F&C Managed Portfolio Trust plc

Annual Report and Accounts

2014

Year to 31 May 2014

F&C Investments

Contents

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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 2014 were £33.0 million (Income shares) and £35.4 million (Growth shares).

Investment Objective

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

The 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 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 page 23.

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 35 and 36.

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

How to Invest

F&C Management Limited operates a number of investment plans which facilitate investment in the Income shares and Growth shares of the Company. Details are contained on page 66.

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

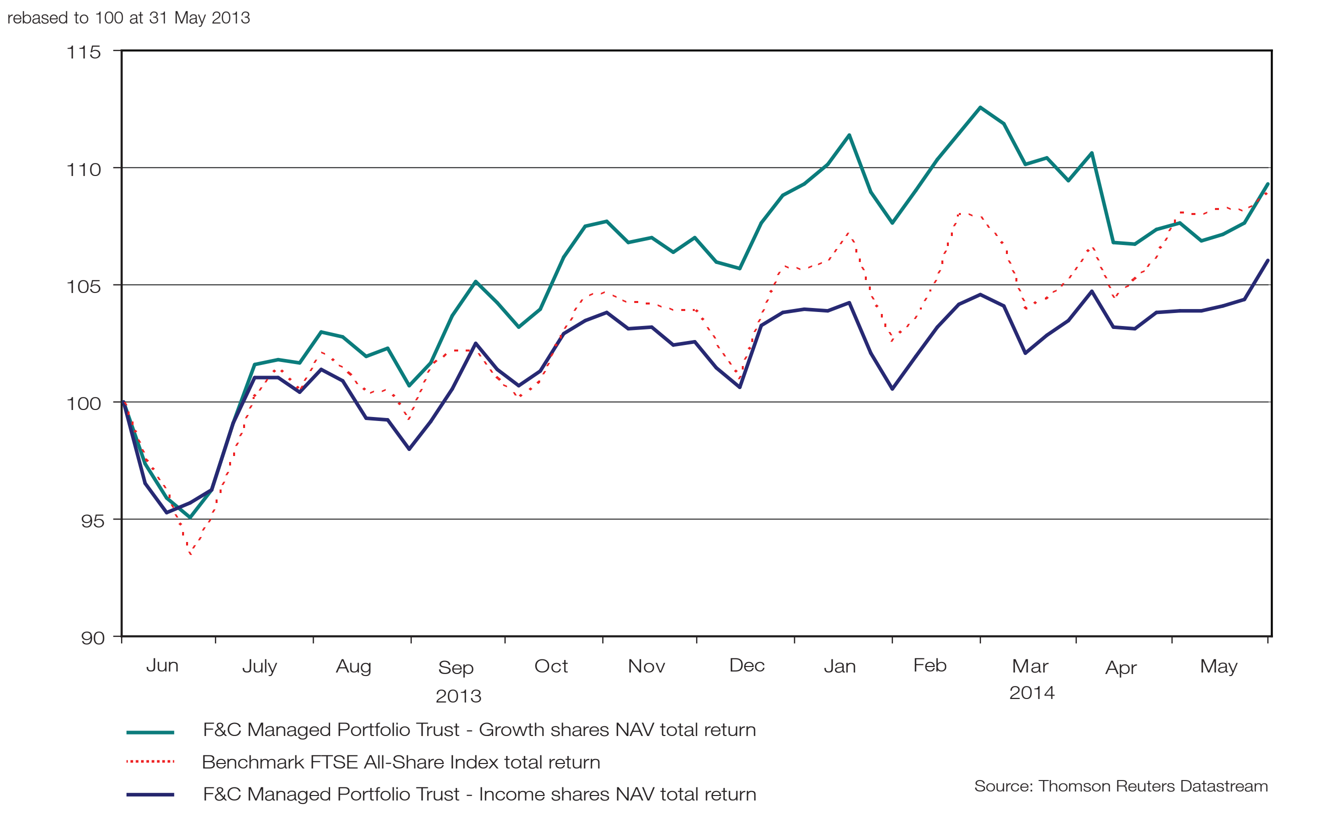
Income Shares

- Annual dividend increased by 4.3% to 4.8p per Income share
- Net asset value total return per share was 6.0%, compared to the FTSE All-Share Index total return of 8.9%
- Dividend yield of 3.9% at 31 May 2014, based on dividends at the current annual rate of 4.8p per Income share, compared to the yield on the FTSE All-Share Index of 3.3%. Dividends are paid quarterly.

Growth Shares

- Net asset value total return per share was 9.3%, compared to the FTSE All-Share Index total return of 8.9%

Net Asset Value per share performance for the year to 31 May 2014



Year end 31 May 2014 Highs/Lows	**Income Shares**		**Growth Shares**	
	High	**Low**	**High**	**Low**
Net asset value per share	**120.0p**	**108.4p**	**140.5p**	**116.5p**
Share price	**123.0p**	**108.5p**	**143.5p**	**114.5p**
Premium/(discount)‡	**4.8%**	**(4.2)%**	**4.8%**	**(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 2014**	31 May 2013	% change
Capital			
Net asset value per share	**119.85p**	117.68p	+1.8
FTSE All-Share Index	**3,655.01**	3,473.82	+5.2
Share Price			
Share price (mid market)	**122.0p**	116.5p	+4.7
Premium/(discount)			
(% difference between share price and net asset value per share)	**1.8%**	(1.0)%	
Total Return for the year ended*			
Net asset value per share	**+6.0%**	+34.2%	
FTSE All-Share Index	**+8.9%**	+30.1%	
Share price (mid market)	**+9.0%**	+33.2%	
Gearing†			
Net Gearing	**1.4%**	1.3%	
Revenue and Dividends			
Revenue return per share (including net income transfer from Growth shares)	**5.56p**	5.20p	
Dividends per share	**4.80p**	4.60p	
Ongoing Charges‡ (excluding any performance fee, as a percentage of the average net asset value)	**1.2%**	1.2%	

Growth Shares	**31 May 2014**	31 May 2013	% change
Capital			
Net asset value per share	**136.41p**	124.78p	+9.3
FTSE All-Share Index	**3,655.01**	3,473.82	+5.2
Share Price			
Share price (mid market)	**136.0p**	123.0p	+10.6
Discount			
(% difference between share price and net asset value per share)	**(0.3)%**	(1.4)%	
Total Return for the year ended*			
Net asset value per share	**+9.3%**	+32.8%	
FTSE All-Share Index	**+8.9%**	+30.1%	
Share price (mid market)	**+10.6%**	+32.3%	
Gearing†			
Net Gearing	**–**	1.4%	
Net cash	**1.0%**	–	
Ongoing Charges‡ (as a percentage of the average net asset value)	**1.2%**	1.2%	

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

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

‡ The total expenses (both revenue and capital) incurred by the Company (excluding finance costs and any performance fee) divided by the average net asset value in the year. The ongoing charges figure at 31 May 2013 excludes private investor share plan expenses as, from 6 April 2013, the Company no longer incurs these costs. Ongoing charges of the Company's underlying investments have not been included in this calculation.

Sources: F&C Investment Business Limited and Datastream

Chairman's Statement

Richard Martin Chairman

Highlights

- NAV total returns for the Income shares of 6.0% and the Growth shares of 9.3% compared to the FTSE All-Share Index of 8.9%

- Annual dividend increased by 4.3% to 4.8p per Income share for the year

Introduction

Returns this year are more modest in comparison with the exceptional 30% plus in the previous period. They are however, in line with the expected long-run return from equities.

Both share classes are building strong records of out-performance relative to their benchmark over the financial years since inception. Moreover, we have maintained share prices very much in line with NAV throughout the year. This has helped us issue more shares to satisfy continuing demand, raising £2.3 million, net of buy-backs.

We are making good progress with our twin objectives of raising the dividend on the Income shares and building revenue reserves to a prudent level.

Our Investment Manager, Peter Hewitt, has provided a very comprehensive account of the events of the year and his management, and I commend it to you.

Performance

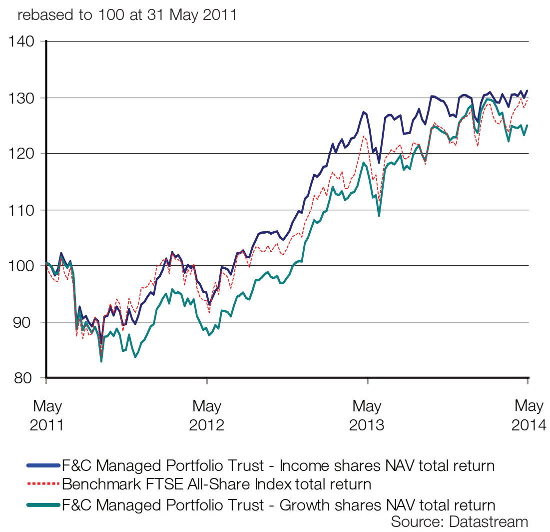
Net asset value total return

For the Company's financial year to 31 May 2014, the NAV total return (i.e. adding dividends paid to capital performance) was 6.0% for the **Income** shares and 9.3% for the **Growth** shares. The total return for the benchmark index for both Portfolios, the FTSE All-Share Index was 8.9%, while the Investment Company sector, as measured by the FTSE Equity Investment Instruments Index, returned 6.9%.

This is the first financial year since launch that the NAV total return for the **Income** shares has lagged the benchmark but longer term performance continues to be very strong. Over the 3 years and 5 years to 31 May 2014, the **Income** shares NAV total return is 32.9% and 104.9% respectively, outperforming the respective benchmark returns of 30.3% and 92.8%.

