 32 and 33.

In addition, the Company has a borrowing facility with its custodian JPMorgan Chase Bank.

How to Invest

F&C Management Limited operates a number of investment plans which facilitate investment in the Income shares and Growth shares of the Company. Details are contained on page 61.

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

Financial Highlights for the year

Income Shares

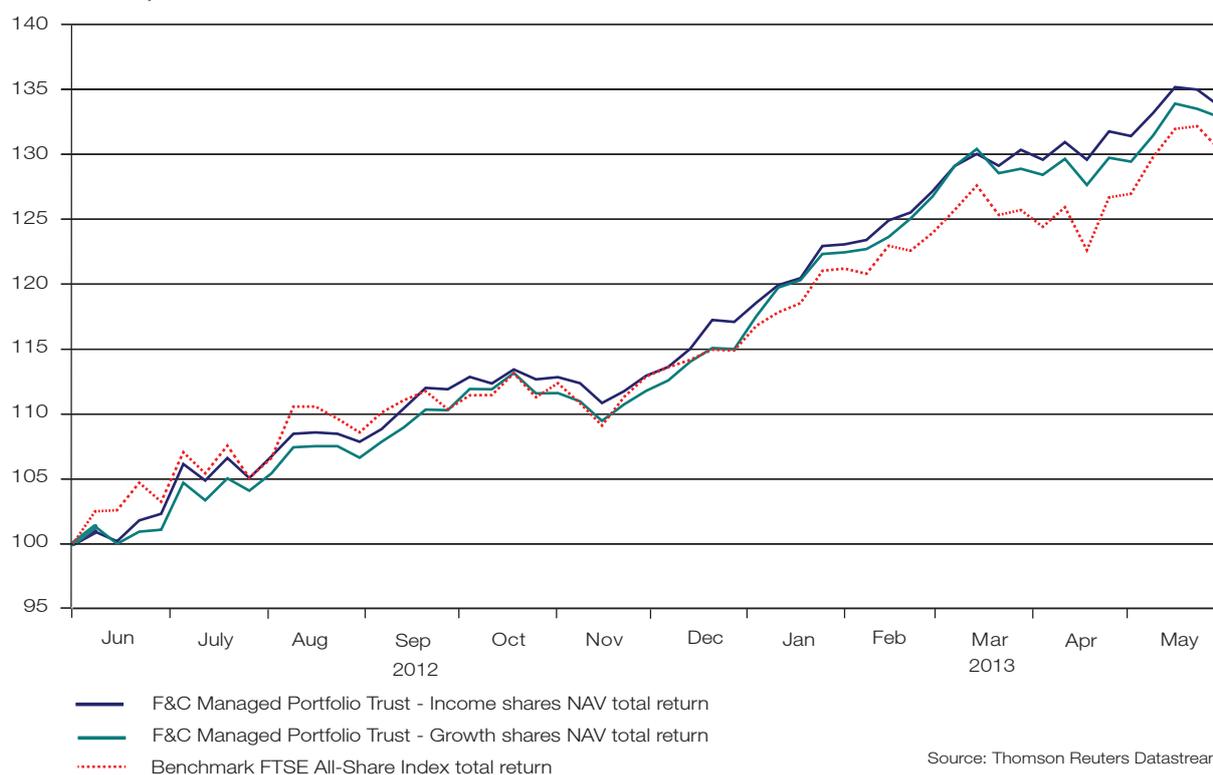
- Net asset value total return per share was 34.2%, compared to the FTSE All-Share Index total return of 30.1%
- Dividend yield of 3.9% at 31 May 2013, based on dividends at the current annual rate of 4.6p per Income share, compared to the yield on the FTSE All-Share Index of 3.3%. Dividends are paid quarterly.

Growth Shares

- Net asset value total return per share was 32.8%, compared to the FTSE All-Share Index total return of 30.1%

Net Asset Value per share performance for the year to 31 May 2013

rebased to 100 at 31 May 2012



Year end 31 May 2013 Highs/Lows

	Income Shares		Growth Shares	
	High	Low	High	Low
Net asset value per share	121.03p	90.94p	128.42p	93.21p
Share price	119.5p	88.0p	126.0p	91.0p
Premium/(discount)‡	1.2%	(5.8)%	(0.4)%	(6.2)%

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

Sources: F&C Investment Business Limited and Datastream

Performance Summary

	31 May 2013	31 May 2012	% change
Income Shares			
Capital			
Net asset value per share	117.68p	91.86p	+28.1
FTSE All-Share Index	3,473.82	2,767.09	+25.5
Share Price			
Share price (mid market)	116.5p	91.5p	+27.3
Discount (% difference between share price and net asset value per share)	(1.0)%	(0.4)%	
Total Return for the year ended*			
Net asset value per share	+34.2%	-6.6%	
FTSE All-Share Index	+30.1%	-8.0%	
Share price (mid market)	+33.2%	-6.7%	
Gearing†			
Net Gearing	1.3%	1.8%	
Revenue and Dividends			
Revenue return per share (including net income transfer from Growth shares)	5.20p	5.04p	
Dividends per share	4.60p	4.50p	
Ongoing Charges‡ (excluding the performance fee, as a percentage of the average net asset value)	1.2%	1.4%	

	31 May 2013	31 May 2012	% change
Growth Shares			
Capital			
Net asset value per share	124.78p	93.97p	+32.8
FTSE All-Share Index	3,473.82	2,767.09	+25.5
Share Price			
Share price (mid market)	123.0p	93.0p	+32.3
(Discount)/premium (% difference between share price and net asset value per share)	(1.4)%	(1.0)%	
Total Return for the year ended*			
Net asset value per share	+32.8%	-12.6%	
FTSE All-Share Index	+30.1%	-8.0%	
Share price (mid market)	+32.3%	-14.7%	
Gearing†			
Net Gearing	1.4%	-	
Net cash	-	1.1%	
Ongoing Charges‡ (as a percentage of the average net asset value)	1.2%	1.6%	

* All total returns are calculated assuming that net dividends are re-invested.

† Net gearing = (Total assets less cash) ÷ shareholders funds. Net cash = (cash and cash equivalents) ÷ shareholder funds.

‡ The total expenses (both revenue and capital) incurred by the Company (excluding interest and the performance fee) divided by the average net asset value in the year. The ongoing charges figure at 31 May 2013 excludes Private investor share plan expenses as, from 6 April 2013, the Company no longer incurs these costs.

Sources: F&C Investment Business Limited and Datastream

Chairman's Statement



Richard Martin Chairman

Highlights

- Strong NAV total returns for the Income shares (+34.2%) and the Growth shares (+32.8%)
- Both share classes beat their bench-mark, the FTSE All-Share Index
- Annual dividend increased to 4.6p per Income share for the year

Introduction

These are excellent results and I am delighted to present them to shareholders. As welcome as an exceptional year may be though, it is good to see that our two share classes are establishing a track record of steady out-performance.

Our financial year encompassed a powerful surge in equity markets over the last six months as a modest recovery in the US economy became clear while the third round of Quantitative Easing ("QE") in the US drove the price of equities and other assets higher. Some of our holdings rose by 60% or more, as our Manager's Review highlights.

But as the calendar moved into June the situation reversed abruptly. Short-sighted traders awoke to the – surely blindingly obvious – realisation that QE could not continue indefinitely and that interest rates must return to more normal levels as and when economic recovery becomes clearly established. The FTSE All-Share index fell by 5.0% over the course of June, however, since then, markets have recovered their equilibrium. As at 23 July 2013, the NAV per Income Share was 117.55p and the NAV

per Growth Share was 127.50p, representing a NAV total return of 1.1% (Income Shares) and 2.2% (Growth Shares) since 31 May 2013.

Performance

Net asset value total return

For the Company's financial year to 31 May 2013, the total return (i.e. adding dividends paid to capital performance) of the FTSE All-Share Index was +30.1%. This index is the performance benchmark for both Portfolios. The total return for the Investment Company sector, as measured by the FTSE Equity Investment Instruments Index, was +29.3%.

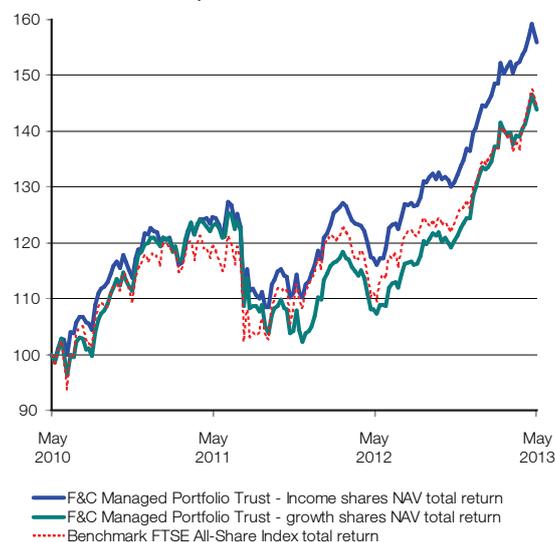
Including the quarterly dividends paid out during the year the NAV total return of the **Income** shares was +34.2%, well ahead of the benchmark. The NAV total return for the **Income** shares has outperformed the benchmark in each of the five financial years since launch.

The NAV per share of the **Growth** shares rose by 32.8% to 124.78p per share and was also ahead of the benchmark. The NAV total return for the **Growth** shares has now outperformed the benchmark in three of the five financial years since launch.

The longer term performance of the **Income** shares continues to be very strong with 3 year and 5 year NAV total returns of +55.9% and +51.3%

3 Year Net Asset Value per share performance

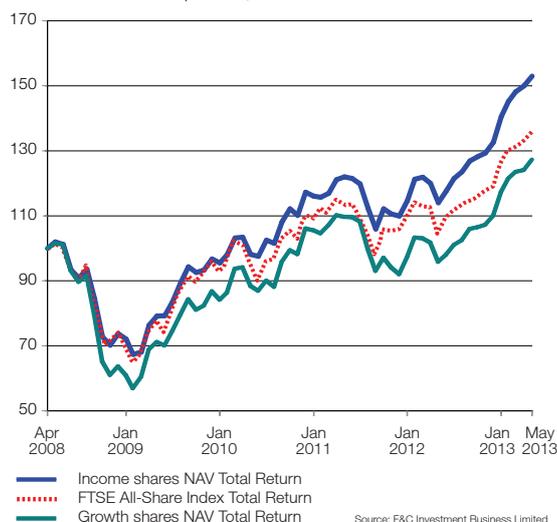
rebased to 100 at 31 May 2010



respectively, compared with +44.1% and +35.2% for the benchmark. The 3 year NAV total return for the **Growth** shares of +43.9% compares closely with that of the benchmark. Over 5 years, which includes the period of the financial crisis, the NAV total return was +25.7% against the benchmark return of +35.2%.

Net Asset Value per share performance since launch

rebased to 100 at 16 April 2008, date of launch



Revenue and dividends

Under the Company's capital structure any net revenue arising on the Growth Portfolio is transferred to the Income Portfolio in exchange for a capital contribution of an identical amount. The net revenue return for the Growth shares for the year to 31 May 2013 totalled £298,000, which is equivalent to 1.11p per Income share. Including this transfer, the Company's net revenue return was £1,390,000 which is equivalent to 5.20p per Income share.

Four interim dividends with respect to the year to 31 May 2013 have now been paid, totalling 4.6p per Income share. This represents a small increase of 0.1p or 2.2% from the prior year to 31 May 2012, and was made possible by increased income from investee companies and the successful fund raising in March 2012. The fourth interim dividend was paid after the year end on 5 July 2013. After recognising all dividends for the year, we were able to add £164,000 to the revenue reserve, which now totals £365,000 or 1.37p per Income share.

As part of a strategy review, the Board has adopted the twin objectives of aiming over time to increase the total dividends paid each year, whilst building revenue reserves from the current level, (which is equivalent to 30% of the annual dividend cost) to that equivalent to 50% of the annual dividend cost. This is with a view to ensuring the stability of future dividend payments.

In the absence of unforeseen circumstances, your Board intends to again declare three interim dividends, each of 1.1p per Income share payable in October 2013, January 2014 and April 2014. It is intended that a fourth interim dividend will be paid to Income shareholders in July 2014 but the directors will determine the amount of the fourth interim dividend when a clearer view emerges of income for the year.

Expenses

In light of the outperformance of the Income shares in the current year a performance fee of £86,000 has been earned by the Investment Manager. Excluding the performance fee, we are pleased to report that the ongoing expenses of running the company (which include the management fee and other non-interest expenses), have decreased to 1.2% as a percentage of the average NAV at 31 May 2013 (from 1.4% for the Income shares and 1.6% for the Growth shares). This has been achieved, in part because from 6 April 2013 the Company will not incur costs for the F&C Private investor share plans and these costs have been removed from the figures at 31 May 2013 shown above. Moreover the increase in assets (from the March 2012 fund raising and market movements) has helped to spread operating costs over a wider base.

Borrowing

At the year end, borrowings in the Income Portfolio and in the Growth Portfolio each total £0.4 million (approximately 1.4% in each Portfolio). The Board is responsible for the Company's gearing strategy and sets parameters within which the Investment Manager operates. In accordance with the stated investment policy, borrowings are not normally expected to exceed 20 per cent of the total assets of the relevant Portfolio, although in current conditions they are unlikely to exceed 10 per cent and indeed have not done so since launch.

