F&C Managed Portfolio Trust plc

Annual Report and Accounts

2010

Year to 31 May 2010

F&C Investments

Contents

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

Net assets attributable to shareholders at 31 May 2010 were £18.6 million (Income shares) and £15.1 million (Growth shares).

Investment Objective

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

The investment objective for each portfolio is:

Income Portfolio

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

Growth Portfolio

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

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

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

Investment Policy

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

Management

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

Capital Structure

The Company has two classes of shares, Income shares and Growth shares. There is no fixed ratio between them and the relative sizes of the Income and Growth portfolios will vary over time. Subject to certain minimum thresholds, shareholders have the right to convert their Income shares into Growth shares and vice versa, upon certain dates, the next of which will be in October 2010 and then annually thereafter. Further details of the Capital Structure are provided on pages 24 and 25.

How to Invest

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

You may also invest through a stockbroker.

ISA Status

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

Website

The internet address for the Company is www.fcmanagedportfolio.co.uk

Telephone

F&C Investment Business Limited Investment Services
0845 600 3030

Financial Highlights for the Year

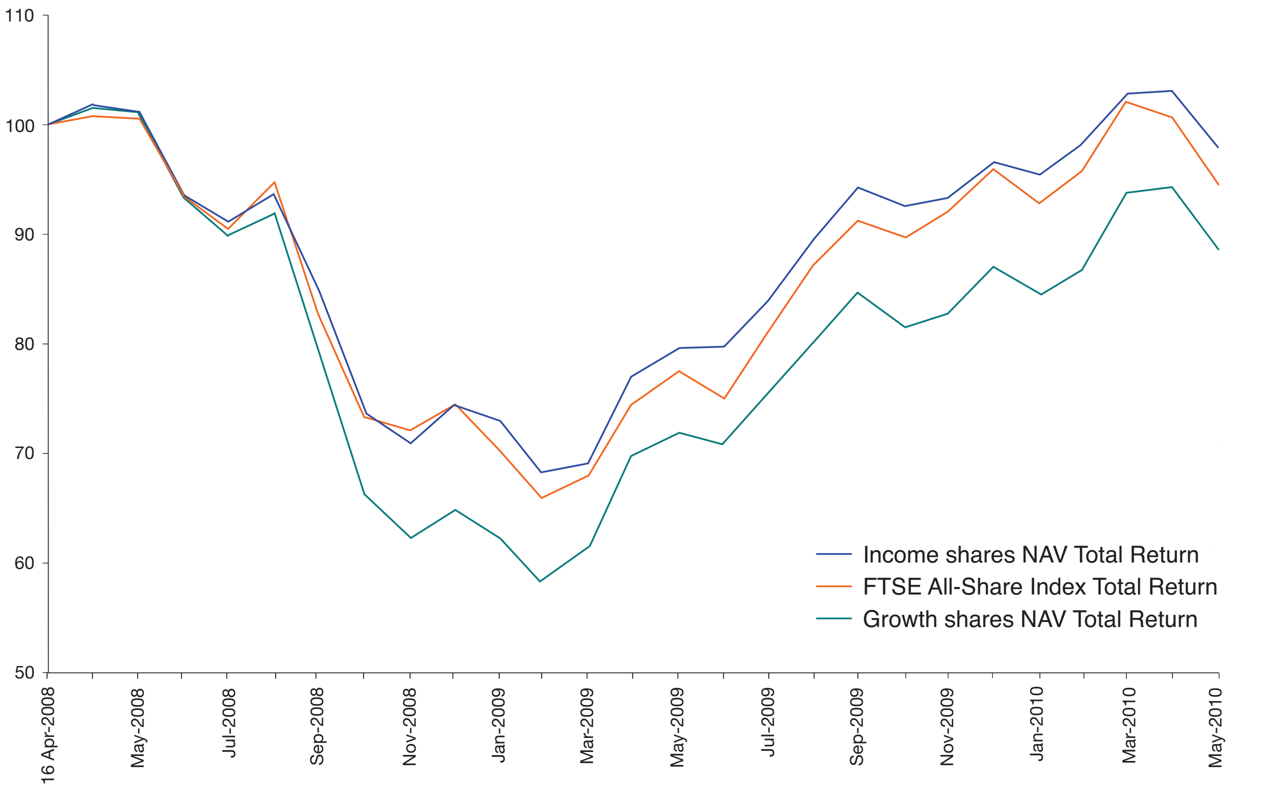
Income Shares

- Net asset value total return per share was 23.9%, compared to the FTSE All-Share Index total return of 22.9%
- Dividend yield of 4.9% at 31 May 2010, based on dividends at the historic annual rate of 4.4p per Income share, compared to the yield on the FTSE All-Share Index of 3.5%

Growth Shares

- Net asset value total return per share was 24.2%, compared to the FTSE All-Share Index total return of 22.9%

Performance from launch on 16 April 2008 to 31 May 2010
Net Asset Value Total Return against FTSE All-Share Total Return Index (rebased to 100 at 16 April 2008, date of launch)



Sources: F&C Investment Business Limited and Datastream

Performance Record

Year ended 31 May	Total net assets £m	Income Shares NAV per share p	Income Shares NAV total return (since launch) %	Growth Shares NAV per share p	Growth Shares NAV total return (since launch) %	FTSE All-Share total return (since launch) %
2009 (Period from launch)	28.1	73.86	(20.8)	69.79	(28.8)	(23.2)
2010	**33.7**	**86.81**	**(1.9)**	**86.70**	**(11.5)**	**(5.5)**

Source: F&C Investment Business Limited and Datastream.

Performance Summary

Income Shares	31 May 2010	31 May 2009	% change
Capital			
Net asset value per share	**86.81p**	73.86p	+17.5
FTSE All-Share Index	**2,673.17**	2,252.64	+18.7
Share Price			
Share price (mid market)	**89.5p**	75.0p	+19.3
Premium (% difference between share price and net asset value per share)	**3.1%**	1.5%	
Total Return for the year ended 31 May 2010*			
Net asset value per share			**+23.9**
FTSE All-Share Index			**+22.9**
Share price (mid market)			**+25.6**
Gearing†			
Actual Gearing	**nil**	nil	
Revenue and Dividends			
Revenue return per share (including net income transfer from Growth shares)	**4.58p**	5.33p §	
Dividends per share	**4.40p**	4.90p §	
Total Expense Ratio (as percentage of average shareholders' funds)	**1.5%**	1.5%	

Growth Shares	31 May 2010	31 May 2009	% change
Capital			
Net asset value per share	**86.70p**	69.79p	+24.2
FTSE All-Share Index	**2,673.17**	2,252.64	+18.7
Share Price			
Share price (mid market)	**87.0p**	68.5p	+27.0
Premium/(Discount) (% difference between share price and net asset value per share)	**0.3%**	(1.8)%	
Total Return for the year ended 31 May 2010*			
Net asset value per share			**+24.2**
FTSE All-Share Index			**+22.9**
Share price (mid market)			**+27.0**
Gearing†			
Actual Gearing	**nil**	nil	
Total Expense Ratio (as percentage of average shareholders' funds)	**1.5%**	1.5%	

Year end 31 May 2010 Highs/Lows	Income Shares		Growth Shares	
	High	Low	High	Low
Net asset value per share	94.06p	71.15p	94.62p	67.07p
Share price	97.0p	75.0p	95.0p	67.5p
Premium/(discount)‡	10.2%	(7.5)%	10.9%	(8.8)%

* All total returns are calculated assuming that net dividends are re-invested.
† Gearing: The Company has no borrowings.
§ Period from launch on 16 April 2008 to 31 May 2009
‡ 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

Chairman's Statement

Richard Martin Chairman

Highlights

- Strong NAV total returns for both the Income shares (+23.9 per cent) and Growth shares (+24.2 per cent)
- Both share classes beat their benchmark, the FTSE All-Share Index
- Share prices generally maintained close to net asset value throughout the year
- Annualised dividend maintained at 4.4p per Income share for the year

Introduction

In many respects this was a satisfactory year, for all the reasons outlined above. Only a sharp fall in equity markets in the final month removed some of the gloss.

We believe that the Company is demonstrating the benefits of a managed and diversified portfolio of investment trusts, as set out at its launch in April 2008. Investors are offered the choice of capital growth or of total return with a strong income component. At the share price of 89.5p at the year end the Income shares offered an attractive historic yield of 4.9 per cent.

Performance

For the Company's financial year to 31 May 2010, the total return (i.e. adding dividends paid to capital performance) of the FTSE All-Share Index was 22.9 per cent. This index is the performance benchmark for both Portfolios.

The net asset value ('NAV') per share of the Income shares rose by 17.5 per cent to 86.81p per share. With the four dividends paid out during the year included, the total return of 23.9 per cent was ahead of the benchmark.

The NAV per share of the Growth shares rose by 24.2 per cent to 86.70p per share and was also ahead of the benchmark.

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 2010 totalled £189,000, which is equivalent to 0.9p per Income share. Including this transfer, the Company's net revenue return was £956,000 which is equivalent to 4.58p per Income share. Of this total, approximately £90,000 (0.43p per Income share) was due to the accelerated payment of dividends by investee companies prior to the end of the tax year on 5 April 2010. Four interim dividends with respect to the year to 31 May 2010 have now been paid, totalling 4.4p per Income share. This is at the same annualised rate as in the previous 13½ month financial period to 31 May 2009.

The fourth interim dividend was paid after the year end on 9 July 2010. After recognising all dividends for the year, there was a small addition to the revenue reserves, which now total £130,000.

As before, in the absence of unforeseen circumstances, your Board intends to declare three interim dividends, each of 1p per Income share payable in October 2010, January 2011 and April 2011. It is intended that a fourth interim dividend will be paid to Income shareholders in July 2011 but, in view of the current uncertain outlook, your Board will determine the amount of the fourth interim dividend when a clearer view emerges of income for the year to 31 May 2011.

Discounts and share buy-backs

The share price of investment trusts does not always reflect closely their underlying NAV and many trusts trade at a substantial discount. By buying back shares from time to time, we have been able to maintain an average discount of 0.8 per cent for the

Income shares and 2.2 per cent for the Growth shares. At the year end, the ratings were a premium of 3.1 per cent for the Income shares and a premium of 0.3 per cent for the Growth shares.

