F&C Managed Portfolio Trust plc

Annual Report and Accounts

2012

Year to 31 May 2012

Contents

Company Summary	1
Financial Highlights for the Year	2
Performance Summary	3
Chairman's Statement	4
Investment Manager and Investment Process	7
Manager's Review	8
Income Shares – Investment Portfolio	12
Growth Shares – Investment Portfolio	13
Board of Directors	14
Report of the Directors	15
Directors' Remuneration Report	25
Capital Structure	27
Statement of Directors' Responsibilities	29
Independent Auditor's Report	30
Income Statement	31
Balance Sheet	32
Cash Flow Statement	33
Reconciliation of Movements in Shareholders' Funds	34
Notes to the Accounts	35
Shareholder Information	53
How to Invest	56
Notice of Annual General Meeting	57
Corporate Information	

The Association of Investment Companies

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

Company Summary

The Company

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

Net assets attributable to shareholders at 31 May 2012 were £24.7 million (Income shares) and £24.4 million (Growth shares).

Investment Objective

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

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

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

Investment Policy

The Company's investment policy is set out in the Report of the Directors on pages 15 to 16.

Management

The Board has appointed F&C Investment Business Limited (the 'Manager'), a wholly-owned subsidiary of F&C Asset Management plc, as investment manager. Details of the management contract, are provided in note 4 to the Accounts.

Capital Structure

The Company has two classes of shares, Income shares and Growth shares. Details of the Capital Structure are provided on pages 27 and 28.

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

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 56.

You may also invest through a stockbroker.

ISA Status

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

Website

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

Financial Highlights for the Year

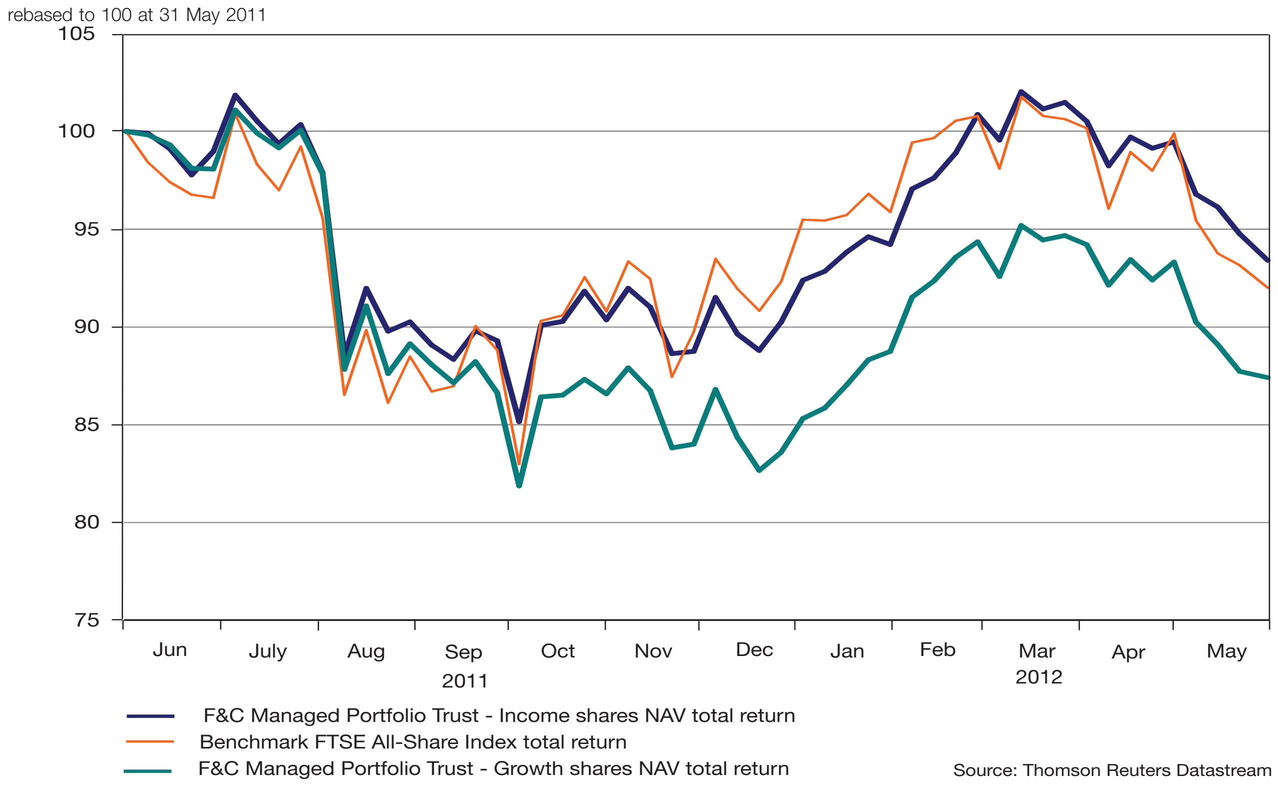
Income Shares

- Net asset value total return per share was –6.6%, compared to the FTSE All-Share Index total return of –8.0%
- Dividend yield of 4.9% at 31 May 2012, based on dividends at the current annual rate of 4.5p per Income share, compared to the yield on the FTSE All-Share Index of 3.8%
- £4.8 million raised in March 2012 under an offer for subscription increasing the size of the Income Portfolio by approximately 22%

Growth Shares

- Net asset value total return per share was –12.6%, compared to the FTSE All-Share Index total return of –8.0%
- £8.1 million raised in March 2012 under an offer for subscription increasing the size of the Growth Portfolio by approximately 42%

Net Asset Value per share performance for the year to 31 May 2012



Year end 31 May 2012 Highs/Lows	Income Shares		Growth Shares	
	High	Low	High	Low
Net asset value per share	103.09p	84.71p	109.76p	88.02p
Share price	106.0p	87.0p	113.0p	89.0p
Premium/(discount) ‡	12.7%	(5.0)%	11.5%	(5.2)%

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

Sources: F&C Investment Business Limited and Datastream

Performance Summary

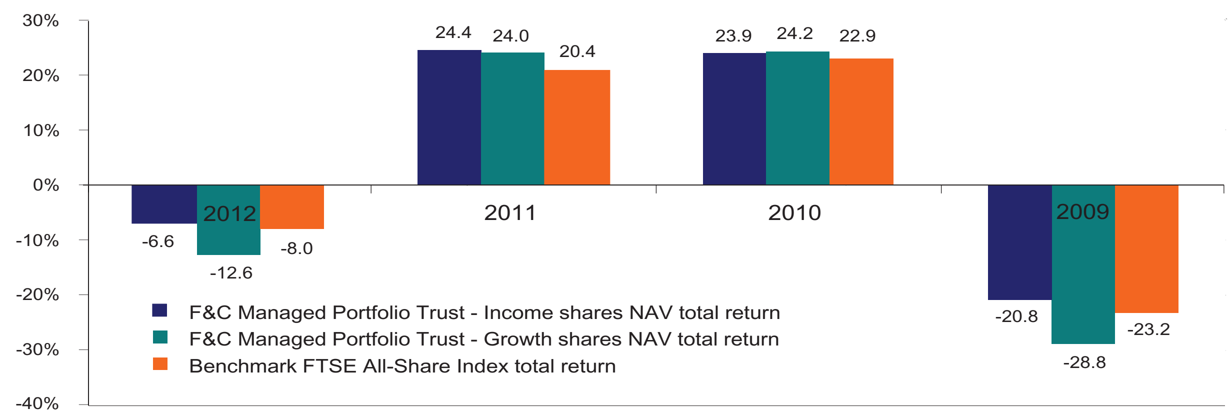
Income Shares	31 May 2012	31 May 2011	% change
Capital			
Net asset value per share	**91.86p**	103.09p	–10.9
FTSE All-Share Index	**2,767.09**	3,121.07	–11.3
Share Price			
Share price (mid market)	**91.5p**	103.0p	–11.2
Discount (% difference between share price and net asset value per share)	**(0.4)%**	(0.1)%	
Total Return for the year ended*			
Net asset value per share	**–6.6%**	+24.4%	
FTSE All-Share Index	**–8.0%**	+20.4%	
Share price (mid market)	**–6.7%**	+20.4%	
Gearing†			
Actual Gearing	**1.8%**	4.2%	
Revenue and Dividends			
Revenue return per share (including net income transfer from Growth shares)	**5.04p**	4.20p	
Dividends per share	**4.50p**	4.40p	
Total Expense Ratio (excluding the performance fee, as a percentage of average net assets)	**1.4%**	1.4%	

Growth Shares	31 May 2012	31 May 2011	% change
Capital			
Net asset value per share	**93.97p**	107.52p	–12.6
FTSE All-Share Index	**2,767.09**	3,121.07	–11.3
Share Price			
Share price (mid market)	**93.0p**	109.0p	–14.7
(Discount)/premium (% difference between share price and net asset value per share)	**(1.0)%**	1.4%	
Total Return for the year ended*			
Net asset value per share	**–12.6%**	+24.0%	
FTSE All-Share Index	**–8.0%**	+20.4%	
Share price (mid market)	**–14.7%**	+25.3%	
Gearing†			
Actual Gearing	**–**	–	
Total Expense Ratio (as a percentage of average net assets)	**1.6%**	1.5%	

* All total returns are calculated assuming that net dividends are re-invested.
† Gearing = bank borrowings ÷ shareholders funds. The Growth Portfolio has no direct bank borrowings.

Sources: F&C Investment Business Limited and Datastream

Discrete Performance for the financial year to 31 May



Sources: F&C Investment Business Limited and Datastream

Chairman's Statement

Richard Martin Chairman

Highlights

- £12.9 million raised in March 2012 under an offer for subscription, increasing the size of the Company by approximately 30%
- Annual dividend increased to 4.5p per Income share for the year
- Both shares traded at a small premium to NAV on average during the year

Introduction

It is always disappointing to report a fall in the value of our shares, but, as the Manager's Report makes clear, this was a difficult year for all equity markets. On the positive side, the Income shares out-performed the FTSE All-Share index, the fourth consecutive year they have done so.

In recent years the Growth portfolio has been out-stripping its sister portfolio but in this period it suffered from a rush to safety as global growth slowed and the Euro crisis boiled up again.

We have succeeded in expanding the Company by nearly a third, largely through demand from various F&C share plans. This has brought assets up to the £50 million mark and should increase liquidity in the shares and reduce running costs per share.

Performance

For the Company's financial year to 31 May 2012, the total return (i.e. adding dividends paid to capital performance) of the FTSE All-Share Index was –8.0%. This index is the performance benchmark for both Portfolios. The total return for the Investment Company sector, as measured by the FTSE Equity Investment Instruments Index, was –10.2%.

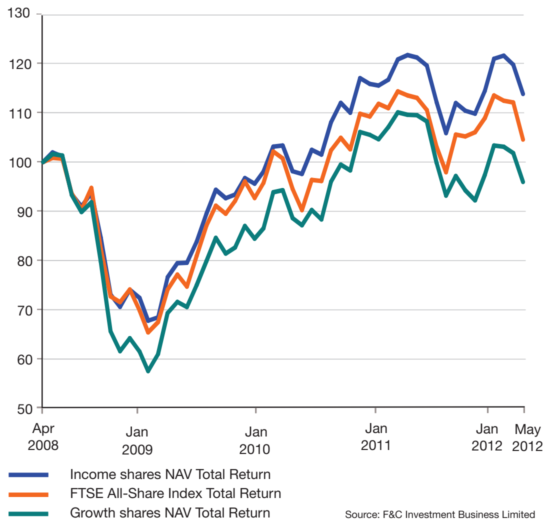
The net asset value ('NAV') or capital value per share of the Income shares fell by 10.9% to 91.86p. However, with the four dividends paid out during the year included, the total return of –6.6% was ahead of the benchmark.

The NAV per share of the Growth shares fell by 12.6% to 93.97p per share and was behind the benchmark.