Chairman's Statement (continued)

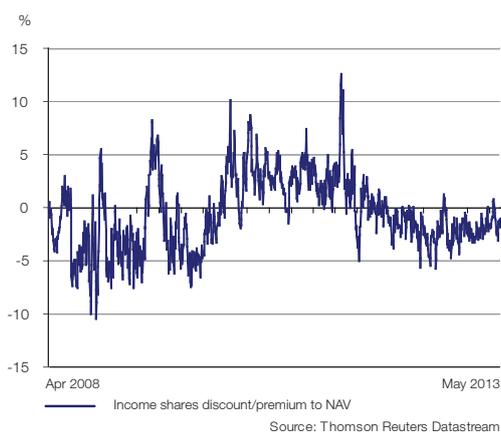
During the year the level of gearing ranged between approximately 1% and 5% in the Income Portfolio and 0% to 1.5% in the Growth Portfolio.

Discounts and share buy-backs

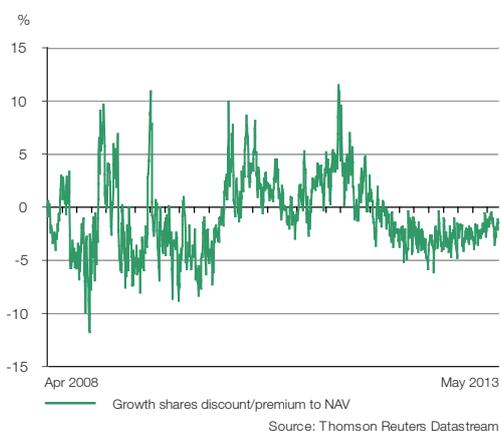
In normal circumstances we aim to maintain the discount to NAV at which our shares trade at not more than 5%. We have achieved this by an active programme of buying back shares from time to time. During the year to 31 May 2013 we have been able to maintain an average discount of 2.1% for the Income shares and 2.7% for the Growth shares. At the year end, the ratings were a discount of 1.0% for the Income shares and a discount of 1.4% for the Growth shares.

Discount/Premium to Net Asset Value since launch

Income Shares



Growth shares



During the year, 300,000 Income shares and 940,000 Growth shares were bought back to be held in treasury and are available to re-sell. In addition 50,000 Income shares were sold from treasury.

We will be seeking shareholders' approval to renew the powers to allot shares, buy back shares and sell shares from treasury at the Annual General Meeting.

Alternative Investment Fund Managers Directive ("AIFMD")

Shareholders may be aware of the introduction of the AIFMD. The Company is an 'alternative investment fund' (AIF), as defined by the AIFMD. This directive, which originates from the European Commission, imposes significant regulation on the management and operations of AIFs and is effective, subject to transitional provisions, from 22 July 2013.

Your Board is working closely with the Company's advisers to determine how best to comply with the requirements of AIFMD and expects to be fully compliant by the July 2014 deadline.

Share plans and conversion facility

Shareholders have the opportunity to convert their Income shares into Growth shares or their Growth shares into Income shares upon certain dates every year subject to minimum thresholds. The next opportunity will be on 24 October 2013. Information is provided in the Annual Report and Accounts on pages 59 and 60 and full details will be provided on the Company's website (www.fcmanagedportfolio.co.uk) from 29 July 2013. Since launch, no conversion has yet taken place as the number of shares offered for conversion has been well below the minimum threshold. This minimum threshold is set by the Board in order to ensure that the costs which would be incurred by shareholders who are converting are not disproportionate to the value of converting assets.

AGM

The annual general meeting (“AGM”) will be held at 12 noon on Wednesday 25 September 2013 in the offices of F&C Asset Management plc, Exchange House, Primrose Street, London. It will be followed by a presentation from our fund manager, Peter Hewitt. This is a good opportunity for shareholders to meet the Board and Manager and I would encourage you to attend.

Outlook

Stock markets have a well proven record of anticipating economic trends, often well in advance. Currently markets – both equities and bonds – have started to anticipate a rise in interest rates from close to zero to higher levels that correspond with more stable economies. As ever this process is starting in the US, following Ben Bernanke’s indication that the Federal Reserve intends to start tapering Quantitative Easing and bring it to an end in 2014 – if it is clear that the US economy has achieved sustainable growth.

The pace of normalisation is likely to be volatile as markets react to the flow of economic data. Bonds remain vulnerable but equities appear reasonably priced and will reward the patient investor. As we have said in previous reports, our portfolios of investment companies investing across the world and in many sectors should prove resilient.

Richard M Martin

Chairman

25 July 2013

Investment Manager and Investment Process



Peter Hewitt
Investment Manager

Peter Hewitt Investment Manager has managed the Company's assets (which were previously held in the F&C investment trust managed portfolio service) since 2002, and is the lead fund manager of the Company. He has over 30 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 £98.8 billion (at 31 March 2013) 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 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 above the yield of the FTSE All-Share Index and is



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.

diversified through holding at least 25 investments. Each 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 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 investment companies. Each investment company 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 concluding sentence from last year's Manager's Review was "The Manager believes that when current macro uncertainties eventually do subside and markets begin to recover, they will benefit strongly". It has to be said that the strength and consistency of the recovery experienced by most equity markets across the globe would have surprised all but the most bullish of investors.

Although the macro uncertainties referred to above are still present they do appear to have receded, principally as a result of the action of Central Banks. That is not to say they have been resolved, far from it. This is particularly true of the problems in the Euro zone. Countries in the southern part of the Euro zone appear mired in deep recession and although bailouts from the European Central Bank and much needed structural reform, particularly of the banking sector have been undertaken, the chronic lack of growth means a further crisis seems to be always just around the corner.

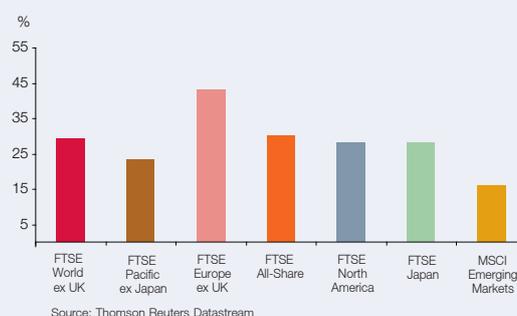
There are fears too that although the Chinese economy appears to have avoided a hard landing, the debt fuelled nature of the boom of the last few years could cause profound difficulties should it begin to falter. In contrast, US economic activity has recovered more strongly than most other developed economies and though a growth rate of 2% per annum is below normal rates of growth for the US, there are indications it is beginning to strengthen and broaden out. Following a long period of weakness, recovery in the UK has been very modest, however a broad range of indicators point to a gradual pick up in the pace of economic activity over the next twelve months.

The actions of Central Banks through Quantitative Easing, initially by the Federal Reserve in the US and the Bank of England in the UK and latterly through the European Central Bank, have kept interest rates and government bond yields at historically very low levels. These actions, designed to aid economic recovery, have also had the effect of being extremely supportive of global equity markets.

As can be seen from the following chart, returns from most equity markets were strongly positive, with Europe, which was the worst performing region

in the last financial year, experiencing the largest gains in this financial year at +43.3%. The important point is that equity markets across most regions were substantially ahead as the financial system was flooded with liquidity which sought better returns than were available either on deposit or in overvalued sovereign bond markets. Indeed, perhaps the most striking feature of financial markets in the year under review was the end of the long bull market in government bonds. In the UK, 10 year Government gilts started the financial year with a yield of just 1.6% and ended the year at nearly 2%. The FTSE Government All Stocks Index declined by 1.0% (in total return terms)

Total return for year to 31 May 2013 (sterling)



Performance

For the year to 31 May 2013 the FTSE All-Share Index rose by 30.1% (in total return terms). Over the same period the Net Asset Value for the Income Portfolio was ahead by 34.2% whilst that of the Growth Portfolio gained 32.8% (again both in total return terms). This is the fifth consecutive financial year that the Income portfolio has generated returns ahead of that of the principal benchmark. Encouragingly the Growth Portfolio was also ahead of the FTSE All-Share Index in the year under review and is also outperforming the benchmark index over four years.

For comparative purposes, the FTSE Equity Investment Instruments Index (which is the Investment Companies sector index and effectively the universe that both portfolios are chosen from) rose by 29.3% over the year under review (also in total return terms). The FTSE World (ex UK) Index (which represents global equities, where the Investment Companies sector has a bias towards) rose by 29.4%. Both of these indices

Manager's Review (continued)

underperformed the FTSE All-Share Index so it is very encouraging that both the Income and Growth Portfolios outperformed in the last financial year.

What were the key drivers behind the outperformance?

Perhaps the key factor was stock selection. This will be analysed in the next section.

Other more general factors were;

Small and Mid Cap Effect

The largest companies, as represented by the FTSE 100 Index, tend to lead the performance of the equity market at times of financial distress or great uncertainty. Two recent examples which illustrate this trend would be the global financial crisis which followed the collapse of Lehman Bros bank in the second half of 2008 and the acute difficulties present in the Euro zone in the last quarter of 2011 where the break up of the currency was a distinct possibility.

However, over the past twelve months the policy actions of the Federal Reserve in the US, the Bank of England in the UK and latterly the European Central Bank through Quantitative Easing, have resulted in both interest rates and yields on government bonds in developed markets at historic lows. This is a highly supportive environment for equity markets at a time when returns on cash deposits are negligible and valuations of government bond markets in developed countries are stretched. As investors perceived risk as diminishing due to these actions, so equity markets have prospered and the FTSE All-Share Index rose in each month consecutively of the year under review.

When large companies lead the market it is not helpful for active fund managers who have difficulty being overweight the biggest companies in the Index and so they tend to have a much greater exposure to medium and small sized companies which are often viewed as possessing better growth prospects.

The past year was favourable in this context as the following chart highlights;

Total return for year to 31 May 2013 (Sterling)

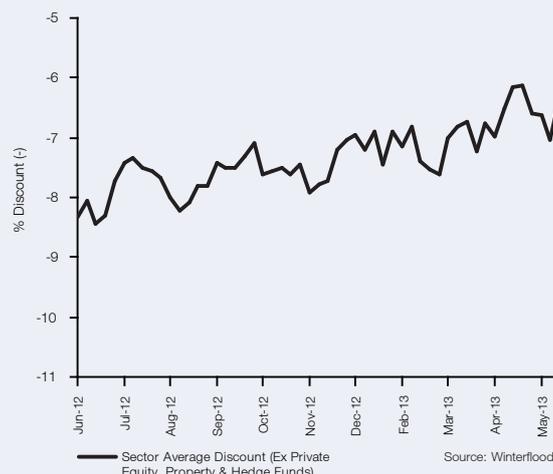


Source: Thomson Reuters Datastream

Average Sector Discounts

Over the period under review, average discounts in the Investment Company sector (for companies that are mainly invested in equities, excluding private equity, property and hedge funds) have tightened in from 8.5% a year ago to 6.3% as at 31 May 2013. This has clearly assisted performance and in particular is driven by those sub sectors such as UK or Global Growth & Income where funds have above market yields that are viewed as sustainable and may indeed grow. The Income Portfolio has been a major beneficiary of this trend.

Investment Company Sector Discount
Year to 31 May 2013



Source: Winterfloods

Gearing

One of the main advantages that investment companies have over their open ended counterparts is the ability to borrow and invest in the markets. This can work against performance should equity price levels decline however over the past year with equity markets consistently moving ahead it has been helpful to performance for those investment companies who have borrowed monies to invest in the markets.

Leading Contributors – Income Portfolio (all figures total return)

The best performing markets by region in the year under review were European and similarly within the Income Portfolio the leading contributor was **European Assets Trust** which gained 61%. The trust specialises in small and mid sized companies in continental Europe. Investors have tended to focus on macro issues of the Euro zone and consequential allocations to European equities are at low levels, as are valuations. The focus of the trust is on niche businesses with strong financials and good growth prospects almost regardless of economic conditions. This approach has led to strong returns. European Assets Trust has a dividend yield of 5.4%. For the third consecutive year **Lowland Investment Company** appears amongst the portfolio's best performers with a gain of 45%. Lowland Investment Company is a UK investment company with around two-thirds of the portfolio invested in medium and small companies with a bias towards the industrial sector. As mentioned earlier in the performance section investment companies which have a decent exposure to medium and small companies are well represented in the portfolio's better performers. Another with these characteristics is **Mercantile Investment Trust** which is a UK trust focussed on investing in companies in the FTSE 250 Index for mid-cap companies. Mercantile Investment Trust achieved a total return of 45% last year. **Bankers Investment Trust** also had a strong year with a gain of 46%. Bankers Investment Trust has a global mandate and good asset allocation combined with modest gearing and positive stock selection led to a strong year. The trust also has one of the best long

term dividend records in the sector with 45 years of consecutive growth. Another UK holding **Merchants Trust** produced a noteworthy 47% rise during the year. Merchants Trust is exposed mainly to large companies within the FTSE 100 Index, although this may appear less than optimal in terms of performance, it is also the most highly geared trust within the UK Growth & Income sector at around 20%. Given market movements last year gearing significantly added to performance. The trust has a consistent record of dividend growth and an attractive yield of 5%.