During the year the Company bought back 320,000 Income shares to be held in treasury. In addition 1,555,000 Growth shares were bought back for cancellation, as the Company did not have the power to hold further Growth shares in Treasury. We have been able to re-sell some of the shares held in treasury as demand arose. During the year 1,450,000 Income shares and 250,000 Growth shares were resold out of treasury. These were sold at a small premium or discount to NAV, but at smaller discounts than the average discounts at which the shares had been purchased, thereby enhancing the net asset value.

In addition, since the year end, a further 250,000 Income shares and 150,000 Growth shares have been re-sold out of Treasury at a small premium to NAV. We will be seeking shareholders' approval to renew the powers to buy back shares and sell shares from treasury at the Annual General Meeting.

Share plans and conversion facility

F&C operates various share plans which enable shareholders to invest in the Company's shares in a cost effective way. One of these, the F&C Managed Portfolio Trust Share Plan and ISA, provides investment protection, which repays the gross amount invested, in the event of death. We consider this to be a valuable benefit which may be of interest to many, including trustees. Further details are shown on page 51.

Subject to minimum thresholds, shareholders have the opportunity to convert their Income shares into Growth shares or their Growth shares into Income shares upon certain dates every year, the next of which will be 29 October 2010. Information is provided on pages 48 and 49 and full details will be provided on the Company's website (www.fcmanagedportfolio.co.uk) from 26 July 2010. Last year no conversion took place as the number of shares offered for conversion was well below the minimum threshold.

AGM

The Company's second Annual General Meeting will be held at 12.30pm on Tuesday 21 September 2010 at the offices of F&C Asset Management plc, Exchange House, Primrose Street, London. I do hope as many shareholders as possible will be able to attend as it is a good opportunity to meet the Directors and Manager. We have moved the venue from Edinburgh to London this year in the hope that it will enable more shareholders to attend.

Over 90 per cent of the Income shares and Growth shares are held by investors through F&C retail plans. Under F&C's current arrangements, the nominee company, which holds these shares on behalf of the plan holders, will vote the shares held on behalf of plan holders who have not returned their voting directions in the same proportion, for, against and withheld, to those that have voted. This proportional voting arrangement will apply, subject to certain limits, at the forthcoming Annual General Meeting. Any investor wishing to exclude their shares from the arrangement may do so, by marking their form of direction accordingly.

Outlook

A robust recovery in company profits seems well established around the world. However, attention has now turned to the parlous state of government finances, especially in the developed world. The impact on corporate profitability of the proposed budget cuts which are clearly necessary will be critical – and is currently unclear.

While Asian and Emerging Markets have their problems – notably rising inflation – economic growth is more visible and increasingly based on domestic consumption as well as exports. We have a significant exposure to these markets and our Manager continues to seek out interesting opportunities in different sectors and markets.

We believe that the benefits of a diversified portfolio and the strength of the investment sector will continue to demonstrate their merits over the coming year.

Richard M Martin
Chairman

12 July 2010

Investment Manager and Investment Process

Peter Hewitt
Investment Manager

Ian Ridge
Company Secretary

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 25 years' investment experience and specialises in investment companies.

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.

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 £101.5 billion (at 31 March 2010) 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 diversified through holding at least 25 investments. Each underlying investment provides further diversification through holding a significant number of underlying investments.

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

Growth Portfolio

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

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

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

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

Manager's Review

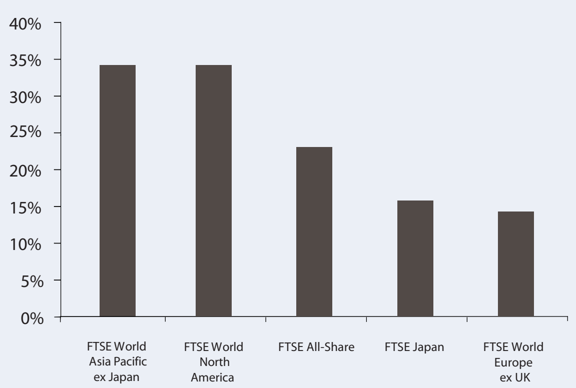
Stockmarket background

A return of 22.9 per cent from the UK stockmarket has been very welcome for investors, particularly after the experience of last year. However, this positive headline return recorded by UK equities masks a period of extreme volatility and swings in sentiment. To put this into perspective: the FTSE 100 Index of the largest companies in the UK began the financial year under review at a level of 4417 and concluded the period at 5188. Along the way it visited 4127 last July and from there rose to 5825 in April of this year before its recent sharp retreat.

Part of the reason for this is that the UK economy, along with those of the US and Europe, reached a turning point and began moving out of recession into recovery, albeit in the case of the UK in a very muted fashion. At this stage of an economic cycle, indicators typically give out conflicting signals. More so this time due to the extent of financial support for both the economy and the banking system through ''quantitative easing''. This has meant it has not been clear how genuine the recovery is, or how sustainable it may be, once the stimulus is withdrawn. Then there is the all-pervading issue of sovereign debt across Europe and the US and what measures should be taken to tackle deficits, how rapidly these measures should be enacted and whether the inevitable reduction in demand which follows from lower government spending and higher taxes will cause the economy to fall back into a double dip recession.

So, although the equity market returns highlighted below are generally good and mark a decent recovery from the lows experienced in 2008/09 there remains a particularly high level of uncertainty as a result of a combination of factors outlined above.

Total return for year to 31 May 2010 (sterling)



Source: Datastream

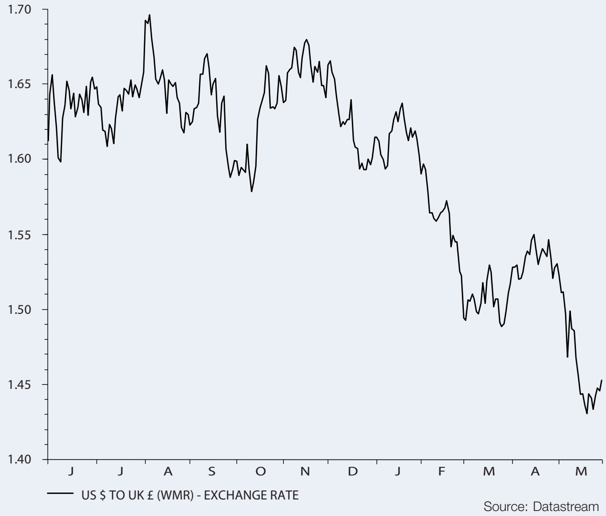
Nonetheless, despite the volatility and uncertainty, returns from equities over the year have generally been good. An environment of sustained low interest rates throughout the year in most developed markets, and much better than expected results from companies were the key factors which underpinned the gains.

Performance

As commented upon, despite unusually high levels of volatility, overall returns for the year to 31 May 2010 were good. The FTSE All-Share Index (in total return terms) gained 22.9 per cent whilst the Net Asset Value for the Income Portfolio appreciated by 23.9 per cent, and the Net Asset Value for the Growth Portfolio gained by 24.2 per cent (both in total return terms). The sporting term ''a game of two halves'' aptly describes investment performance over the past twelve months. At the Company's Interim stage both the Income and Growth Portfolios were lagging the FTSE All-Share Index, by 1.8 per cent and 4 per cent respectively, only to mount a notable recovery during the second half of the year, such that both Portfolios ended the year ahead of their benchmark. This was further reflected in the performance of the FTSE Equity Investment Instrument Sector (which measures the total return for the Investment Company sector) and which recorded a 24.0 per cent rise for the year, with a similar bias of stronger relative performance to the second half of the year to 31 May 2010.

A couple of more general factors help to explain the better relative performance during the second half of the Company's financial year. First is currency, in particular the US dollar/sterling rate as illustrated in the chart below.

Year to 31 May 2010



Source: Datastream

Manager's Review

This showed little change in the first six months; however sterling fell against the US dollar by 12 per cent ($1.64 to $1.45) over the six months to 31 May 2010. This is a significant move and important from an investment standpoint as it benefited, in sterling terms, not only directly held dollar investments but also Pacific and Emerging Markets which are sensitive to movements in the dollar. Both Portfolios have substantial investments in these areas. The second factor, as illustrated in the chart below, is the trend of average discounts across the Investment Company sector in the year to 31 May 2010.

At the Company's Interim stage it was reported that the average discount (excluding private equity, hedge funds and direct property funds) had widened from 7 per cent to 10 per cent; during the second half this stabilised and then tightened slightly to 9.5 per cent. A small but useful assist for Investment Company share prices.

Leading Contributors – Income Portfolio

Invesco Leveraged High Yield Fund and **City Merchants High Yield Trust** are both invested principally in corporate bonds and enjoyed very strong share price gains over the year of 49 per cent and 43 per cent respectively. These gains occurred mainly in the first half of the financial year and were due to a tightening of spreads as many bonds had been priced to default at the beginning of the period but, as economies began to recover, so this risk lessened and share prices of many corporate bonds recovered. Both investments have attractive dividend yields: 9.6 per cent for **Invesco Leveraged High Yield Fund** and 7.8 per cent for **City Merchants High Yield Trust**. Another strong contribution came from **Schroder Oriental Income Fund**, which recorded a gain of 41 per cent for the year. Good stock selection in a part of the world with much better growth characteristics than developed markets produced a substantial rise in share price. This investment had a dividend yield of 4.4 per cent at the year end. **Murray International Trust** is one of the Portfolio's largest positions and achieved a gain of 29 per cent. This trust is very international in its strategy and has 23 per cent in the Pacific region and 16 per cent in Latin America, which helped performance over the past twelve months.

Leading Contributors – Growth Portfolio

The largest gain came from **Polar Capital Technology Trust** which rose by 65 per cent. This company invests in technology companies globally but is mainly exposed to North America and Asia and is benefiting from the wave of new products from leading companies such as Apple. **Baring Emerging Europe** showed the next biggest move with a 45 per cent rise. This was driven by a substantial recovery in the Russian market, helped by higher oil and commodity prices. **Templeton Emerging Markets Investment Trust** gained 43 per cent. This trust, which has a market value of £1.7 billion, has been investing in emerging markets for over twenty years and, under the leadership of Dr Mark Mobius, has built up a network of offices across the globe with the primary goal of identifying new markets and new opportunities for the trust. Their portfolio is diversified through Latin America, Eastern Europe, the Pacific region and certain frontier emerging markets. It is an excellent way to gain exposure to these exciting markets. Last, special note of the contribution of **Jupiter European Opportunities Trust** which rose by 40 per cent despite being exposed to markets which did not do as well as some others over the past year. Performance was achieved by outstanding long term stock selection and underlines the importance of picking the right manager with a clear and definable investment strategy.