Since launch in April 2008, the NAV per share total return of the Income shares is 14.0%; and –4.1% for the Growth shares; which compares to a total return of 4.6% from the benchmark index.

Net Asset Value per share performance since launch

rebased to 100 at 16 April 2008, date of launch



Source: F&C Investment Business Limited

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 2012 totalled £227,000, which is equivalent to 0.96p per Income share. Including this transfer, the Company's net revenue return was £1,188,000 which is equivalent to 5.04p per Income share.

Four interim dividends together with the special interim dividend (which was paid as a consequence of the fund raising) with respect to the year to 31 May 2012 have now been paid, totalling 4.5p per Income share. This represents a small increase of 0.1p or 2.3% from the prior year to 31 May 2011 and was made possible by increased income from investee companies and the successful fund raising in March 2012. The fourth interim and the special interim dividend were paid after the year end on 6 July 2012. After recognising all dividends for the year, we were able to add £123,000 to the revenue reserve, which now totals £201,000 or 0.75p per Income share.

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 2012, January 2013 and April 2013. It is intended that a fourth interim dividend will be paid to Income shareholders in July 2013 but the directors will determine the amount of the fourth interim dividend when a clearer view emerges of income for the year.

In real terms, dividends paid by companies in the FTSE All-Share index are continuing to grow. In time this should feed through to an increase in payments from investment companies in the portfolio.

Borrowing

At the time of writing, borrowings in the Income Portfolio total £0.8 million but we are unlikely to increase this significantly unless the market outlook improves. The borrowing; having been invested, produces a net contribution to income after deducting interest payments.

Offer for subscription

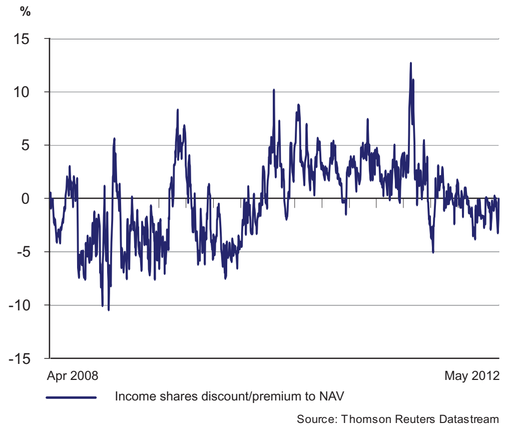
In January 2012, the Board announced proposals to offer new Income shares and Growth shares to both existing and potential new shareholders. The Board was very pleased to announce in March, that gross proceeds of approximately £12.9 million had been raised which increased the size of the company by some 30%. We believe that this fund raising will benefit all shareholders by increasing liquidity and spreading management costs over a larger base. I would like to welcome new shareholders who participated in the offer.

Discounts and share buy-backs

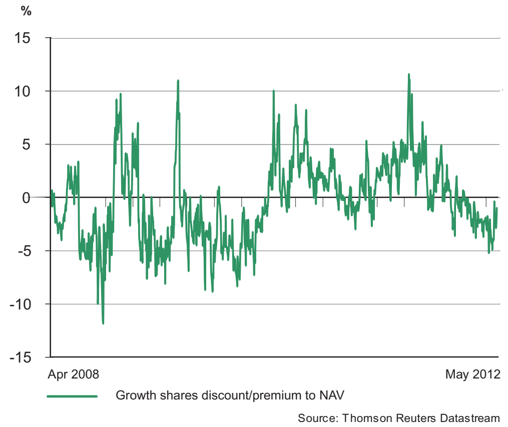
The share price of investment trusts does not always reflect closely their underlying NAV and many trusts trade at a substantial discount. In normal circumstances we aim to maintain our discount at not more than 5% by buying back shares from time to time. During the year to 31 May 2012 we have been able to maintain average premiums of 0.8% for the Income shares and 0.9% for the Growth shares. At the year end, the ratings were a discount of 0.4% for the Income shares and a discount of 1.0% for the Growth shares.

Discount/Premium to Net Asset Value since launch

Income shares



Growth shares



Chairman's Statement (continued)

By maintaining these ratings we were able to issue new shares under the offer for subscription referred to previously to meet demand, primarily from investors through the F&C savings plans. On 7 March 2012 the Company issued 4,807,744 Income shares and 7,844,276 Growth shares. As this would have exceeded the authority granted by shareholders at the last AGM, authority for this larger share issuance was granted by shareholders at the General Meeting held in November 2011.

In addition, during the year, 485,000 Income shares and 1,120,000 Growth shares were bought back to be held in treasury and are available to re-sell.

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

Share plans and conversion facility

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 25 October 2012. Information is provided on pages 54 and 55 and full details will be provided on the Company's website (www.fcmanagedportfolio.co.uk) from 30 July 2012. Since launch no conversion has yet taken place as the number of shares offered for conversion has been well below the minimum threshold.

AGM

The annual general meeting (''AGM'') will be held at 12.30pm on Wednesday 26 September 2012 and I hope you will attend. The meeting will be held in the offices of F&C Asset Management plc at Exchange House, Primrose Street, London.

Outlook

The outlook is more uncertain than probably any time since the Second World War. The Eurozone, comprising so many countries with widely different economic strengths and cultures, is fundamentally flawed. The determination of politicians to hold it together, without addressing fundamental issues, means that we seem condemned to a series of crises and concerns.

However growth continues in Asian and developing economies, even if at more moderate rates than in recent years. Despite the uncertainties, many companies across the world continue to flourish. Equity markets offer sound value and our portfolios of investment companies investing across the world and in many sectors should prove resilient.

Richard M Martin
Chairman

26 July 2012

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 £101.8 billion (at 31 March 2012) 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 investment provides further diversification through holding a significant number of underlying investments.

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

Growth Portfolio

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

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

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

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

Manager's Review

Stockmarket background

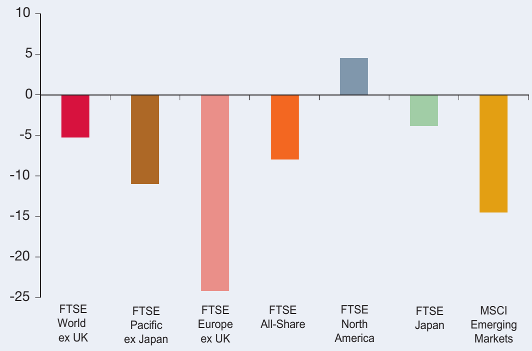
Last year's manager's review included comments which highlighted ''the unprecedented level of uncertainty surrounding the direction of economies and financial markets'' and then made reference to bail outs and severe austerity measures (for Greece, Ireland, Portugal and Spain) and concluded ''it is not clear what the eventual outcome may be''.

One year on, plus ca' change.

The past twelve months has witnessed very pronounced swings in equity markets, in both directions, although over the period there were more falls than rises. The Euro zone crisis has appeared similar to a slow motion train wreck with the focus moving from one country to another. First Greece, then Ireland and Portugal, all requiring bail outs of larger magnitude. Then concerns over Italy's finances before the spotlight moved back to Greece with its seemingly intractable difficulties and now the focus has moved to Spain. Politicians have been unable to come up with a solution and so the Euro remains in crisis. Confidence is low and most of Europe with the notable exception of Germany has lapsed into a double dip recession. The impact on financial markets has been remarkable. As illustrated by the UK where 10 year UK Government gilt yields have declined from 3.4% (already a historically low level) a year ago to around 1.6% currently. This is a level not seen in most working lifetimes and reflects not just lack of growth, but extreme fear amongst investors regarding the direction of the economy and what the implications of a Euro break up could mean.

Commodity prices which had risen very strongly for a number of years began, in recent months, to sell off sharply as fears of a slowdown in the Chinese economy surfaced.

Total return for year to 31 May 2012 (sterling)



Source: Thomson Reuters Datastream

All of these resulted in a generally poor year for most equity markets.

The area which unsurprisingly experienced the worst returns was Europe where all equity markets were affected directly by the Euro zone crisis. At the other end of the spectrum was the US where the S&P Composite Index gained 6.5% (sterling adjusted total return). The US economy has shown signs of recovery, albeit modest in the context of previous recoveries, which has allowed the US corporate sector to achieve good levels of profit growth. When combined with generally benign levels of inflation and an accommodative policy from the Federal Reserve this proved enough for US equity markets to withstand the worst of the declines (S&P Composite was actually down 0.4% in dollar total returns). Also because the US market is the largest component in the FTSE World Index by some way this more than offset poor performances from Asian and Emerging Markets.

Performance

For the year to 31 May 2012 the FTSE All-Share Index declined by 8.0% (in total return terms). Over the same period the Net Asset Value for the Income Portfolio fell by 6.6% whilst that of the Growth Portfolio was down by 12.6% (again both in total return terms). This is the fourth consecutive financial year that the Income portfolio has generated returns ahead of that of the principal benchmark. Whilst after two years of outperformance the Growth Portfolio lagged the FTSE All-Share Index in the year under review. For comparative purposes the FTSE Equity Investment Instruments Index which measures the performance of Investment Companies fell by 10.2% (also in total return terms).

What were the key factors and trends that influenced performance?

Small/Mid Cap Effect

As outlined in the Interim Report the first six months were not kind to Investment Companies generally or F&C Managed Portfolio Trust in particular. Equity markets fell sharply as the difficulties caused by the crisis in the Euro zone intensified. Within the UK equity market a narrow group of large global companies and sectors with defensive characteristics such as pharmaceuticals, tobacco, mobile telecoms and food and beverages performed strongly. These companies comprised a substantial portion of the FTSE 100 Index and helped keep its fall to 6.3% whilst most of the rest of the UK equity market experienced a material setback as illustrated by the performance of the FTSE Mid 250 Index which declined by 13.2% and the FTSE Small Cap Index (ex Investment companies) which was down 17.9%. This trend was not helpful for active fund managers who have difficulty being overweight in the very largest companies in the Index and so have a much greater exposure in portfolios to medium and smaller sized companies. The headwinds experienced by the sector were best illustrated by the performance of the FTSE Equity Investment Instruments Index which fell 10.5% over the first half of the financial year. Circumstances changed early in the second half as bail outs were made to certain of the most hard pressed of the Euro zone countries. With generally good year end figures from the corporate sector in the US and UK being announced in the first calendar quarter and with valuations of equities at attractive levels, equity markets mounted a sharp recovery. By April however it became apparent that problems in the Euro zone were far from being solved and equities gave up most of the gains from the December to March period. Despite this, the second half of the financial year was a more favourable period for Investment Companies as the FTSE Mid 250 Index and the FTSE Small Cap (ex Investment Companies) gained 4.0% and 10.4% respectively whilst that of the FTSE 100 Index fell by 1.5%. Over the same period the FTSE Equity Investment Instruments Index rose by 0.4%.

Average Sector Discounts

Over the period under review average discounts in the Investment Company sector widened from 7.8% to 10.2% which helps explain the sector's underperformance relative to the main UK equity index. However most of the widening happened during the first half of the financial year when the average discount moved out to 9.7% as at 30 November 2011. The second half of the financial year witnessed a stabilisation. Typically, it was the equity income sectors which benefited from high ratings which were accorded to trusts with above average yields where the dividends were viewed as being sustainable. The Income Portfolio was the principal beneficiary of this trend.

Gearing

One of the main advantages that investment companies have over their open ended counterparts is the ability to borrow and invest in the markets. This can work against performance should equity price levels decline and was a factor in the underperformance of investment companies during the first half of the year.