Leading Contributors – Growth Portfolio (all figures are total return)

For the second year running the leading contributor within the Growth Portfolio is the **Biotech Growth Trust** with a gain of 67%. The portfolio is invested mainly in the US where the biotech market is most developed and where most of the stocks are listed. As mentioned last year, a series of quite significant new products are entering clinical trials from a variety of companies and with valuations in the sector still historically attractive there is also more acquisition activity from large pharmaceutical companies who are seeking to deploy their cash resources rather than plough even more into research and development. The result has been strong share prices in the sector which has benefitted the trust. Next best contributor is long time holding **Jupiter European Opportunities Trust** with a rise of 60%. The portfolio has a focus on medium sized pan European companies with a global presence, so not reliant purely on the European economies. The strategy is to be exposed to companies with consistent growth qualities and strong balance sheet and cash flow characteristics. This has proven to be a successful approach over the long term for the trust. **Schroder UK Mid Cap Fund** also had a good year with a gain of 58%. The portfolio is exclusively focussed on companies in the FTSE 250 Index which was a strong performing area of the market. Schrodgers have an experienced team with a strong reputation in this area and continue to generate returns ahead of the market. The next two contributors are **European Assets Trust** and **Lowland Investment Company** both

Manager's Review (continued)

of which are covered in the section on the Income Portfolio but are also held in the Growth Portfolio.

Standard Life European Private Equity Trust rose by 45% over the year under review which marks a strong recovery from the 2008/9 period when along with other funds in this sector they had a difficult time due to an extended balance sheet. However the financial strength of the company has improved considerably as have the outlook for private companies and the market for realisations. Reflecting these improvements the discount narrowed sharply from over 40% last year to closer to 20% currently which has resulted in strong returns for shareholders.

Investment Strategy and Outlook

Returns from equity markets over the past year have surprised on the upside and have been much better than would have been expected at the start of the financial year under review. Then, the level of uncertainty and general investor pessimism as a result of the Euro zone crisis and widespread lack of forward momentum in levels of economic activity throughout developed markets led to very muted or even negative expectations from equity markets globally. The key driver behind positive returns was the policy of Quantitative Easing adopted by the Federal Reserve in the US, the Bank of England in the UK and eventually the European Central Bank. This was highly supportive of equities which were valued attractively anyway, and led to steadily rising market index levels. Indeed this is best illustrated by the FTSE All-Share Index which rose for twelve consecutive months to end May 2013 to record a gain of over 30%.

What are the prospects for the coming year?

An indirect effect of the policy of quantitative easing has been to reduce considerably the magnitude of uncertainty pervading equity markets. Also by driving government bond yields to historic lows (as illustrated by the yield on 10 year UK government bonds falling to 1.5%) the valuations of bonds have become extremely stretched. Indeed whilst equities achieved strongly positive returns last year the FTSE Government All Stocks Index recorded a total return of -1.0% which may well mark the end of a long bull market in fixed interest securities.

At the time of writing, markets are fixated with the likely slowing in the pace of asset purchases through Quantitative Easing. This has been signalled by the Chairman of the Federal Reserve in recent statements that it could begin later this year and so a sharp correction has occurred in equity markets whilst the yield offered by government bonds has clearly bottomed and is slowly but relentlessly moving upwards. However the positive side to this is a strengthening US economy and confidence that it will continue on this track over the next year. Even in the UK there are early signs that a modest firming in economic data is in place which may become more apparent as the year unfolds. At the very least, a double dip recession appears less likely. The Euro zone is somewhat behind and remains a drag whilst the risks in China remain, particularly in terms of levels of debt and the speculative property sector.

Although a lessening and ultimately a removal of the policy of Quantitative Easing is viewed adversely by investors it may not be wholly negative. The reason for this is it would infer that monetary authorities have increased confidence in an improving global outlook. This would be most evident in the US but even in the UK where consumer expenditure may begin to show signs of modest recovery. Eventually, assisted by a weaker currency, this should feed into a better environment for corporate profits and dividends. Although this outcome is by no means certain, the valuation of the UK equity market, despite being higher than a year ago, is still below average on a prospective P/E of 12x and a dividend yield of nearly 4%. When set against the returns from cash on deposit or government bonds either in the UK, US or other developed markets, equities continue to offer attractive value.

In terms of investment strategy there seems little cause to deviate from the long term goal of seeking to capture superior returns that can be achieved through holdings in investment companies exposed to certain overseas markets, particularly against a background of a weak currency. Selecting only the best quality investment companies which have demonstrated the ability to achieve strong performance is a key element in the approach. Experience indicates that the achievement of

outperformance is more likely from investment managers who have a clearly defined investment process, experience of a variety of different market conditions, ample resources to underpin their management skills and a relentless focus on the portfolio they are charged with managing.

In summary, a number of macro risks remain. The Euro zone crisis has been averted but is far from being solved and could re-emerge should growth continue to be elusive for these economies. In China, also there are concerns over the nature of much of the growth which has a reliance on debt finance that could prove unsustainable. Encouragingly recovery is more tangible in the US and even the UK may generate some forward momentum later this year.

From an investment perspective there may be a period where markets have to adjust to a gradual withdrawal of Quantitative Easing which may well lead to increased volatility. However provided activity levels do recover, that will underpin corporate profits and dividends which should support further progress in equity markets.

Peter Hewitt

Investment Manager

F&C Investment Business Limited

25 July 2013

Five Year Record

Income Shares

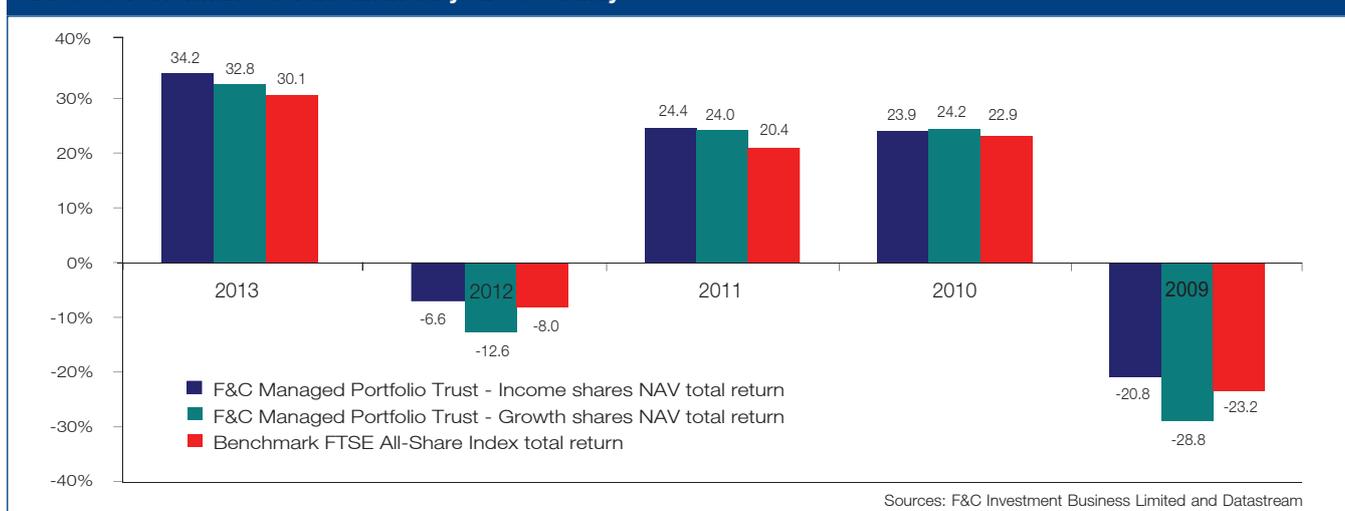
As at 31 May	Financial Year		Net Asset Value per share	Share Price	Premium/(Discount)	Revenue return per share	Dividend per share	Total expenses/ongoing charges
	Net Asset Value Total Return	Benchmark Index Total Return						
2009	-20.8%	-23.2%	73.86p	75.0p	1.5%	5.33p	4.9p‡	1.5%
2010	23.9%	22.9%	86.81p	89.5p	3.1%	4.58p	4.4p	1.5%
2011	24.4%	20.4%	103.09p	103.0p	-0.1%	4.20p	4.4p	1.4%
2012	-6.6%	-8.0%	91.86p	91.5p	-0.4%	5.04p	4.5p	1.4%
2013	34.2%	30.1%	117.68p	116.5p	-1.0%	5.20p	4.6p	1.2%

‡4.9p was paid in respect of the first 13½ month financial period from launch.

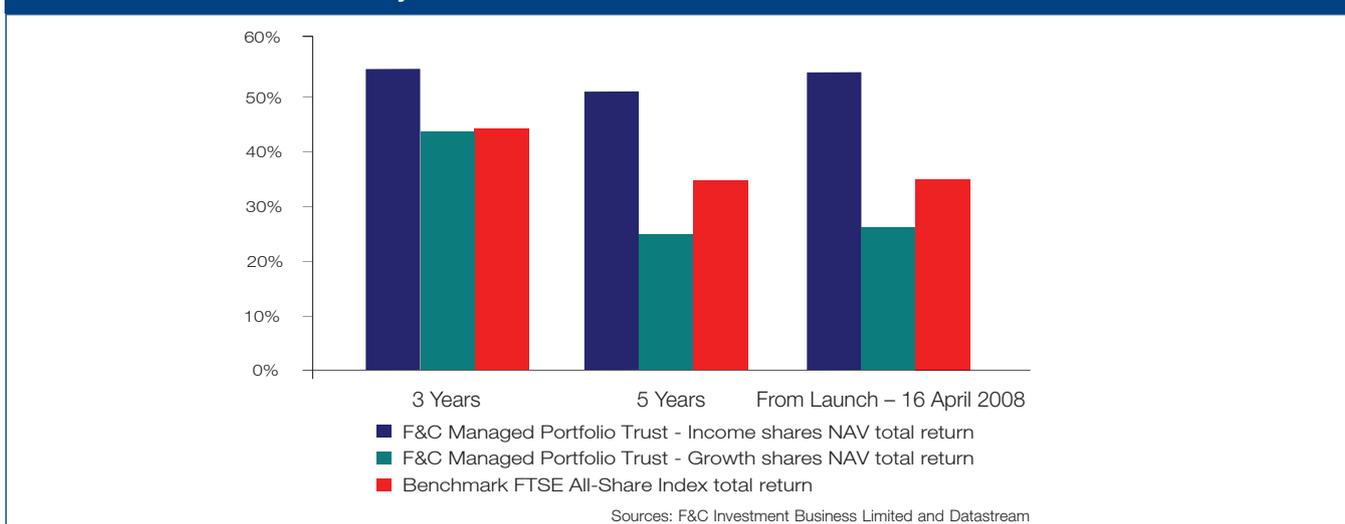
Growth Shares

As at 31 May	Financial Year		Net Asset Value per share	Share Price	Premium/(Discount)	Total expenses/ongoing charges
	Net Asset Value Total Return	Benchmark Index Total Return				
2009	-28.8%	-23.2%	69.79p	68.5p	-1.8%	1.5%
2010	24.2%	22.9%	86.70p	87.0p	0.3%	1.5%
2011	24.0%	20.4%	107.52p	109.0p	1.4%	1.5%
2012	-12.6%	-8.0%	93.97p	93.0p	-1.0%	1.6%
2013	32.8%	30.1%	124.78p	123.0p	-1.4%	1.2%

Discrete Performance for the financial years to 31 May



Cumulative Performance to 31 May 2013



Income Shares

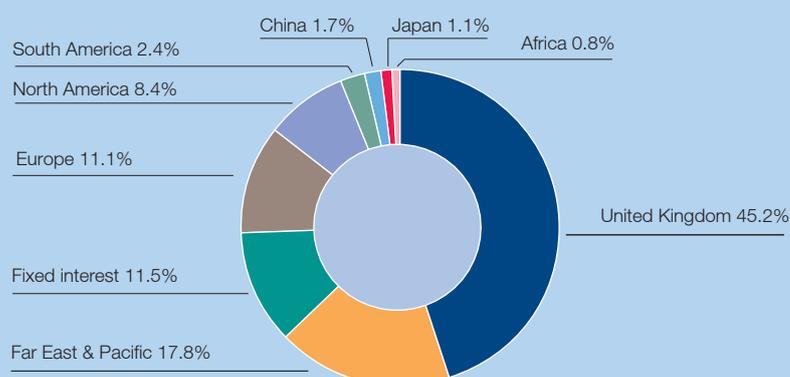
Investment Portfolio

at 31 May 2013

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Murray International Trust	Global Growth & Income	1,874	6.0
Law Debenture Corporation	Global Growth	1,788	5.7
Aberdeen Asian Income Fund	Asia Pacific – excluding Japan	1,610	5.1
Lowland Investment Company	UK Growth & Income	1,482	4.7
Perpetual Income & Growth Investment Trust	UK Growth & Income	1,452	4.6
Schroder Oriental Income Fund	Asia Pacific – including Japan	1,387	4.4
Temple Bar Investment Trust	UK Growth & Income	1,333	4.3
European Assets Trust†	European Smaller Companies	1,304	4.2
City of London Investment Trust	UK Growth & Income	1,263	4.0
JPM Global Emerging Markets Income Trust	Global Emerging Markets	1,124	3.6
Ten largest investments		14,617	46.6
Henderson High Income Trust	UK High Income	1,121	3.6
Schroder Real Estate Investment Trust	Property Direct – UK	1,111	3.5
Invesco Leveraged High Yield Fund	Global High Income	1,085	3.5
Bankers Investment Trust	Global Growth	1,081	3.4
Henderson Far East Income	Asia Pacific – excluding Japan	1,062	3.4
Edinburgh Investment Trust	UK Growth & Income	1,024	3.3
The Mercantile Investment Trust	UK Growth	970	3.1
Utilico Emerging Markets	Global Emerging Markets	957	3.1
British Assets Trust†	Global Growth & Income	940	3.0
Keystone Investment Trust	UK Growth	885	2.8
Twenty largest investments		24,853	79.3
Investors Capital Trust†	UK High Income	753	2.4
3i Infrastructure	Infrastructure	721	2.3
Scottish American Investment Trust	Global Growth & Income	699	2.2
BlackRock North American Income	North America	697	2.2
Carador Income Fund	Global High Income	623	2.0
Henderson International Income Trust	Global Growth & Income	613	2.0
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	580	1.8
City Merchants High Yield Trust	UK High Income	554	1.8
The Merchants Trust	UK Growth & Income	474	1.5
New City High Yield Fund Limited	UK High Income	396	1.3
Thirty largest investments		30,963	98.8
Standard Life UK Smaller Companies Trust 3.5% CULS 31/03/18	UK Smaller Companies	345	1.1
GCP Infrastructure Investments	Infrastructure	311	1.0
Aberdeen Asian Smaller Companies 3.5% CULS 31/05/19	Asia Pacific – excluding Japan	229	0.7
Public Service Properties Investments	Property Direct – UK	86	0.3
Total investments		31,934	101.9
Net current liabilities		(596)	(1.9)
Net assets of Income Portfolio		31,338	100.0