Investment Approach

For investment companies, whilst the discount between the share price and the net asset value is an important element in the decision to invest, and close attention is paid to it, it is not the dominant factor behind the investment selections of F&C Managed Portfolio Trust.

The policy which we believe will serve shareholders best is to employ a long-term approach to investment and, as such, the key driver to performance is asset growth over the long-run. Integral to this approach is endeavouring to identify fund managers, within the investment company universe, who can demonstrate good performance records over the long-term either relative to a benchmark index or against a relevant peer group.

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

– what the prospects are for the relevant market or sector in which the company specialises;

– the need to understand the capital structure, the attitude to and use of gearing, as well as the cost and flexibility of the borrowings;

– meeting with the fund manager regularly to gain an understanding and appreciation of their views and approach and also to ensure that they are properly resourced and not managing too many other funds or different mandates;

– what is the investment style; for example, value or growth and how does this translate into portfolio selections.

Investment Strategy and Outlook

Rarely have views been so divided or prospects appeared so uncertain than is the case currently. On balance, a double dip recession for the UK economy appears less likely with a continued slow, muted and below trend recovery being the more probable trajectory for growth in the UK. Fiscal tightening, whilst necessary from a budget deficit perspective, is the main risk to growth over the next twelve months. Globally, the prospects for Europe are not significantly different, in terms of growth, to that of the UK, whilst those for the US appear brighter with increasing momentum anticipated to become evident as the year unfolds. Meanwhile, the growth characteristics of the Pacific region (ex Japan) and Emerging Markets remain robust and are on an altogether higher plane than those of the developed world where, importantly for financial markets, monetary tightening still seems some way off.

After recent sharp declines, equity markets appear to be discounting renewed economic weakness and this has resulted in valuations becoming more attractive. Encouragingly, corporate earnings from the US and UK are recovering strongly and this trend is anticipated to continue into 2011. Consensus earnings and dividend expectations to December 2010 put the UK equity market on a prospective price earnings ratio of 11 times with a dividend yield of 4 per cent. Whilst not at the distressed levels of early 2009, this is much cheaper than long term averages and would indicate positive returns from equities. Also, at 4 per cent (with dividend growth of around 10 per cent) the yield is materially higher than that accorded to UK 10 year gilts of 3.5 per cent.

Optimism is moderated because near-term risks remain high. Sovereign debt concerns are more widespread than just peripheral Europe, where measures to seek a resolution appear to have deferred rather than addressed the underlying problems. In the UK, public spending will be under severe pressure for years and higher taxes will constrain consumer spending, however, much of this appears to be discounted in valuations.

In terms of strategy, the key long-term theme for both Portfolios, to have considerable exposure to overseas markets, remains unchanged. Growth prospects, particularly in the Pacific Rim region and certain Emerging Markets, are superior to those of the UK. In addition, returns are boosted from holdings invested in these areas should sterling continue to be a weak currency which, in the long-term, appears likely.

Both Portfolios completed their second year with satisfactory returns and, although volatility, uncertainty and risk remain high, the Manager approaches the year ahead with cautious optimism.

Peter Hewitt
Investment Manager
F&C Investment Business Limited
12 July 2010

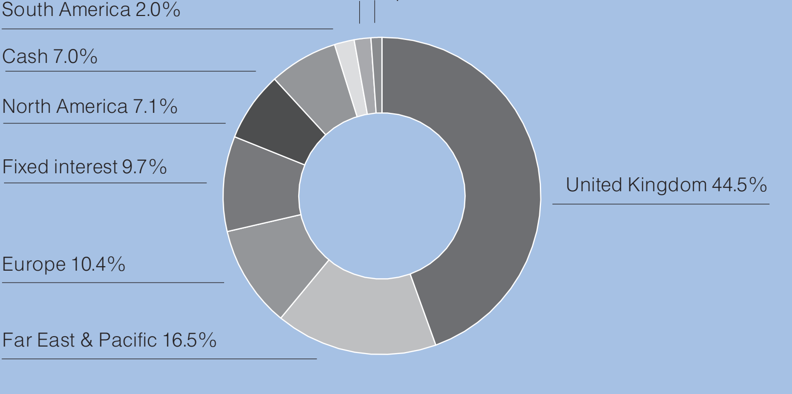
Income Shares

Investment Portfolio at 31 May 2010

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
British Assets Trust†	Global Growth & Income	1,099	5.9
Murray International Trust	Global Growth & Income	1,084	5.8
Aberdeen Asian Income Fund	Asia Pacific – excluding Japan	870	4.7
Law Debenture Corporation	Global Growth	849	4.5
European Assets Trust†	European Smaller Companies	816	4.4
Perpetual Income & Growth Investment Trust	UK Growth & Income	742	4.0
Schroder Oriental Income Fund	Asia Pacific – including Japan	739	4.0
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	730	3.9
Henderson Far East Income	Asia Pacific – excluding Japan	730	3.9
Temple Bar Investment Trust	UK Growth & Income	729	3.9
Ten largest investments		**8,388**	**45.0**
City of London Investment Trust	UK Growth & Income	728	3.9
Investors Capital Trust†	UK High Income	720	3.9
Bankers Investment Trust	Global Growth	711	3.8
The Merchants Trust	UK Growth & Income	670	3.6
Edinburgh Investment Trust	UK Growth & Income	666	3.6
Invesco Leveraged High Yield Fund	Global High Income	666	3.6
Utilico Emerging Markets	Global Emerging Markets	665	3.6
Lowland Investment Company	UK Growth & Income	623	3.3
City Merchants High Yield Trust	UK High Income	620	3.3
Invista Foundation Property Trust	Property Direct – UK	589	3.1
Twenty largest investments		**15,046**	**80.7**
The Mercantile Investment Trust	UK Growth	576	3.1
Keystone Investment Trust	UK Growth	571	3.1
Ecofin Water & Power Opportunities	Utilities	515	2.7
TR Property Investment Trust – Ordinary shares	Property Securities	368	1.9
Henderson High Income Trust	UK High Income	338	1.8
Henderson Financial Opportunities Limited	Growth & Income	236	1.3
3i Infrastructure	Infrastructure	217	1.2
JZ Capital Partners	Private Equity	144	0.8
Standard Life Equity Income Trust	UK Growth & Income	2	–
Twenty nine largest and total investments		**18,013**	**96.6**
Net current assets		**633**	**3.4**
Net assets of Income Portfolio		**18,646**	**100.0**

† Investment managed by the Investment Manager, F&C

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



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2010)

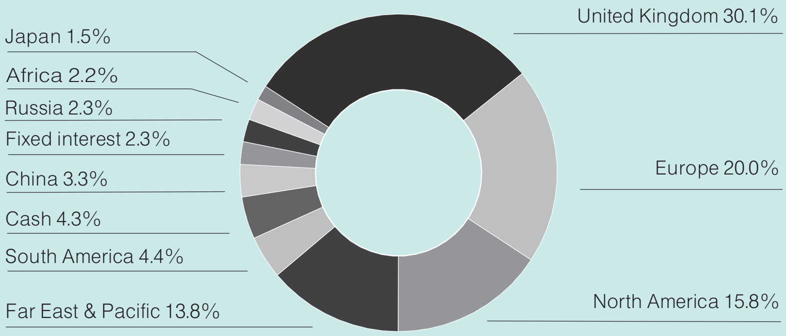
Growth Shares

Investment Portfolio at 31 May 2010

Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
British Empire Securities & General Trust	Global Growth	836	5.5
Templeton Emerging Markets Investment Trust	Global Emerging Markets	796	5.3
Perpetual Income & Growth Investment Trust	UK Growth & Income	754	5.0
The Mercantile Investment Trust	UK Growth	665	4.4
TR Property Investment Trust – Ordinary shares	Property Securities	662	4.4
BlackRock World Mining Trust	Commodities & Natural Resources	583	3.9
Monks Investment Trust	Global Growth	578	3.8
RCM Technology Trust	Technology Media & Telecom	560	3.7
Pacific Assets Trust†	Asia Pacific – excluding Japan	550	3.7
Polar Capital Technology Trust	Technology Media & Telecom	507	3.4
Ten largest investments		**6,491**	**43.1**
Edinburgh Dragon Trust	Asia Pacific – excluding Japan	506	3.4
JP Morgan American Investment Trust	North America	470	3.1
Genesis Emerging Markets Fund	Global Emerging Markets	453	3.0
Artemis Alpha Trust	UK Growth	422	2.8
Murray International Trust	Global Growth & Income	412	2.7
Scottish Mortgage Investment Trust	Global Growth	399	2.7
TR European Growth Trust	European Smaller Companies	398	2.6
Baring Emerging Europe	European Emerging Markets	395	2.6
Jupiter European Opportunities Trust	Europe	385	2.6
Lowland Investment Company	UK Growth & Income	374	2.5
Twenty largest investments		**10,705**	**71.1**
Schroder UK Mid & Small Cap Fund	UK Growth	370	2.5
Montanaro UK Smaller Companies	UK Smaller Companies	362	2.4
Graphite Enterprise Trust	Private Equity	361	2.4
SVM Global Fund	Global Growth	332	2.2
British Assets Trust†	Global Growth & Income	323	2.1
Alliance Trust	Global Growth	320	2.1
EP Global Opportunities Trust	Global Growth	294	2.0
Impax Environmental Markets	Environmental	285	1.9
Biotech Growth Trust	Biotechnology/Life Sciences	283	1.9
Standard Life European Private Equity Trust	Private Equity	271	1.8
Thirty largest investments		**13,906**	**92.4**
European Assets Trust†	European Smaller Companies	259	1.7
TR Property Investment Trust – Sigma shares	Property Securities	212	1.4
F&C UK Select Trust†	UK Growth	201	1.3
Baker Steel Resources Trust	Commodities & Natural Resources	165	1.1
Thirty four largest and total investments		**14,743**	**97.9**
Net current assets		**309**	**2.1**
Net assets of Growth Portfolio		**15,052**	**100.0**

† Investment managed by the Investment Manager, F&C

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



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2010))

Board of Directors

Richard Martin

Chairman of the Board and the Nomination Committee

He is an adviser to several family groups and a director of Invesco Perpetual Aim VCT plc, Montanaro European Smaller Companies Trust plc as well as various private companies. He was until recently Chairman of the Investment Committee of the National Trust for Scotland.