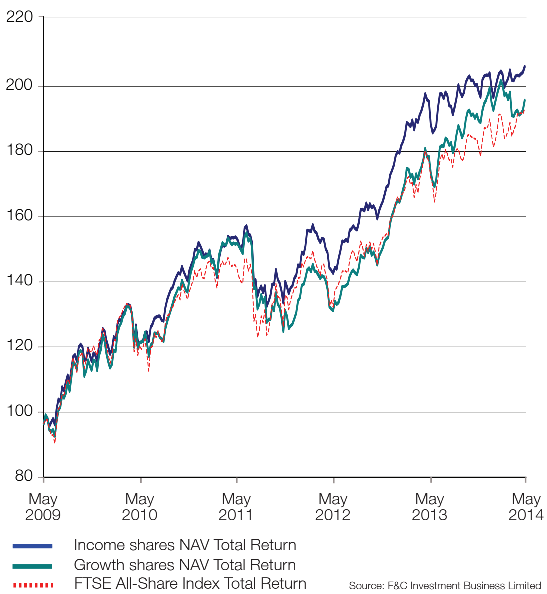
The **Growth** shares were ahead of the benchmark for the financial year and the NAV total return for the Growth shares has now outperformed the benchmark in four of the six financial years since launch. Over the 3 years and 5 years to 31 May 2014, the **Growth** shares NAV total return is 26.9% and 95.5% as compared to the benchmarks set out above.

3 Year Net Asset Value per share performance



5 Year Net Asset Value per share performance

rebased to 100 at 31 May 2009



Revenue and dividends

During the year, the Company's net revenue return increased to 5.56p per Income share from 5.20p per Income share. This was achieved through growth in income in both Portfolios combined with decreased operating costs. As I highlighted last year; from 6 April 2013 the Company no longer incurs costs for the F&C private investor share plans which has resulted in a saving this year of approximately 0.3p per Income share.

For the year ended 31 May 2014, four interim dividends have now been paid totalling 4.8p per Income share. This represents an increase of 0.2p or 4.3% from the prior year to 31 May 2013. The fourth interim dividend was paid after the year end on 4 July 2014. After recognising all dividends for the year, we were able to add £194,000 to the revenue reserve, which now totals £559,000 or 2.02p per Income share.

As part of a strategy review in 2013, the board adopted the twin objectives of aiming to increase the total dividends paid each year to Income shareholders and of maintaining a revenue reserve equivalent to 6 months dividends. In the current year we have both increased the annual dividend to Income shareholders (by 4.3%) and increased the revenue reserve from 30% to 42% of the annual dividend cost which is encouraging.

As the total annual dividend rate has increased in recent years, we intend to make the quarterly interim dividends of more equal amounts. In the absence of unforeseen circumstances, your Board intends to declare three interim dividends, each of 1.15p per Income share (previous year: 1.1p), payable in October 2014, January 2015 and April 2015. It is intended that a fourth interim dividend will be paid to Income shareholders in July 2015 with the amount determined as a clearer view emerges of income for the year.

Borrowing

At the time of writing, borrowings in the Income Portfolio total £0.5 million, (approximately 1.5%) and in the Growth Portfolio £0.5 million, (approximately 1.4%). The Board is responsible for the Company's gearing strategy and sets parameters within which the Manager operates. Borrowings are not normally expected to exceed 20% of the total assets of the relevant Portfolio.

During the year the level of gearing ranged between approximately 1% and 4% in the Income Portfolio and 0% to 2% in the Growth Portfolio.

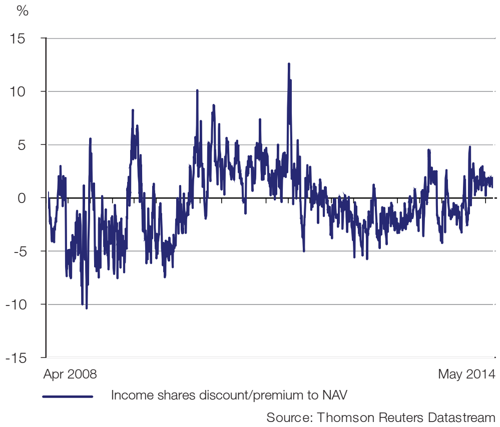
Discounts and share buy-backs

In normal circumstances, we aim to maintain the discount to NAV at which our shares trade, at not more than 5%. We have achieved this, by buying back shares from time to time. During the year to 31 May 2014 we have been able to maintain an average premium of 0.2% for the Income shares and an average discount of 0.6% for the Growth shares. At the year end, the ratings were a premium of 1.8% for the Income shares and a discount of 0.3% for the Growth shares.

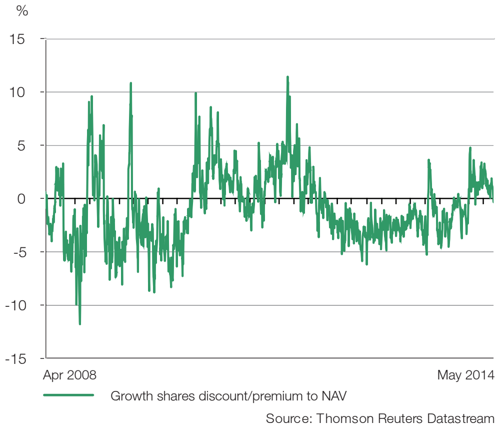
Chairman's Statement (continued)

Discount/Premium to Net Asset Value since launch

Income Shares



Growth shares



During the year, 270,000 Growth shares were bought back to be held in treasury, but a total of 1,175,000 Growth shares were also sold from treasury raising a net £1.27 million. During the year, all 735,000 Income shares which were held in treasury were sold, together with 150,000 Income shares from our block listing authority raising £1.05 million. The Income shares and Growth shares were sold at average premiums to NAV of 1.1% and 1.3% respectively. This enhanced the respective net asset values by £12,000 and £21,000 – small but positive.

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

Alternative Investment Fund Managers Directive ("AIFMD)

As highlighted in the Interim report, shareholders may be aware of the introduction of AIFMD, originating from the European Commission. The Company is an 'alternative investment fund' (AIF), as defined by the AIFMD and will fall within the remit of these new regulations.

Arrangements have been made with the Manager who will act as the Company's Alternative Investment Fund Manager, at no additional cost to the Company. Under the Directive, the Company is also required to appoint a Depositary and the Board have appointed JPMorgan to fulfil this role. Although the use of a depository will result in additional cost to the Company, the Board does not expect this to be significant.

Investment companies have been caught in the AIFMD net, which was intended by Brussels to impose controls on hedge funds and private equity funds. The investment company sector has incurred substantial costs in legal fees in complying with the complicated regulations – with, we believe, little or no benefit to shareholders.

Scottish independence referendum

The referendum on Scottish independence, to be held on 18 September 2014, has caused considerable uncertainty on many accounts. The Company is registered in Scotland while the vast majority of our shareholders are located south of the border. The Board has taken advice and has given consideration to the implications that independence might have for the Company. However, it considers that it is too early to determine how this outcome might affect the Company and its shareholders. As and when the situation clarifies, we will take whatever action is required to protect the interests of our shareholders.

Share plans and conversion facility

Shareholders have the opportunity to convert their Income shares into Growth shares or their Growth shares into Income shares upon certain dates every year subject to minimum thresholds. The next opportunity will be on 23 October 2014. Information is provided in the Shareholder Information section on pages 64 and 65 and full details will be provided on the Company's website (www.fcmanagedportfolio.co.uk) from 28 July 2014. Since launch, no conversion has yet taken place as the number of shares offered for conversion has been well below the minimum threshold. This minimum threshold is set by the Board in order to ensure that costs of a conversion are not incurred which would be disproportionate to the level of converting assets.

AGM

The annual general meeting ("AGM") will be held at 12 noon on Tuesday 23 September 2014 in the offices of F&C Asset Management plc, Exchange House, Primrose Street, London. It will be followed by a presentation from our Investment Manager, Peter Hewitt. This is a good opportunity for shareholders to meet the Board and Manager and I would encourage you to attend.

Outlook

Global growth appears well established even though the Eurozone continues to act as a drag. Over the course of the year, this progress should lead to an increase in company earnings sufficient to support equity markets where ratings appear full, but not excessive.

As we are learning, geo-political risks abound, although markets have so far taken events in Ukraine and the Middle East in their stride.

We believe the Company's record to date demonstrates that our portfolios of investment companies across the world and in many sectors should prove resilient as well as providing attractive returns.

Richard M Martin
Chairman

24 July 2014

Business Model and Strategy

As explained within the Report of the Directors on page 22, the Company carries on business as an investment trust and its Income shares and Growth shares are listed on the official list and traded on the main market of the London Stock Exchange.

Key relationships and responsibilities

The Company's 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 21. The Company has no executive directors or employees.

The Board has contractually delegated the management of the investment portfolios, and other services, to F&C Investment Business Limited (the '**Manager**'). Peter Hewitt acts as Investment Manager (the '**Investment Manager**') to the Company, on behalf of F&C.

Investment Strategy

The Company invests principally in listed closed-ended investment companies and the majority of its holdings comprise equity investments. There is no restriction on the geographic regions and sectors that may be held within the Income Portfolio or Growth Portfolio and the Company invests in those deemed most appropriate for the portfolios and their objectives from time to time. Most of the Manager's research effort is devoted to identifying fund managers who can outperform. An analysis of the Income Portfolio and the Growth Portfolio is contained in the Manager's Review and a full list of their investments can be found on pages 16 to 17.

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 2014, 38 investments were held in the Income Portfolio and 39 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.

Investment Policy

The Company's Investment Policy is set out in detail on page 23.

Gearing Strategy

The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate.

The Company currently has a borrowing facility with its custodian JPMorgan Chase Bank to draw down amounts up to 10 per cent of the value of the Company's assets with its custodian.

Principal Risks

The Company's Principal Risks are set out in detail on page 20.

Marketing Strategy

The Manager continues to promote investment in the Company's shares, which are suitable for retail distribution in the UK as well as professionally advised private clients and institutional investors. Promotion has traditionally been made through the F&C Savings Plans, which remain a cost effective and flexible way to invest in the Company.

The Company is well positioned to be a beneficiary of the Retail Distribution Review and is beginning to see an increase in the number of shares held through investment platforms. The Board hopes to see access to the Company's shares on as many platforms as possible as more and more investors turn to the Direct-to-Consumer execution-only market.