† Investment managed by the Investment Manager, F&C

Analysis of the investment areas of the Income Portfolio's Investments 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 2013)

Growth Shares

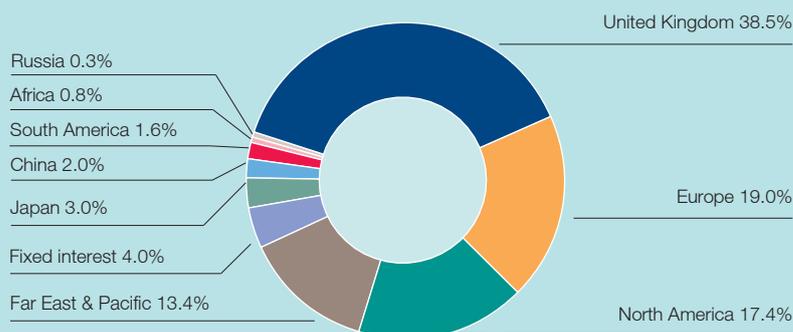
Investment Portfolio

at 31 May 2013

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Perpetual Income & Growth Investment Trust	UK Growth & Income	1,731	5.6
Lowland Investment Company	UK Growth & Income	1,358	4.4
Jupiter European Opportunities Trust	Europe	1,221	3.9
Murray International Trust	Global Growth & Income	1,197	3.8
Finsbury Growth & Income Trust	UK Growth & Income	1,134	3.6
Schroder UK Mid Cap Fund	UK Growth	1,087	3.5
Edinburgh Dragon Trust	Asia Pacific – excluding Japan	1,029	3.3
Biotech Growth Trust	Biotechnology/Life Sciences	1,024	3.3
RCM Technology Trust	Technology Media & Telecom	995	3.2
Diverse Income Trust	UK Growth & Income	983	3.1
Ten largest investments		11,759	37.7
Polar Capital Technology Trust	Technology Media & Telecom	976	3.1
The Mercantile Investment Trust	UK Growth	970	3.1
TR Property Investment Trust – Ordinary shares†	Property Securities	966	3.1
JPMorgan American Investment Trust	North America	958	3.1
Montanaro UK Smaller Companies	UK Smaller Companies	881	2.8
Scottish Mortgage Investment Trust	Global Growth	869	2.8
Law Debenture Corporation	Global Growth	844	2.7
Henderson European Focus	Europe	796	2.5
Graphite Enterprise Trust	Private Equity	784	2.5
Genesis Emerging Markets Fund	Global Emerging Markets	777	2.5
Twenty largest investments		20,580	65.9
Aberdeen Asian Smaller Companies	Asia Pacific – excluding Japan	770	2.5
Herald Investment Trust	Small Media, Comms & IT Cos.	766	2.5
Templeton Emerging Markets Investment Trust	Global Emerging Markets	763	2.4
BH Macro	Hedge Funds	745	2.4
Ruffer Investment Company	Global Growth	739	2.4
Montanaro European Smaller Companies	European Smaller Companies	738	2.4
BACIT Ltd	Global Growth	717	2.3
Personal Assets Trust	Global Growth	715	2.3
Fidelity Special Values	UK Growth	685	2.2
Throgmorton Trust	UK Smaller Companies	668	2.1
Thirty largest investments		27,886	89.4
Asian Total Return	Asia Pacific – excluding Japan	642	2.1
European Assets Trust	European Smaller Companies	620	2.0
Baillie Gifford Japan	Japan	590	1.9
Scottish American Investment Trust	Global Growth & Income	586	1.9
British Empire Securities & General Trust	Global Growth	503	1.6
Standard Life European Private Equity Trust	Private Equity	470	1.5
BlackRock Frontiers Investment Trust	Global Emerging Markets	424	1.3
Artemis Alpha Trust	UK Growth	11	0.0
Total investments		31,732	101.7
Net current assets		(525)	(1.7)
Net assets of Growth Portfolio		31,207	100.0

† Investment managed by the Investment Manager, F&C

Analysis of the investment areas of the Growth Portfolio's Investments 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 2013)

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 Montanaro European Smaller Companies Trust plc and Aurora Investment Trust plc. He was formerly 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, Aseana Properties Ltd, Small Companies Dividend Trust plc, Manchester and London Investment Trust plc, Core VCT V 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 fifth Annual Report and Accounts of the Company for the year ended 31 May 2013.

Results and Dividends

The results for the year are set out in the attached accounts. The total return attributable to shareholders was £15,948,000 of which £8,149,000 was attributable to the Income Portfolio and £7,799,000 to the Growth Portfolio. Performance and dividends are also addressed within the Business Review on pages 18 to 22. The Manager's Review on pages 9 to 13, which forms part of the Business Review, describes the background to this performance.

Company Number SC338196

Principal Activity and Status

The Company is registered in Scotland as a public limited company in terms of the Companies Act 2006. The Company is an investment company within the terms of section 833 of the Companies Act 2006. Its shares are listed on the official list and traded on the main market of the London Stock Exchange.

The Company has been approved by HM Revenue & Customs as an investment trust under section 1158 of the Corporation Tax Act 2010 for the year ended 31 May 2012. As a result, it is not liable to corporation tax on capital gains. Section 1158 has been amended such that the Company has been able to seek approval of compliance in advance, under Section 1159, for the accounting year commencing 1 June 2012 and all subsequent financial years. The Company has been accepted by HMRC as an approved investment trust subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. The Company intends to conduct its affairs so as to enable it to do so.

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 17.

The following review is designed to provide information primarily about the Company's business and results for the year to 31 May 2013 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 year, the position of the Company at the year 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 invests in a diversified portfolio of at least 25 investment companies that:

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

The **Growth** Portfolio invests 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 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 UK Listing Authority) 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 in aggregate 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 or another member of the F&C Group, 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.

- 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 year to 31 May 2013, the NAV total return of the Income shares was 34.2 per cent compared to the benchmark FTSE All-Share Index total return of 30.1 per cent.

During the year, the Company paid three interim dividends totalling 3.3p per Income share in respect of the year ended 31 May 2013 and has declared a further dividend of 1.3p per Income share which was paid after the year end, on 5 July 2013. These payments totalling 4.6p per Income Share were in respect of the year to 31 May 2013. Based on the current annual rate of 4.6p per Income share and a share price of 116.5p at the year end, this represents a yield of 3.9 per cent.

Growth shares

In the year to 31 May 2013, the NAV total return of the Growth shares was 32.8 per cent compared to the benchmark FTSE All-Share Index total return of 30.1 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 is made from the capital attributable to the Income Portfolio to the Growth Portfolio. In this regard, in the year to 31 May 2013 a transfer of £298,000 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.

Report of the Directors (continued)

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 2013, 34 investments were held in the Income Portfolio and 38 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 has a borrowing facility with its custodian JPMorgan Chase Bank to draw down amounts up to 10 per cent of the value of the Company's assets with its custodian.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on this and 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 year 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 15 and 16.

The Board recognises the importance of both marketing and share buy-backs and issuance 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 and issuance help reduce the volatility of the discount and enhance the net asset value per share for continuing shareholders. Shares will not be

bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. At the time of the Company's launch there was a statutory maximum of 10 per cent. of the Company's issued share capital that could be held as shares in treasury. However, this statutory maximum no longer applies and consequently there is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold, subject to conditions on dilution to net asset value. 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 shares 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 shares and Growth shares, relative to their net asset value.
- Total expenses/ongoing charges as a percentage of the average net asset value.

A record of these indicators is shown below and contained within the 'Performance Summary' and 'Five Year Record' on pages 3 and 14 respectively. Additional comments are provided in the Chairman's Statement and Manager's Review discussing the performance of the Company over the current year.

Total return performance to 31 May 2013

	1 year %	3 years %	5 years %
Income NAV total return	34.2	55.9	51.3
Growth NAV total return	32.8	43.9	25.7
Benchmark total return*	30.1	44.1	35.2

Source: F&C Investment Business Limited and Datastream

*Benchmark: FTSE All-Share Index

At 31 May 2013, the Income shares were 1st and 3rd in the Association of Investment Companies ('AIC') group of 9 'Global Growth & Income' investment trusts in terms of NAV total return performance over one and three years respectively. The Growth shares were 7th and 9th in the AIC group of 29 'Global Growth' investment trusts in terms of NAV total return over one and three years respectively.

Dividend level of the Income Shares

Financial year to 31 May	2013	2012	2011	2010	2009
Annual dividend	4.6p	4.5p	4.4p	4.4p	4.4p‡
Dividend yield†	3.9%	4.9%	4.3%	4.9%	5.9%
Yield on FTSE All-Share index	3.3%	3.8%	3.0%	3.5%	4.6%

‡The 2009 dividend has been annualised. (4.9p was paid in respect of the first 13½ month financial period).

†Based on Income share price at 31 May

Source: F&C Investment Business Limited and Datastream

Average premium/(discount) to NAV

During the financial year to 31 May	Income shares %	Growth shares %
2013	(2.1)	(2.7)
2012	0.8	0.9
2011	2.9	1.7
2010	(0.8)	(2.2)
2009	(3.0)	(1.9)

Source: F&C Investment Business Limited

Ongoing Charges (as a percentage of the average net asset value)

At 31 May	Income shares* %	Growth shares %
2013	1.2	1.2
2012	1.4	1.6
2011	1.4	1.5
2010	1.5	1.5
2009	1.5	1.5

*Excludes the performance fee

The total expenses (both revenue and capital) incurred by the Company (excluding interest and the performance fee) divided by the average net asset value in the year. The ongoing charges figure at 31 May 2013 excludes Private investor share plan expenses as, from 6 April 2013, the Company no longer incurs these costs.

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 respect to the 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 1158 of the Corporation Tax Act 2010 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 to the Company, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets of the Company. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

Report of the Directors (continued)

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 portfolios, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls which are consistent with guidance provided by the Turnbull Committee are described later in the Report of the Directors.

Directors

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Under the provisions of the Company's articles of association Directors are required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected.

Mr Richard Martin, whose biography appears on page 17, retires by rotation from the Board and, being eligible, offers himself for re-election. The Board confirms that, following formal performance evaluations, the performance of the Director 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 Richard Martin is re-elected.

The Directors who held office at the end of the year and their interests in the shares of the Company were:

	Directors' interests			
	31 May 2013		31 May 2012	
	Income Shares	Growth Shares	Income Shares	Growth Shares
R M Martin	31,000	10,000	31,000	10,000
D Harris	2,500	2,500	2,500	2,500
C S McGill	10,000	10,000	10,000	10,000
A G Stewart	10,000	10,000	10,000	10,000

The office of Director does not require a shareholding.

There have been no changes in the interests of the Directors in the Income shares or Growth shares of the Company since 31 May 2013 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.

Conflicts of Interest

Each Director has a statutory duty to avoid a situation where he has, or could have, a direct or indirect interest which conflicts, or may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Company's Articles of Association.

The Board has approved a protocol for identifying and dealing with conflicts and has resolved to conduct a regular review of actual or possible conflicts and any authorised conflicts. No conflicts or potential conflicts were identified during the year.

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 2006 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 31 May 2013 the Company had 26,629,936 Income shares and 25,009,843 Growth shares in issue. As at and since that date the Company had received no notifications of significant voting rights (under the FCA's Disclosure and Transparency Rules) in respect of the Company's share capital. Since the launch of the Company, the majority of the Income Shares and Growth shares have been held through the F&C retail share plans. Approximately 88 per cent of the Income shares and 95 per cent of the Growth shares are held in

this manner. The voting arrangement for these shares is explained on page 33.

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 is given in notes 4 and 5 to the accounts.

Since the end of the year, 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 pages 32 and 33 of this Annual Report and details of the share capital are set out in note 13 to the accounts. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 May 2013, the total issued share capital of the Company (excluding treasury shares) was represented 51.6 per cent by Income shares and 48.4 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 periodic retirement, the Articles of Association provide that each Director is required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected.

- 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 year with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council ('the Code') available at website: www.frc.org.uk. The Board has also taken into account the recommendations of the AIC Code of Corporate Governance ('the AIC Code'). 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.