Colin McGill

Chairman of the Audit Committee

He is a qualified lawyer and accountant. He was Chief Executive Officer of Sportech PLC, a company listed on the London Stock Exchange, between 2000 and 2003. Between 1975 and 2000 he was with the Bank of Scotland and from 1998 to 2000 was Chief Executive of the Corporate Division of the Bank of Scotland, responsible for all UK and global corporate banking.

David Harris

Senior Independent Director

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

Alistair Stewart

Chairman of the Remuneration Committee

After qualifying as a Chartered Accountant he joined Murray Johnstone Ltd (investment managers) in 1973 where he served as a director between 1983 and 1999. Between 2000 and 2007 he was head of research at Speirs & Jeffrey Ltd, private client stockbrokers.

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

Report of the Directors

The Directors submit the second Annual Report and Accounts of the Company for the year ended 31 May 2010.

Results and Dividends

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

Dividends	£'000
Current year net revenue available for dividends	956
Dividends on Income shares	
First interim of 1p per income share paid on 9 October 2009	(206)
Second interim of 1p per income share paid on 8 January 2010	(208)
Third interim of 1p per income share paid on 1 April 2010	(213)
Fourth interim of 1.4p per income share paid on 9 July 2010*	(301)
Current year surplus	28

*The fourth interim dividend of 1.4p per income share, which was paid after the year end, has not been included as a liability in these accounts.

Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 (number: SC338196). The Company is an investment company within the terms of section 833 of the Companies Act 2006. 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 842 of the Income and Corporation Taxes Act 1988 for the period ended 31 May 2009. As a result, it is not liable to corporation tax on capital gains. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain approval as an investment trust.

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

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

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 12.

The following review is designed to provide information primarily about the Company's business and results for the year to 31 May 2010 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 will invest in a diversified portfolio of at least 25 investment companies:

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

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

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

The Company invests principally in closed ended investment companies, wherever incorporated, which are listed on the Official List of the UK Listing Authority. The majority of the Company's holdings comprise equity investments although it is permitted to invest in other securities issued by investment companies.

Report of the Directors (continued)

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

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

Currently the Company has no borrowings, however, the Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20 per cent of the total assets of the relevant Portfolio. Under the Company's Articles of Association, the maximum borrowing limit is 50 per cent of the total assets of the relevant Portfolio. Subsequent to the year end, the Board has agreed to arrange a borrowing facility but there is no certainty it will be used.

Performance and dividends

Income shares

In the year to 31 May 2010, the NAV total return of the Income shares was 23.9 per cent compared to the benchmark FTSE All-Share Index total return of 22.9 per cent.

During the year, the Company paid three interim dividends totalling 3p per Income share in respect of the year ended 31 May 2010 and has declared a further dividend of 1.4p per Income share which was paid after the year end, on 9 July 2010. These payments totalling 4.4p per Income Share were in respect of the year to 31 May 2010. Based on the historic annual rate of 4.4p per Income share and a share price of 89.5p at the year end, this represents a yield of 4.9 per cent.

Growth shares

In the year to 31 May 2010, the NAV total return of the Growth shares was 24.2 per cent compared to the benchmark FTSE All-Share Index total return of 22.9 per cent.

Dividends are not paid on the Growth shares, but instead, any net income arising in the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount made from the capital attributable to the Income Portfolio to the Growth Portfolio. In this regard, in the year to 31 May 2010 a transfer of £189,000 was made between the Portfolios.

Management of Assets and Shareholder Value

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

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

Investment risks are spread through holding a wide range of investment companies that have underlying investment exposures across a range of geographic regions and sectors. As at 31 May 2010, 29 investments were held in the Income Portfolio and 34 in the Growth Portfolio. At each Board meeting, the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and market outlook. It also considers compliance with the investment policy and investment restrictions during the reporting period.

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

The Chairman's Statement and Manager's Review within this Report provide a review of investment performance, the investment portfolios and market conditions during the 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 10 and 11.

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

Performance Measurement and Key Performance Indicators

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

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

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

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 Chapter 4, Part 24 of the Corporation Tax Act 2010 (previously section 842 of the Income and Corporation Taxes Act 1988) could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

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

Directors

All of the Company's Directors retired at the first Annual General Meeting following their appointment and were re-elected. Mr Richard Martin, whose biography appears on page 12, retires by rotation from the Board at the second Annual General Meeting of the Company 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:

	31 May 2010		31 May 2009	
	Income Shares	**Growth Shares**	Income Shares	Growth Shares
R M Martin	**31,000**	**10,000**	31,000	10,000
D Harris	**–**	**–**	–	–
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 holdings of the Directors since 31 May 2010 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 an annual review of actual or possible conflicts and any authorised conflicts. During the year the Board conducted such a review in respect of each Director.

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 12 July 2010 there had been no notifications to the Company under the FSA's Disclosure and Transparency Rules and the Company was not aware of any beneficial interests exceeding 3 per cent of the Company's issued Income share or Growth share capital. Since the launch of the Company, the majority of the Income and Growth shares have been held through the retail share plans which are administered by the Manager. Approximately 92 per cent of the Income shares and 96 per cent of the Growth shares are held in this manner. The voting arrangement for these shares is explained on page 25.

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 24 and 25 of this Annual Report and details of the share capital are set out in note 12 to the accounts. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 May 2010, the total issued share capital of the Company (excluding treasury shares) was represented 55.3 per cent by Income shares and 44.7 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 retiral by rotation, the Articles of Association provide that each Director is subject to re-election at intervals of not more than three years.

- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.
- There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

Corporate Governance

Arrangements in respect of corporate governance have been put in place by the Board, which it believes are appropriate to an investment trust. The Company complied throughout the year with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Code') available at website: www.frc.org.uk. 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.

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

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

The Company has no executive Directors or employees. A management agreement between the Company and its Manager, F&C Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, corporate governance and risk management procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

Throughout the 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.

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 £4,000 for the year ended 31 May 2010, (period to

Report of the Directors (continued)

31 May 2009: £51,000) and related to agreed upon procedures with respect to the interim accounts and the provision of taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

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

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

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

The table below sets out the number of Board and Committee meetings held during the year ended 31 May 2010 and the number of meetings attended by each Director.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

The Company's investment objective and policy, which is described on pages 13 and 14 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 17 to 22 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.

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. The process is based principally on the Manager's existing risk-based approach to internal control whereby a 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

	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

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. 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 21 September 2010 is set out on pages 52 to 54.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the 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 and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in notes 17 to 22 to the accounts.

Recommendation

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

Directors' Authority to Allot Shares

The Directors are seeking authority to allot Income shares and Growth shares. Resolution 5 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £217,300 consisting of 2,173,000 Income shares and new Growth shares up to an aggregate nominal amount of £175,105 consisting of 1,751,050 Growth shares, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 12 July 2010. This authority therefore authorises the Directors to allot up to

3,924,050 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 £217,300 and new Growth shares up to an aggregate nominal amount of £175,105, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 12 July 2010, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 3,924,050 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 21 December 2011 and the conclusion of the Annual General Meeting in 2011. 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 2010, the Company purchased through the market, for treasury, 320,000 Income shares, representing 1.6 per cent of the Income shares in issue at the previous financial period end, for a total consideration of £243,000. 1,450,000 Income shares were re-sold during the year from treasury raising net proceeds of £1,203,000.

During the year to 31 May 2010, 250,000 Growth shares were re-sold from treasury raising net proceeds of £196,000. The Company purchased for cancellation 1,555,000 Growth shares, representing 8.3 per cent of the Growth shares in issue at the previous financial period end, for a total consideration of £1,156,000.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued Income shares and Growth shares 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 (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 21 December 2011 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 150,000 Growth shares from treasury. Accordingly there were 39,240,759 Income shares and Growth shares in issue (excluding treasury shares) as at 12 July 2010; of which 21,730,192 (55.4 per cent) are Income shares and 17,510,567 (44.6 per cent) are Growth shares. At that date, the Company held 177,000 Income shares (0.8 per cent of the total Income share capital) in treasury and 1,610,000 Growth shares (8.4 per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds 1,787,000 shares in treasury representing 4.4 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.

Amendment to the Articles of Association

It is proposed in Resolution 10 to adopt new articles of association (the ''New Articles'') in order to update the Company's current articles of association (the ''Articles'') to take account of the implementation of the last parts of the Companies Act 2006 (the ''2006 Act''), the Companies (Shareholders' Rights) Regulations (the ''Regulations'') 2009 and best practice in respect of, amongst other things, the Company's authorised share capital and its memorandum of association. The Companies Act 1985 was, for all practical purposes repealed on 1 October 2009.

A copy of the New Articles will be available for inspection at the offices of Dickson Minto W.S., Royal London House, 22–25 Finsbury Square, London EC2A 1DX during normal business hours on any weekday (public holidays excepted) from the date of the notice of the Annual General Meeting until the conclusion of the AGM and on the date of the AGM at the AGM from 15 minutes prior to the AGM until the conclusion of the meeting.

A summary of the material changes proposed to be brought about by the adoption of the New Articles is set out in the Appendix to the Notice of Annual General Meeting, which appears on page 56.

Approval of the proposed Purchase Contract

Resolution 11 gives the Company authority to buy its deferred shares, arising on the conversion of any of the Growth or Income shares into the other class of shares, by way of an off-market purchase in accordance with sections 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

12 July 2010

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 Combined Code on Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The Board concluded following the review of Directors' fees for the forthcoming year that the amounts paid to Directors should remain unchanged.