The Board will continue to work closely with the Manager to ensure optimal delivery of the Company's investment proposition through all available channels.

Buy-back strategy

Share buy-backs (and issuance) help reduce the volatility of the share price discount to net asset value per share and enhance the net asset value per share for continuing shareholders. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. There is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold, subject to conditions on dilution to net asset value.

Responsible Ownership

The Manager is a leader in the field of socially responsible investment and, with the support of the Board, actively engages with investee companies and managers of funds in which the Company invests. Environmental policies and social, human rights, community and ethical issues are, therefore, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Company has no employees and the Board is composed entirely of male, non-executive Directors. As an investment trust, the Company has no significant direct social, human rights, community or environmental responsibilities. 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.

Review of Performance and Outlook

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 18.

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 Strategic Report.

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 Investment Manager of the Company. He has over 30 years' investment experience and specialises in investment companies.

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

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 £83 billion (at 31 March 2014) of funds under management.

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

On 7 May 2014, Bank of Montreal completed the acquisition of F&C through its wholly owned subsidiary, BMO Global Asset Management (Europe) Limited. F&C is now part of BMO Financial Group.

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.

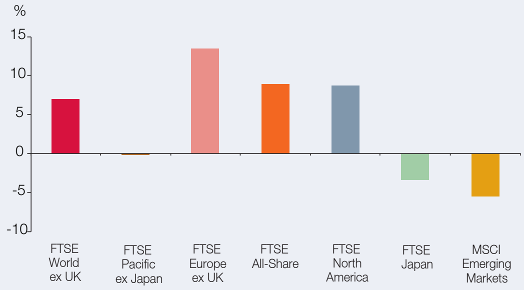
The benchmark index for the Growth Portfolio is the FTSE All-Share Index.

Investment Manager's Review

Stockmarket Background

After the stellar returns achieved by global equity markets in the financial year to 31 May 2013, it was perhaps not unexpected that the financial year under review should be marked by more modest returns from most developed markets. Disappointing performances were recorded by the Japanese and certain Emerging Markets which experienced negative returns over the period. The massive stimulus from the policy of Quantitative Easing, undertaken by the Federal Reserve and the Bank of England to encourage economic activity, was the key driver behind the substantial gains experienced by markets last year. As the present financial year progressed this policy began to have less effect on financial markets generally. Investors became preoccupied by the prospect of when the Federal Reserve would begin to taper down this policy and then, by how much. This created undue volatility although markets managed to take "tapering" in their stride and in the case of the US, UK and Europe still achieved reasonable positive returns for the year.

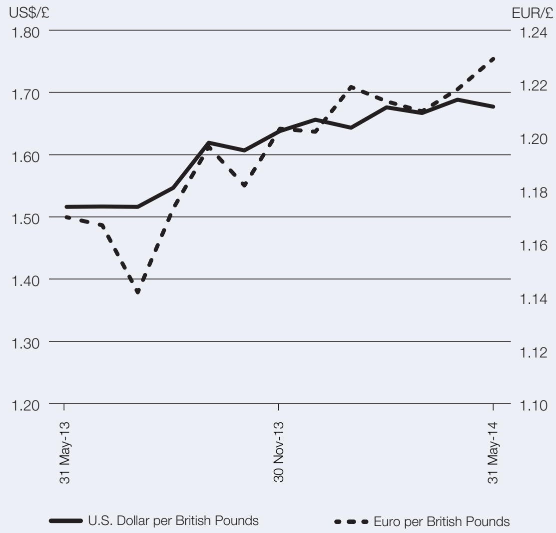
Total Returns for year to 31 May 2014 (sterling)



Source: Datastream

A key feature has been the continued and rather unexpected strength of sterling throughout the year. The currency appreciated 10.6% against the dollar, 5.1% against the Euro and over 11.4% relative to the Japanese Yen. This substantially reduced returns from even strongly performing overseas equity markets when their returns were translated back into sterling. Over the very long term, sterling has been regarded as a weak currency, which enhanced returns from many global equity markets. The financial crisis of 2008 caused very significant declines in the value of sterling, particularly relative to the dollar; however since the lows of early 2009 the UK currency has experienced a rather unlikely but nonetheless steady appreciation against many currencies. A variety of different reasons have been put forward to try to explain the strength of sterling. Certainly in the past year or two, the unexpected strength of the UK economic recovery accompanied by an austerity program, which sought to bear down on historically high levels of government debt, were factors. However, it may simply have been that the economic fundamentals underpinning other currencies were deemed to be worse than those of the UK e.g. the Eurozone. It would take many pages to analyse the causes and effects and even then it is not clear a satisfactory conclusion could be achieved. Importantly from the point of view of sterling based investors there has been a headwind to deal with, particularly over the past year, caused by an appreciating currency when seeking returns from overseas markets.

UK Sterling relative to US Dollar and Euro for the year to 31 May 2014



Despite the effect of sterling strength and still uninspiring economic fundamentals, the best stock market returns came from Europe where the Mediterranean countries and those that had experienced the greatest difficulties during the Eurozone crisis, enjoyed the best returns e.g. Spain, Italy and Greece. The US equity market delivered strong returns in local currency and has continued to consistently make new highs over the year. This has been achieved against a background of over optimistic corporate earnings estimates and

Investment Manager's Review (continued)

valuations of equities trending towards the expensive end of historic ranges. Asian markets generally had a disappointing year, where concerns over slowing demand from China was a key factor behind poor corporate profits results from many companies inside and outside China. In Japan also, the euphoria caused by the policy initiatives and goals of "Abenomics" have given way to a more pragmatic approach towards the equity market from investors because as yet it is too early to determine how successful the policy may be.

Once again a striking feature of financial markets has been a second consecutive year of uninspiring returns from the UK bond market. As an illustration, the yield on 10 year government gilts rose from 2% to 2.6% over the period and the FTSE Government All Stocks Index managed a total return of only 0.5%.

Performance

For the year to 31 May 2014 the FTSE All-Share Index rose by 8.9% (in total return terms). Over the same period the Net Asset Value for the Income Portfolio was ahead by 6.0% whilst that of the Growth Portfolio gained 9.3% (again both in total return terms). This was the first year, since the launch of F&C Managed Portfolio Trust in 2008, that the Income Portfolio had generated returns that lagged those of the principal benchmark. Encouragingly, the Growth Portfolio was slightly ahead of the FTSE All-Share Index in the year under review and both portfolios are ahead of the benchmark over five years.

For comparative purposes the FTSE Equity Investment Instruments Index (which is the Investment Companies sector index and effectively the universe that both portfolios are chosen from) rose by 6.9% over the year under review (also in total return terms). The FTSE World (ex UK) Index (adjusted back into sterling and in total return terms) also rose by 6.9%. This index represents a proxy for global equities where the Investment Companies sector has a bias, with over half its assets invested overseas.

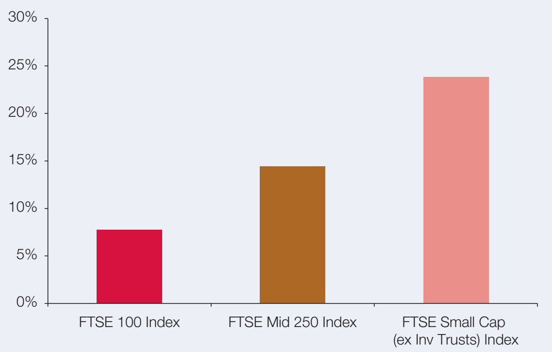
What were the key influences behind performance?

Small and Mid-Cap Effect

This is a very important factor influencing the performance of active fund managers. When medium sized and smaller companies lead the performance of the equity market (in the UK this would be measured by the FTSE Mid 250 Index and the FTSE Small Cap Index excluding investment companies) then there is a good chance that fund managers of investment companies invested in the UK equity market are out performing the main UK equity index. The reason for this is that it is difficult for fund managers to achieve overweight positions in the very largest companies which themselves may comprise a sizeable proportion of the FTSE All-Share Index. Fund managers tend to seek outperformance from holdings in medium and smaller companies which have better growth characteristics than their larger brethren. The past year has generally been favourable for these type of companies who typically prosper when economic activity is recovering and inflation and interest rates are low. The largest companies, as represented by the FTSE 100 Index lead performance at times of financial distress or great uncertainty.

Over the past year the mid and small cap effect has been evident not only in the UK but also Europe and Japan and to a lesser degree the US. The Growth Portfolio is well represented in investment companies which are overweight these areas and this benefitted performance.

Total return for year to 31 May 2014 (Sterling)

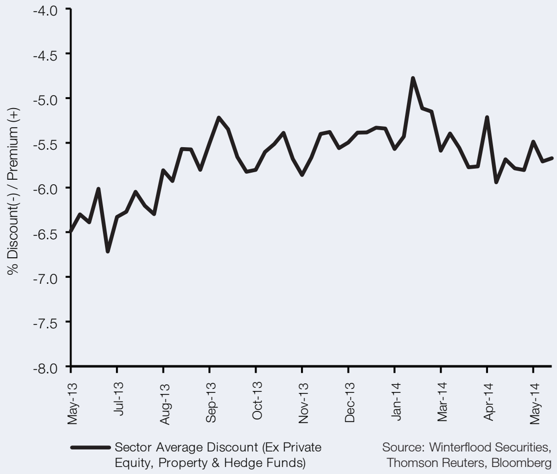


Source: Datastream

Average Sector Discounts

The direction of discounts often plays a part in the performance of investment companies. However, in the past financial year the average sector discount for Investment Companies (excluding private equity, property and hedge funds) started at 6.5% and ended at 5.7% so the effect on performance was modest.