The Board has considered the amendments to the UK Corporate Governance Code which apply to accounting periods beginning on or after 1 October 2012. It is the intention of the Board that the Company will comply fully with the amended code throughout the year commencing 1 June 2013.

Report of the Directors (continued)

Under the requirements of the Articles of Association, each Director is required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected. Directors are appointed for a term of no more than three years, subject to reappointment by shareholders, as recommended by the Code. In addition, the terms of Directors' appointments 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

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 encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Secretary and other parties, including the AIC.

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. The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Company's Manager considers socially responsible investment and actively engages with investee companies. The Board notes the Manager's statement of compliance with The UK Stewardship Code issued by the Financial Reporting Council in July 2010, which can be found on its website at www.fandc.com/ukstewardshipcode.

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Martin	4	4	2	2	1	1	1	1
D Harris	4	4	2	2	1	1	1	1
C S McGill	4	4	2	2	1	1	1	1
A G Stewart	4	4	2	2	1	1	1	1

The table above sets out the number of formal Board and Committee meetings held during the year ended 31 May 2013 and the number of meetings attended by each Director. In addition, committee meetings were held during the year to approve the interim dividends. All Directors attended the annual general meeting ('AGM') in September 2012.

Board Committees

Throughout the year 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.

Audit Committee

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. Such non-audit fees paid to the Company's auditors, Ernst & Young LLP, amounted to £10,000 for the year ended 31 May 2013, (year to 31 May 2012: £15,000) for the provision of taxation services. In the prior year the fees paid included £8,000 in relation to the Prospectus issued by the Company in January 2012 (which was included in the expenses of the offer for subscription) 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.

Remuneration Committee

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.

Nomination Committee

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 these are based on merit. The Nomination Committee also takes into account the ongoing requirements of the Company and the need to have within the Board a balance of skills, experience, independence and diversity, including gender and knowledge of the Company.

During the year the performance of the Board, Committees and individual Directors 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 their role. The Board believes that each Director is independent in character and that there are no relationships or circumstances which are likely to affect his judgement.

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

The Company's investment objective and policy, which is described on pages 18 and 19 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested principally in listed securities. The Company retains title to all assets held by its custodian. Cash is only held with banks approved and regularly reviewed by the Manager. Notes 18 to 23 to the accounts set out the financial risk profile of the Company and indicate the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

Report of the Directors (continued)

The Directors believe, in light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets and revenue and expenditure projections, 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.

The Company does not have a fixed life. However, the Company's Articles of Association require the Board to put a resolution to shareholders at the tenth annual general meeting of the Company to be held in 2018 and five-yearly thereafter to continue the Company. The continuation vote will be proposed as an ordinary resolution.

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 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 financial year and up to the date of approval of the accounts, and the Board is satisfied with the effectiveness of the internal controls for the year to 31 May 2013. 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 25 September 2013 is set out on pages 62 to 66.

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 year end.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of the Company and a resolution proposing 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, bank borrowings 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 18 to 23 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 5 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £268,700 consisting of 2,687,000 Income shares and new Growth shares up to an aggregate nominal amount of £250,600 consisting of 2,506,000 Growth shares, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 25 July 2013. This

authority therefore authorises the Directors to allot up to 5,193,000 shares in aggregate representing approximately 10 per cent of the total share capital in issue (excluding treasury shares). Resolution 6 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £268,700 and new Growth shares up to an aggregate nominal amount of £250,600, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 25 July 2013, 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 5,193,000 shares in aggregate for cash on a non pre-emptive basis representing approximately 10 per cent of the total share capital in issue (excluding treasury shares). These authorities will continue until the earlier of 25 December 2014 (being 15 months from the date of the Annual General Meeting in 2013) and the conclusion of the Annual General Meeting in 2014. 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 5 and 6 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 year to 31 May 2013, the Company purchased through the market, for treasury 300,000 Income shares, representing 1.1 per cent of the Income shares in issue at the previous financial year end, for a total consideration of £292,000 in accordance with the Company's discount management policy.

During the year to 31 May 2013, the Company purchased through the market, for treasury 940,000 Growth shares, representing 3.6 per cent of the Growth shares in issue at the previous financial year end, for a total consideration of £977,000 in accordance with the Company's discount management policy.

Report of the Directors (continued)

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 Growth shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and Resolution 7, 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 (in each case, 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 at the determination of the Directors. This authority will expire on the later of 25 December 2014 and the conclusion of the next Annual General Meeting of the Company.

From 1 October 2009, in accordance with the Companies (Share Capital and Acquisition by Company of its own Shares) Regulations 2009, there is no longer a limit on the number of shares that a company can hold in treasury at any one time. The Board has set no limit on the number of shares that can be held in treasury at any one time.

Since the year end the Company has resold 250,000 Income shares and 175,000 Growth shares from treasury and has purchased for treasury a further 120,000 Growth shares.

Accordingly there were 51,944,779 Income shares and Growth shares in issue (excluding treasury shares) as at 25 July 2013; of which 26,879,936 (51.7 per cent) are Income shares and 25,064,843 (48.3 per cent) are Growth shares. At that date, the Company held 485,000 Income shares (1.8 per cent of the total Income share capital) in treasury and 2,340,000 Growth shares (8.5 per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds 2,825,000 shares in treasury representing 5.2 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 8 following).

Resolution 8, 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 8 is conditional on the passing of Resolution 9.

Resolution 9, 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 expected issued Income share capital and Growth share capital as at the date of passing of the resolution. Resolution 9 is not conditional on the passing of Resolution 8.

Approval of the proposed Purchase Contract

Resolution 10 gives the Company authority to buy its deferred shares, arising on the conversion of any of the Growth shares or Income shares into the other class of shares, by way of an off-market purchase in accordance with sections 693 and 694 of the UK Companies Act 2006. 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 contract under section 694(3) of the Companies Act 2006. By law the Company will only be able to purchase these shares off-market if the 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
25 July 2013

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. 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 UK Corporate Governance Code. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The Directors' fees were last increased with effect from 1 June 2012. The Board concluded following the review of Directors' fees for the forthcoming year that the amounts paid to Directors should remain unchanged. The chairman receives a fee of £22,000 per annum, the chairman of the audit committee receives a fee of £19,000 per annum and the remaining directors receive a fee of £17,000 per annum.

The Remuneration Committee comprises Alistair Stewart (Chairman), Richard Martin, David Harris and Colin McGill. As the Company has no executive Directors, the Committee meets 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 periodically, and to offer themselves for re-election by shareholders at the third annual general meeting after the annual general meeting at which last elected.

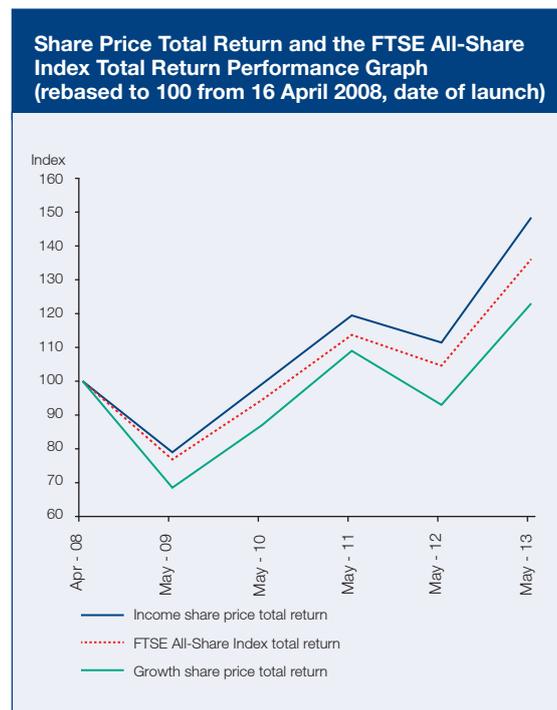
These requirements for the retirement of Directors are also contained in the Company's Articles of Association. There is a one month's notice period and no provision for compensation upon early termination of appointment.

Director	Date of Appointment	Due date for Re-election
R M Martin	22 February 2008	AGM 2013
D Harris	22 February 2008	AGM 2014
C S McGill	22 February 2008	AGM 2015
A G Stewart	22 February 2008	AGM 2015

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 following graph compares

for the period from launch until 31 May 2013, the share price total return (assuming all dividends are reinvested) to Income shareholders 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. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.



Directors' Emoluments for the Year (audited)

The Directors who served in the year to 31 May 2013 received the following emoluments in the form of fees:

	Year to 31 May 2013 £	Year to 31 May 2012 £
R M Martin (Chairman)	22,000	20,000
D Harris	17,000	15,000
C S McGill (Chairman of the Audit Committee)	19,000	17,000
A G Stewart	17,000	15,000
Total	75,000	67,000

No fees are paid to third parties for the provision of directors' services.

On behalf of the Board

Richard M Martin

Chairman

25 July 2013

Capital Structure

At 31 May 2013

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 may 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.

If, in the course of liquidation of the Company the assets attributable to a particular Portfolio are insufficient to satisfy the liabilities attributable to that Portfolio and that Portfolio's pro rata share of the Company's general liabilities, the outstanding liabilities shall be attributable to the other Portfolio.

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.

Any material change to the investment policy of the Company will only be made with the prior class consent of shareholders of the class to which the change relates (where the proposed material change only relates to a particular class) and with the prior approval of the shareholders of the Company.

Voting of shares held in the Share Plans

Since the launch of the Company, the majority of the Income shares and Growth shares in the Company have been held through the F&C Share Plans which are administered by the Manager. The Manager agreed to waive all rights it would otherwise have had to vote those shares held through the F&C Share Plans at its discretion and agreed to vote the shares in accordance with the instructions of the underlying shareholders. The Manager agreed that, subject to any regulatory restrictions, it would operate a proportional voting system whereby, provided it received instructions to vote in respect of more than 10 per cent of the shares held in the F&C Share Plans, it would vote all the shares in respect of which it had not received instructions proportionately to those for which it had received instructions, except that any shares held by the underlying holder in excess of 0.25 per cent of the issued shares of the relevant class would not be counted for the purposes of pro rating the voting of non-directed shares. Any shares voted by an underlying shareholder in excess of the maximum limit would remain valid, but would not form part of the proportional voting basis.

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 next of which will be in October 2013 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 shares 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 pages 59 and 60.

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 and applicable law. 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to

ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 Chairman's Statement, Manager's Review and Business Review contained within the Report of the Directors (together constituting the Management Report) include 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

25 July 2013

Independent Auditor's Report

Independent Auditor's 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 year ended 31 May 2013 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 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the F&C Managed Portfolio Trust plc 2013 Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 25 and 26, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Sue Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Edinburgh
25 July 2013

Income Statement

for the year ended 31 May

		2013			2012		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	10	–	14,907	14,907	–	(6,039)	(6,039)
Foreign exchange gains		–	–	–	–	4	4
Income	3	1,920	–	1,920	1,669	–	1,669
Investment management and performance fees	4	(108)	(337)	(445)	(82)	(218)	(300)
Other expenses	5	(410)	–	(410)	(381)	–	(381)
Return/(loss) on ordinary activities before finance costs and tax		1,402	14,570	15,972	1,206	(6,253)	(5,047)
Finance costs	6	(7)	(12)	(19)	(11)	(17)	(28)
Return/(loss) on ordinary activities before tax		1,395	14,558	15,953	1,195	(6,270)	(5,075)
Tax on ordinary activities	7	(5)	–	(5)	(7)	–	(7)
Return/(loss) attributable to shareholders		1,390	14,558	15,948	1,188	(6,270)	(5,082)
Return/(loss) per Income share	9	5.20p	25.30p	30.50p	5.04p	(12.84)p	(7.80)p
Return/(loss) per Growth share	9	–	30.60p	30.60p	–	(15.57)p	(15.57)p

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 the Growth Portfolio, is shown in note 2 to the accounts.

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

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

The accompanying notes are an integral part of these financial statements

Balance Sheet

as at 31 May

	Notes	2013			2012		
		Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Fixed assets							
Investments at fair value	10	31,934	31,732	63,666	25,196	24,154	49,350
Current assets							
Debtors	11	54	31	85	58	54	112
Cash at bank and on deposit		–	–	–	–	271	271
		54	31	85	58	325	383
Creditors							
Amounts falling due within one year	12	(650)	(556)	(1,206)	(562)	(94)	(656)
Net current (liabilities)/assets		(596)	(525)	(1,121)	(504)	231	(273)
Net assets		31,338	31,207	62,545	24,692	24,385	49,077
Capital and reserves							
Called-up share capital	13	2,736	2,740	5,476	2,736	2,740	5,476
Share premium	14	4,978	7,876	12,854	4,967	7,876	12,843
Capital redemption reserve	14	–	182	182	–	182	182
Special reserve	14	18,683	14,847	33,530	18,927	15,824	34,751
Capital reserves	14	4,230	5,562	9,792	(2,529)	(2,237)	(4,766)
Revenue reserve	14	711	–	711	591	–	591
Shareholders' Funds	15	31,338	31,207	62,545	24,692	24,385	49,077
Net asset value per share (pence)	15	117.68p	124.78		91.86p	93.97p	

Approved by the Board and authorised for issue on 25 July 2013 and signed on its behalf by:

Richard M Martin, Director.