Investment Company Sector Discount
Year to 31 May 2012

Outperformance of the FTSE World (ex UK) Index

The FTSE World (ex UK) Index adjusted back into sterling fell only 5.2% over the year under review. This would normally assist Investment Companies who typically have a significant exposure to overseas assets and should be a factor helping them to outperform. Unfortunately this relationship broke down over the past year due to the nature of what performed within the World Index. As the table illustrated earlier in the report showed the FTSE Europe (ex UK) Index fell 24.2% whilst the FTSE Pacific (ex Japan) Index declined 11.0% and the MSCI Emerging Markets Index was down 14.5%. All markedly worse than the UK. However the S&P Composite Index representing the five hundred largest companies in the US gained 6.5%. This is a notable performance from the US which itself comprises around 50% of the World by market value. Unfortunately there is only one US specialist large cap actively managed trust, JPMorgan American which has been a long term holding in the Growth Portfolio. Although most of the Global trusts do have exposure to the US market, most are underweight and so inherently the Investment Company sector has been underexposed to the best performing major market of the past year.

Leading Contributors – Income Portfolio (all figures total return)

The leading performer in the Income Portfolio was **Aberdeen Asian Income Fund** which appreciated by 8.4%. This trust along with **Schroder Oriental Income** which gained 4.0% and **Utilico Emerging Markets**, up 1.4%, which were the portfolio's third and fifth best

Manager's Review

performers, are invested in rapidly growing parts of the world well away from the difficulties faced in Europe. Against a backdrop of faster growth these trusts tend to be invested in larger more mature companies which are not heavily indebted and have plenty of scope to use their growing cash flows to pay dividends. In particular in the Pacific region the culture of rewarding shareholders with steady dividends has taken hold. Over the long run returns from the Income Portfolio should benefit from exposure to exciting areas of growth both in terms of capital and income. **3i Infrastructure** returned 5.7% over the past year and was the second best performer. Unlike other infrastructure trusts which are very much focused on lower return PFI type projects in the UK, 3i Infrastructure is invested in a number of low volatility businesses which generate strong cash flow with some capital growth prospects e.g. Anglian Water, Eversholt a leading train leasing business in the UK, Finnish electricity generation and Oystercatcher which is involved in oil storage throughout Europe. The dividend grew 5% last year with a near 5% yield. For the second consecutive year **Lowland Investment Company** appears as a leading contributor with a 2.2% return. This trust is in the UK Growth & Income sector but differs from others in that around two thirds of its portfolio is invested in medium and small companies with a bias towards the industrial sector. It contributed very strongly in the second half of the financial year as these types of companies experienced a sharp recovery in the stockmarket.

Leading Contributors – Growth Portfolio (all figures total return)

The leading contributor by some considerable way was the **Biotech Growth Trust** with a gain of 36.5%. The trust is managed by Orbimed, a specialist in this field, based in New York. The US has by far the most developed market for biotech companies and also is where the majority are quoted. The strong performance was due to a number of factors: large pharmaceutical groups deciding that acquiring biotech companies with products close to market is a more efficient way of replacing drug pipelines than their own research and development. A number of biotech companies with major new products that have had successful clinical trials and finally quoted biotech companies are attractively valued relative to their prospects. All of these factors should continue into next year. The meagre nature of returns is highlighted by the next best contributor in the portfolio being **Lowland Investment Company** (see comments above) with only a 2.2% rise. **Graphite Enterprise**, a private equity fund of funds investment company came next with a 1.9% return. Other funds in this sector have had very wide discounts accorded to them by the market reflecting investor doubts over prospects and yet Graphite managed a modest rise in asset value over the year. It is a well managed fund with a strong balance sheet and has the likelihood of a number of profitable realisations from its portfolio over the next year. As has been mentioned earlier in the review the US stockmarket was the best performer of major markets last year and so **JPMorgan American Investment Trust**, which invests in large cap US companies, was a beneficiary with a 1.2% gain. Lastly, **Polar Capital Technology Trust** achieved a small 0.3% rise over the period. It is a specialist investor in the technology sector and has sizeable holdings in Apple, Amazon and Google as well as a number of smaller companies with exciting potential. As with Biotech Growth Trust the technology sector has done well, due less to overall economic conditions or a strong recovery but more as a result of new products or services. Both sectors appear to be on a secular growth trend.

Investment Strategy and Outlook

The past year has not been good for most economies or equity markets. Indeed only those bond markets deemed to be safe havens by global investors have appreciated significantly (the FTSE Government All Stocks Index gave investors a total return of 16.3% over the period under review). China's rate of growth began to slow appreciably which affected the rest of Asia and also commodity prices. Europe moved into recession; severely in Southern Europe; and even in Germany growth began to moderate. The US economy kept growing albeit at a below trend level as the Federal Reserve continued to pursue a highly accommodative monetary policy. Against this background equity markets fell, with some in the Euro zone suffering quite considerable declines. In sterling terms only the US rose although that was due to the dollar rising in relation to sterling. In dollar terms even Wall Street moved slightly lower.

What lies ahead for the next year?

Much depends on what transpires in the Euro zone and whether politicians find a solution. Even if they do, recession will continue in the south due to the requirement of severe austerity measures and even in northern Europe, a return to average levels of growth seems some way off. China has been slowing, although recent policy actions may avoid a hard landing and growth rates could stabilise. Over the balance of 2012, the pace of US growth is not expected to increase and much depends on the Presidential election in November. Some form of tax increases and spending cuts look inevitable given the size of the US deficit.

Equity markets remain in a state of extreme uncertainty. The risk of countries being forced out of the Euro and the impact this would have on overall activity levels remains high. Investor sentiment is very risk averse as illustrated by those government bond markets viewed as safe havens (e.g. US, UK and Germany) being very highly priced. In the coming months the direction of equity markets will be determined as much by politicians as by fundamentals, however, it can be argued that a great deal of these uncertainties are priced into equity markets. Should next year prove to be a year of stabilisation in Europe, with even modest growth appearing in certain economies, then equities will respond positively.

On a longer view equities are, in a historical context, attractively valued. The UK market is rated on a prospective p/e of less than 10x and a dividend yield of 4.5%. They are also attractively valued when compared to either the returns on bank deposits or UK gilts where the yield on 10 year gilts is just 1.6%. This highlights a key positive feature which is the performance of the corporate sector particularly in the US and UK. Balance sheets have been de-leveraged and cash levels are improving whilst both profits and dividend growth has been reasonable. The direction of markets have been dominated by macro uncertainties; however, should these begin to recede, it would pave the way for equity markets, with attractive fundamentals and valuations to move ahead.

There is no change to the key element of the long term investment strategy which remains to capture the superior growth inherent in certain overseas markets or sectors with a strong overseas bias. This has generally served both portfolios well where access to high quality managers who specialise in these areas e.g. Pacific, Emerging Markets and Technology can add value.

However given the extreme uncertainty pervading global financial markets it has been decided to devote a portion of the Growth Portfolio to more defensive, low volatility holdings with the intention they would offset the effect of a sharp market correction on the portfolio. Around 10% of the portfolio has been invested in the Ruffer Investment Company, Personal Assets Trust, BH Macro and Finsbury Growth & Income all of which have demonstrated the ability to preserve value and are less sensitive to the direction of equity markets. The underlying characteristics of long term capital growth of the rest of the Growth Portfolio remain unchanged.

In conclusion, although there are many reasons to be concerned over near term prospects for global financial markets, the valuations of equities have become attractive on both an absolute and relative basis. Both portfolios are exposed to high quality investment companies focussed on growth and income respectively with an international bias. The Manager believes that when current macro uncertainties eventually do subside and markets begin to recover, they will benefit strongly.

Peter Hewitt
Investment Manager
F&C Investment Business Limited
26 July 2012

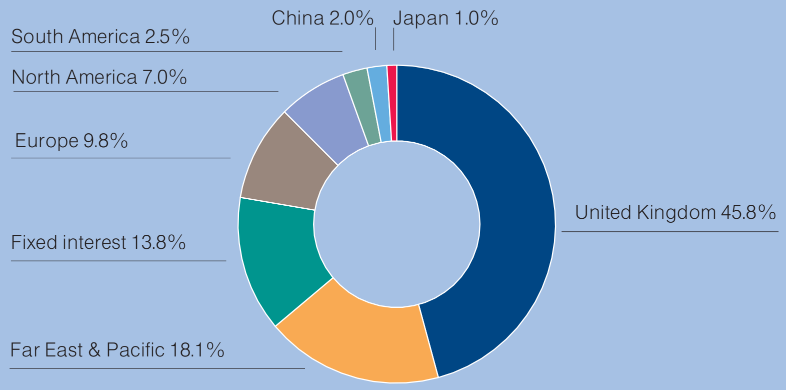
Income Shares

Investment Portfolio at 31 May 2012

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Murray International Trust	Global Growth & Income	1,421	5.8
Law Debenture Corporation	Global Growth	1,293	5.2
Aberdeen Asian Income Fund	Asia Pacific – excluding Japan	1,260	5.1
British Assets Trust†	Global Growth & Income	1,107	4.5
Perpetual Income & Growth Investment Trust	UK Growth & Income	1,064	4.3
Schroder Oriental Income Fund	Asia Pacific – including Japan	1,045	4.2
Lowland Investment Company	UK Growth & Income	1,024	4.2
Temple Bar Investment Trust	UK Growth & Income	979	4.0
City of London Investment Trust	UK Growth & Income	971	3.9
Invesco Leveraged High Yield Fund	Global High Income	870	3.5
Ten largest investments		**11,034**	**44.7**
Henderson Far East Income	Asia Pacific – excluding Japan	866	3.5
European Assets Trust†	European Smaller Companies	862	3.5
Henderson High Income Trust	UK High Income	824	3.3
Edinburgh Investment Trust	UK Growth & Income	821	3.3
Schroder Real Estate Investment Trust	Property Direct – UK	819	3.3
Utilico Emerging Markets	Global Emerging Markets	801	3.3
Bankers Investment Trust	Global Growth	765	3.1
JPM Global Emerging Markets Income Trust	Global Emerging Markets	752	3.0
The Mercantile Investment Trust	UK Growth	691	2.8
3i Infrastructure	Infrastructure	682	2.8
Twenty largest investments		**18,917**	**76.6**
Keystone Investment Trust	UK Growth	638	2.6
The Merchants Trust	UK Growth & Income	637	2.6
Investors Capital Trust†	UK High Income	607	2.4
Scottish American Investment Trust	Global Growth & Income	592	2.4
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	564	2.3
Carador Income Fund	Global High Income	540	2.2
City Merchants High Yield Trust	UK High Income	486	2.0
Henderson International Income Trust	Global Growth & Income	470	1.9
Ecofin Water & Power Opportunities	Utilities	460	1.9
Standard Life UK Smaller Companies Trust 3.5% CULS 31/03/18	UK Smaller Companies	408	1.6
Thirty largest investments		**24,319**	**98.5**
New City High Yield Fund Limited	UK High Income	351	1.4
GCP Infrastructure Investments	Infrastructure	301	1.2
Aberdeen Asian Smaller Companies 3.5% CULS 31/05/19	Asia Pacific – excluding Japan	183	0.7
Public Service Properties Investments	Property Direct – UK	42	0.2
Thirty four largest and total investments		**25,196**	**102.0**
Net current liabilities		**(504)**	**(2.0)**
Net assets of Income Portfolio		**24,692**	**100.0**

† Investment managed by the Investment Manager, F&C

Analysis of the investment areas of the Income Portfolio's Investments on a 'look-through' basis



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2012)