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

Policy on Directors' Fees

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

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £120,000 per annum in aggregate and the approval of shareholders in a general meeting would be required to change this limit. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

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

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire by rotation. At each annual general meeting thereafter, one third of the Directors are required to retire from office and at intervals of no more than three years.

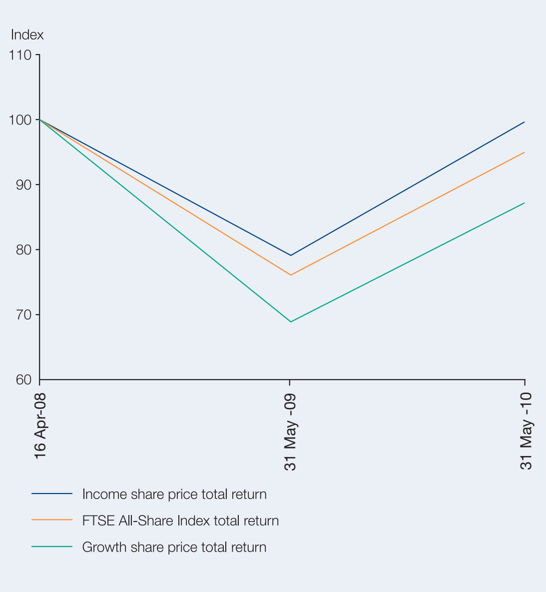
These requirements for the retirement of Directors are also contained in the Company's Articles of Association and the new articles will provide for the new periodic retirement provisions in the Combined Code. There is a one months notice period and no provision for compensation upon early termination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

Director	Date of Appointment	Due date for Re-election
R M Martin	22 February 2008	AGM 2010
D Harris	22 February 2008	AGM 2011
C S McGill	22 February 2008	AGM 2012
A G Stewart	22 February 2008	AGM 2012

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Report of the Directors. The graph on the next page compares for the period from launch until 31 May 2010, the share price total return (assuming all dividends are reinvested) to Income and Growth shareholders compared to the total return from the FTSE All-Share Index. This index was chosen for comparison purposes as it is the Company's benchmark index. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price Total Return and the FTSE All-Share Index Total Return Performance Graph (rebased to 100 from 16 April 2008, date of launch)



Directors' Emoluments for the Year (audited)

The Directors who served in the year to 31 May 2010 received the following emoluments in the form of fees:

	Year to 31 May 2010 £	Period to 31 May 2009* £
R M Martin (Chairman)	**20,000**	25,460
D Harris	**15,000**	19,095
C S McGill (Chairman of the Audit Committee)	**17,000**	21,640
A G Stewart	**15,000**	19,095
Total	**67,000**	85,290

* Period from 22 February 2008 (date of incorporation) to 31 May 2009.

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

On behalf of the Board

Richard M Martin

Chairman

12 July 2010

Capital Structure

At 31 May 2010

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

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

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

Dividends

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

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

Capital

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

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

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

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.

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

Voting of shares held in the Share Plans

Since the launch of the Company, the majority of the Income and Growth shares in the Company have been held through the 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 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 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 2010 and then annually thereafter. Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

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

The Board may from time to time set a maximum number of Income or Growth shares which may be converted on any Conversion Date. If this limit is exceeded, requests to convert will be satisfied pro rata by the total number of shares each Shareholder wished to convert and any shares above those amounts shall not be converted. Full details are provided in the Shareholder Information section on pages 48 and 49.

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the 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.
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

On behalf of the Board
Richard M Martin
Chairman

12 July 2010

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 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 23. 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 Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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.

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 2010 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 page 18, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Gordon Coull (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Edinburgh

12 July 2010

Income Statement

for the year ended 31 May

	Notes	**2010 Revenue £'000**	**2010 Capital £'000**	**2010 Total £'000**	Period from 20 February 2008 (date of incorporation) to 31 May 2009* Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	**–**	**5,746**	**5,746**	–	(11,462)	(11,462)
Income	3	**1,314**	**–**	**1,314**	1,527	–	1,527
Investment management fee	4	**(61)**	**(142)**	**(203)**	(62)	(180)	(242)
Other expenses	5	**(285)**	**–**	**(285)**	(319)	–	(319)
Return on ordinary activities before tax		**968**	**5,604**	**6,572**	1,146	(11,642)	(10,496)
Tax on ordinary activities	6	**(12)**	**–**	**(12)**	(32)	24	(8)
Return attributable to shareholders		**956**	**5,604**	**6,560**	1,114	(11,618)	(10,504)
Return per Income share	8	**4.58p**	**12.54p**	**17.12p**	5.33p	(27.39)p	(22.06)p
Return per Growth share	8	**–**	**16.82p**	**16.82p**	–	(30.00)p	(30.00)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 Company was incorporated on 20 February 2008 and commenced operations on 16 April 2008.

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

Balance Sheet

as at 31 May

	Notes	2010 Income Shares £'000	2010 Growth Shares £'000	2010 Total £'000	2009 Income Shares £'000	2009 Growth Shares £'000	2009 Total £'000
Non-current assets							
Investments at fair value	9	**18,013**	**14,743**	**32,756**	14,137	12,463	26,600
Current assets							
Debtors	10	**41**	**19**	**60**	30	22	52
Cash at bank and on deposit		**717**	**356**	**1,073**	981	609	1,590
		758	**375**	**1,133**	1,011	631	1,642
Creditors							
Amounts falling due within one year	11	**(125)**	**(66)**	**(191)**	(117)	(68)	(185)
Net current assets		**633**	**309**	**942**	894	563	1,457
Net assets		**18,646**	**15,052**	**33,698**	15,031	13,026	28,057
Capital and reserves							
Called-up share capital	12	**2,191**	**1,912**	**4,103**	2,191	2,068	4,259
Share premium	13	**99**	**5**	**104**	–	–	–
Capital redemption reserve	13	**–**	**182**	**182**	–	26	26
Special reserve	13	**19,055**	**15,866**	**34,921**	18,194	16,831	35,025
Capital reserves	13	**(3,130)**	**(2,913)**	**(6,043)**	(5,748)	(5,899)	(11,647)
Revenue reserve	13	**431**	**–**	**431**	394	–	394
Shareholders' Funds	14	**18,646**	**15,052**	**33,698**	15,031	13,026	28,057
Net asset value per share (pence)	14	**86.81p**	**86.70p**		73.86p	69.79p	

Approved by the Board and authorised for issue on 12 July 2010 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	**2010** Income Shares £'000	**2010** Growth Shares £'000	**2010** Total £'000	Period from 20 February 2008 (date of incorporation) to 31 May 2009* Income Shares £'000	Growth Shares £'000	Total £'000
Operating activities							
Investment income received, net of withholding tax suffered		**954**	**344**	**1,298**	914	377	1,291
Deposit interest received		**3**	**1**	**4**	99	93	192
Investment management fees paid		**(102)**	**(85)**	**(187)**	(84)	(76)	(160)
Other cash payments		**(162)**	**(141)**	**(303)**	(125)	(106)	(231)
Net cash inflow from operating activities	15	**693**	**119**	**812**	804	288	1,092
Capital expenditure and financial investment							
Purchases of investments		**(2,054)**	**(1,496)**	**(3,550)**	(9,675)	(13,139)	(22,814)
Disposals of investments		**1,056**	**2,084**	**3,140**	11,413	15,304	26,717
Net cash (outflow)/inflow from capital expenditure and financial investment		**(998)**	**588**	**(410)**	1,738	2,165	3,903
Equity dividends paid		**(919)**	**–**	**(919)**	(720)	–	(720)
Net cash (outflow)/inflow before financing		**(1,224)**	**707**	**(517)**	1,822	2,453	4,275
Financing							
Issue of new shares		**–**	**–**	**–**	30	30	60
Expenses of share issue and launch costs		**–**	**–**	**–**	(328)	(314)	(642)
Shares purchased for cancellation		**–**	**(1,156)**	**(1,156)**	–	(153)	(153)
Shares purchased to be held in treasury		**(243)**	**–**	**(243)**	(1,401)	(1,564)	(2,965)
Sale of shares from treasury		**1,203**	**196**	**1,399**	182	16	198
Net cash inflow/(outflow) from financing		**960**	**(960)**	**–**	(1,517)	(1,985)	(3,502)
(Decrease)/increase in cash	16	**(264)**	**(253)**	**(517)**	305	468	773
Reconciliation of net cash flow to movement in net cash							
(Decrease)/increase in cash in the year/period		**(264)**	**(253)**	**(517)**	305	468	773
Cash inflow from transfer of cash at launch†		**–**	**–**	**–**	676	141	817
Movement in net cash resulting from cash flows		**(264)**	**(253)**	**(517)**	981	609	1,590
Opening net cash		**981**	**609**	**1,590**	–	–	–
Closing net cash	16	**717**	**356**	**1,073**	981	609	1,590

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

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

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 May 2010

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
Opening shareholders' funds		**15,031**	**13,026**	**28,057**
Sale of shares from treasury	12	**1,203**	**196**	**1,399**
Shares purchased for treasury	12	**(243)**	**–**	**(243)**
Shares purchased for cancellation	12	**–**	**(1,156)**	**(1,156)**
Transfer of net income to Income shares from Growth shares	2	**189**	**(189)**	**–**
Transfer of capital from Income shares to Growth shares	2	**(189)**	**189**	**–**
Dividends paid	7	**(919)**	**–**	**(919)**
Return attributable to shareholders	2	**3,574**	**2,986**	**6,560**
Closing shareholders' funds		**18,646**	**15,052**	**33,698**

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

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

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

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

Notes to the Accounts

1. Accounting policies

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

(a) Basis of accounting

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

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 (previously Section 842 of the Income and Corporation Taxes Act 1988).

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

(b) Valuation of investments

The Company's investments have been categorised as ''financial assets at fair value through profit or loss''. 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.

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

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

(d) Expenses

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

– Management fees have been allocated 40 per cent to revenue and 60 per cent to capital in the Income Portfolio and 20 per cent to revenue and 80 per cent to capital in the Growth Portfolio;

– Performance fees 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 (previously Section 842 Income and Corporation Taxes Act 1988) are not liable for taxation on capital gains.