Investment Company Sector Discount Year to 31 May 2014



Gearing

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

Income Portfolio – Contributors and Detractors (all figures total return)

Two principal factors were behind the Income Portfolio lagging the FTSE All-Share Index for the first time since the launch of the trust in April 2008. First, was exposure to a number of Asian Income investment companies. These long time holdings had performed well over a number of years and gave the Income Portfolio exposure to a region that income funds typically do not have much representation. In addition, they also gave welcome diversity to the sources of income for the portfolio so as to prevent an over reliance on well-known names within the FTSE 100 Index. However, as was touched on earlier in the market background section, Asia Pacific markets did not perform well in the last financial year. A slowdown in growth in China and weak corporate profits combined to cause most of the main stockmarkets in the region to fall. Although long term attractions of the Asia Pacific region remain; in the last year, investment companies exposed to the area underperformed. As an example, **Aberdeen Asian Income Fund** -11%, **Henderson Far East Income** -6% and **Schroder Oriental Income Fund** -7%.

The second factor was the difficulty of gaining enough exposure to investment companies with significant exposure to mid and small cap holdings. The reason for that is yield; not many have sufficient dividend yields to merit inclusion in an Income Portfolio.

Some of the leading contributors were investment companies where they did have a reasonable exposure to the strongly performing mid and small cap segments and had dividend yields high enough to be held in an income portfolio. For the second year running **European Assets Trust** +24%, **Mercantile Investment Trust** +20% and **Lowland Investment Company** +20% were amongst the best performers. Indeed for Lowland this was the fourth consecutive year it has been a leading contributor. Strong selection has been a feature for all three funds. The top performer was the **Schroder Real Estate Investment Trust**. Having suffered a near death experience in 2009/10 the trust has recovered and has showed good net asset value progress as the UK property market has recovered strongly. Last year the share price rose by 31% and still has an attractive dividend yield of nearly 5%.

Growth Portfolio – Contributors and Detractors (all figures total return)

As with the Income Portfolio, the holdings which were the main detractors to performance were all in the Asia Pacific region e.g. **Aberdeen Asian Smaller Companies** -18%, **Asian Total Return** -12% and **Edinburgh Dragon Trust** -11%. However, because the Growth Portfolio did not have

Investment Manager's Review (continued)

as high an overall exposure to the region, performance was not as adversely affected.

The best performing holding was **TR Property Investment Trust** which rose 33%. As mentioned earlier, property was a strongly performing asset class and this trust invests mainly in the shares of quoted property companies in the UK and Europe. Underlying holdings, boosted by gearing, experienced strong asset value growth, and also a sharp narrowing of discounts or move to premiums. Next best performer was **Schroder UK Mid Cap Fund** (which was also a leading contributor last year) whose share price gained 32%. Not only was the trust exposed to a strongly performing area of the market, stock selection added value and the discount closed from 10% to 5%. **RCM Technology Trust** and **Herald Investment Trust** were both ahead by 23%. They operate at different ends of the technology sector with the former focussing on exciting companies often based in Silicon Valley in the US, whilst Herald specialises in smaller UK companies in the technology and media sector. Technology stocks generally performed strongly over the past year. Lastly, **Henderson European Focus** gained 27% asset growth, significantly ahead of its benchmark and was enhanced with the share price moving from a 5% discount to a 2% premium over the period.

Investment Strategy and Outlook

The outlook section in last year's annual report concluded by saying that provided overall activity levels recovered, that would be supportive of further gains in equity markets. In this respect a return of nearly 9% from the FTSE All-Share Index, although much less than the previous year, represented reasonable progress. Globally, most major equity markets delivered decent positive returns in local currencies, however, for the sterling based investor, these returns were significantly diluted due to the UK currency's unexpected strength.

What are the prospects for the coming year?

At the time of writing sterling has strengthened further against both the dollar and the Euro to over $1.70 and €1.25 respectively. Forecasting the likely path of currencies is an almost impossible task however it does appear that with the new Governor of the Bank of England hinting that interest rates in the UK may begin edging higher earlier than had been anticipated, there is every chance that sterling will remain firm. No other major countries, certainly not the European Central Bank who recently cut their interest rate, or the Federal Reserve in the US, are likely to increase rates in the near future. If this is the case, then returns from global equities for sterling based investors may again be diluted on translation.

The UK should continue to experience robust growth and although there is the likelihood of a change of direction of interest rates, the overall backdrop remains positive. Similarly, the US economy is growing, albeit at a slower pace. Encouragingly there are indications that this will increase over the balance of the year. The Eurozone remains a mixed bag, however a return to growth is more likely with even some of the countries worst hit by the financial crisis showing signs of recovery. The Asia Pacific region has been affected by slower growth from China and although the evidence from China is sometimes contradictory, there are early indications that growth has begun to stabilise, albeit at lower level.

Last year there was much concern focussed on the prospects of the US Federal Reserve beginning to taper down their policy of Quantitative Easing, which resulted in much volatility in financial markets. A year on this has happened and markets have taken it in their stride. One of investors' major concerns is an indirect result of this policy which has been operated in the US and UK. A prolonged period of historically very low interest rates has had the effect of boosting asset prices. One example would be property values in the UK. Another is equity price levels. In the US, the Standard & Poor's Composite Index is at an all-time high, whilst in the UK, the FTSE 100 Index has moved from below 4000 in March 2009 to around 6850 by the end of May 2014.

The valuation accorded to equities has expanded significantly, such that the price earnings ratio of the UK stockmarket has risen to around 13x. This happened with only modest support from UK corporate earnings which have consistently disappointed over the five years of ultra-low interest rates. To continue to experience gains from current levels, without the market becoming seriously overvalued, will require much stronger corporate earnings. In this regard, supported by rising activity levels, indicators are more positive for a robust recovery. This would be the major pre-requisite for equity markets to progress. As interest rates appear likely to gently move upwards, valuations would come under pressure if not supported by better levels of corporate profits growth.

There may be early signs of a change of leadership within the market, as for the first time since 2011 the FTSE 100 Index which comprises the very largest companies, has begun to outperform medium and smaller sized companies which comprise the FTSE Mid 250 and FTSE Small Company Indices. If this were to continue, it would create a headwind for many active fund managers who find it difficult to be overweight the biggest companies in the Index. In response, the Investment Manager has trimmed exposure to specialist mid cap funds, however over the longer run, superior growth comes from medium and smaller companies which is reflected in the consistent outperformance from these areas.

In terms of investment strategy, the focus of your Investment Manager is to identify and select investment companies which have demonstrated superior performance records within their respective sectors and have good prospects for asset growth.

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

From a longer term investment perspective, although the direction of interest rates will change over the next 12 months they remain at historically low levels and increases are likely to be gentle; inflation is subdued; and growth, particularly in the UK is recovering strongly. Valuations for equities have moved above fair value, however provided overall corporate earnings and dividends grow as anticipated, then that should support further progress in equity markets.

Peter Hewitt
Investment Manager

F&C Investment Business Limited

24 July 2014

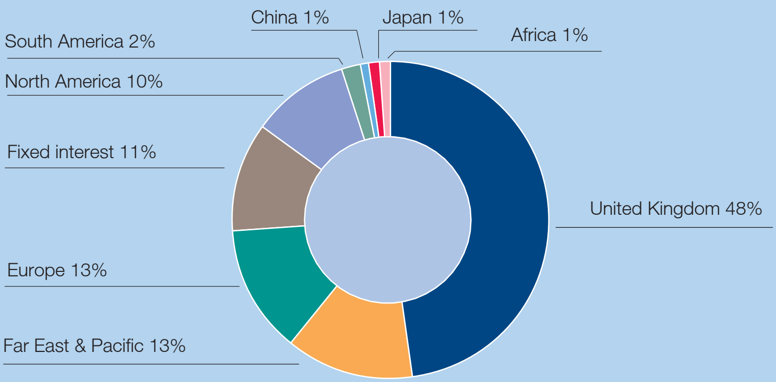
Income Shares

Investment Portfolio at 31 May 2014

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Lowland Investment Company	UK Equity Income	1,740	5.3
Law Debenture Corporation	Global	1,677	5.1
Perpetual Income & Growth Investment Trust	UK Equity Income	1,629	4.9
European Assets Trust†	European Smaller Companies	1,525	4.6
Temple Bar Investment Trust	UK Equity Income	1,440	4.4
Schroder Real Estate Investment Trust	Property Direct – UK	1,391	4.2
City of London Investment Trust	UK Equity Income	1,351	4.1
Invesco Perpetual Enhanced Income Limited	Global High Income	1,254	3.8
Henderson High Income Trust	UK Equity & Bond Income	1,188	3.6
The Mercantile Investment Trust	UK All Companies	1,135	3.5
Ten largest investments		**14,330**	**43.5**
Murray International Trust	Global Equity Income	1,085	3.3
Edinburgh Investment Trust	UK Equity Income	1,068	3.2
JPM Global Emerging Markets Income Trust	Global Emerging Markets	1,016	3.1
Bankers Investment Trust	Global	990	3.0
Henderson International Income Trust	Global Equity Income	970	2.9
Keystone Investment Trust	UK All Companies	954	2.9
Henderson Far East Income	Asia Pacific – excluding Japan	946	2.9
Schroder Oriental Income Fund	Asia Pacific – including Japan	916	2.8
Utilico Emerging Markets	Global Emerging Markets	913	2.7
Aberdeen Asian Income Fund	Asia Pacific – excluding Japan	895	2.7
Twenty largest investments		**24,083**	**73.0**
3i Infrastructure	Infrastructure	762	2.3
Majedie Investments	Global	738	2.3
Investors Capital Trust†	UK Equity & Bond Income	665	2.0
BlackRock North American Income	North America	646	2.0
British Assets Trust†	Global Equity Income	628	1.9
City Merchants High Yield Trust	UK Equity & Bond Income	612	1.9
JPMorgan Global Convertibles Income Fund Limited	Debt	605	1.8
BB Biotech	Biotechnology & Healthcare	596	1.8
BlackRock World Mining	Commodities & Natural Resources	572	1.7
GCP Infrastructure Investments	Infrastructure	544	1.6
Thirty largest investments		**30,451**	**92.3**
Polar Capital Global Financials Trust	Financials	540	1.6
The Merchants Trust	UK Equity Income	511	1.6
Carador Income Fund	Global High Income	504	1.5
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	444	1.3
New City High Yield Fund Limited	UK High Income	396	1.2
Standard Life UK Smaller Companies Trust 3.5% CULS 31/03/18	UK Smaller Companies	386	1.2
Aberdeen Asian Smaller Companies 3.5% CULS 31/05/19	Asia Pacific – excluding Japan	195	0.6
Public Service Properties Investments	Property Direct – UK	87	0.3
Total investments		**33,514**	**101.6**
Net current liabilities		**(536)**	**(1.6)**
Net assets of Income Portfolio		**32,978**	**100.0**