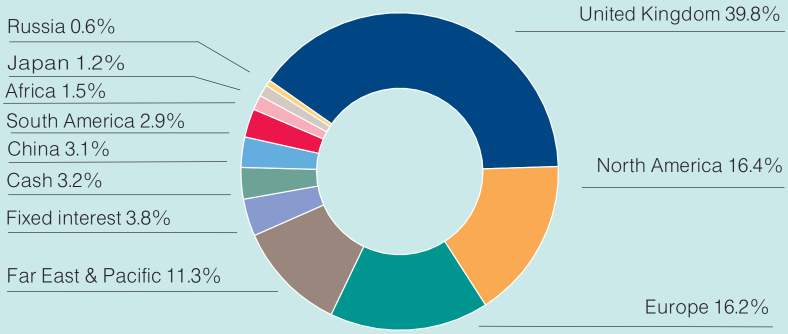
Growth Shares

Investment Portfolio at 31 May 2012

Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
Perpetual Income & Growth Investment Trust	UK Growth & Income	1,268	5.2
Templeton Emerging Markets Investment Trust	Global Emerging Markets	1,042	4.3
Lowland Investment Company	UK Growth & Income	939	3.9
Murray International Trust	Global Growth & Income	908	3.7
Polar Capital Technology Trust	Technology Media & Telecom	837	3.4
Scottish Mortgage Investment Trust	Global Growth	800	3.3
Edinburgh Dragon Trust	Asia Pacific – excluding Japan	790	3.2
Finsbury Growth & Income Trust	UK Growth & Income	787	3.2
Jupiter European Opportunities Trust	Europe	768	3.2
JPMorgan American Investment Trust	North America	753	3.1
Ten largest investments		**8,892**	**36.5**
BlackRock World Mining Trust	Commodities & Natural Resources	746	3.1
RCM Technology Trust	Technology Media & Telecom	731	3.0
Diverse Income Trust	UK Growth & Income	720	2.9
Schroder UK Mid Cap Fund	UK Growth	702	2.9
The Mercantile Investment Trust	UK Growth	691	2.8
Personal Assets Trust	Global Growth	676	2.8
Montanaro UK Smaller Companies	UK Smaller Companies	670	2.7
Artemis Alpha Trust	UK Growth	661	2.7
Herald Investment Trust	Small Media, Comms & IT Cos.	657	2.7
Genesis Emerging Markets Fund	Global Emerging Markets	649	2.7
Twenty largest investments		**15,795**	**64.8**
Ruffer Investment Company	Global Growth	638	2.6
BH Macro	Hedge Funds	628	2.6
Biotech Growth Trust	Biotechnology/Life Sciences	615	2.5
Law Debenture Corporation	Global Growth	610	2.5
TR Property Investment Trust – Ordinary shares†	Property Securities	605	2.5
Scottish American Investment Trust	Global Growth & Income	603	2.5
Graphite Enterprise Trust	Private Equity	592	2.4
Montanaro European Smaller Companies	European Smaller Companies	548	2.2
British Empire Securities & General Trust	Global Growth	510	2.1
Throgmorton Trust	UK Smaller Companies	476	2.0
Thirty largest investments		**21,620**	**88.7**
TR Property Investment Trust – Sigma shares†	Property Securities	442	1.8
European Assets Trust†	European Smaller Companies	409	1.7
Monks Investment Trust	Global Growth	376	1.5
Standard Life European Private Equity Trust	Private Equity	328	1.3
British Assets Trust†	Global Growth & Income	326	1.3
BlackRock Frontiers Investment Trust	Global Emerging Markets	305	1.2
SVM Global Fund	Global Growth	204	0.8
Baker Steel Resources Trust	Commodities & Natural Resources	144	0.8
Thirty eight largest and total investments		**24,154**	**99.1**
Net current assets		**231**	**0.9**
Net assets of Growth Portfolio		**24,385**	**100.0**

† Investment managed by the Investment Manager, F&C

Analysis of the investment areas of the Growth Portfolio's Investments on a 'look-through' basis



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2012))

Board of Directors

Richard Martin

Chairman of the Board and the Nomination Committee

He is an adviser to several family groups and a director of Montanaro European Smaller Companies Trust plc and Aurora Investment Trust plc. He was 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, Core VCT V plc, Phorus Client Services Ltd 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 fourth Annual Report and Accounts of the Company for the year ended 31 May 2012.

Results and Dividends

The results for the year are set out in the attached accounts. The total loss attributable to shareholders was £(5,082,000) of which £(1,836,000) was attributable to the Income Portfolio and £(3,246,000) to the Growth Portfolio. Performance and dividends are also addressed within the Business Review on pages 15 to 18. The Manager's Review on pages 8 to 11, which forms part of the Business Review, describes the background to this performance.

Company Number SC338196

Principal Activity and Status

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

The Company has been approved by HM Revenue & Customs as an investment trust under section 1158 of the Corporation Tax Act 2010 for the year ended 31 May 2011. 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. For all accounting periods commencing on or after 1 January 2012, the existing system of retrospective confirmation of investment trust status by HM Revenue & Customs is replaced with a requirement to make an up-front application for approval for that and all subsequent financial years. The Company intends to conduct its affairs so as to enable it to do so.

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

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

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 14.

The following review is designed to provide information primarily about the Company's business and results for the year to 31 May 2012 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.

- The Company is permitted to invest in other closed-ended investment companies, wherever incorporated, whose shares are traded on AIM or

Report of the Directors (continued)

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 in aggregate of its total assets in other UK listed investment companies that themselves may invest more than 15 per cent of their total assets in other UK listed investment companies.
– There are no maximum levels set for underlying exposures to geographic regions or sectors.
– No investment in either Portfolio may exceed 15 per cent of the relevant Portfolio's total assets at the time of the latest purchase.
– The Manager may invest the assets of the Company in other investment companies managed by the Manager or another member of the F&C Group, provided that such investments in the Income or Growth Portfolios shall not exceed 20 per cent of the total assets of the relevant Portfolio at the time of investment.
– There are no defined limits on securities and accordingly the Company may invest up to 100 per cent of total assets in any particular type of security.
– The Company may use derivatives, principally for the purpose of efficient portfolio management, including protecting the Portfolios against market falls.
– The Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20 per cent of the total assets of the relevant Portfolio. Under the Company's Articles of Association, the maximum borrowing limit is 50 per cent of the total assets of the relevant Portfolio.

Performance and dividends

Income shares

In the year to 31 May 2012, the NAV total return of the Income shares was –6.6 per cent compared to the benchmark FTSE All-Share Index total return of –8.0 per cent.

During the year, the Company paid three interim dividends totalling 3p per Income share in respect of the year ended 31 May 2012 and has declared two further dividends totalling 1.5p per Income share which were paid after the year end, on 6 July 2012. These payments totalling 4.5p per Income Share were in respect of the year to 31 May 2012. Based on the current annual rate of 4.5p per Income share and a share price of 91.5p at the year end, this represents a yield of 4.9 per cent.

Growth shares

In the year to 31 May 2012, the NAV total return of the Growth shares was –12.6 per cent compared to the benchmark FTSE All-Share Index total return of –8.0 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 2012 a transfer of £227,000 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 2012, 34 investments were held in the Income Portfolio and 38 in the Growth Portfolio. At each Board meeting, the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and market outlook. It also considers compliance with the investment policy and investment restrictions during the reporting period.

The Company has a borrowing facility with its custodian JPMorgan Chase Bank equal to 10 per cent of the value of the Company's assets with its custodian.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on 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 12 and 13.

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

A record of these indicators is shown below and contained in the page entitled 'Performance Summary' on page 3. Additional comments are provided in the Chairman's Statement and Manager's Review discussing the performance of the Company over the current year.

Total return performance to 31 May 2012

	1 year %	2 years %	3 years %
Income NAV total return	–6.6	16.2	44.0
Growth NAV total return	–12.6	8.4	34.6
Benchmark total return*	–8.0	10.7	36.1

Source: F&C Investment Business Limited and Datastream

*Benchmark: FTSE All-Share Index

At 31 May 2012, the Income shares were 6th and 3rd in the Association of Investment Companies ('AIC') group of nine 'Global Growth & Income' investment trusts in terms of NAV total return performance over one and three years respectively. The Growth shares were 25th and 17th in the AIC group of 27 'Global Growth' investment trusts in terms of NAV total return over one and three years respectively.

Dividend level of the Income Shares

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

‡The 2009 dividend has been annualised. (4.9p was paid in respect of the first $13\frac{1}{2}$ month financial period).

†Based on Income share price at 31 May

Source: F&C Investment Business Limited and Datastream

Average premium/(discount) to NAV

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

Source: F&C Investment Business Limited

Total expense ratios
(as a percentage of average net assets)

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

*Excludes the performance fee

The AIC recently introduced a recommended methodology for calculating 'Ongoing Charges' to replace Total Expense Ratios. The Board will consider adopting this in due course and when consistent information on the Ongoing Charges of its underlying funds is available.

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.

Report of the Directors (continued)

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 could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring to the Company, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets of the Company. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

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 which are consistent with guidance provided by the Turnbull Committee are described later in the Report of the Directors.

Directors

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

Mr David Harris, Mr Colin McGill and Mr Alistair Stewart, whose biographies appear on page 14, retire by rotation from the Board and, being eligible, offer themselves for re-election. The Board confirms that, following formal performance evaluations, the performance of the Directors seeking re-appointment continues to be effective and demonstrates commitment to the role. The Board believes, therefore, that it is in the interests of shareholders that these Directors are re-elected.

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

Directors' interests

	31 May 2012		31 May 2011	
	Income Shares	**Growth Shares**	Income Shares	Growth Shares
R M Martin	**31,000**	**10,000**	31,000	10,000
D Harris	**2,500**	**2,500**	–	–
C S McGill	**10,000**	**10,000**	10,000	10,000
A G Stewart	**10,000**	**10,000**	10,000	10,000

The office of Director does not require a shareholding.

There have been no changes in the interests of the Directors in the Income shares or Growth shares of the Company since 31 May 2012 up to the date of this report.

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

Conflicts of Interest

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

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

Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act 2006 against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Substantial Interests in Share Capital

At 31 May 2012 the Company had 26,879,936 Income shares and 25,949,843 Growth shares in issue. As at that date the Company had received no notifications of voting rights (under the FSA's Disclosure and Transparency Rules). Since the launch of the Company, the majority of the Income and Growth shares have been held through the F&C retail share plans. Approximately 91 per cent of the Income shares and 97 per cent of the Growth shares are held in this manner. The voting arrangement for these shares is explained on page 28.

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 27 and 28 of this Annual Report and details of the share capital are set out in note 13 to the accounts. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 May 2012, the total issued share capital of the Company (excluding treasury shares) was represented 50.9 per cent by Income shares and 49.1 per cent by Growth shares.

- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of periodic retirement, the Articles of Association provide that each Director is required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected.

- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.

- There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

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

Corporate Governance

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

Under the requirements of the Articles of Association, each Director is required to retire at the

Report of the Directors (continued)

third Annual General Meeting after the Annual General Meeting at which last elected. Directors are appointed for a term of no more than three years, subject to reappointment by shareholders, as recommended by the Code. In addition, the terms of Directors' appointments adhere to the requirements of the Companies Act 2006 and Directors are not appointed for a guaranteed term of more than two years without shareholder approval. Full details of the duties of Directors are provided at the time of appointment.

The Board

The Board consists solely of non-executive Directors. Richard Martin is Chairman and David Harris is the Senior Independent Director. All the Directors are considered by the Board to be independent of the Company's Manager. New Directors receive an induction from the Manager on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Secretary and other parties, including the AIC.

The Company has no executive Directors or employees. A management agreement between the Company and its Manager, F&C Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, corporate governance and risk management procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Company's Manager considers socially responsible investment and actively engages with investee companies. The Board notes the Manager's statement of compliance with The UK Stewardship Code issued by the Financial Reporting Council in July 2010, which can be found on its website at www.fandc.com/ukstewardshipcode.

Board Committees

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

Audit Committee

The Audit Committee is chaired by Colin McGill and comprises the whole Board. The duties of the Audit Committee in discharging its responsibilities include reviewing the Financial Statements, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. The

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Martin	6	5	2	2	1	1	1	1
D Harris	6	6	2	2	1	1	1	1
C S McGill	6	6	2	2	1	1	1	1
A G Stewart	6	6	2	2	1	1	1	1

The table above sets out the number of formal Board and Committee meetings held during the year ended 31 May 2012 and the number of meetings attended by each Director. In addition, committee meetings were held during the year to approve the interim dividends and matters in connection with the Offer for Subscription. With the exception of the chairman, who was unable to attend, all other Directors attended the annual general meeting ('AGM') in September 2011 and all Directors attended the General Meeting in November 2011.