(g) Foreign currencies

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

(h) Reserves

(a) Share premium – the surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The balance of this account which arose as a result of the issue of new shares at launch was subsequently cancelled by the Court of Session to create the Special reserve. Gains arising on the resale of shares from treasury will be credited to this reserve. The reserve is non-distributable.

(b) Capital redemption reserve – the nominal value of any of the shares bought back for cancellation is added to this reserve. This reserve is non-distributable.

(c) Special reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the Income and Growth shares at launch. Available as distributable profits to be used for the buy back of shares. The cost of any shares bought back is deducted from this reserve. The cost of any shares resold from treasury is added back to this reserve.

(d) Capital reserve – investments sold – gains and losses on realisation of investments, including losses on transactions in own shares, are dealt with in this reserve together with the proportion of management fees and taxation allocated to capital. This reserve also includes dividends of a capital nature.

(e) Capital reserve – investments held – increases and decreases in the valuation of investments held are accounted for in this reserve.

(f) Revenue reserve – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. Available for paying dividends on the Income shares.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(i) Transfer of capital and revenue

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

(j) Issue costs

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

2. Segmental analysis

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

The Company's Income Statement, on page 28, can be analysed as follows:

Year ended 31 May 2010

		Income Portfolio			**Growth Portfolio**			**Total**		
		Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gains on investments	9	**–**	**2,878**	**2,878**	**–**	**2,868**	**2,868**	**–**	**5,746**	**5,746**
Income	3	**972**	**–**	**972**	**342**	**–**	**342**	**1,314**	**–**	**1,314**
Investment management fee	4	**(43)**	**(71)**	**(114)**	**(18)**	**(71)**	**(89)**	**(61)**	**(142)**	**(203)**
Other expenses	5	**(153)**	**–**	**(153)**	**(132)**	**–**	**(132)**	**(285)**	**–**	**(285)**
Return on ordinary activities before tax		**776**	**2,807**	**3,583**	**192**	**2,797**	**2,989**	**968**	**5,604**	**6,572**
Tax on ordinary activities	6	**(9)**	**–**	**(9)**	**(3)**	**–**	**(3)**	**(12)**	**–**	**(12)**
Return§	8	**767**	**2,807**	**3,574**	**189**	**2,797**	**2,986**	**956**	**5,604**	**6,560**

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

		Income Portfolio			Growth Portfolio			Total		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Losses on investments	9	–	(5,326)	(5,326)	–	(6,136)	(6,136)	–	(11,462)	(11,462)
Income	3	1,039	–	1,039	488	–	488	1,527	–	1,527
Investment management fee	4	(43)	(103)	(146)	(19)	(77)	(96)	(62)	(180)	(242)
Other expenses	5	(170)	–	(170)	(149)	–	(149)	(319)	–	(319)
Return on ordinary activities before tax		826	(5,429)	(4,603)	320	(6,213)	(5,893)	1,146	(11,642)	(10,496)
Tax on ordinary activities	6	(30)	24	(6)	(2)	–	(2)	(32)	24	(8)
Return§	8	796	(5,405)	(4,609)	318	(6,213)	(5,895)	1,114	(11,618)	(10,504)

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

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

3. Income

	2010			2009		
	Income Portfolio £'000	**Growth Portfolio £'000**	**Total £'000**	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Dividend income from listed and quoted investments†						
UK dividend income	**725**	**322**	**1,047**	714	361	1,075
Overseas dividends	**244**	**19**	**263**	226	34	260
	969	**341**	**1,310**	940	395	1,335
Other income‡						
Deposit interest	**3**	**1**	**4**	99	93	192
Total income	**972**	**342**	**1,314**	1,039	488	1,527

†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 fee

	2010							2009		
	Income Portfolio			**Growth Portfolio**				Income Portfolio	Growth Portfolio	
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Total £'000**	£'000	£'000	Total £'000
Investment management fee	**43**	**64**	**107**	**18**	**71**	**89**	**196**	107	96	203
Performance fee	**–**	**7**	**7**	**–**	**–**	**–**	**7**	39	–	39
	43	**71**	**114**	**18**	**71**	**89**	**203**	146	96	242

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

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

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

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

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

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

At 31 May 2010 the total return of the Income Portfolio for the year exceeded that of the FTSE All-Share Index and a Performance fee of £7,000 (2009: £39,000) has been recognised; however, as the NAV per Income share is less than 98p (NAV per Income share immediately following Admission) payment shall be deferred as described above. At 31 May 2010 the total return of the Growth Portfolio since launch did not exceed that of the FTSE All-Share Index.

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

Notes to the Accounts (continued)

5. Other expenses

	2010 Income Portfolio £'000	2010 Growth Portfolio £'000	2010 Total £'000	2009 Income Portfolio £'000	2009 Growth Portfolio £'000	2009 Total £'000
Directors' fees	37	30	67	45	40	85
Secretarial fees	44	36	80	45	39	84
Auditors' remuneration for:						
– statutory audit	9	8	17	8	7	15
– audit of initial accounts	–	–	–	8	7	15
– taxation and other services (non-audit)	2	2	4	4	3	7
Other expenses including custody and registrar costs, printing, listing fees and marketing	61	56	117	60	53	113
	153	132	285	170	149	319

The Manager, F&C Investment Business Limited, receives a secretarial and administrative fee of £68,204 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 £80,000 (2009: £84,000), of which £20,000 (2009: £19,000) 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 £20,000 per annum. Full details are provided in the Directors' Remuneration Report.

With the exception of the auditors' remuneration, all expenses are stated gross of irrecoverable VAT, where applicable.

6. (a) Tax on ordinary activities

Year ended 31 May 2010

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	9	–	9	3	–	3	12	–	12
Current tax charge for the year being Taxation on ordinary activities	9	–	9	3	–	3	12	–	12

Period from 20 February 2008 to 31 May 2009

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

6. (b) Reconciliation of tax charge

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

	2010 Income Shares £'000	2010 Growth Shares £'000	2010 Total £'000	2009 Income Shares £'000	2009 Growth Shares £'000	2009 Total £'000
Return on ordinary activities before tax:	**3,583**	**2,989**	**6,572**	(4,603)	(5,893)	(10,496)
Corporation tax at standard rate of 28 per cent	**1,003**	**837**	**1,840**	(1,289)	(1,650)	(2,939)
Effects of:						
(Gains)/losses on investments not taxable/relievable	**(806)**	**(803)**	**(1,609)**	1,491	1,718	3,209
Overseas tax suffered	**9**	**3**	**12**	6	2	8
Double tax relief	**–**	**–**	**–**	(6)	–	(6)
Non taxable UK dividend income	**(203)**	**(90)**	**(293)**	(200)	(101)	(301)
Non taxable overseas dividend income	**(63)**	**(5)**	**(68)**	–	–	–
Expenses not utilised	**69**	**61**	**130**	5	33	38
Marginal relief	**–**	**–**	**–**	(1)	–	(1)
Current year tax charge (note 6. (a))	**9**	**3**	**12**	6	2	8

6. (c) Provision for deferred taxation

Year ended 31 May 2010

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Charge for the year	–	–	–	–	–	–	–	–	–

Period from 20 February 2008 to 31 May 2009

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

As at 31 May 2010, the Company had unutilised expenses of £717,000 (2009: £251,000). No deferred tax asset has been recognised on the unutilised expenses as it is unlikely there will be suitable taxable profits from which the future reversal of the deferred tax could be deducted.

Notes to the Accounts (continued)

7. Dividends

	2010 Income Shares £'000	2010 Growth Shares £'000	2010 Total £'000	2009 Income Shares £'000	2009 Growth Shares £'000	2009 Total £'000
Amounts recognised as distributions to shareholders during the year:						
For the period ended 31 May 2009						
– fourth interim dividend of 1.4p per share	**292**	**–**	**292**	–	–	–
For the year ended 31 May 2010						
– first interim dividend of 1p per share (2009: 1.5p per share)	**206**	**–**	**206**	310	–	310
– second interim dividend of 1p per share	**208**	**–**	**208**	207	–	207
– third interim dividend of 1p per share	**213**	**–**	**213**	203	–	203
	919	**–**	**919**	720	–	720
Amounts relating to the year but not paid at the year end:						
– fourth interim dividend of 1.4p per share*	**301**	**–**	**301**	292	–	292
	301	**–**	**301**	292	–	292

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

	2010 £'000
Revenue available for distribution by way of dividends for the year	**956**
First interim dividend of 1p per Income share in respect of the year ended 31 May 2010	**(206)**
Second interim dividend of 1p per Income share in respect of the year ended 31 May 2010	**(208)**
Third interim dividend of 1p per Income share in respect of the year ended 31 May 2010	**(213)**
Fourth interim dividend of 1.4p per Income share* in respect of the year ended 31 May 2010	**(301)**
Undistributed revenue	**28**

*Based on 21,480,192 Income shares in issue (excluding 427,000 shares held in treasury) at the record date of 25 June 2010.

8. Return per share

The Return per share is as follows:

Year ended 31 May 2010

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	767	2,807	3,574	189	2,797	2,986
Transfer of net income from Growth to Income Portfolio	189	–	189	(189)	–	(189)
Transfer of capital from Income to Growth Portfolio	–	(189)	(189)	–	189	189
Return attributable to shareholders	956	2,618	3,574	–	2,986	2,986
Return per share	4.58p	12.54p	17.12p	–	16.82p	16.82p

Both the Revenue and Capital returns per share have been calculated using the weighted average number of shares in issue (excluding shares held in treasury) during the year as the denominator, being 20,880,041 Income shares and 17,752,074 Growth shares.

Period from 20 February 2008 to 31 May 2009

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

Both the Revenue and Capital returns per share have been calculated using the weighted average number of shares in issue (excluding shares held in treasury) during the period as the denominator, being 20,897,345 Income shares and 19,647,465 Growth shares.

Notes to the Accounts (continued)

9. Investments

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

Financial Reporting Standard 29 'Financial Instruments: Disclosures' (the Standard) requires an analysis of investments valued at fair value based on the reliability 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 are not based on observable market data.