† Investment managed by the 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 2014)

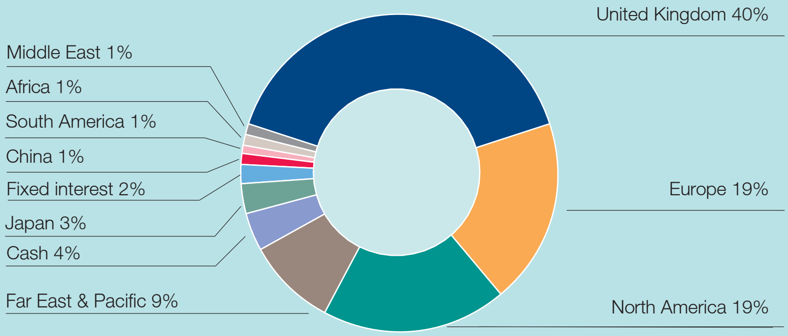
Growth Shares

Investment Portfolio at 31 May 2014

Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
Perpetual Income & Growth Investment Trust	UK Equity Income	1,651	4.7
Lowland Investment Company	UK Equity Income	1,595	4.5
Jupiter European Opportunities Trust	Europe	1,375	3.9
Finsbury Growth & Income Trust	UK Equity Income	1,250	3.5
Diverse Income Trust	UK Equity Income	1,249	3.5
TR Property Investment Trust†	Property Securities	1,240	3.5
Schroder UK Mid Cap Fund	UK All Companies	1,177	3.4
The Mercantile Investment Trust	UK All Companies	1,135	3.2
Polar Capital Technology Trust	Technology Media & Telecom	1,093	3.1
Scottish Mortgage Investment Trust	Global	1,035	2.9
Ten largest investments		**12,800**	**36.2**
JPMorgan American Investment Trust	North America	1,033	2.9
RCM Technology Trust	Technology Media & Telecom	992	2.8
Henderson European Focus Trust	Europe	983	2.8
Graphite Enterprise Trust	Private Equity	971	2.7
Herald Investment Trust	Small Media, Comms & IT Cos.	949	2.7
Genesis Emerging Markets Fund	Global Emerging Markets	940	2.7
BACIT Ltd	Global	937	2.7
Biotech Growth Trust	Biotechnology/Life Sciences	912	2.6
Law Debenture Corporation	Global	891	2.5
Personal Assets Trust	Global	863	2.4
Twenty largest investments		**22,271**	**63.0**
Ruffer Investment Company	Global	862	2.4
Fidelity Special Values	UK All Companies	830	2.3
BH Macro	Hedge Funds	818	2.3
Murray International Trust	Global Equity Income	814	2.3
BlackRock Throgmorton Trust	UK Smaller Companies	798	2.3
Montanaro European Smaller Companies	European Smaller Companies	788	2.2
Worldwide Healthcare Trust	Biotechnology & Healthcare	784	2.2
Edinburgh Worldwide Investment Trust	Global	769	2.2
Montanaro UK Smaller Companies	UK Smaller Companies	764	2.2
European Assets Trust	European Smaller Companies	725	2.0
Thirty largest investments		**30,223**	**85.4**
Schroder UK Growth Fund	UK All Companies	680	1.9
Baillie Gifford Japan Trust	Japan	668	1.9
Edinburgh Dragon Trust	Asia Pacific – excluding Japan	644	1.8
BlackRock Frontiers Investment Trust	Global Emerging Markets	633	1.8
Aberdeen Asian Smaller Companies	Asia Pacific – excluding Japan	629	1.8
Impax Environmental Markets	Environmental	629	1.8
Standard Life European Private Equity Trust	Private Equity	551	1.6
Asian Total Return	Asia Pacific – excluding Japan	550	1.6
Artemis Alpha Trust	UK All Companies	11	0.0
Total investments		**35,218**	**99.6**
Net current assets		**132**	**0.4**
Net assets of Growth Portfolio		**35,350**	**100.0**

† Investment managed by the 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 2014)

Key Performance Indicators

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

- Net asset value total return of the Income shares and Growth shares relative to the total return on the FTSE All-Share Index, the benchmark index.
- Dividend level of the Income shares.
- Discount of the share price of the Income shares and Growth shares, relative to their net asset value.
- Ongoing charges as a percentage of the average net asset value.

A record of these indicators is shown below and contained within the 'Performance Summary' and 'Six Year Record' on pages 3 and 19 respectively. Additional comments are provided in the Chairman's Statement and Manager's Review discussing the performance of the Company over the current year.

Net asset value total return performance to 31 May 2014

	1 year %	3 years %	5 years %
Income NAV total return	6.0	32.9	104.9
Growth NAV total return	9.3	26.9	95.5
Benchmark total return*	8.9	30.3	92.8

*Benchmark: FTSE All-Share Index

Source: F&C Investment Business Limited and Datastream

At 31 May 2014, the Income shares were 6th and 2nd in the Association of Investment Companies ('AIC') group of 10 'Global Equity Income' investment companies in terms of NAV total return performance over one and five years respectively. The Growth shares were 9th in the AIC group of 30 'Global' investment companies in terms of NAV total return over one and five years.

Dividend level of the Income Shares

Financial year to 31 May	**2014**	2013	2012	2011	2010
Annual dividend	**4.8p**	4.6p	4.5p	4.4p	4.4p
Dividend yield†	**3.9%**	3.9%	4.9%	4.3%	4.9%
Yield on FTSE All-Share index	**3.3%**	3.3%	3.8%	3.0%	3.5%

†Based on Income share price at 31 May

Source: F&C Investment Business Limited and Datastream

During the year, the Company paid three interim dividends totalling 3.3p per Income share in respect of the year ended 31 May 2014 and has declared a further dividend of 1.5p per Income share which was paid after the year end, on 4 July 2014. These payments totalling 4.8p per Income share were in respect of the year to 31 May 2014. Based on the current annual rate of 4.8p per Income share and a share price of 122.0p at the year end, this represents a yield of 3.9 per cent.

Average premium/(discount) to NAV

During the financial year to 31 May	Income shares %	Growth shares %
2014	**0.2**	**(0.6)**
2013	(2.1)	(2.7)
2012	0.8	0.9
2011	2.9	1.7
2010	(0.8)	(2.2)

Source: F&C Investment Business Limited

Ongoing Charges

(as a percentage of the average net asset value)

At 31 May	Income shares* %	Growth shares %
2014	**1.2**	**1.2**
2013	1.2	1.2
2012	1.4	1.6
2011	1.4	1.5
2010	1.5	1.5

*Excludes the performance fee

The total expenses (both revenue and capital) incurred by the Company (excluding finance costs and any performance fee) divided by the average net asset value in the year. The ongoing charges figure at 31 May 2013 (and subsequently) excludes private investor share plan expenses as, from 6 April 2013, the Company no longer incurs these costs. Ongoing charges of the Company's underlying investments have not been included in this calculation.

Six Year Record

Income Shares

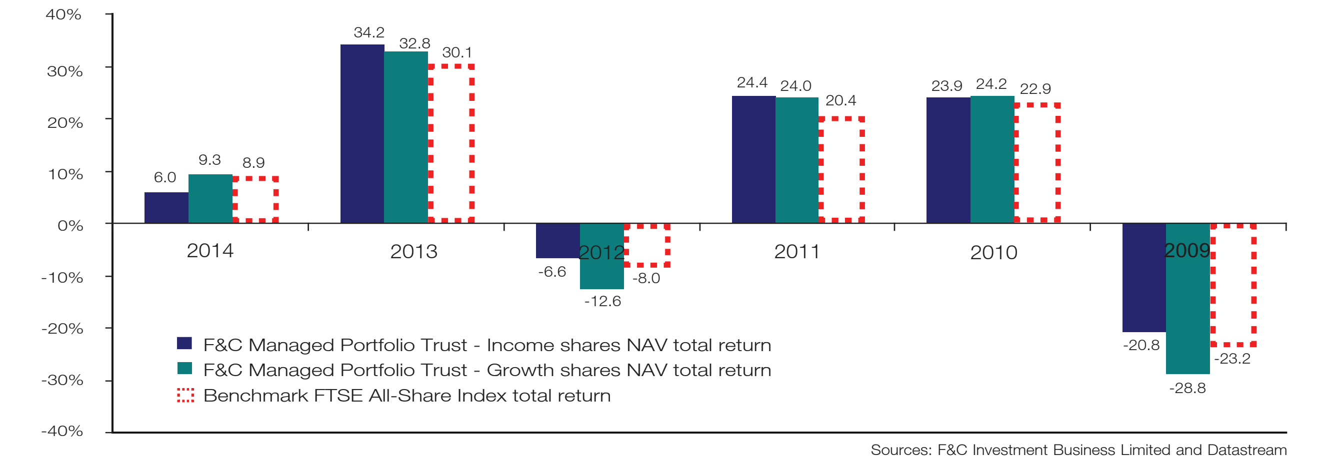
As at 31 May	Financial Year Net Asset Value Total Return	Financial Year Benchmark Index Total Return	Net Asset Value per share	Share Price	Premium/ (Discount)	Revenue return per share	Dividend per share	Total expenses/ ongoing charges
2009	-20.8%	-23.2%	73.86p	75.0p	1.5%	5.33p	4.9p‡	1.5%
2010	23.9%	22.9%	86.81p	89.5p	3.1%	4.58p	4.4p	1.5%
2011	24.4%	20.4%	103.09p	103.0p	-0.1%	4.20p	4.4p	1.4%
2012	-6.6%	-8.0%	91.86p	91.5p	-0.4%	5.04p	4.5p	1.4%
2013	34.2%	30.1%	117.68p	116.5p	-1.0%	5.20p	4.6p	1.2%
2014	**6.0%**	**8.9%**	**119.85p**	**122.0p**	**1.8%**	**5.56p**	**4.8p**	**1.2%**