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 £15,000 for the year ended 31 May 2012, (year to 31 May 2011: £5,000) and included £8,000 in relation to the Prospectus issued by the Company in January 2012 and £7,000 for the provision of taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

Remuneration Committee

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

Nomination Committee

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

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 their role.

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 15 and 16 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested principally in listed securities. The Company retains title to all assets held by its custodian. Cash is only held with banks approved and regularly reviewed by the Manager. Notes 18 to 23 to the accounts set out the financial risk profile of the Company and indicate the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

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 and revenue and expenditure projections, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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

Internal Control

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

Such review procedures have been in place throughout the financial year and up to the date of approval of the accounts, and the Board is satisfied with the effectiveness of the internal controls for the year to 31 May 2012. 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 26 September 2012 is set out on pages 57 to 60.

Creditor Payment Policy

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

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of the Company and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in notes 18 to 23 to the accounts.

Recommendation

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

Directors' Authority to Allot Shares

The Directors are seeking authority to allot Income shares and Growth shares. Resolution 7 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £268,700 consisting of 2,687,000 Income shares and new Growth shares up to an aggregate nominal amount of £257,800 consisting of 2,578,000 Growth shares, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 26 July 2012. This authority therefore authorises the Directors to allot up to 5,265,000 shares in aggregate representing approximately 10 per cent of the total share capital in issue (excluding treasury shares). Resolution 8 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £268,700 and new Growth shares up to an aggregate nominal amount of £257,800, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 26 July 2012, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 5,265,000 shares in aggregate for cash on a non pre-emptive basis representing approximately 10 per cent of the total share capital in issue (excluding treasury shares). These authorities will continue until the earlier of 26 December 2013 (being 15 months from the date of the Annual General Meeting in 2012) and the conclusion of the Annual General Meeting in 2013. 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 7 and 8 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 2012, the Company purchased through the market, for treasury 485,000 Income shares, representing 2.2 per cent of the Income shares in issue at the previous financial year end, for a total consideration of £453,000 in accordance with the Company's discount management policy.

During the year to 31 May 2012, the Company purchased through the market, for treasury 1,120,000 Growth shares, representing 5.8 per cent of the Growth shares in issue at the previous financial year end, for a total consideration of £1,046,000 in accordance with the Company's discount management policy.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued Income shares and Growth shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and Resolution 9, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued Income shares and issued Growth shares (in each case, excluding treasury shares) of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 10p per share nor more than the higher of (a) 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will either be held in treasury or cancelled at the determination of the Directors. This authority will expire on the later of 26 December 2013 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 purchased for treasury a further 160,000 Growth shares.

There were 52,669,779 Income shares and Growth shares in issue (excluding treasury shares) as at 26 July 2012; of which 26,879,936 (51.0 per cent) are Income shares and 25,789,843 (49.0 per cent) are Growth shares. At that date, the Company held 485,000 Income shares (1.8 per cent of the total Income share capital) in treasury and 1,615,000 Growth shares (5.9 per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds 2,100,000 shares in treasury representing 3.8 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,

Report of the Directors (continued)

subject to certain conditions (see Resolution 10 following).

Resolution 10, 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 10 is conditional on the passing of Resolution 11.

Resolution 11, 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 11 is not conditional on the passing of Resolution 10.

Articles of Association

Following a consultation process, certain of the statutory rules governing investment trusts and investment companies were amended recently. In particular, the rule which prohibited an investment trust or company from distributing any surplus arising from the realisation of its investments was repealed.

In order to comply with the previous statutory regime, the Company has a provision in its articles of association (the ''Articles'') which expressly prohibits the distribution of any surplus arising from the realisation of any investment/capital profit. Under the new regime this requirement has been abolished. In the light of these amended statutory rules, the Board therefore no longer considers it appropriate to have such a prohibition in the Articles and therefore proposes that it is deleted. Resolution 12 will, if passed, remove this prohibition by deleting article 139(c) and amending article 11. No other changes are being proposed to the Articles. The Board believes that the removal of this restriction will give the Company greater flexibility in the long-term as it will, when the Company is in a positive capital reserves position, allow distributions to be made from any surplus arising from the realisation of an investment. The Directors do not currently intend to make use of this greater flexibility.

A copy of the new Articles marked to show the changes being proposed by Resolution 12 is available for inspection at the addresses set out in the notes to the Notice of Annual General Meeting.

Approval of the proposed Purchase Contract

Resolution 13 gives the Company authority to buy its deferred shares, arising on the conversion of any of the Growth or Income shares into the other class of shares, by way of an off-market purchase in accordance with sections 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

26 July 2012

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

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

Directors' Fees and Remuneration Committee

The Board consists solely of independent non-executive Directors and considers annually the level of Directors' fees, in accordance with the UK Corporate Governance Code. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The Board concluded following the review of Directors' fees for the forthcoming year that as these fees had remained unchanged since the launch of the Company in 2008 and due to increasing demands, in part due to changing legislation, were no longer felt to be sufficiently competitive, and an increase in remuneration levels was agreed with effect from 1 June 2012. The chairman now receives a fee of £22,000 per annum (previously £20,000), the chairman of the audit committee receives a fee of £19,000 per annum (previously £17,000) and the remaining directors receive a fee of £17,000 per annum (previously £15,000).

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

Policy on Directors' Fees

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

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

Directors' Service Contracts

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

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire periodically, and to offer themselves for re-election by shareholders at the third annual general meeting after the annual general meeting at which last elected.

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

Director	Date of Appointment	Due date for Re-election
D Harris	22 February 2008	AGM 2012
C S McGill	22 February 2008	AGM 2012
A G Stewart	22 February 2008	AGM 2012
R M Martin	22 February 2008	AGM 2013

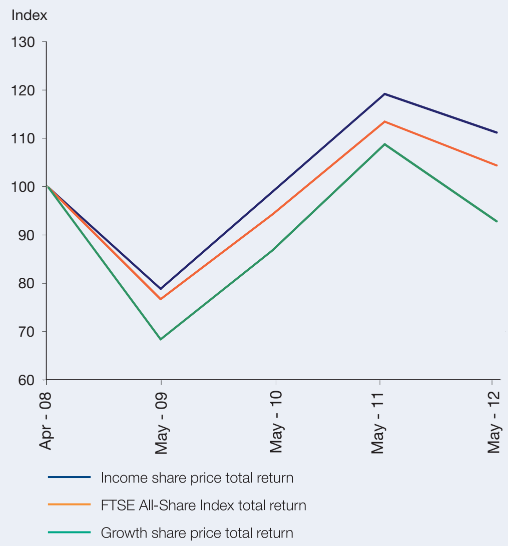
Company Performance

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

Directors' Remuneration Report (continued)

management agreement, as referred to in the Report of the Directors. The graph below compares for the period from launch until 31 May 2012, 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. 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 2012 received the following emoluments in the form of fees:

	Year to 31 May 2012 £	Year to 31 May 2011 £
R M Martin (Chairman)	**20,000**	20,000
D Harris	**15,000**	15,000
C S McGill (Chairman of the Audit Committee)	**17,000**	17,000
A G Stewart	**15,000**	15,000
Total	**67,000**	67,000

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

On behalf of the Board

Richard M Martin

Chairman

26 July 2012

Capital Structure

At 31 May 2012

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.

Capital Structure (continued)

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 2012 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 54 and 55.

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Chairman's Statement, Manager's Review and Business Review contained within the Report of the Directors (together constituting the Management Report) include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.
- 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

26 July 2012

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 2012 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the F&C Managed Portfolio Trust plc 2012 Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2012 and of its loss 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 21, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

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

26 July 2012

Income Statement

for the year ended 31 May

	Notes	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
(Losses)/gains on investments	10	**–**	**(6,039)**	**(6,039)**	–	7,798	7,798
Foreign exchange gains		**–**	**4**	**4**	–	–	–
Income	3	**1,669**	**–**	**1,669**	1,353	–	1,353
Investment management and performance fees	4	**(82)**	**(218)**	**(300)**	(76)	(244)	(320)
Other expenses	5	**(381)**	**–**	**(381)**	(345)	–	(345)
Return/(loss) on ordinary activities before finance costs and tax		**1,206**	**(6,253)**	**(5,047)**	932	7,554	8,486
Finance costs	6	**(11)**	**(17)**	**(28)**	(5)	(7)	(12)
Return/(loss) on ordinary activities before tax		**1,195**	**(6,270)**	**(5,075)**	927	7,547	8,474
Tax on ordinary activities	7	**(7)**	**–**	**(7)**	–	–	–
Return/(loss) attributable to shareholders		**1,188**	**(6,270)**	**(5,082)**	927	7,547	8,474
Return/(loss) per Income share	9	**5.04p**	**(12.84)p**	**(7.80)p**	4.20p	16.41p	20.61p
Return/(loss) per Growth share	9	**–**	**(15.57)p**	**(15.57)p**	–	20.74p	20.74p

The total column of this statement is the Profit and Loss Account of the Company. The supplementary revenue and capital columns are prepared under guidance published by The Association of Investment Companies.

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

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

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

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

Balance Sheet

as at 31 May

	Notes	**2012** Income Shares £'000	**2012** Growth Shares £'000	**2012** Total £'000	2011 Income Shares £'000	2011 Growth Shares £'000	2011 Total £'000
Fixed assets							
Investments at fair value	10	**25,196**	**24,154**	**49,350**	24,421	20,398	44,819
Current assets							
Debtors	11	**58**	**54**	**112**	30	22	52
Cash at bank and on deposit		**–**	**271**	**271**	–	333	333
		58	**325**	**383**	30	355	385
Creditors							
Amounts falling due within one year	12	**(562)**	**(94)**	**(656)**	(1,197)	(82)	(1,279)
Net current (liabilities)/assets		**(504)**	**231**	**(273)**	(1,167)	273	(894)
Net assets		**24,692**	**24,385**	**49,077**	23,254	20,671	43,925
Capital and reserves							
Called-up share capital	13	**2,736**	**2,740**	**5,476**	2,256	1,956	4,212
Share premium	14	**4,967**	**7,876**	**12,843**	729	654	1,383
Capital redemption reserve	14	**–**	**182**	**182**	–	182	182
Special reserve	14	**18,927**	**15,824**	**34,751**	19,380	16,870	36,250
Capital reserves	14	**(2,529)**	**(2,237)**	**(4,766)**	495	1,009	1,504
Revenue reserve	14	**591**	**–**	**591**	394	–	394
Shareholders' Funds	15	**24,692**	**24,385**	**49,077**	23,254	20,671	43,925
Net asset value per share (pence)	15	**91.86p**	**93.97p**		103.09p	107.52p	