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

Cash Flow Statement

for the year ended 31 May

Notes	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Operating activities						
Investment income received, net of withholding tax suffered	1,364	577	1,941	1,179	418	1,597
Deposit interest received	–	3	3	–	3	3
Investment management and performance fees paid	(167)	(166)	(333)	(260)	(120)	(380)
Other cash payments	(174)	(191)	(365)	(182)	(206)	(388)
Net cash inflow from operating activities	1,023	223	1,246	737	95	832
Servicing of finance						
Interest paid on bank borrowings	(18)	(1)	(19)	(29)	–	(29)
Net cash outflow from servicing of finance	(18)	(1)	(19)	(29)	–	(29)
Capital expenditure and financial investment						
Purchases of investments	(768)	(4,084)	(4,852)	(4,534)	(8,995)	(13,529)
Disposals of investments	1,292	4,151	5,443	1,077	1,865	2,942
Net cash inflow/(outflow) from capital expenditure and financial investment	524	67	591	(3,457)	(7,130)	(10,587)
Equity dividends paid	(1,270)	–	(1,270)	(991)	–	(991)
Net cash inflow/(outflow) before financing	259	289	548	(3,740)	(7,035)	(10,775)
Financing						
Issue of new shares	–	–	–	4,801	8,145	12,946
Expenses of offer for subscription	(7)	(13)	(20)	(76)	(126)	(202)
Shares purchased to be held in treasury	(292)	(977)	(1,269)	(453)	(1,046)	(1,499)
Sale of shares from treasury	59	–	59	–	–	–
Net cash (outflow)/inflow from financing	(240)	(990)	(1,230)	4,272	6,973	11,245
Increase/(decrease) in cash	19	(701)	(682)	532	(62)	470
Reconciliation of net cash flow to movement in net (debt)/cash						
Increase/(decrease) in cash in the year	19	(701)	(682)	532	(62)	470
Opening net (debt)/cash	(440)	271	(169)	(972)	333	(639)
Closing net (debt)/cash	(421)	(430)	(851)	(440)	271	(169)

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 May 2013

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
Opening shareholders' funds		24,692	24,385	49,077
Shares sold from treasury	13	59	–	59
Shares purchased for treasury	13	(292)	(977)	(1,269)
Transfer of net income to Income shares from Growth shares	2	298	(298)	–
Transfer of capital from Income shares to Growth shares	2	(298)	298	–
Dividends paid	8	(1,270)	–	(1,270)
Return attributable to shareholders	2	8,149	7,799	15,948
Closing shareholders' funds		31,338	31,207	62,545

for the year ended 31 May 2012

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
Opening shareholders' funds		23,254	20,671	43,925
Increase in share capital in issue	13	4,801	8,145	12,946
Expenses of offer for subscription		(83)	(139)	(222)
Shares purchased for treasury	13	(453)	(1,046)	(1,499)
Transfer of net income to Income shares from Growth shares	2	227	(227)	–
Transfer of capital from Income shares to Growth shares	2	(227)	227	–
Dividends paid	8	(991)	–	(991)
Loss attributable to shareholders	2	(1,836)	(3,246)	(5,082)
Closing shareholders' funds		24,692	24,385	49,077

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"), for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ("AIC") in January 2009. The audited financial statements for the Company comprise the Income Statement and the total columns of the Balance Sheet, the Cash Flow Statement, Reconciliation of Movements in Shareholders' Funds and the Company totals shown in the notes to the financial statements.

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 Chapter 4, Part 24 of the Corporation Tax Act 2010.

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

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth and the Company's investments have been categorised as "financial assets at fair value through profit or loss". Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales. At the time of acquisition the investments are valued at cost of purchase.

Listed and 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. Dividends from overseas companies are shown gross of any withholding tax.

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

Interest income from fixed interest securities is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone 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 finance charges 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 and finance costs 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 have been 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.

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, however the Company is the taxable entity. 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 one or more subsequent periods.

Investment trusts which have approval under Chapter 4, Part 24 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

(g) Debt instruments

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of any issue costs. Finance charges, including interest are accrued using the effective interest rate method. See 1(d) for the allocation of finance costs.

(h) 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.

Rates of exchange at 31 May	2013 £'000	2012 £'000
US dollar	1.51	1.54

(i) Reserves

- 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. Gains arising on the resale of shares from treasury are credited to this reserve. The reserve is non-distributable. The balance of this account which arose as a result of the shares issued at launch was subsequently cancelled by the Court of Session to create the Special reserve.
- 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.
- Special reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the Income shares 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.
- Capital reserve – investments sold – gains and losses on realisation of investments and losses on transactions in own shares, are dealt with in this reserve together with the proportion of management and performance fees, finance charges and taxation allocated to capital. This reserve also includes dividends received of a capital nature.
- Capital reserve – investments held – increases and decreases in the valuation of investments held are accounted for in this reserve.
- Revenue reserve – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. This is available for paying dividends on the Income shares.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(j) 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.

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 36, can be analysed as follows. This has been disclosed to assist shareholders' understanding, but this analysis is additional to that required by UK GAAP and is not audited:

Year ended 31 May 2013

	Notes	Income Portfolio			Growth Portfolio			Total		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	–	7,262	7,262	–	7,645	7,645	–	14,907	14,907
Income	3	1,362	–	1,362	558	–	558	1,920	–	1,920
Investment management and performance fees	4	(72)	(194)	(266)	(36)	(143)	(179)	(108)	(337)	(445)
Other expenses	5	(188)	–	(188)	(222)	–	(222)	(410)	–	(410)
Return on ordinary activities before finance costs and tax		1,102	7,068	8,170	300	7,502	7,802	1,402	14,570	15,972
Finance costs	6	(7)	(11)	(18)	–	(1)	(1)	(7)	(12)	(19)
Return on ordinary activities before tax		1,095	7,057	8,152	300	7,501	7,801	1,395	14,558	15,953
Tax on ordinary activities	7	(3)	–	(3)	(2)	–	(2)	(5)	–	(5)
Return §	9	1,092	7,057	8,149	298	7,501	7,799	1,390	14,558	15,948

Year ended 31 May 2012

	Notes	Income Portfolio			Growth Portfolio			Total		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	10	–	(2,665)	(2,665)	–	(3,374)	(3,374)	–	(6,039)	(6,039)
Foreign exchange gains		–	4	4	–	–	–	–	4	4
Income	3	1,213	–	1,213	456	–	456	1,669	–	1,669
Investment management and performance fees	4	(57)	(119)	(176)	(25)	(99)	(124)	(82)	(218)	(300)
Other expenses	5	(179)	–	(179)	(202)	–	(202)	(381)	–	(381)
Return/(loss) on ordinary activities before finance costs and tax		977	(2,780)	(1,803)	229	(3,473)	(3,244)	1,206	(6,253)	(5,047)
Finance costs	6	(11)	(17)	(28)	–	–	–	(11)	(17)	(28)
Return/(loss) on ordinary activities before tax		966	(2,797)	(1,831)	229	(3,473)	(3,244)	1,195	(6,270)	(5,075)
Tax on ordinary activities	7	(5)	–	(5)	(2)	–	(2)	(7)	–	(7)
Return/(loss) §	9	961	(2,797)	(1,836)	227	(3,473)	(3,246)	1,188	(6,270)	(5,082)

§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

	2013			2012		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Income from listed and quoted investments†						
UK dividend income	813	511	1,324	814	418	1,232
Overseas dividends	531	44	575	385	35	420
Interest on fixed interest securities	18	–	18	14	–	14
	1,362	555	1,917	1,213	453	1,666
Other income‡						
Deposit interest	–	3	3	–	3	3
Total income	1,362	558	1,920	1,213	456	1,669
Total income comprises:						
Dividends	1,344	555	1,899	1,199	453	1,652
Other income	18	3	21	14	3	17
	1,362	558	1,920	1,213	456	1,669

†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.

4. Investment management and performance fees

Year ended 31 May 2013

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	72	108	180	36	143	179	108	251	359
Performance fee	–	86	86	–	–	–	–	86	86
	72	194	266	36	143	179	108	337	445

Year ended 31 May 2012

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	57	85	142	25	99	124	82	184	266
Performance fee	–	34	34	–	–	–	–	34	34
	57	119	176	25	99	124	82	218	300

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 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.

Notes to the Accounts (continued)

4. Investment management and performance fees (continued)

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) in the case of the Growth shares, 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 is 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 2013 the total return of the Income Portfolio for the year exceeded that of the FTSE All-Share Index and a Performance fee of £86,000 (2012: £34,000) has been recognised. As the NAV per Income share is greater than the current Watermark NAV of 103.09p for the Income shares (NAV per Income share at 31 May 2011) this fee, together with the 2012 performance fee of £34,000 which had been accrued, will now be paid. At 31 May 2013 the total return of the Growth Portfolio since launch (+27.3%) did not exceed that of the FTSE All-Share Index since launch (+36.1%).

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

	2013			2012		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Auditors' remuneration for:						
– statutory audit*	11	11	22	11	10	21
– taxation and other services (non-audit)*	5	5	10	4	3	7
Directors' fees	38	37	75	35	32	67
Secretarial fees	46	45	91	46	42	88
Marketing	14	14	28	12	11	23
Printing and postage	11	11	22	17	16	33
Private investor share plan expenses	22	58	80	18	55	73
Registrars' fees	8	7	15	8	7	15
Other expenses including custody, listing fees and legal fees	33	34	67	28	26	54
	188	222	410	179	202	381

*Auditors' remuneration for audit services, exclusive of VAT, amounts to £18,000 (2012: £17,500). Auditors' remuneration for non-audit services, exclusive of VAT, amounts to £8,000 for taxation services (2012: £6,000).

The Manager, F&C Investment Business Limited, receives a secretarial and administrative fee of £75,659 per annum, subject to annual increases in line with the Consumer Price Index. During the year the Company has incurred secretarial and administrative fees, inclusive of irrecoverable VAT, of £91,000 (2012: £88,000), of which £22,000 (2012: £22,000) is payable to F&C Investment Business Limited at the year end.

The emoluments of the Chairman, the highest paid Director, were at the rate of £22,000 per annum. Full details are provided in the Directors' Remuneration Report.

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

6. Finance costs

Year ended 31 May 2013	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest on bank borrowings	7	11	18	–	1	1	7	12	19

Year ended 31 May 2012	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest on bank borrowings	11	17	28	–	–	–	11	17	28

Interest payable on bank borrowings has been allocated 60 per cent to capital and 40 per cent to revenue in the Income Portfolio and 80 per cent to capital and 20 per cent to revenue in the Growth Portfolio.

7. (a) Tax on ordinary activities

Year ended 31 May 2013

	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current tax charge for the year (all irrecoverable overseas tax) being Taxation on ordinary activities	3	–	3	2	–	2	5	–	5

Year ended 31 May 2012

	Income Portfolio			Growth Portfolio			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current tax charge for the year (all irrecoverable overseas tax) being Taxation on ordinary activities	5	–	5	2	–	2	7	–	7

7. (b) Reconciliation of tax charge

The tax charge for the year is lower than the standard rate of corporation tax in the UK for an investment company of 23 per cent (2012: 24 per cent). The main rate of corporation tax was reduced from 24 per cent to 23 per cent with effect from 1 April 2013 and accordingly a blended rate has been used in the reconciliation below:

	Income Shares £'000	2013 Growth Shares £'000	Total £'000	Income Shares £'000	2012 Growth Shares £'000	Total £'000
Return/(loss) on ordinary activities before tax:	8,152	7,801	15,953	(1,831)	(3,244)	(5,075)
Corporation tax at standard rate of 23.8 per cent (2012: 25.7 per cent)	1,943	1,859	3,802	(471)	(834)	(1,305)
Effects of:						
(Gains)/losses on investments not (taxable)/relievable	(1,731)	(1,822)	(3,553)	685	867	1,552
Overseas tax suffered	3	2	5	5	2	7
Non taxable UK dividend income	(194)	(122)	(316)	(209)	(107)	(316)
Non taxable overseas dividend income	(127)	(10)	(137)	(99)	(9)	(108)
Expenses not utilised	109	95	204	94	83	177
Current year tax charge (note 7. (a))	3	2	5	5	2	7

As at 31 May 2013, the Company had unutilised expenses of £2,948,000 (2012: £2,095,000). The deferred tax asset of £678,040 (2012: £503,000) in respect of unutilised expenses at 31 May 2013 has not been recognised as it is unlikely that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted.

Notes to the Accounts (continued)

8. Dividends

	Register Date	Payment Date	2013 Income Shares Total £'000	2012 Income Shares Total £'000
Dividends on Income shares				
Amounts recognised as distributions to shareholders during the year:				
For the year ended 31 May 2012				
– special interim dividend of 0.3p per Income Share	24 February 2012	6 July 2012	67	–
– fourth interim dividend of 1.2p per Income share (2011: 1.4p)	22 June 2012	6 July 2012	323	316
For the year ended 31 May 2013				
– first interim dividend of 1.1p per Income share (2012: 1p)	21 September 2012	5 October 2012	296	225
– second interim dividend of 1.1p per Income share (2012: 1p)	21 December 2012	4 January 2013	292	226
– third interim dividend of 1.1p per Income share (2012: 1p)	22 March 2013	8 April 2013	292	224
			1,270	991
Amounts relating to the year but not paid at the year end:				
– special interim dividend (2012: 0.3p)	–	–	–	67
– fourth interim dividend of 1.3p per Income share* (2012: 1.2p)	21 June 2013	5 July 2013	346	323

The Growth shares do not carry an entitlement to receive dividends.