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

Growth Shares

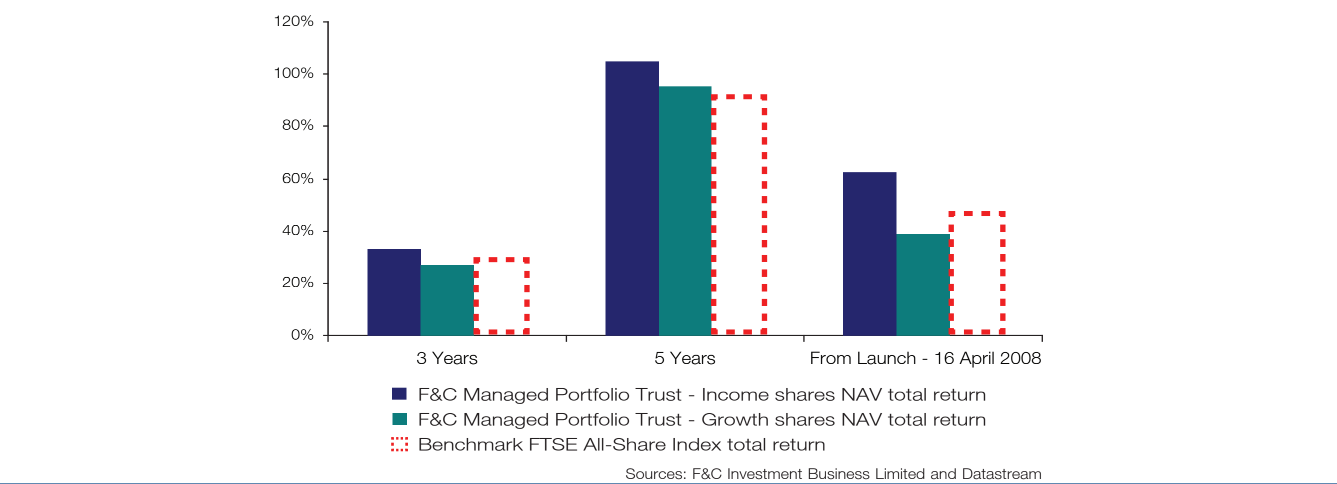
As at 31 May	Financial Year Net Asset Value Total Return	Financial Year Benchmark Index Total Return	Net Asset Value per share	Share Price	Premium/ (Discount)	Total expenses/ ongoing charges
2009	-28.8%	-23.2%	69.79p	68.5p	-1.8%	1.5%
2010	24.2%	22.9%	86.70p	87.0p	0.3%	1.5%
2011	24.0%	20.4%	107.52p	109.0p	1.4%	1.5%
2012	-12.6%	-8.0%	93.97p	93.0p	-1.0%	1.6%
2013	32.8%	30.1%	124.78p	123.0p	-1.4%	1.2%
2014	**9.3%**	**8.9%**	**136.41p**	**136.0p**	**-0.3%**	**1.2%**

Discrete Performance for the financial years to 31 May



Sources: F&C Investment Business Limited and Datastream

Cumulative Performance to 31 May 2014



Sources: F&C Investment Business Limited and Datastream

Principal Risks

Principal Risks and Uncertainties and Risk Management

As stated within the Report of the Audit Committee on pages 30 to 32, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the needs of the Company in managing the risks and uncertainties to which it is exposed.

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

Other risks faced by the Company include the following:

- External – events such as terrorism, protectionism, inflation or deflation, economic recessions and movements in interest rates and exchange rates could affect share prices in particular markets.

- Investment and strategic – incorrect strategy, asset allocation, stock selection and the use of gearing could all lead to poor returns for shareholders.

- Credit risk – is the risk that a counterparty will fail to discharge an obligation or commitment that it had entered into with the Company. All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to the securities held by the custodian to be delayed or limited.

- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.

- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring to the Company, leading to a loss of shareholders' confidence.

- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets of the Company. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

- Referendum on Scottish Independence – the Company is a Scottish registered company and the Board is mindful that there is uncertainty arising in relation to the referendum on Scottish Independence which is due to take place on 18 September 2014. Such matters of uncertainty include jurisdiction and taxation of savings and pension plans, financial services regulation, investment trust status, currency and membership of the European Union. The Board considers that, should the vote be in favour of independence, there will be a transitional period during which there will be an opportunity to assess the new situation and take any appropriate action.

The Board seeks to mitigate and manage these risks through continual review, policy-setting and reliance upon contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolios.

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

24 July 2014

Board of Directors

Richard Martin

Chairman of the Board and the Nomination Committee

He is an adviser to several family groups and a director of Montanaro European Smaller Companies Trust plc and Aurora Investment Trust plc. He was formerly Chairman of the Investment Committee of the National Trust for Scotland.

Colin McGill

Chairman of the Audit Committee

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

David Harris

Senior Independent Director

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

Alistair Stewart

Chairman of the Remuneration Committee

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

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

Report of the Directors

The Directors submit the sixth Annual Report and Accounts of the Company for the year ended 31 May 2014.

Results and Dividends

The results for the year are set out in the attached accounts. The total return attributable to shareholders was £4,700,000 of which £1,829,000 was attributable to the Income Portfolio and £2,871,000 to the Growth Portfolio.

First, second and third interim dividends, each of 1.1p per Income share, were paid on 4 October 2013, 3 January 2014 and 7 April 2014 respectively. A fourth interim dividend of 1.5p per Income share was paid after the year end, on 4 July 2014 to Income shareholders on the register at close of business on 20 June 2014.

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.

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs ('HMRC'), subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. As a result, it is not liable to corporation tax on capital gains. 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').

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 21. There were no changes to the composition of the Board during the year.

Mr David Harris, retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that the Director seeking re-election is re-elected.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with, and accepted, the terms of a letter of appointment that sets out the main terms of his appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office during normal business hours.

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

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.

Investment Objective and Investment Policy

The Company's investment objective is:

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

– to provide **Growth** shareholders with capital growth from a diversified portfolio of investment companies.

The **Income** Portfolio invests in a diversified portfolio of at least 25 investment companies that:

– have underlying investment exposures across a range of geographic regions and sectors.

– focus on offering an income yield above the yield of the FTSE All-Share Index.

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

– that have underlying investment exposures across a range of geographic regions and sectors.

– the focus of which will be to maximise total returns, principally through capital growth.

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

– The Company is permitted to invest in other closed-ended investment companies, wherever incorporated, whose shares are traded on AIM or a Regulated Exchange (other than the Official List of the UK Listing Authority) up to a maximum of 25 per cent of the total assets of the relevant Portfolio.

– In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 10 per cent in aggregate of its total assets in other UK listed investment companies that themselves may invest more than 15 per cent of their total assets in other UK listed investment companies.

– There are no maximum levels set for underlying exposures to geographic regions or sectors.

– No investment in either Portfolio may exceed 15 per cent of the relevant Portfolio's total assets at the time of the latest purchase.

– The Manager may invest the assets of the Company in other investment companies managed by the Manager or another member of the F&C Group, provided that such investments in the Income or Growth Portfolios shall not exceed 20 per cent of the total assets of the relevant Portfolio at the time of investment.

– There are no defined limits on securities and accordingly the Company may invest up to 100 per cent of total assets in any particular type of security.

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

– The Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20 per cent of the total assets of the relevant Portfolio. Under the Company's Articles of Association, the maximum borrowing limit is 50 per cent of the total assets of the relevant Portfolio.

Substantial Interests in Share Capital

At 31 May 2014 the Company had 27,514,936 Income shares and 25,914,843 Growth shares in issue. As at and since that date the Company had received no notifications of significant voting rights (under the FCA's Disclosure and Transparency Rules) in respect of the Company's share capital. Since the launch of the Company, the majority of the Income Shares and Growth shares have been held through the F&C retail share plans. Approximately 87 per cent of the Income shares and 93 per cent

Report of the Directors (continued)

of the Growth shares are held in this manner. The voting arrangement for these shares is explained on page 36.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

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 35 and 36 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 2014, the total issued share capital of the Company (excluding treasury shares) was represented 51.5 per cent by Income shares and 48.5 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.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

The Company's investment objective and policy, which is described on page 23 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 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.

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.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

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.

Annual General Meeting

The Annual General Meeting will be held at Exchange House, Primrose Street, London, on Tuesday 23 September 2014 at 12 noon. The notice of Annual General Meeting is set out on pages 70 to 74.

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 shareholders vote in favour of those resolutions. Information on shareholder voting rights is set out in the Notes to the Annual General Meeting on pages 73 and 74.

Directors' Authority to Allot Shares

The Directors are seeking authority to allot Income shares and Growth shares. Resolution 6 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £277,100 consisting of 2,771,000 Income shares and new Growth shares up to an aggregate nominal amount of £261,100 consisting of 2,611,000 Growth shares, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 24 July 2014. This authority therefore authorises the Directors to allot up to 5,382,000 shares in aggregate representing approximately 10 per cent of the total share capital in issue (excluding treasury shares).

Resolution 7 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £277,100 and new Growth shares up to an aggregate nominal amount of £261,100, being approximately 10 per cent of the total issued Income shares and Growth shares (excluding treasury shares) as at 24 July 2014, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot

Report of the Directors (continued)

up to 5,382,000 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 23 December 2015 (being 15 months from the date of the Annual General Meeting in 2014) and the conclusion of the Annual General Meeting in 2015. 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 6 and 7 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 2014, the Company purchased through the market, for treasury 270,000 Growth shares with a nominal value of 10p each, representing 1.1 per cent of the Growth shares in issue at the previous financial year end, for a total consideration of £325,000 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 8, 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 earlier of 23 December 2015 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 sold 200,000 Income shares from its block listing facility and sold 200,000 Growth shares from treasury.