Approved by the Board and authorised for issue on 26 July 2012 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	**2012** Income Shares £'000	**2012** Growth Shares £'000	**2012** Total £'000	2011 Income Shares £'000	2011 Growth Shares £'000	2011 Total £'000
Operating activities							
Investment income received, net of withholding tax suffered		**1,179**	**418**	**1,597**	1,075	283	1,358
Deposit interest received		**–**	**3**	**3**	1	2	3
Investment management and performance fees paid		**(260)**	**(120)**	**(380)**	(124)	(108)	(232)
Other cash payments		**(182)**	**(206)**	**(388)**	(172)	(168)	(340)
Net cash inflow from operating activities	16	**737**	**95**	**832**	780	9	789
Servicing of finance							
Interest paid on bank borrowings		**(29)**	**–**	**(29)**	(10)	–	(10)
Net cash outflow from servicing of finance		**(29)**	**–**	**(29)**	(10)	–	(10)
Capital expenditure and financial investment							
Purchases of investments		**(4,534)**	**(8,995)**	**(13,529)**	(3,518)	(3,888)	(7,406)
Disposals of investments		**1,077**	**1,865**	**2,942**	1,003	2,159	3,162
Net cash outflow from capital expenditure and financial investment		**(3,457)**	**(7,130)**	**(10,587)**	(2,515)	(1,729)	(4,244)
Equity dividends paid		**(991)**	**–**	**(991)**	(964)	–	(964)
Net cash outflow before financing		**(3,740)**	**(7,035)**	**(10,775)**	(2,709)	(1,720)	(4,429)
Financing							
Issue of new shares		**4,801**	**8,145**	**12,946**	646	419	1,065
Expenses of offer for subscription		**(76)**	**(126)**	**(202)**	–	–	–
Shares purchased to be held in treasury		**(453)**	**(1,046)**	**(1,499)**	–	(493)	(493)
Sale of shares from treasury		**–**	**–**	**–**	374	1,771	2,145
Net cash inflow from financing		**4,272**	**6,973**	**11,245**	1,020	1,697	2,717
Increase/(decrease) in cash	17	**532**	**(62)**	**470**	(1,689)	(23)	(1,712)
Reconciliation of net cash flow to movement in net (debt)/cash							
Increase/(decrease) in cash in the year		**532**	**(62)**	**470**	(1,689)	(23)	(1,712)
Opening net (debt)/cash		**(972)**	**333**	**(639)**	717	356	1,073
Closing net (debt)/cash	17	**(440)**	**271**	**(169)**	(972)	333	(639)

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 May 2012

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

for the year ended 31 May 2011

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
Opening shareholders' funds		18,646	15,052	33,698
Increase in share capital in issue	13	646	419	1,065
Sale of shares from treasury	13	374	1,771	2,145
Shares purchased for treasury	13	–	(493)	(493)
Transfer of net income to Income shares from Growth shares	2	89	(89)	–
Transfer of capital from Income shares to Growth shares	2	(89)	89	–
Dividends paid	8	(964)	–	(964)
Return attributable to shareholders	2	4,552	3,922	8,474
Closing shareholders' funds		23,254	20,671	43,925

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.

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

(b) Valuation of investments

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

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

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

(c) Income

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

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Dividends from overseas companies are shown gross of any withholding tax.

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

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

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

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

(d) Expenses

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

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

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

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

(e) Taxation

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

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

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

(f) Deferred taxation

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

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

(g) Debt instruments

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

(h) Foreign currencies

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

Rates of exchange at 31 May	**2012** **£'000**	2011 £'000
US dollar	**1.54**	1.65

(i) 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. Gains arising on the resale of shares from treasury are credited to this reserve. The reserve is non-distributable. The balance of this account which arose as a result of the shares issued at launch was subsequently cancelled by the Court of Session to create the Special reserve.

(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 and losses on transactions in own shares, are dealt with in this reserve together with the proportion of management and performance fees, finance charges and taxation allocated to capital. This reserve also includes dividends received of a capital nature.

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

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

1. Accounting policies (continued)

(j) Transfer of capital and revenue

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

2. Segmental analysis

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

The Company's Income Statement, on page 31, can be analysed as follows. This has been disclosed to assist shareholders' understanding, but this analysis is additional to that required by UK GAAP:

Year ended 31 May 2012

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

Year ended 31 May 2011

		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	10	–	3,872	3,872	–	3,926	3,926	–	7,798	7,798
Income	3	1,066	–	1,066	287	–	287	1,353	–	1,353
Investment management and performance fees	4	(53)	(151)	(204)	(23)	(93)	(116)	(76)	(244)	(320)
Other expenses	5	(170)	–	(170)	(175)	–	(175)	(345)	–	(345)
Return on ordinary activities before finance costs and tax		843	3,721	4,564	89	3,833	3,922	932	7,554	8,486
Finance costs	6	(5)	(7)	(12)	–	–	–	(5)	(7)	(12)
Return on ordinary activities before tax		838	3,714	4,552	89	3,833	3,922	927	7,547	8,474
Tax on ordinary activities	7	–	–	–	–	–	–	–	–	–
Return §	9	838	3,714	4,552	89	3,833	3,922	927	7,547	8,474

§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.

Notes to the Accounts (continued)

3. Income

	2012 Income Portfolio £'000	2012 Growth Portfolio £'000	2012 Total £'000	2011 Income Portfolio £'000	2011 Growth Portfolio £'000	2011 Total £'000
Income from listed and quoted investments†						
UK dividend income	**814**	**418**	**1,232**	718	257	975
Overseas dividends	**385**	**35**	**420**	345	28	373
Interest on fixed interest securities	**14**	**–**	**14**	2	–	2
	1,213	**453**	**1,666**	1,065	285	1,350
Other income‡						
Deposit interest	**–**	**3**	**3**	1	2	3
Total income	**1,213**	**456**	**1,669**	1,066	287	1,353
Total income comprises:						
Dividends	**1,199**	**453**	**1,652**	1,063	285	1,348
Other income	**14**	**3**	**17**	3	2	5
	1,213	**456**	**1,669**	1,066	287	1,353

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

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

4. Investment management and performance fees

Year ended 31 May 2012

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

Year ended 31 May 2011

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	53	80	133	23	93	116	76	173	249
Performance fee	–	71	71	–	–	–	–	71	71
	53	151	204	23	93	116	76	244	320

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

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

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

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

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

4. Investment management and performance fees (continued)

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

At 31 May 2012 the total return of the Income Portfolio for the year exceeded that of the FTSE All-Share Index and a Performance fee of £34,000 (2011: £71,000) has been recognised. As the NAV per Income share is less than the Watermark NAV of 103.09p (NAV per Income share at the start of the financial year) payment shall be deferred as described above. At 31 May 2012 the total return of the Growth Portfolio since launch (–4.1%) did not exceed that of the FTSE All-Share Index since launch (4.6%).

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

5. Other expenses

	2012			2011		
	Income Portfolio £'000	**Growth Portfolio £'000**	**Total £'000**	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Auditors' remuneration for:						
– statutory audit*	**11**	**10**	**21**	11	9	20
– taxation and other services (non-audit)*	**4**	**3**	**7**	3	2	5
Directors' fees	**35**	**32**	**67**	36	31	67
Secretarial fees	**46**	**42**	**88**	45	39	84
Marketing	**12**	**11**	**23**	9	8	17
Printing and postage	**17**	**16**	**33**	14	12	26
Private investor share plan expenses	**18**	**55**	**73**	13	38	51
Registrars' fees	**8**	**7**	**15**	8	7	15
Other expenses including custody, listing fees and legal fees	**28**	**26**	**54**	31	29	60
	179	**202**	**381**	170	175	345

*Auditors' remuneration for audit services, exclusive of VAT, amounts to £17,500 (2011: £17,000). Auditors' remuneration for non-audit services, exclusive of VAT, amounts to £6,000 for taxation services (2011: £4,000).

The Manager, F&C Investment Business Limited, receives a secretarial and administrative fee of £73,625 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 £88,000 (2011: £84,000), of which £22,000 (2011: £21,000) 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.

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

6. Finance costs

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

Notes to the Accounts (continued)

6. Finance costs (continued)

Year ended 31 May 2011	Income Portfolio Revenue £'000	Income Portfolio Capital £'000	Income Portfolio Total £'000	Growth Portfolio Revenue £'000	Growth Portfolio Capital £'000	Growth Portfolio Total £'000	Total Revenue £'000	Total Capital £'000	Total Total £'000
Interest on bank borrowings	5	7	12	–	–	–	5	7	12

Interest payable on bank borrowings in the Income Portfolio has been allocated 60 per cent to capital and 40 per cent to revenue. There are no direct bank borrowings in the Growth Portfolio.

7. (a) Tax on ordinary activities

Year ended 31 May 2012

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

Year ended 31 May 2011

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

7. (b) Reconciliation of tax charge

The tax charge for the year is lower than the standard rate of corporation tax in the UK for an investment company of 24 per cent (2011: 26 per cent). The main rate of corporation tax was reduced from 26 per cent to 24 per cent with effect from 1 April 2012 and accordingly a blended rate has been used in the reconciliation below:

	2012 Income Shares £'000	2012 Growth Shares £'000	2012 Total £'000	2011 Income Shares £'000	2011 Growth Shares £'000	2011 Total £'000
(Loss)/return on ordinary activities before tax:	(1,831)	(3,244)	(5,075)	4,552	3,922	8,474
Corporation tax at standard rate of 25.7 per cent (2011: 27.7 per cent)	(471)	(834)	(1,305)	1,261	1,086	2,347
Effects of:						
Losses/(gains) on investments not relievable/taxable	685	867	1,552	(1,072)	(1,088)	(2,160)
Overseas tax suffered	5	2	7	–	–	–
Non taxable UK dividend income	(209)	(107)	(316)	(199)	(71)	(270)
Non taxable overseas dividend income	(99)	(9)	(108)	(95)	(8)	(103)
Expenses not utilised	94	83	177	105	81	186
Current year tax charge (note 7. (a))	5	2	7	–	–	–

As at 31 May 2012, the Company had unutilised expenses of £2,095,000 (2011: £1,398,000). The deferred tax asset of £503,000 (2011: £363,000) in respect of unutilised expenses at 31 May 2012 has not been recognised as it is unlikely that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted.

8. Dividends

Dividends on Income shares	Register Date	Payment Date	**2012 Income Shares Total £'000**	2011 Income Shares Total £'000
Amounts recognised as distributions to shareholders during the year:				
For the year ended 31 May 2011				
– fourth interim dividend of 1.4p per Income share	24 June 2011	8 July 2011	**316**	301
For the year ended 31 May 2012				
– first interim dividend of 1p per Income share	23 September 2011	7 October 2011	**225**	220
– second interim dividend of 1p per Income share	23 December 2011	6 January 2012	**226**	221
– third interim dividend of 1p per Income share	24 February 2012	10 April 2012	**224**	222
			991	964
Amounts relating to the year but not paid at the year end:				
– special interim dividend of 0.3p per Income share†	24 February 2012	6 July 2012	**67**	–
– fourth interim dividend of 1.2p per Income share*	22 June 2012	6 July 2012	**323**	316

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

The dividends paid and payable in respect of the financial year ended 31 May 2012, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2012 £'000	2011 £'000
Revenue available for distribution by way of dividends for the year	**1,188**	927
First interim dividend of 1p per Income share in respect of the year ended 31 May 2012	**(225)**	(220)
Second interim dividend of 1p per Income share in respect of the year ended 31 May 2012	**(226)**	(221)
Third interim dividend of 1p per Income share in respect of the year ended 31 May 2012	**(224)**	(222)
Special interim dividend of 0.3p per Income share† in respect of the year ended 31 May 2012	**(67)**	–
Fourth interim dividend of 1.2p per Income share* in respect of the year ended 31 May 2012	**(323)**	(316)
Revenue reserve transfer (2011: revenue reserve utilised)	**123**	(52)

†Based on 22,397,192 Income shares in issue at the record date of 24 February 2012.

*Based on 26,879,936 Income shares in issue at the record date of 22 June 2012.

Notes to the Accounts (continued)

9. Return per share

The Return per share is as follows:

Year ended 31 May 2012

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

Year ended 31 May 2011

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	838	3,714	4,552	89	3,833	3,922
Transfer of net income from Growth to Income Portfolio	89	–	89	(89)	–	(89)
Transfer of capital from Income to Growth Portfolio	–	(89)	(89)	–	89	89
Return attributable to shareholders	927	3,625	4,552	–	3,922	3,922
Return per share	4.20p	16.41p	20.61p	–	20.74p	20.74p
Weighted average number of shares in issue during the year (excluding shares held in treasury)		22,081,107			18,907,225	

10. Investments

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

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

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

In the prior year to 31 May 2011, all of the Company's investments were also classified as Level 1.