The dividends paid and payable in respect of the financial year ended 31 May 2013, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2013 £'000	2012 £'000
Revenue available for distribution by way of dividends for the year	1,390	1,188
First interim dividend of 1.1p per Income share in respect of the year ended 31 May 2013 (2012: 1p)	(296)	(225)
Second interim dividend of 1.1p per Income share in respect of the year ended 31 May 2013 (2012: 1p)	(292)	(226)
Third interim dividend of 1.1p per Income share in respect of the year ended 31 May 2013 (2012: 1p)	(292)	(224)
Fourth interim dividend of 1.3p per Income share* in respect of the year ended 31 May 2013 (2012: 1.2p)	(346)	(323)
Special interim dividend of –p per Income share (2012: 0.3p)	–	(67)
Revenue reserve transfer	164	123

*Based on 26,629,936 Income shares in issue at the record date of 21 June 2013.

9. Return per share

The Return per share is as follows:

Year ended 31 May 2013

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	1,092	7,057	8,149	298	7,501	7,799
Transfer of net income from Growth to Income Portfolio	298	-	298	(298)	-	(298)
Transfer of capital from Income to Growth Portfolio	-	(298)	(298)	-	298	298
Return attributable to shareholders	1,390	6,759	8,149	-	7,799	7,799
Return per share	5.20p	25.30p	30.50p	-	30.60p	30.60p
Weighted average number of shares in issue during the year (excluding shares held in treasury)	26,715,073			25,484,706		

Year ended 31 May 2012

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return/(loss) attributable to Portfolios	961	(2,797)	(1,836)	227	(3,473)	(3,246)
Transfer of net income from Growth to Income Portfolio	227	-	227	(227)	-	(227)
Transfer of capital from Income to Growth Portfolio	-	(227)	(227)	-	227	227
Return/(loss) attributable to shareholders	1,188	(3,024)	(1,836)	-	(3,246)	(3,246)
Return/(loss) per share	5.04p	(12.84)p	(7.80)p	-	(15.57)p	(15.57)p
Weighted average number of shares in issue during the year (excluding shares held in treasury)	23,555,829			20,845,902		

Notes to the Accounts (continued)

10. Investments

All investments held in the Income Portfolio and Growth Portfolio have been classified as 'at fair value through profit or loss' and all changes in fair value arise in respect of these investments only.

Financial Reporting Standard 29 'Financial Instruments: Disclosures' (the Standard) requires an analysis of investments valued at fair value based on the subjectivity and significance of information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- Level 1 – investments quoted on any recognised stock exchange or quoted on AIM in the UK;
- Level 2 – investments whose value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets;
- Level 3 – investments whose value is not based on observable market data.

In the prior year to 31 May 2012, all of the Company's investments were also classified as Level 1.

	Level 1			Total £'000
	Listed in the UK £'000	Listed Overseas £'000	Quoted on AIM £'000	
Income Shares				
Opening book cost	23,125	1,309	289	24,723
Opening fair value adjustment	1,167	(447)	(247)	473
Opening valuation	24,292	862	42	25,196
Movements in the year:				
Purchases at cost	768	–	–	768
Sales – proceeds	(1,292)	–	–	(1,292)
– losses on sales based on historical cost	(175)	–	–	(175)
Increase in fair value adjustment	6,951	442	44	7,437
Closing valuation	30,544	1,304	86	31,934
Closing book cost	22,426	1,309	289	24,024
Closing fair value adjustment	8,118	(5)	(203)	7,910
Closing valuation	30,544	1,304	86	31,934

During the year the Income Portfolio incurred transaction costs on purchases of £1,000 (2012: £10,000) and transaction costs on sales of £4,000 (2012: £3,000).

	Level 1			Total £'000
	Listed in the UK £'000	Listed Overseas £'000		
Growth Shares				
Opening cost	23,479	547		24,026
Opening fair value adjustment	266	(138)		128
Opening valuation	23,745	409		24,154
Movements in the year:				
Purchases at cost	4,084	–		4,084
Sales – proceeds	(4,151)	–		(4,151)
– losses on sales based on historical cost	(304)	–		(304)
Increase in fair value adjustment	7,738	211		7,949
Closing valuation	31,112	620		31,732
Closing book cost	23,108	547		23,655
Closing fair value adjustment	8,004	73		8,077
Closing valuation	31,112	620		31,732

During the year the Growth Portfolio incurred transaction costs on purchases of £22,000 (2012: £25,000) and transaction costs on sales of £10,000 (2012: £5,000).

10. Investments (continued)

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Equity shares	31,360	31,732	63,092	24,605	24,154	48,759
Fixed income securities	574	–	574	591	–	591
	31,934	31,732	63,666	25,196	24,154	49,350

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Gains/(losses) on sales in the year	(175)	(304)	(479)	(249)	(552)	(801)
Movement in fair value of investments held	7,437	7,949	15,386	(2,416)	(2,822)	(5,238)
Gains/(losses) on investments	7,262	7,645	14,907	(2,665)	(3,374)	(6,039)

11. Debtors

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Accrued income	43	21	64	48	45	93
Other debtors and prepayments	11	10	21	10	9	19
	54	31	85	58	54	112

12. Creditors: amounts falling due within one year

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Management fee accrued	49	49	98	36	36	72
Performance fee provision	120	–	120	34	–	34
Secretarial fee accrued	11	11	22	11	11	22
Offer for subscription costs accrued	–	–	–	7	13	20
Other accruals	49	66	115	34	34	68
Bank borrowing	421	430	851	440	–	440
	650	556	1,206	562	94	656

The Company has an unsecured borrowing facility with its custodian JPMorgan Chase Bank. The facility allows up to 10 per cent of the value of the Company's assets to be borrowed and is repayable on demand, and interest is payable at the Sterling Overnight Interbank Average Rate (SONIA) plus 2 per cent.

In connection with the Offer for Subscription in March 2012, as the aggregate premium to NAV arising on the issue of new shares exceeded the costs of the Offer then the Investment Manager was entitled to share 40 per cent of such excess. These amounts (£7,000 – Income shares and £13,000 – Growth shares) are shown above in the prior year to 31 May 2012.

Notes to the Accounts (continued)

13. Share capital

£'000

Authorised share capital at 31 May 2013 and 31 May 2012

100,000,000 Income Shares of 10p each	10,000
100,000,000 Growth Shares of 10p each	10,000
	20,000

Allotted, issued and fully paid

	Listed		Held in Treasury		In Issue	
	Number	£'000	Number	£'000	Number	£'000
Income Shares of 10p each						
Balance at 1 June 2012	27,364,936	2,736	(485,000)	(48)	26,879,936	2,688
Purchased to be held in treasury	–	–	(300,000)	(30)	(300,000)	(30)
Resold from treasury	–	–	50,000	5	50,000	5
Balance at 31 May 2013	27,364,936	2,736	(735,000)	(73)	26,629,936	2,663

During the year the Company bought back 300,000 (2012: 485,000) Income shares at a cost of £292,000 (2012: £453,000) to be held in treasury and resold out of treasury 50,000 (2012: nil) Income shares, receiving net proceeds of £59,000 (2012: £nil). At 31 May 2013 the Company held 735,000 (2012: 485,000) Income shares in treasury. A further nil (2012: 4,807,744) Income shares were issued for net proceeds of £nil (2012: £4,718,000).

Growth Shares of 10p each

Balance at 1 June 2012	27,404,843	2,740	(1,455,000)	(145)	25,949,843	2,595
Purchased to be held in treasury	–	–	(940,000)	(94)	(940,000)	(94)
Balance at 31 May 2013	27,404,843	2,740	(2,395,000)	(239)	25,009,843	2,501
Total	54,769,779	5,476	(3,130,000)	(312)	51,639,779	5,164

During the year the Company bought back 940,000 (2012: 1,120,000) Growth shares at a cost of £977,000 (2012: £1,046,000) to be held in treasury. At 31 May 2013 the Company held 2,395,000 (2012: 1,455,000) Growth shares in treasury. A further nil (2012: 7,844,276) Growth shares were issued for net proceeds of £nil (2012: £8,006,000).

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 pages 32 and 33 of this report.

14. Reserves

	Share premium account £'000	Special reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
Income Shares					
At 1 June 2012	4,967	18,927	(3,002)	473	591
(Losses)/gains on investments	-	-	(175)	7,437	-
Income shares resold from treasury	11	48	-	-	-
Income shares purchased for treasury	-	(292)	-	-	-
Management and performance fees charged to capital	-	-	(194)	-	-
Interest charged to capital	-	-	(11)	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	298
Transfer of capital from Income to Growth Portfolio	-	-	(298)	-	-
Net revenue for the year	-	-	-	-	1,092
Dividends paid	-	-	-	-	(1,270)
At 31 May 2013	4,978	18,683	(3,680)	7,910	711

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
Growth Shares						
At 1 June 2012	7,876	182	15,824	(2,365)	128	-
(Losses)/gains on investments	-	-	-	(304)	7,949	-
Growth shares purchased for treasury	-	-	(977)	-	-	-
Management fees charged to capital	-	-	-	(143)	-	-
Interest charged to capital	-	-	-	(1)	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	-	(298)
Transfer of capital from Income to Growth Portfolio	-	-	-	298	-	-
Net revenue for the year	-	-	-	-	-	298
At 31 May 2013	7,876	182	14,847	(2,515)	8,077	-

Capital management

The Company's capital is represented by the issued share capital, share premium account, 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 above. The Company is not subject to any externally imposed capital requirements. The nature of the reserves are explained in note 1(i) on page 41.

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.

Notes to the Accounts (continued)

15. Net asset value per share

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

Year ended 31 May 2013

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	117.68p	124.78p	31,338	31,207

Year ended 31 May 2012

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	91.86p	93.97p	24,692	24,385

The net asset value per Income share is calculated on net assets of £31,338,000 (2012: £24,692,000), divided by 26,629,936 (2012: 26,879,936) Income shares, being the number of Income shares in issue at the year end (excluding shares held in treasury).

The net asset value per Growth share is calculated on net assets of £31,207,000 (2012: £24,385,000), divided by 25,009,843 (2012: 25,949,843) Growth shares, being the number of Growth shares in issue at the year end (excluding shares held in treasury).

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

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Net return/(loss) before finance costs and taxation	8,170	7,802	15,972	(1,803)	(3,244)	(5,047)
Withholding tax suffered	(3)	(2)	(5)	(5)	(2)	(7)
Foreign exchange gains	-	-	-	(4)	-	(4)
(Gains)/losses on investments	(7,262)	(7,645)	(14,907)	2,665	3,374	6,039
Decrease/(increase) in accrued income	5	24	29	(29)	(33)	(62)
(Increase)/decrease in prepayments and other debtors	(1)	(1)	(2)	1	1	2
Increase/(decrease) in creditors	114	45	159	(88)	(1)	(89)
Net cash inflow from operating activities	1,023	223	1,246	737	95	832

17. Analysis of change in net (debt)/cash

Income shares	At		At
	1 June	Cash	31 May
	2012	flow	2013
	£'000	£'000	£'000
Bank borrowing	(440)	19	(421)

Growth shares	At		At
	1 June	Cash	31 May
	2012	flow	2013
	£'000	£'000	£'000
Cash at bank and on deposit	271	(271)	–
Bank borrowing	–	(430)	(430)
	271	(701)	(430)

Total

Total	At		At
	1 June	Cash	31 May
	2012	flow	2013
	£'000	£'000	£'000
Cash at bank and on deposit	271	(271)	–
Bank borrowing	(440)	(411)	(851)
	(169)	(682)	(851)

18. Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings 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 and quoted fixed asset investments held (see note 10) 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 37.

The fair value of the financial assets and liabilities of the Company at 31 May 2013 and 31 May 2012 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 or the fair value of the listed debt 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 or otherwise raise funds to meet financial commitments.

Notes to the Accounts (continued)

18. Financial instruments (continued)

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

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Financial instruments						
Investment portfolio – Level 1 (refer note 10)	31,934	31,732	63,666	25,196	24,154	49,350
Cash at bank and on deposit	–	–	–	–	271	271
Accrued income	43	21	64	48	45	93
Prepayments	11	10	21	10	9	19
Financial liabilities						
Bank borrowing	421	430	851	440	–	440
Other creditors and accruals	229	126	355	122	94	216

19. Market price risk

The management of market price risk is part of the fund management process and is typical of equity and debt 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 portfolios is set out on pages 15 and 16.

If the investment portfolio valuation fell by 10 per cent at 31 May 2013, the impact on the profit or loss and the net asset value would have been negative £3.2 million (Income shares) (2012: negative £2.5 million (Income shares)) and negative £3.2 million (Growth shares) (2012: negative £2.4 million (Growth shares)). If the investment portfolio valuation rose by 10 per cent at 31 May 2013, the effect would have been equal and opposite (2012: equal and opposite). The calculations are based on the portfolio valuation as at the respective balance sheet dates, are not representative of the period as a whole and may not be reflective of future market conditions.

20. Interest rate risk

The exposure of the financial assets and liabilities to interest rate movements as at 31 May was:

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Exposure to floating rates:						
Cash	–	–	–	–	271	271
Bank borrowing	(421)	(430)	(851)	(440)	–	(440)
Net exposure	(421)	(430)	(851)	(440)	271	(169)
Maximum net exposure during the year	(397)	1,024		3,435	8,245	
Minimum net exposure during the year	(1,066)	(430)		(1,540)	62	

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising from the investment and risk management processes. If interest rates rose by 0.5%, the impact on the profit and loss and the net asset value would have been on the Income shares a decrease of £2,000 (2012: decrease of £2,000) and on the Growth shares, a decrease of £2,000 (2012: an increase of £1,000). If interest rates fell by 0.5%, the effect would have been equal and opposite. The calculations are based on the financial assets and liabilities held and the interest rates ruling at each Balance Sheet date and are not representative of the year as a whole.