Accordingly there were 53,829,779 Income shares and Growth shares in issue (excluding treasury shares) as at 24 July 2014; of which 27,714,936 (51.5 per cent) are Income shares and 26,114,843 (48.5 per cent) are Growth shares. At that date, the Company held nil Income shares (nil per cent of the total Income share capital) in treasury and 1,290,000 Growth shares (4.7 per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds 1,290,000 shares in treasury representing 2.3 per cent of the total share capital in issue.

Treasury Shares

The Board continues to believe that the effective use of treasury shares assists the liquidity in the Company's securities and management of the discount by addressing imbalances between demand and supply for the Company's securities. The discount management policy that was adopted at the time of the Company's launch in 2008 included the ability of the Company to resell treasury shares at a discount to net asset value, subject to certain conditions (see the following paragraph).

Resolution 9, 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 9 is conditional on the passing of Resolution 10.

Resolution 10, 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 10 is not conditional on the passing of Resolution 9.

Approval of the proposed Purchase Contract

Resolution 11 gives the Company authority to buy its deferred shares, arising on the conversion of any of the Growth shares or Income shares into the other class of shares, by way of an off-market purchase in accordance with sections 693 and 694 of the UK Companies Act 2006. The deferred shares will be purchased for nil consideration (as they have no economic value) in order to keep the balance sheet transparent. The exact number of deferred shares which will arise as a result of any conversions is not yet known and therefore the purchase contract constitutes a contract under section 694(3) of the Companies Act 2006. By law the Company will only be able to purchase these shares off-market if the Purchase Contract is approved by special resolution at a general meeting of the Company.

Statement of Disclosure of Information to Auditors

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

Individual Savings Accounts

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

Statement Regarding Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

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

24 July 2014

Corporate Governance Statement

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 the Company has no employees and all the Directors are non-executive, the provisions of the Code on the role of a chief executive and on Directors' remuneration, except in so far as they apply to non-executive Directors, are not relevant to the Company and are not reported on further.

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

The Board 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.

During the year the performance of the Board, Committees and individual Directors was evaluated through a formal assessment process, led by the Senior Independent Director. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director. This process involved consideration of completed questionnaires tailored to suit the nature of the Company and discussion of the points arising amongst the Directors. The Board confirms that the performance of each of the Directors continues to be effective and demonstrates commitment to their role. The Board believes that each Director is independent in character and that there are no relationships or circumstances which are likely to affect his judgement.

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

The basis on which the Company aims to generate value over the longer term is set out in the Strategic Report on pages 8 to 9.

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

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Martin	7	7	3	3	1	1	1	1
D Harris	7	6	3	3	1	1	1	1
C S McGill	7	7	3	3	1	1	1	1
A G Stewart	7	7	3	3	1	1	1	1

The table above sets out the number of formal Board and Committee meetings held during the year ended 31 May 2014 and the number of meetings attended by each Director. In addition, committee meetings were held during the year to approve the interim dividends. All Directors attended the annual general meeting ('AGM') in September 2013.

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.

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

Details of the Audit Committee are contained in the Report of the Audit Committee on pages 30 to 32.

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. The Remuneration Committee also determines the level of Directors' fees.

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 considered appropriate. In considering appointments to the Board these are based on merit. The Nomination Committee also takes into account the ongoing requirements of the Company and the need to have within the Board a balance of relevant skills, experience, independence and diversity, including gender and knowledge of the Company. The Directors have not set any measurable objectives in relation to diversity of the Board.

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 23 September 2014 is set out on pages 70 to 74.

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

24 July 2014

Report of the Audit Committee

Audit Committee

The Audit Committee comprises the full Board and is chaired by Colin McGill.

The Audit Committee operates within clearly defined terms of reference and has recent and relevant financial experience. The duties of the Audit Committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the Auditor, Ernst & Young LLP ('EY'), including its independence and objectivity. It also provides a forum through which the Auditor reports to the Board of Directors and meets at least twice a year including at least one meeting with EY.

The Audit Committee met on three occasions during the year and the attendance of each of the members is set out on page 28. In the due course of its duties, the committee had direct access to EY and senior members of the Managers' fund management and investment trust teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual and half-yearly results announcements, and annual and half-yearly reports and accounts;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control environment;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of EY, their re-appointment, remuneration and terms of engagement;
- The policy on the engagement of EY to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of an internal controls report from the Manager and other significant third party service providers.

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 31 May 2014. At the conclusion of the audit EY did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control

Significant Issues Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
Investment Portfolio Valuation The Company's portfolios are invested predominantly in listed securities. Errors in the portfolio valuations could have a material impact on the Company's net asset value per share.	The Audit Committee reviewed the Manager's annual internal control report, which is reported on by independent external accountants, and which details the systems, processes and controls around the daily pricing of equity and fixed interest securities, including the application of exchange rate movements.
Misappropriation of Assets Misappropriation of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed the Managers' annual internal control report, as referred to on page 31, which details the controls around the reconciliation of the Manager's records to those of the custodian. The Audit Committee also reviewed the custodian's annual internal control report, which is reported on by independent external accountants, and which provides details regarding its control environment.

weaknesses. EY issued an unqualified audit report which is included on pages 38 to 40.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £18,300 (2013: £18,000), EY received fees, excluding VAT, for non-audit services of £7,000 for the year (2013: £8,000) which related to the provision of tax services. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, EY has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating EY, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. EY have been auditors to the Company since the Company's launch in 2008. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that EY continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates at least every five years with the audit partner next due to rotate following the audit of the Accounts for the year ended 31 May 2015. Although the Company is not a member of the FTSE-350 and therefore the requirement of the UK Corporate Governance Code to conduct an audit tender every ten years does not apply, the Audit Committee is of the opinion that a regular audit tender would constitute good corporate governance. The Audit Committee is therefore minded to recommend that a tender should be conducted in 2018, being ten years since the launch of the Company. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

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 Financial Reporting Council.

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. The Audit Committee has reviewed the Manager's "Report on Policies and Procedures in Operation and Tests in accordance with AAF (01/06)" for the year ended 31 December 2013 that has been prepared for their investment company clients. Containing a report from independent external accountants, the report sets out the Manager's control policies and procedures with respect to the management of their clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance departments. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Company were

Report of the Audit Committee (continued)

identified in the year under review nor to the date of this report.

The Audit Committee also reviewed appropriate reports on the internal controls of other significant service providers, such as the Custodian and Registrar.

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 2014. 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 but this decision will be kept under review.

Colin S McGill

Chairman of the Audit Committee

24 July 2014

Directors' Remuneration Report

Directors' Remuneration Policy

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 May 2014, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 38 to 40.

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Remuneration Committee is responsible for determining the level of Directors' fees and considers these at least annually. The Remuneration Committee consists of all four non-executive Directors and it is chaired by Alistair Stewart. The Company Secretary, F&C Investment Business Limited, provides information on comparative levels of Directors' fees in advance of each review.

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, their responsibilities, duties and time commitment required and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. There were no changes to the policy during the year and it is intended that this policy will continue for the three year period ending 31 May 2017.

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 and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his appointment and such letters are available for inspection at the Company's registered office. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire periodically and, if they wish, to offer themselves for re-election, by shareholders at the third annual general meeting after the annual general meeting at which last elected. Any Director who has served on the Board for more than nine years will offer himself or herself for re-election annually. There is no notice period and no provision for compensation upon termination of appointment.

Future Policy Report

Based on the current levels of fees, Directors' remuneration for the forthcoming financial year would be as follows:

Director	2015* £	2014# £
R M Martin (Chairman)	**24,000**	22,000
D Harris	**18,000**	17,000
C S McGill	**20,000**	19,000
A G Stewart	**18,000**	17,000
Total	**80,000**	75,000

* Directors' remuneration for the year ending 31 May 2015 based on current fee levels.

\# Actual Directors' remuneration for the year ended 31 May 2014.

The Company has not received any views from its Shareholders in respect of the levels of Directors' remuneration.

Voting at Annual General Meeting

An ordinary resolution for the approval of this policy report will be put to Shareholders at the forthcoming Annual General Meeting.

Directors' Remuneration Report (continued)

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following emoluments in the form of fees. No other forms of remuneration were paid during the year.

Director	31 May 2014 £	31 May 2013 £
R M Martin (Chairman)	**22,000**	22,000
D Harris	**17,000**	17,000
C S McGill	**19,000**	19,000
A G Stewart	**17,000**	17,000
Total	**75,000**	75,000

Following a review of the level of Directors' fees for the forthcoming year, the Remuneration Committee concluded that the amount paid to Directors should increase by £2,000 per annum for the Chairman and £1,000 per annum for each of the other Directors.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	31 May 2014 £	31 May 2013 £	Change %
Aggregate Directors' Remuneration	**75,000**	75,000	–
Management and other expenses	**679,000**	780,000	-12.9
Distributions paid to Shareholders (relating to the year)	**1,305,000**	1,226,000	+6.4

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 May 2014 (all of which were beneficially held) were as follows:

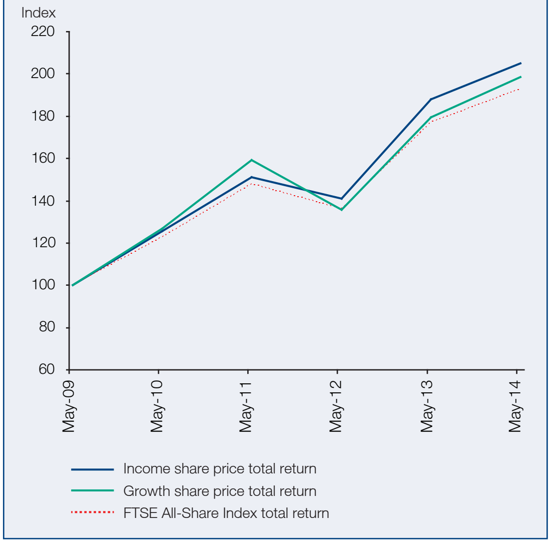
Director	31 May 2014 Income Shares	31 May 2014 Growth Shares	31 May 2013 Income Shares	31 May 2013 Growth Shares
R M Martin	**31,000**	**10,000**	31,000	10,000
D Harris	**2,500**	**2,500**	2,500	2,500
C S McGill	**10,000**	**10,000**	10,000	10,000
A G Stewart	**10,000**	**10,000**	10,000	10,000

There have been no changes in the Directors' interests in the shares of the Company between 31 May 2014 and 24 July 2014.