	Level 1			
Income Shares	**Listed in the UK £'000**	**Listed Overseas £'000**	**Quoted on AIM £'000**	**Total £'000**
Opening book cost	19,519	1,309	704	21,532
Opening fair value adjustment	2,763	(218)	344	2,889
Opening valuation	22,282	1,091	1,048	24,421
Movements in the year:				
Reclassification of cost	477	–	(477)	–
Purchases at cost	4,455	–	62	4,517
Sales – proceeds	(1,077)	–	–	(1,077)
– losses on sales based on historical cost	(249)	–	–	(249)
Decrease in fair value adjustment	(1,596)	(229)	(591)	(2,416)
Closing valuation	24,292	862	42	25,196
Closing book cost	23,125	1,309	289	24,723
Closing fair value adjustment	1,167	(447)	(247)	473
Closing valuation	24,292	862	42	25,196

During the year the Income Portfolio incurred transaction costs on purchases of £10,000 (2011: £6,000) and transaction costs on sales of £3,000 (2011: £2,000).

	Level 1		
Growth Shares	**Listed in the UK £'000**	**Listed Overseas £'000**	**Total £'000**
Opening cost	16,901	547	17,448
Opening fair value adjustment	2,979	(29)	2,950
Opening valuation	19,880	518	20,398
Movements in the year:			
Purchases at cost	8,995	–	8,995
Sales – proceeds	(1,865)	–	(1,865)
– losses on sales based on historical cost	(552)	–	(552)
Decrease in fair value adjustment	(2,713)	(109)	(2,822)
Closing valuation	23,745	409	24,154
Closing book cost	23,479	547	24,026
Closing fair value adjustment	266	(138)	128
Closing valuation	23,745	409	24,154

During the year the Growth Portfolio incurred transaction costs on purchases of £25,000 (2011: £9,000) and transaction costs on sales of £5,000 (2011: £5,000).

Notes to the Accounts (continued)

10. Investments (continued)

	2012			2011		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Equity shares	**24,605**	**24,154**	**48,759**	23,993	20,398	44,391
Fixed income securities	**591**	**–**	**591**	428	–	428
	25,196	**24,154**	**49,350**	24,421	20,398	44,819

	2012			2011		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
(Losses)/gains on sales in the year	**(249)**	**(552)**	**(801)**	(202)	117	(85)
Movement in fair value of investments held	**(2,416)**	**(2,822)**	**(5,238)**	4,074	3,809	7,883
(Losses)/gains on investments	**(2,665)**	**(3,374)**	**(6,039)**	3,872	3,926	7,798

11. Debtors

	2012			2011		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Accrued income	**48**	**45**	**93**	19	12	31
Other debtors and prepayments	**10**	**9**	**19**	11	10	21
	58	**54**	**112**	30	22	52

12. Creditors: amounts falling due within one year

	2012			2011		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Management fee accrued	**36**	**36**	**72**	37	32	69
Performance fee provision	**34**	**–**	**34**	117	–	117
Secretarial fee accrued	**11**	**11**	**22**	11	10	21
Due to broker	**–**	**–**	**–**	21	–	21
Offer for subscription costs accrued	**7**	**13**	**20**	–	–	–
Other accruals	**34**	**34**	**68**	39	40	79
Bank borrowing	**440**	**–**	**440**	972	–	972
	562	**94**	**656**	1,197	82	1,279

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

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

13. Share capital

	£'000
Authorised share capital at 31 May 2012 and 31 May 2011	
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 2011	22,557,192	2,256	–	–	22,557,192	2,256
Purchased to be held in treasury	–	–	(485,000)	(48)	(485,000)	(48)
Issued	4,807,744	480	–	–	4,807,744	480
Balance at 31 May 2012	**27,364,936**	**2,736**	**(485,000)**	**(48)**	**26,879,936**	**2,688**

During the year the Company bought back 485,000 (2011: nil) Income shares at a cost of £453,000 (2011: £nil) to be held in treasury and resold out of treasury nil (2011: 427,000) Income shares, receiving net proceeds of £nil (2011: £374,000). At 31 May 2012 the Company held 485,000 (2011: nil) Income shares in treasury. A further 4,807,744 (2011: 650,000) Income shares were issued for net proceeds of £4,718,000 (2011: £646,000).

	Listed		Held in Treasury		In Issue	
	Number	£'000	Number	£'000	Number	£'000
Growth Shares of 10p each						
Balance at 1 June 2011	19,560,567	1,956	(335,000)	(33)	19,225,567	1,923
Purchased to be held in treasury	–	–	(1,120,000)	(112)	(1,120,000)	(112)
Issued	7,844,276	784	–	–	7,844,276	784
Balance at 31 May 2012	**27,404,843**	**2,740**	**(1,455,000)**	**(145)**	**25,949,843**	**2,595**
Total	**54,769,779**	**5,476**	**(1,940,000)**	**(193)**	**52,829,779**	**5,283**

During the year the Company bought back 1,120,000 (2011: 485,000) Growth shares at a cost of £1,046,000 (2011: 493,000) to be held in treasury and resold out of treasury nil (2011: 1,910,000) Growth shares receiving net proceeds of £nil (2011: £1,771,000). At 31 May 2012 the Company held 1,455,000 (2011: 335,000) Growth shares in treasury. A further 7,844,276 (2011: 440,000) Growth shares were issued for net proceeds of £8,006,000 (2011: £419,000).

Shareholder entitlements

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

The entitlements of the Income shares and the Growth shares are set out in the ''Capital Structure'' section on pages 27 and 28 of this report.

Notes to the Accounts (continued)

14. 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 2011	729	19,380	(2,394)	2,889	394
Losses on investments	–	–	(249)	(2,416)	–
Issuance of shares	4,321	–	–	–	–
Expenses of offer for subscription	(83)	–	–	–	–
Income shares purchased for treasury	–	(453)	–	–	–
Management and performance fees charged to capital	–	–	(119)	–	–
Interest charged to capital	–	–	(17)	–	–
Foreign exchange gains	–	–	4	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	227
Transfer of capital from Income to Growth Portfolio	–	–	(227)	–	–
Net revenue for the year	–	–	–	–	961
Dividends paid	–	–	–	–	(991)
At 31 May 2012	4,967	18,927	(3,002)	473	591

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 2011	654	182	16,870	(1,941)	2,950	–
Losses on investments	–	–	–	(552)	(2,822)	–
Issuance of shares	7,361	–	–	–	–	–
Expenses of offer for subscription	(139)	–	–	–	–	–
Growth shares purchased for treasury	–	–	(1,046)	–	–	–
Management fees charged to capital	–	–	–	(99)	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(227)
Transfer of capital from Income to Growth Portfolio	–	–	–	227	–	–
Net revenue for the year	–	–	–	–	–	227
At 31 May 2012	7,876	182	15,824	(2,365)	128	–

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.

15. Net asset value per share

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

Year ended 31 May 2012

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

Year ended 31 May 2011

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	103.09p	107.52p	23,254	20,671

The net asset value per Income share is calculated on net assets of £24,692,000 (2011: £23,254,000), divided by 26,879,936 (2011: 22,557,192) 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 £24,385,000 (2011: £20,671,000), divided by 25,949,843 (2011: 19,225,567) Growth shares, being the number of Growth shares in issue at the year end (excluding shares held in treasury).

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

	2012			2011		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Net (loss)/return before finance costs and taxation	(1,803)	(3,244)	(5,047)	4,564	3,922	8,486
Withholding tax suffered	(5)	(2)	(7)	–	–	–
Foreign exchange gains	(4)	–	(4)	–	–	–
Losses/(gains) on investments	2,665	3,374	6,039	(3,872)	(3,926)	(7,798)
(Increase)/decrease in accrued income	(29)	(33)	(62)	10	(2)	8
Decrease/(increase) in prepayments and other debtors	1	1	2	1	(1)	–
Increase/(decrease) in creditors	(88)	(1)	(89)	77	16	93
Net cash inflow from operating activities	737	95	832	780	9	789

Notes to the Accounts (continued)

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

Income shares

	At 1 June 2011 £'000	Cash flow £'000	**At 31 May 2012 £'000**
Bank borrowing	(972)	532	**(440)**

Growth shares

	At 1 June 2011 £'000	Cash flow £'000	**At 31 May 2012 £'000**
Cash at bank and on deposit	333	(62)	**271**

Total

	At 1 June 2011 £'000	Cash flow £'000	**At 31 May 2012 £'000**
Cash at bank and on deposit	333	(62)	**271**
Bank borrowing	(972)	532	**(440)**
	(639)	470	**(169)**

18. Financial instruments

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

Listed and quoted fixed asset investments held (see note 10) are valued at fair value. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 32.

The fair value of the financial assets and liabilities of the Company at 31 May 2012 and 31 May 2011 is not materially different from their carrying value in the financial statements.

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

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

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

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

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

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

18. Financial instruments (continued)

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

	2012 Income Shares £'000	2012 Growth Shares £'000	2012 Total £'000	2011 Income Shares £'000	2011 Growth Shares £'000	2011 Total £'000
Financial instruments						
Investment portfolio – Level 1 (refer note 10)	25,196	24,154	49,350	24,421	20,398	44,819
Cash at bank and on deposit	–	271	271	–	333	333
Accrued income	48	45	93	19	12	31
Prepayments	10	9	19	11	10	21
Financial liabilities						
Bank borrowing	440	–	440	972	–	972
Other creditors and accruals	122	94	216	225	82	307

19. Market price risk

The management of market price risk is part of the fund management process and is typical of equity and debt investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on the investment portfolios is set out on pages 12 and 13.

If the investment portfolio valuation fell by 10 per cent at 31 May 2012, the impact on the profit or loss and the net asset value would have been negative £2.5 million (Income shares) (2011: negative £2.4 million (Income shares)) and negative £2.4 million (Growth shares) (2011: negative £2.0 million (Growth shares)). If the investment portfolio valuation rose by 10 per cent at 31 May 2012, the effect would have been equal and opposite (2011: equal and opposite). The calculations are based on the portfolio valuation as at the respective balance sheet dates, are not representative of the period as a whole and may not be reflective of future market conditions.

20. Interest rate risk

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

	2012 Income Shares £'000	2012 Growth Shares £'000	2012 Total £'000	2011 Income Shares £'000	2011 Growth Shares £'000	2011 Total £'000
Exposure to floating rates:						
Cash	–	271	271	–	333	333
Bank borrowing	(440)	–	(440)	(972)	–	(972)
Net exposure	(440)	271	(169)	(972)	333	(639)
Maximum net exposure during the year	3,435	8,245		730	905	
Minimum net exposure during the year	(1,540)	62		(1,096)	146	

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising from the investment and risk management processes. If interest rates rose by 0.5%, the impact on the profit and loss and the net asset value would have been on the Income shares a decrease of £2,000 (2011: decrease of £5,000) and on the Growth shares, an increase of £1,000 (2011: an increase of £2,000). If interest rates fell by 0.5%, the effect would have been equal and opposite. The calculations are based on the financial assets and liabilities held and the interest rates ruling at each Balance Sheet date and are not representative of the year as a whole.

Floating rate

When the Company retains cash balances the majority of the cash is held in variable rate bank accounts yielding rates of interest linked to the UK base rate which was 0.5 per cent at 31 May 2012 (2011: 0.5 per cent). There are no other assets which are directly exposed to floating interest rate risk. The cost of the Company's borrowing facility from its custodian JPMorgan Chase Bank is linked to the Sterling Overnight Interbank Average Rate (SONIA) which was 0.49 per cent at 31 May 2012 (2011: 0.54 per cent).

Notes to the Accounts (continued)

20. Interest rate risk (continued)

Fixed rate

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

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

	2012			2011		
	£'000	**Weighted average interest rate**	**Average duration until maturity**	£'000	Weighted average interest rate	Average duration until maturity
Fixed interest investments	**591**	**3.5%**	**6.2 years**	428	3.5%	6.8 years

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

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

Non-interest bearing investments

The Company's non-interest bearing investments are its equity investments which had a value of £24,605,000 (2011: £23,993,000) for the Income portfolio and £24,154,000 (2011: £20,398,000) for the Growth portfolio.