Floating rate

When the Company retains cash balances the majority of the cash is held in variable rate bank accounts yielding rates of interest linked to the UK base rate which was 0.5 per cent at 31 May 2013 (2012: 0.5 per cent). There are no other assets which are directly exposed to floating interest rate risk. The cost of the Company's borrowing facility from its custodian JPMorgan Chase Bank is linked to the Sterling Overnight Interbank Average Rate (SONIA) which was 0.42 per cent at 31 May 2013 (2012: 0.49 per cent).

20. Interest rate risk (continued)

Fixed rate

The Income portfolio holds fixed interest investments. Movements in market interest rates will affect the market value of fixed interest investments. Refer to the Market price risk note 19.

The weighted average interest rate and average duration until maturity is detailed below:

	2013			2012		
	£'000	Weighted average interest rate	Average duration until maturity	£'000	Weighted average interest rate	Average duration until maturity
Fixed interest investments	574	3.5%	5.3 years	591	3.5%	6.2 years

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

The Company does not have any liabilities which are exposed to fixed interest rate risk.

Non-interest bearing investments

The Company's non-interest bearing investments are its equity investments which had a value of £31,360,000 (2012: £24,605,000) for the Income portfolio and £31,732,000 (2012: £24,154,000) for the Growth portfolio.

21. Foreign currency risk

The Company may invest in overseas securities which give rise to currency risks. At 31 May 2013, direct foreign currency exposure was:

	2013			2012		
	Income Shares Investments £'000	Growth Shares Investments £'000	Total £'000	Income Shares Investments £'000	Growth Shares Investments £'000	Total £'000
US dollar	623	–	623	540	–	540

If the value of sterling had weakened against the US dollar by 10 per cent, the impact on the profit or loss and the net asset value would have been £62,000 (Income shares) (2012: £54,000 (Income shares)). If the value of sterling had strengthened against the US dollar by 10 per cent the effect would have been equal and opposite.

As the remainder of the Company's investments and all other assets and liabilities are denominated in sterling there is no other direct foreign currency risk. However, although the Company's performance is measured in sterling and the Company's investments (other than the above) 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 market price of the Company's investment portfolios and therefore the market price risk note 19 includes an element of currency exposure.

Notes to the Accounts (continued)

22. 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:

	2013			2012		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	-	-	-	-	271	271
Accrued income	43	21	64	48	45	93
	43	21	64	48	316	364

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 A 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.

23. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given that the Company's listed and quoted 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 which are settled in accordance with suppliers stated terms. During the year, the Company had a borrowing facility with its custodian JPMorgan Chase Bank which is repayable on demand. All liabilities are considered to be repayable on demand for a consideration equal to the carrying value of the liabilities as disclosed in note 12.

23. Liquidity risk (continued)

The maturities of the financial liabilities at each balance sheet date, based on the earliest date on which payment can be required, were as follows:

2013	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
Income shares				
Current liabilities				
Bank borrowing	421	–	–	421
Other creditors	229	–	–	229
	650	–	–	650
Growth shares				
Current liabilities				
Bank borrowing	430	–	–	430
Other creditors	126	–	–	126
	556	–	–	556
	1,206	–	–	1,206
2012	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
Income shares				
Current liabilities				
Bank borrowing	440	–	–	440
Other creditors	88	34	–	122
	528	34	–	562
Growth shares				
Current liabilities				
Other creditors	94	–	–	94
	622	34	–	656

24. Related parties

The Board of Directors (the "Board") is considered a related party.

Mr Martin (the chairman of the Company) is also a non-executive director of Montanaro European Smaller Companies Trust ('MESCT'). The Growth Portfolio has a holding of 150,000 shares in MESCT and was valued at £738,000 at the year end.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 30 and 31 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 22. There are no outstanding balances with the Board at the year end.

Shareholder Information

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 are released to the market daily, on the working day following the calculation date. They are available, with other regulatory information, through the National Storage Mechanism at www.morningstar.co.uk/uk/nsm or can be obtained by contacting F&C Investment Business Limited Investment Services on 0845 600 3030.

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.

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 2013		% of Growth Shares held at 31 May 2013	
F&C Management Limited Retail Savings Plans	88.3%	F&C Management Limited Retail Savings Plans	95.2%
Individuals and Private Client Stockbrokers	11.7%	Individuals and Private Client Stockbrokers	4.8%
	100.0%		100.0%

Financial Calendar 2012/2013	
25 September 2013	Annual General Meeting
23 & 27 September 2013	Deadlines for submitting Conversion Instructions
October 2013	Interim Management Statement for the quarter to 31 August 2013
4 October 2013	First interim dividend paid (XD Date 18 September 2013)
24 October 2013	Share Conversion Facility date
January 2014	Second interim dividend paid (XD Date 18 December 2013)
January 2014	Announcement of Interim Results for six months to 30 November 2013
April 2014	Third interim dividend paid (XD Date March 2014)
April 2014	Interim Management Statement for the quarter to 28 February 2014
July 2014	Fourth interim dividend paid (XD Date June 2014)
July 2014	Announcement of Annual Results and Posting of Annual Report
September 2014	Annual General Meeting

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/firms/systems-reporting/register
- Report the matter to the FCA by calling 0800 111 6768
- If the calls persist, hang up.

More detailed information on this can be found on the FCA website www.fca.org.uk/consumers/scams

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 next of which will be 24 October 2013 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 24 October 2013 Conversion is 1,000 shares per shareholder 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 net value of assets in total for the 24 October 2013 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 24 October 2013 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 9 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.
- to each holder of converting shares held in a F&C investment product, confirmation of the number of shares converted and the number of shares arising on conversion.

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.

Shareholder Information (continued)

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 or Deferred 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 or Deferred Conversion Date but not on or thereafter.

Market price of Income & Growth shares

The mid market price for the Income shares and Growth shares on the first dealing day in each of the last six months, and 24 July 2013, being the latest practicable date before the approval of the Annual report and accounts were:

	Income shares (p)	Growth shares (p)
1 January 2013	102	106
1 February 2013	107	113
1 March 2013	109.5	117
1 April 2013	111.5	119
1 May 2013	116.5	121
3 June 2013	116	120.5
24 July 2013	120	128

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

Future conversions

It is intended that, following the next conversion in October 2013, the conversion facility will be offered annually or close to annually thereafter.

How do I convert?

If you hold your shares:

1. through an Investment Product managed or marketed by F&C Management Limited please download a "Plan" conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 29 July 2013.

This "Plan" Conversion instruction form must be received by **5pm on Monday 23 September 2013** in respect of the 24 October 2013 Conversion Date.

2. in certificated form, please download a "Certificated" conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 29 July 2013.

This "Certificated" Conversion instruction form must be received by **5pm on Friday 27 September 2013** in respect of the 24 October 2013 Conversion Date.

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

3. in uncertificated form (that is in CREST) then please follow the instructions on the website at www.fcmanagedportfolio.co.uk, which will be available from 29 July 2013.

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

How to Invest

One of the most convenient ways to invest in F&C Managed Portfolio Trust plc is through one of the savings plans run by F&C Management Limited ('F&C').

F&C Private Investor Plan (PIP)

A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund (CTF)

CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year.

F&C Children's Investment Plan (CIP)

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

F&C Junior ISA (JISA)

This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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

Annual management charges and certain transaction costs apply according to the type of plan.

Annual account charge

ISA: £60+VAT
JISA: £25+VAT
PIP: £40+VAT
CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

Dealing charge per holding

ISA: 0.2%
PIP/CIP/JISA: postal instruction £12, online instruction £8

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

How to Invest

You can invest in all our savings plans online.

Prospective Investors:

Contact our Investor Services Team

Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded)
Email: **info@fandc.com**
Investing online: **www.fandc.com**

Existing Plan Holders

Contact our Investor Services Team

Call: **0845 600 3030** (*9:00am – 5:00pm, weekdays, calls may be recorded)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

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

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Conduct Authority.

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of F&C Managed Portfolio Trust plc will be held at Exchange House, Primrose Street, London, on Wednesday 25 September 2013 at 12 noon for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 5 and 8 will be proposed as Ordinary Resolutions and Resolutions 6, 7, 9 and 10 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 May 2013 be received.
2. To approve the Directors' Remuneration Report for the year to 31 May 2013.
3. That Richard M Martin, who retires by rotation, be re-elected as a Director.
4. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.
5. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £268,700 in respect of Income Shares and £250,600 in respect of Growth Shares, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in

pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

6. That, subject to the passing of resolution number 5, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act, provided that for the purposes of this resolution an allotment of equity securities shall be deemed not to include the sale of shares in the Company that immediately before the sale are held by the Company as treasury shares) for cash pursuant to the authority given by resolution number 5 as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
 - (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, 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 as if the power conferred hereby had not expired; and
 - (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £268,700 in respect of Income Shares and £250,600 in respect of Growth Shares (being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 25 July 2013) 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).
7. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Company be and is hereby generally and unconditionally authorised,

pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of fully paid Income shares of 10p each in the capital of the Company and Growth Shares of 10p each in the share capital of the Company ("Income Shares and/or Growth Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

- (a) the maximum aggregate number of Income Shares and Growth Shares hereby authorised to be purchased is 14.99 per cent of the issued Income Shares and 14.99 per cent of the issued Growth Shares (excluding Income Shares and Growth Shares held in treasury) immediately prior to the passing of this resolution¹;
- (b) the minimum price (excluding expenses) which may be paid for an Income Share or Growth Share is 10 pence;
- (c) the maximum price (excluding expenses) which may be paid for an Income Share or Growth Share shall not be more than the higher of:
 - i. 5 per cent. above the average closing price on the London Stock Exchange of an Income Share or Growth Share over 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 a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or on 25 December 2014 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Income Shares and/or Growth Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Income Shares and/or Growth Shares pursuant to any such contract.

Ordinary Resolution

8. That, subject to the passing of Resolution 9 to be proposed at the Annual General Meeting of the Company convened for 25 September 2013 ("Resolution 9"), 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 9, provided always that Income Shares and/or Growth 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 Income Shares and/or Growth Shares are to be resold must be less than the average discount at which Income Shares and/or Growth 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 Resolutions

9. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (the "Act") to sell equity securities (within the meanings of section 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £268,700 in respect of Income Shares and £250,600 in respect of Growth Shares and shall expire on the earlier of 25 December 2014 and the conclusion of the Annual General Meeting of the Company to be held in 2014, 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.

¹Following Resolution 7 becoming effective the maximum aggregate number of shares hereby authorised to be purchased shall be 4,029,300 Income shares and 3,757,210 Growth shares (or, if less, 14.99 per cent of the number of Income shares and 14.99 per cent of the Growth shares in issue (excluding Treasury shares) immediately prior to the passing of this resolution)

Notice of Annual General Meeting (continued)

10. That the proposed Purchase Contract (as defined in the annual report and accounts published by the Company on 25 July 2013) to enable the Company to make off-market purchases of its own deferred shares pursuant to sections 693 and 694 of the Companies Act 2006 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
25 July 2013

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. 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. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. 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 and 2 above does not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.
6. 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 23 September 2013 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two business 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 23 September 2013 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm on the day two business 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.
7. As at 25 July 2013 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 26,879,936 Income Shares carrying one vote each and 25,064,843 Growth Shares carrying one vote each. The Company holds 485,000 Income Shares and 2,340,000 Growth Shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 25 July 2013 were 51,944,779 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.
8. The Proposed Purchase Contract will be available for inspection at the Annual General Meeting. The Proposed Purchase Contract will also be available at the Company's registered office 15 days prior to the AGM.
9. 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.
10. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.fcmanagedportfolio.co.uk.
11. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
 - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or

Notice of Annual General Meeting (continued)

- (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditors) setting out any matter relating to the audit of the Company's accounts, including the auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to 80 George Street, Edinburgh EH2 3BU.
13. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
14. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 16 below, may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) the resolution must not be defamatory of any person, frivolous or vexatious; and (iii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.
15. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 16 below, may, subject to certain conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) the matter of business must not be defamatory of any person, frivolous or vexatious; and (ii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (c) must be accompanied by a statement setting out the grounds for the request; (d) must be authenticated by the person or persons making it; and (e) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.
16. In order to be able to exercise the members' right to require: (i) circulation of a resolution to be proposed at the Meeting (see note 14); or (ii) a matter of business to be dealt with at the Meeting (see note 15), the relevant request must be made by: (a) a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

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 Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline
Tel No. 0871 384 2923*

Registrars' Broker Helpline
Tel No. 0871 384 2779†

Registrars' Overseas Helpline
Tel No. +44 121 415 7012

F&C's Investor Services Team

For further information contact F&C's Investor Services Team
Tel: 0800 136 420 (new enquiries)
Tel: 0845 600 3030 (F&C customers)

**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 plus network extras.

Lines open 8.30 am to 5.30 pm Monday to Friday.

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

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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

Website

www.fcmanagedportfolio.co.uk



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 2923*
Registrars' Broker Helpline: 0871 384 2779†
Registrars' Overseas Helpline: +44 121 415 7012

*Calls to this number are charged at 8p per minute plus network extras.
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