	Level 1			
Income Shares	**Listed in the UK £'000**	**Listed Overseas £'000**	**Quoted on AiM £'000**	**Total £'000**
Opening book cost	16,889	1,309	477	18,675
Opening fair value adjustment	(4,079)	(539)	80	(4,538)
Opening valuation	12,810	770	557	14,137
Movements in the year:				
Purchases at cost	2,054	–	–	2,054
Sales – proceeds	(1,056)	–	–	(1,056)
– losses on sales	(475)	–	–	(475)
Increase in fair value adjustment	3,199	46	108	3,353
Closing valuation	16,532	816	665	18,013
Closing book cost	17,412	1,309	477	19,198
Closing fair value adjustment	(880)	(493)	188	(1,185)
Closing valuation	16,532	816	665	18,013

During the year the Income Portfolio incurred transaction costs on purchases of £5,000 (2009: £54,000) and transaction costs on sales of £3,000 (2009: £32,000).

	Level 1		
Growth Shares	**Listed in the UK £'000**	**Listed Overseas £'000**	**Total £'000**
Opening cost	17,021	415	17,436
Opening fair value adjustment	(4,802)	(171)	(4,973)
Opening valuation	12,219	244	12,463
Movements in the year:			
Purchases at cost	1,496	–	1,496
Sales – proceeds	(2,084)	–	(2,084)
– losses on sales	(1,246)	–	(1,246)
Increase in fair value adjustment	4,099	15	4,114
Closing valuation	14,484	259	14,743
Closing book cost	15,187	415	15,602
Closing fair value adjustment	(703)	(156)	(859)
Closing valuation	14,484	259	14,743

During the year the Growth Portfolio incurred transaction costs on purchases of £4,000 (2009: £95,000) and transaction costs on sales of £6,000 (2009: £41,000).

9. Investments (continued)

	2010			2009		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Losses on sales in the year/period	**(475)**	**(1,246)**	**(1,721)**	(788)	(1,163)	(1,951)
Movement in fair value of investments held	**3,353**	**4,114**	**7,467**	(4,538)	(4,973)	(9,511)
Gains/(losses) on investments	**2,878**	**2,868**	**5,746**	(5,326)	(6,136)	(11,462)

10. Debtors

	2010			2009		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Accrued income	**29**	**10**	**39**	20	16	36
Other debtors and prepayments	**12**	**9**	**21**	10	6	16
	41	**19**	**60**	30	22	52

11. Creditors: amounts falling due within one year

	2010			2009		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Management fee accrued	**28**	**24**	**52**	23	20	43
Performance fee accrued	**46**	**–**	**46**	39	–	39
Other accruals	**51**	**42**	**93**	55	48	103
	125	**66**	**191**	117	68	185

Notes to the Accounts (continued)

12. Share capital

	£'000
Authorised share capital at 31 May 2010 and 31 May 2009	
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 2009	21,907,192	2,191	(1,557,000)	(156)	20,350,192	2,035
Purchased to be held in treasury	–	–	(320,000)	(32)	(320,000)	(32)
Resold from treasury	–	–	1,450,000	145	1,450,000	145
Balance at 31 May 2010	**21,907,192**	**2,191**	**(427,000)**	**(43)**	**21,480,192**	**2,148**
Growth Shares of 10p each						
Balance at 1 June 2009	20,675,567	2,068	(2,010,000)	(201)	18,665,567	1,867
Purchased for cancellation	(1,555,000)	(156)	–	–	(1,555,000)	(156)
Resold from treasury	–	–	250,000	25	250,000	25
Balance at 31 May 2010	**19,120,567**	**1,912**	**(1,760,000)**	**(176)**	**17,360,567**	**1,736**
Total	**41,027,759**	**4,103**	**(2,187,000)**	**(219)**	**38,840,759**	**3,884**

During the year the Company bought back 320,000 (2009: 1,825,000) Income shares at a cost of £243,000 (2009: £1,401,000) to be held in treasury and resold out of treasury 1,450,000 (2009: 268,000) Income shares, receiving net proceeds of £1,203,000 (2009: £182,000).

During the year the Company bought back nil (2009: 2,035,000) Growth shares at a cost of £nil (2009: £1,564,000) to be held in treasury and resold out of treasury 250,000 (2009: 25,000) Growth shares receiving net proceeds of £196,000 (2009: £16,000). During the year the Company bought back 1,555,000 (2009: 260,000) Growth shares at a cost of £1,156,000 (2009: £153,000) for cancellation.

At 31 May 2010 the Company held 427,000 (2009: 1,557,000) Income shares and 1,760,000 (2009: 2,010,000) Growth shares in treasury.

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 24 and 25 of this report.

13. Reserves

Income Shares	Share premium account £'000	Special reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
At 1 June 2009	–	18,194	(1,210)	(4,538)	394
(Losses)/gains on investments	–	–	(475)	3,353	–
Income shares purchased to be held in treasury	–	(243)	–	–	–
Income shares resold from treasury	99	1,104	–	–	–
Management fees charged to capital	–	–	(71)	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	189
Transfer of capital from Income to Growth Portfolio	–	–	(189)	–	–
Net revenue for the year	–	–	–	–	767
Dividends paid	–	–	–	–	(919)
At 31 May 2010	99	19,055	(1,945)	(1,185)	431

Growth Shares	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
At 1 June 2009	–	26	16,831	(926)	(4,973)	–
(Losses)/gains on investments	–	–	–	(1,246)	4,114	–
Growth shares purchased for cancellation	–	156	(1,156)	–	–	–
Growth shares resold from treasury	5	–	191	–	–	–
Management fees charged to capital	–	–	–	(71)	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(189)
Transfer of capital from Income to Growth Portfolio	–	–	–	189	–	–
Net revenue for the year	–	–	–	–	–	189
At 31 May 2010	5	182	15,866	(2,054)	(859)	–

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 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)

14. 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 2010

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	86.81p	86.70p	18,646	15,052

Period from 20 February 2008 to 31 May 2009

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

The net asset value per Income share is calculated on net assets of £18,646,000 (2009: £15,031,000), divided by 21,480,192 (2009: 20,350,192) 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 £15,052,000 (2009: £13,026,000), divided by 17,360,567 (2009: 18,665,567) Growth shares, being the number of Growth shares in issue at the year end (excluding shares held in treasury).

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

	2010			2009		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Net return before taxation	3,583	2,989	6,572	(4,603)	(5,893)	(10,496)
Withholding tax suffered	(9)	(3)	(12)	(6)	(2)	(8)
(Gains)/losses on investments	(2,878)	(2,868)	(5,746)	5,326	6,136	11,462
(Increase)/decrease in accrued income	(6)	6	–	(20)	(16)	(36)
Increase in prepayments and other debtors	(5)	(3)	(8)	(10)	(5)	(15)
Increase/(decrease) in creditors	8	(2)	6	117	68	185
Net cash inflow from operating activities	693	119	812	804	288	1,092

16. Analysis of change in net cash

Income shares

	At 1 June 2009 £'000	Cash flow £'000	**At At 31 May 2010 £'000**
Cash at bank and on deposit	981	(264)	**717**

Growth shares

	At 1 June 2009 £'000	Cash flow £'000	**At At 31 May 2010 £'000**
Cash at bank and on deposit	609	(253)	**356**

Total

	At 1 June 2009 £'000	Cash flow £'000	**At At 31 May 2010 £'000**
Cash at bank and on deposit	1,590	(517)	**1,073**

17. Financial instruments

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

Listed and quoted fixed asset investments held (see note 9) are valued at fair value. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 29.

The fair value of the financial assets and liabilities of the Company at 31 May 2010 is not materially different from their carrying value in the financial statements.

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

(i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;

(ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;

(iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates;

(iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(v) liquidity risk, being the risk that the Company may not be able to liquidate its investments quickly or otherwise raise funds to meet financial commitments.

Notes to the Accounts (continued)

17. Financial instruments (continued)

The Company held the following categories of financial instruments as at 31 May 2010:

	2010			2009		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Financial instruments						
Investment portfolio – Level 1 (refer note 9)	**18,013**	**14,743**	**32,756**	14,137	12,463	26,600
Cash at bank and on deposit	**717**	**356**	**1,073**	981	609	1,590
Accrued income	**29**	**10**	**39**	20	16	36
Prepayments	**12**	**9**	**21**	7	5	12
Other debtors	**–**	**–**	**–**	3	1	4
Financial liabilities						
Other creditors and accruals	**125**	**66**	**191**	117	68	185

With the exception of the performance fee of £46,000 (2009: £39,000) (refer note 4), the financial liabilities set out above will fall due in three months or less.

18. Market price risk

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

If the investment portfolio valuation fell by 10 per cent at 31 May 2010, the impact on the profit or loss and the net asset value would have been negative £1.8 million (Income shares) (2009: negative £1.4 million (Income shares)) and negative £1.5 million (Growth shares) (2009: negative £1.2 million (Growth shares)). If the investment portfolio valuation rose by 10 per cent at 31 May 2010, the effect would have been 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.

19. Interest rate risk

The exposure of the financial assets to interest rate movements as at 31 May 2010 was:

	2010			2009		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Exposure to floating rates – cash	**717**	**356**	**1,073**	981	609	1,590

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 an increase of £4,000 (Income) (2009: £5,000) and £2,000 (Growth) (2009: £3,000). If interest rates fell by 0.5%, the effect would have been equal and opposite. The calculations are based on the financial assets 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 2010 (2009: 0.5 per cent). There are no other assets which are directly exposed to floating interest rate risk.

Fixed rate

The Company 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 interest rate risk.

20. Foreign currency risk

As the Company's investments and all assets and liabilities are denominated in sterling there is no direct foreign currency risk. However, although the Company's performance is measured in sterling and the Company's investments are denominated in sterling a proportion of their underlying assets are quoted in currencies other than sterling. Therefore movements in the rates of exchange between sterling and other currencies may affect the Company's investment portfolios and therefore they have currency exposure.

21. Credit risk

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

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

	2010			2009		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	717	356	1,073	981	609	1,590
Dividends and other receivables	41	19	60	30	22	52
	758	375	1,133	1,011	631	1,642

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

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

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

22. Liquidity risk

The Company's listed 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 and at the year end, overdraft facilities were not utilised however short-term flexibility could be achieved, where necessary, through the arrangement of overdraft facilities.