21. Foreign currency risk

The Company may invest in overseas securities which give rise to currency risks. At 31 May 2012, direct foreign currency exposure was:

	2012			2011		
	Income Shares Investments £'000	**Growth Shares Investments £'000**	**Total £'000**	Income Shares Investments £'000	Growth Shares Investments £'000	Total £'000
US dollar	**540**	**–**	**540**	–	–	–

If the value of sterling had weakened against the US dollar by 10 per cent, the impact on the profit or loss and the net asset value would have been £54,000 (Income shares) (2011: £nil (Income shares)). If the value of sterling had strengthened against the US dollar by 10 per cent the effect would have been equal and opposite.

As the remainder of the Company's investments and all other assets and liabilities are denominated in sterling there is no other direct foreign currency risk. However, although the Company's performance is measured in sterling and the Company's investments (other than the above) are denominated in sterling, a proportion of their underlying assets are quoted in currencies other than sterling. Therefore movements in the rates of exchange between sterling and other currencies may affect the market price of the Company's investment portfolios and therefore the market price risk note 19 includes an element of currency exposure.

22. Credit risk

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

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

	2012			2011		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	**–**	**271**	**271**	–	333	333
Accrued income	**48**	**45**	**93**	19	12	31
	48	**316**	**364**	19	345	364

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

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

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

23. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given that the Company's listed and quoted securities are considered to be readily realisable.

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses which are settled in accordance with suppliers stated terms. During the year, the Company had a borrowing facility with its custodian JPMorgan Chase Bank which is repayable on demand. All liabilities are considered to be repayable on demand for a consideration equal to the carrying value of the liabilities as disclosed in note 12.

Notes to the Accounts (continued)

23. Liquidity risk (continued)

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

2012	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
Income shares				
Current liabilities				
Bank borrowing	440	–	–	440
Other creditors	88	34	–	122
	528	34	–	562
Growth shares				
Current liabilities				
Other creditors	94	–	–	94
	622	34	–	656

2011	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
Income shares				
Current liabilities				
Bank borrowing	972	–	–	972
Other creditors	225	–	–	225
	1,197	–	–	1,197
Growth shares				
Current liabilities				
Other creditors	82	–	–	82
	1,279	–	–	1,279

24. Related parties

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

As at 31 May 2012, and as shown on pages 12 and 13 the Company held investments in British Assets Trust, European Assets Trust, Investors Capital Trust and TR Property Investment Trust which are also managed by F&C, the Investment Manager, or another member of the F&C Group.

Mr Martin (the chairman of the Company) is also a non-executive director of Montanaro European Smaller Companies Trust ('MESCT'). During the year, the Growth Portfolio acquired a further 50,000 ordinary shares in MESCT at a cost of £200,000. The total holding of 150,000 shares in MESCT was valued at £548,000 at the year end. In the prior year, 100,000 ordinary shares in MESCT were acquired at a cost of £420,000 which were valued at £466,000 at 31 May 2011.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 25 and 26, 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 18. 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 and note 12. Note 12 details the outstanding balances with the Manager at the year end.

Shareholder Information

Share Prices and Daily Net Asset Value

The Company's Income shares and Growth shares are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the *Financial Times*. The net asset value of the Company's shares are released to the market daily, on the working day following the calculation date. They are available, with other regulatory information, through the National Storage Mechanism at www.hemscott.com/nsm.do or can be obtained by contacting F&C Investment Business Limited Investment Services on 0845 600 3030.

Dividends

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

Change of Address

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

Profile of the Company's Ownership

% of Income Shares held at 31 May 2012		% of Growth Shares held at 31 May 2012	
F&C Management Limited Retail Savings Plans	91.1%	F&C Management Limited Retail Savings Plans	96.8%
Individuals and Private Client Stockbrokers	8.9%	Individuals and Private Client Stockbrokers	3.2%
	100.0%		100.0%

Financial Calendar 2012/2013

26 September 2012	Annual General Meeting
28 September 2012	Deadline for submitting Conversion Instructions
October 2012	Interim Management Statement for the quarter to 31 August 2012
5 October 2012	First interim dividend paid (XD Date 19 September 2012)
25 October 2012	Share Conversion Facility date
January 2013	Second interim dividend paid (XD Date 19 December 2012)
January 2013	Announcement of Interim Results for six months to 30 November 2012
April 2013	Third interim dividend paid (XD Date March 2013)
April 2013	Interim Management Statement for the quarter to 28 February 2013
July 2013	Fourth interim dividend paid (XD Date June 2013)
July 2013	Announcement of Annual Results and Posting of Annual Report
September 2013	Annual General Meeting

Warning to shareholders – Boiler Room Scams

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

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/pages/register/
- Report the matter to the FSA by calling 0845 606 1234
- If the calls persist, hang up.

More detailed information on this can be found on the CFEB website www.moneymadeclear.fsa.gov.uk

Shareholder Information (continued)

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 25 October 2012 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 25 October 2012 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 25 October 2012 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 25 October 2012 Conversion is 10% of the Income shares and 10% of the Growth shares in issue.

Conversion ratio

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

Result

It is anticipated that, within 9 working days of the Conversion Date or the Deferred Conversion Date, the Company will send to each holder of converting shares that are in certificated form a definitive certificate for the appropriate number of shares arising on conversion and a new certificate for any unconverted shares. 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 25 July 2012, being the latest practicable date before the approval of the Annual report and accounts were:

	Income shares (p)	Growth shares (p)
2 January 2012	89	89
1 February 2012	93	95
1 March 2012	97	101
2 April 2012	96	99
1 May 2012	96	98
1 June 2012	91	92
25 July 2012	92	94

Future conversions

It is intended that, following the next conversion in October 2012, the conversion facility will be offered annually or close to annually thereafter.

How do I convert?

Conversion instructions must be received by 5pm on 28 September 2012 in respect of the 25 October 2012 Conversion Date.

If you hold your shares:

1. through an Investment Product managed or marketed by F&C Management Limited please download a ''Plan'' conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 30 July 2012.

2. in certificated form, please download a ''Certificated'' conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 30 July 2012.

   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 30 July 2012.

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

How to Invest

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

F&C Private Investor Plan
A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax efficient investment (£11,280 for the 2012/13 tax year) with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ('CTF')
The CTF is a long-term tax-free savings account for eligible children born between 1 September 2002 and 2 January 2011, using the government's CTF voucher. If your child has a CTF with another provider, you can switch it to F&C – this is simple and straight forward. The maximum that can be invested annually is £3,600 and you can invest from as little as £25 a month.

F&C Children's Investment Plan
Aimed at children ineligible 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. You can also make additional lump sum top-ups at any time from £100.

F&C Junior ISA ('JISA')
This is a tax-efficient saving plan for children who did not qualify for a CTF. It allows you to invest up to £3,600 each year, with all the tax benefits of the old CTF that it replaces. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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

How to Invest
You can invest in all our savings plans online, except for the CTF. It's simple to register and invest using your debit card. Alternatively, please contact us for application forms.

Prospective Investors:

Contact our Investor Services Team:

Call:	**0800 136 420***
Email:	**info@fandc.com**
Investing online:	**www.fandc.com**

Existing Plan Holders:

Contact our Investor Services Team:

Call:	**0845 600 3030***
Email:	**investor.enquiries@fandc.com**
By post:	F&C Plan Administration Centre PO Box 11114 Chelmsford CM99 2DG

*9:00am–5:00pm, weekdays, calls may be recorded.

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

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

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of F&C Managed Portfolio Trust plc will be held at Exchange House, Primrose Street, London, on Wednesday 26 September 2012 at 12.30 pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 7 and 10 will be proposed as Ordinary Resolutions and Resolutions 8, 9, 11, 12 and 13 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 May 2012 be received.
2. To approve the Directors' Remuneration Report for the year to 31 May 2012.
3. That David Harris, who retires by rotation, be re-elected as a Director.
4. That Colin S McGill, who retires by rotation, be re-elected as a Director.
5. That Alistair G Stewart, who retires by rotation, be re-elected as a Director.
6. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.
7. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the ''Act'') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (''Securities'') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £268,700 in respect of Income Shares and £257,800 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

8. That, subject to the passing of resolution number 7, 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 7 as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

   (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

   (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £268,700 in respect of Income Shares and £257,800 in respect of Growth Shares (being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 26 July 2012) 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).

Notice of Annual General Meeting (continued)

9. 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[1];

   (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 26 December 2013 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

10. That, subject to the passing of Resolution 11 to be proposed at the Annual General Meeting of the Company convened for 26 September 2012 (''Resolution 11''), 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 11, provided always that Income and/or Growth Shares will only be resold from treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which such Income and/or Growth Shares are to be resold must be less than the average discount at which Income and/or Growth Shares held in treasury have been repurchased and, second, the net asset value dilution associated with the sale of treasury shares in any one financial year must not exceed 0.5 per cent of net assets.

Special Resolutions

11. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (the ''Act'') to sell equity securities (within the meanings of section 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £268,700 in respect of Income Shares and £257,800 in respect of Growth Shares and shall expire on the earlier of 26 December 2013 and the conclusion of the Annual General Meeting of the Company to be held in 2013, 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

[1]Following Resolution 9 becoming effective the maximum aggregate number of shares hereby authorised to be purchased shall be 4,029,302 Income shares and 3,865,897 Growth shares (or, if less, 14.99 per cent of the number of Income shares and 14.99 per cent of the Growth shares in issue (excluding Treasury shares) immediately prior to the passing of this resolution)

the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

12. That, 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.

13. That the proposed Purchase Contract (as defined in the annual report and accounts published by the Company on 26 July 2012) 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

26 July 2012

Notes

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

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com/CREST. 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 24 September 2012 or, in

Notice of Annual General Meeting (continued)

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 24 September 2012 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 26 July 2012 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 27,364,936 Income Shares carrying one vote each and 27,404,843 Growth Shares carrying one vote each. The Company holds 485,000 Income Shares and 1,615,000 Growth Shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 26 July 2012 were 52,669,779 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

8. The Proposed Purchase Contract will be available for inspection at the Annual General Meeting. The Proposed Purchase Contract will also be available at the Company's registered office 15 days prior to the AGM.

9. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and for 15 minutes prior to, and during, the Annual General Meeting.

10. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.fcmanagedportfolio.co.uk.

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

12. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditors) setting out any matter relating to the audit of the Company's accounts, including the auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to 80 George Street, Edinburgh EH2 3BU.

13. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

14. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 16 below, may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) the resolution must not be defamatory of any person, frivolous or vexatious; and (iii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.

15. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 16 below, may, subject to certain conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) the matter of business must not be defamatory of any person, frivolous or vexatious; and (ii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (c) must be accompanied by a statement setting out the grounds for the request; (d) must be authenticated by the person or persons making it; and (e) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.

16. In order to be able to exercise the members' right to require: (i) circulation of a resolution to be proposed at the Meeting (see note 14); or (ii) a matter of business to be dealt with at the Meeting (see note 15), the relevant request must be made by: (a) a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

17. A copy of the Articles of Association of the Company as proposed to be adopted pursuant to Resolution 12 will be available for inspection at the registered office of the Company and at the offices of Dickson Minto W.S. at Broadgate Tower, 20 Primrose Street, London EC2A 2EW during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice of Annual General Meeting until the conclusion of the Annual General Meeting.

Corporate Information

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

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

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

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

Registrars' Shareholder Helpline
Tel No. 0871 384 2923*

Registrars' Broker Helpline
Tel No. 0871 384 2779†

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

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

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

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

Company Number
SC338196

Website
www.fcmanagedportfolio.co.uk

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

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

*Calls to this number are charged at 8p per minute 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 13325

Registered Office

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

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Registrars' Shareholder Helpline: 0871 384 2923*
Registrars' Broker Helpline: 0871 384 2779†
Registrars' Overseas Helpline: +44 121 415 7012

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