23. Related parties

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

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 22 and 23, and as set out in note 5 to the accounts. The beneficial interests of the Directors in the Income and Growth shares of the Company are disclosed on page 16. There are no outstanding balances with the Board at the year end. Transactions between the Company and the Manager are detailed in notes 4 and 5 on management fees and administrative fees, which together with note 11, detail the outstanding balances with the Manager at the year end.

Shareholder Information

Dividends

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

Conversion Facility

Subject to certain minimum and maximum thresholds which may be set by the Board of F&C Managed Portfolio Trust plc (the ''Board'') from time to time, shareholders have the right to convert their Income shares into Growth shares and/or their Growth shares into Income shares upon certain dates, the next of which will be 29 October 2010 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 29 October 2010 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 29 October 2010 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 29 October 2010 Conversion is 10% of the Income shares and 10% of the Growth shares in issue.

Conversion ratio

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

Result

It is anticipated that, within 7 working days of the Conversion Date or the Deferred Conversion Date, the Company will send to each holder of converting shares that are in certificated form a definitive certificate for the appropriate number of shares arising on conversion and a new certificate for any unconverted shares. No share certificates will be issued in respect of any deferred shares arising as a result of the conversion. These deferred shares have no economic value and will be automatically transferred to a nominee holder or bought back for nil consideration by the Company in accordance with the Company's articles of association.

Income shares arising on Conversion will carry the right to receive all dividends declared by reference to a record date falling after the Conversion Date 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 and Growth shares on the first dealing day in each of the last six months, and 9 July 2010, being the latest practicable date before the approval of the Annual report and accounts were:

	Income shares	Growth shares
4 January 2010	82.0p	79.0p
1 February 2010	84.0p	79.0p
1 March 2010	89.0p	81.0p
1 April 2010	94.0p	91.0p
3 May 2010	95.5p	93.0p
1 June 2010	89.0p	86.0p
9 July 2010	89.0p	89.0p

Future conversions

It is intended that, following the next conversion in October 2010, the conversion facility will be offered annually or close to annually thereafter.

How do I convert?

Conversion instructions must be received by 5pm on 30 September 2010 in respect of the 29 October 2010 Conversion Date.

If you hold your shares:

1. through an Investment Product managed or marketed by ISIS Investment Manager plc, F&C Management Ltd or F&C Investment Business Ltd. please download a ''Plan'' conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 26 July 2010.
2. in certificated form, please download a ''Certificated'' conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 26 July 2010.

   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 26 July 2010.

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

Share Prices and Daily Net Asset Value

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

Change of Address

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

Profile of the Company's Ownership

% of Income Shares held at 31 May 2010		% of Growth Shares held at 31 May 2010	
F&C Asset Management Retail Products	92.3%	F&C Asset Management Retail Products	96.5%
Individuals and Private Client Stockbrokers	7.7%	Individuals and Private Client Stockbrokers	3.5%
	100.0%		100.0%

Shareholder Information (continued)

Financial Calendar 2010/11	
21 September 2010	Annual General Meeting
30 September 2010	Deadline for submitting Conversion Instructions
October 2010	Interim Management Statement for the quarter to 31 August 2010
8 October 2010	First interim dividend paid (XD Date 22 September 2010)
29 October 2010	Share Conversion Facility date
7 January 2011	Second interim dividend paid (XD Date 22 December 2010)
January 2011	Announcement of Interim Results for six months to 30 November 2010
8 April 2011	Third interim dividend paid (XD Date March 2011)
April 2011	Interim Management Statement for the quarter to 28 February 2011
8 July 2011	Fourth interim dividend paid (XD Date June 2011)
July 2011	Announcement of Annual Results and Posting of Annual Report
September 2011	Annual General Meeting

How to Invest

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

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

- **F&C Private Investor Plan**
  A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month.

- **F&C Investment Trust ISA**
  Invest up to £10,200 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs.

- **F&C Child Trust Fund ('CTF')**
  F&C is a leading provider of children's investment plans and is one of the few providers to offer an investment trust based CTF. Available for children born after 1 September 2002. Contributions can be added totalling £1,200 a year. You can invest from £25 each month via direct debit or from £100 for lump sums once you have invested your Government voucher. Government payments into CTFs will stop on 1 January 2011 and children born after 31 December 2010 will not qualify for a CTF if announced changes are implemented.

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

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

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

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

F&C Managed Portfolio Trust Share Plan and ISA, with Investment Protection
The Share Plan and ISA provide a flexible way to invest in the shares of F&C Managed Portfolio Trust. The minimum initial lump sum investment is £5,000 or regular savings from £100 a month. The minimum lump sum top-up is £1,500. The current maximum investment into an ISA is £10,200 each tax year.

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

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

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

Call us on **0800 136 420**

email at **info@fandc.com**

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

Existing plan holders' enquiry line
0845 600 3030

Or write to:

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

Calls may be recorded.

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

Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting of F&C Managed Portfolio Trust plc will be held at Exchange House, Primrose Street, London, on Tuesday 21 September 2010 at 12.30 pm 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, and 9 to 11 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 May 2010 be received.

2. To approve the Directors' Remuneration Report for the year to 31 May 2010.

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 £217,300 in respect of Income Shares and £175,105 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 £217,300 in respect of Income Shares and £175,105 in respect of Growth Shares (being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 12 July 2010) 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 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 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 and Growth Shares held in treasury) immediately prior to the passing of this resolution.;

   (b) the minimum price (excluding expenses) which may be paid for an Income or Growth Share is 10 pence;

   (c) the maximum price (excluding expenses) which may be paid for an Income 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 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 21 December 2011 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Income 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 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 21 September 2010 (''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 Shares will only be resold from treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which such Shares are to be resold must be less than the average discount at which Shares held in treasury have been repurchased and, second, the net asset value dilution associated with the sale of treasury shares in any one financial year must not exceed 0.5 per cent of net assets.

Special 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 £217,300 in respect of Income Shares and £175,105 in respect of Growth Shares and shall expire on the earlier of

Notice of Annual General Meeting (continued)

21 December 2011 and the conclusion of the Annual General Meeting of the Company to be held in 2011, 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.

10. That:

    (i) the articles of association of the Company be amended by deleting all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the Company's articles of association;

    (ii) the articles of association of the Company be amended by deleting all the provisions referred to in paragraph 42 of schedule 2 of the Companies Act 2006 (Commencement No 8, Transitional Provisions and Savings) Order 2008 (Statutory Instrument 2008 No. 2860); and

    (iii) the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the existing articles of association of the Company.

11. That the proposed Purchase Contract (as defined in the annual report and accounts published by the Company on 12 July 2010) 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

12 July 2010

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours (excluding non working days) before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours (excluding non working days) before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours (excluding non working days) before the time appointed for the taking of the poll). The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each Income Shareholder and each Growth Shareholder is entitled to a weighted vote determined in accordance with the underlying NAV of the relevant shares as specified in the Articles of Association.
2. 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. 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 17 September 2010 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 17 September 2010 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 12 July 2010 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 21,907,192 Income Shares carrying one vote each and 19,120,567 Growth Shares carrying one vote each. The Company holds 177,000 Income Shares and 1,610,000 Growth Shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 12 July 2010 were 39,240,759 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
8. The existing Articles of Association and 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

    (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.

Appendix to the Notice of Annual General Meeting

As explained on page 21 it is proposed to adopt New articles primarily to take account of the recent changes introduced in the Companies Act 2006.

The principal changes which would arise from the adoption of the New Articles are set out below.

The Company's memorandum of association

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

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

In addition, the 2006 Act states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. The Company is therefore proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, would otherwise be treated as forming part of the Articles as of 1 October 2009.

Limited liability of shareholders

The liability of the Company's shareholders will continue to be limited to the amount, if any, unpaid on the shares held by them.

Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital. The Company is proposing changes to its Articles to reflect this. The directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act.

Change of name

Prior to the final implementation of the 2006 Act, a company could only change its name by special resolution. Under the 2006 Act, a company will be able to change its name by other means provided for by its articles of association. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

Issue of redeemable shares

The New Articles will explicitly confer authority on the Board to determine the terms, conditions and manner of redemption of any issued redeemable shares in accordance with the 2006 Act, although this amendment would only have practical effect if the Company issues redeemable shares in the future.

Chairman's casting vote

The EU Shareholders Rights Directive requires that all shareholders be treated equally and therefore the casting Chairman's vote provision in the Company's Articles became redundant on 3 August 2009.

Adjournments for lack of quorum

Under the 2006 Act as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles reflect this requirement.

Multiple proxies representatives

The 2006 Act has been amended to clarify the position concerning the rights of proxies when voting on a show of hands in the event that a proxy has been appointed for the same meeting by more than one member and where a member appoints more than one proxy in respect of different shares within the same holding. The New Articles reflect the revised position under the 2006 Act.

Additional content requirements for notices of meetings

The 2006 Act provides that certain additional information must now be included in notices of general meetings. The New Articles contain a list of such information.

Periodic retirement of Directors

The Combined Code on Corporate Governance recommends that a director must submit himself for election by shareholders at the first annual general meeting after his appointment and to re-election thereafter at intervals of not more than three years. The New Articles follow this recommendation.

Corporate Information

Directors
Richard M Martin (Chairman) **
David Harris ‡‡
Colin S McGill ††
Alistair G Stewart ¶¶

Registered Office
80 George Street
Edinburgh EH2 3BU
Tel No. 0207 628 8000
Facsimile No. 0131 225 2375

Investment Managers and Company Secretary
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Registrars and Transfer Office
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline
Tel No. 0871 384 2923*

Registrars' Broker Helpline
Tel No. 0906 559 6025†

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

Auditors
Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Principal Bankers
JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Solicitors
Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Company Number
SC338196

**Chairman of the Nomination Committee
‡‡Senior Independent Director
††Chairman of the Audit Committee
¶¶Chairman of the Remuneration Committee

*Calls to this number are charged at 8p per minute from a BT Landline. Other telephony providers costs may vary. 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. Lines open 8.30 am to 5.30 pm Monday to Friday.

MLG Edinburgh 6236

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: 0906 559 6025†

Registrars' Overseas Helpline: +44 121 415 7012

*Calls to this number are charged at 8p per minute from a BT Landline. Other telephony providers' costs may vary. Lines open 8.30 am to 5.30 pm Monday to Friday.

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