Company Performance

The graph below compares, for the five financial years ended 31 May 2014, the total return (assuming all dividends are reinvested) to Income shareholders and Growth shareholders compared to the total return on 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 (rebased to 100 at 31 May 2009)



Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 25 September 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 May 2013. 93.3% of votes were in favour of the resolution and 6.7% were against. An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Alistair G. Stewart

Director

24 July 2014

Capital Structure

At 31 May 2014

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

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

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

Dividends

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

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

Capital

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

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

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

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

Voting

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

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

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

Capital Structure (continued)

Voting of shares held in the Share Plans

Since the launch of the Company, the majority of the Income shares and Growth shares in the Company have been held through the F&C Share Plans which are administered by the Manager. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the F&C Share Plans. The shares are voted in accordance with the instructions of the underlying shareholders. The Manager has undertaken that, subject to any regulatory restrictions, it would operate a proportional voting system whereby, provided that the nominee company holding the shares received instructions to vote in respect of more than 10 per cent of the shares held in the F&C Share Plans, it would vote all the shares in respect of which it had not received instructions proportionately to those for which it had received instructions. 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 2014 and then annually thereafter. Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

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

The Board may from time to time set a maximum number of Income shares or Growth shares which may be converted on any Conversion Date. If this limit is exceeded, requests to convert will be satisfied pro rata by the total number of shares each Shareholder wished to convert and any shares above those amounts shall not be converted. Full details are provided in the Shareholder Information section on pages 64 and 65.

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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Directors' Remuneration Report and Corporate Governance Statement.

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.

We confirm that to the best of our 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, net return and cash flows of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Richard M Martin
Chairman

24 July 2014

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 2014 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 Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, 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 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 Company's annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent, based on the knowledge acquired by us in the course of performing the audit. 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 2014 and of its net return 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.

Our Assessment of Risks of Material Misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- incorrect valuation, existence and ownership of the investment portfolio; and

- management and performance fees are not correctly calculated in accordance with the Investment Management Agreement.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the financial statements and in forming our audit opinion.

We determined materiality for the Company to be £0.68 million which is 1 per cent of total shareholders' funds. This materiality calculation provided a basis for completing our risk assessment procedures, identifying and assessing the risk of material misstatement in the financial statements, and determining the nature, timing and extent of our audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75 per cent of materiality, namely £0.51 million. Our objective in adopting this performance materiality was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate performance materiality of £75,000 for the Income Statement, being 5 per cent of the return on ordinary activities before tax.

We have agreed with the Audit Committee to report all audit differences in excess of £32,000, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Our response to the risks identified above was as follows:

- we agreed the year end prices for all quoted investments to an independent source and agreed the legal title of all investment holdings to a confirmation obtained directly from the investment custodian.
- we independently recalculated management and performance fee calculations for the year with reference to contractual arrangements and agreed the calculation inputs to source data.

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 Strategic Report and 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Independent Auditor's Report (continued)

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on pages 24 and 25, in relation to going concern; and

- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

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

24 July 2014

Income Statement

for the year ended 31 May

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments	10	**–**	**3,528**	**3,528**	–	14,907	14,907
Foreign exchange losses		**–**	**(9)**	**(9)**	–	–	–
Income	3	**1,971**	**–**	**1,971**	1,920	–	1,920
Investment management and performance fees	4	**(125)**	**(297)**	**(422)**	(108)	(337)	(445)
Other expenses	5	**(332)**	**–**	**(332)**	(410)	–	(410)
Return on ordinary activities before finance costs and tax		**1,514**	**3,222**	**4,736**	1,402	14,570	15,972
Finance costs	6	**(11)**	**(21)**	**(32)**	(7)	(12)	(19)
Return on ordinary activities before tax		**1,503**	**3,201**	**4,704**	1,395	14,558	15,953
Tax on ordinary activities	7	**(4)**	**–**	**(4)**	(5)	–	(5)
Return attributable to shareholders		**1,499**	**3,201**	**4,700**	1,390	14,558	15,948
Return per Income share	9	**5.56p**	**1.22p**	**6.78p**	5.20p	25.30p	30.50p
Return per Growth share	9	**–**	**11.41p**	**11.41p**	–	30.60p	30.60p

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	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Fixed assets							
Investments at fair value	10	**33,514**	**35,218**	**68,732**	31,934	31,732	63,666
Current assets							
Debtors	11	**41**	**49**	**90**	54	31	85
Cash at bank and on deposit		**–**	**341**	**341**	–	–	–
		41	**390**	**431**	54	31	85
Creditors							
Amounts falling due within one year	12	**(577)**	**(258)**	**(835)**	(650)	(556)	(1,206)
Net current (liabilities)/assets		**(536)**	**132**	**(404)**	(596)	(525)	(1,121)
Net assets		**32,978**	**35,350**	**68,328**	31,338	31,207	62,545
Capital and reserves							
Called-up share capital	13	**2,751**	**2,740**	**5,491**	2,736	2,740	5,476
Share premium	14	**5,312**	**8,295**	**13,607**	4,978	7,876	12,854
Capital redemption reserve	14	**–**	**182**	**182**	–	182	182
Special reserve	14	**19,380**	**15,700**	**35,080**	18,683	14,847	33,530
Capital reserves	14	**4,560**	**8,433**	**12,993**	4,230	5,562	9,792
Revenue reserve	14	**975**	**–**	**975**	711	–	711
Shareholders' Funds	15	**32,978**	**35,350**	**68,328**	31,338	31,207	62,545
Net asset value per share (pence)	15	**119.85p**	**136.41p**		117.68p	124.78p	

Approved by the Board and authorised for issue on 24 July 2014 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	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Operating activities							
Investment income received, net of withholding tax suffered		1,397	565	1,962	1,364	577	1,941
Deposit interest received		–	–	–	–	3	3
Investment management and performance fees paid		(322)	(210)	(532)	(167)	(166)	(333)
Other cash payments		(163)	(187)	(350)	(174)	(191)	(365)
Net cash inflow from operating activities	16	912	168	1,080	1,023	223	1,246
Servicing of finance							
Interest paid on bank borrowings		(25)	(7)	(32)	(18)	(1)	(19)
Net cash outflow from servicing of finance		(25)	(7)	(32)	(18)	(1)	(19)
Capital expenditure and financial investment							
Purchases of investments		(3,602)	(3,937)	(7,539)	(768)	(4,084)	(4,852)
Disposals of investments		2,858	3,275	6,133	1,292	4,151	5,443
Net cash (outflow)/inflow from capital expenditure and financial investment		(744)	(662)	(1,406)	524	67	591
Equity dividends paid		(1,235)	–	(1,235)	(1,270)	–	(1,270)
Net cash (outflow)/inflow before financing		(1,092)	(501)	(1,593)	259	289	548
Financing							
Expenses of offer for subscription		–	–	–	(7)	(13)	(20)
Issue of new shares		180	–	180	–	–	–
Shares purchased to be held in treasury		–	(325)	(325)	(292)	(977)	(1,269)
Sale of shares from treasury		866	1,597	2,463	59	–	59
Net cash inflow/(outflow) from financing		1,046	1,272	2,318	(240)	(990)	(1,230)
(Decrease)/increase in cash	17	(46)	771	725	19	(701)	(682)
Reconciliation of net cash flow to movement in net (debt)/cash							
(Decrease)/increase in cash in the year		(46)	771	725	19	(701)	(682)
Opening net (debt)/cash		(421)	(430)	(851)	(440)	271	(169)
Closing net (debt)/cash	17	(467)	341	(126)	(421)	(430)	(851)

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 May 2014

	Notes	Income Shares £'000	Growth Shares £'000	Total £'000
Opening shareholders' funds		**31,338**	**31,207**	**62,545**
Increase in share capital in issue	13	**180**	**–**	**180**
Shares sold from treasury	13	**866**	**1,597**	**2,463**
Shares purchased for treasury	13	**–**	**(325)**	**(325)**
Transfer of net income to Income shares from Growth shares	2	**368**	**(368)**	**–**
Transfer of capital from Income shares to Growth shares	2	**(368)**	**368**	**–**
Dividends paid	8	**(1,235)**	**–**	**(1,235)**
Return attributable to shareholders	2	**1,829**	**2,871**	**4,700**
Closing shareholders' funds		**32,978**	**35,350**	**68,328**

for the year ended 31 May 2013

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

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

Notes to the Accounts

1. Accounting policies

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

(a) Basis of accounting

These financial statements have been prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with guidelines set out in the Statement of Recommended Practice ("SORP") for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ("AIC") in January 2009. The audited financial statements for the Company comprise the Income Statement and the total columns of the Balance Sheet, the Cash Flow Statement, Reconciliation of Movements in Shareholders' Funds and the Company totals shown in the notes to the financial statements.

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in Chapter 4, Part 24 of the Corporation Tax Act 2010.

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

(b) Valuation of investments

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

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

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

(c) Income

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

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

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

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

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

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

(d) Expenses

All expenses and finance costs 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 costs, 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	**2014** **£'000**	2013 £'000
US dollar	**1.68**	1.51
Swiss Franc	**1.50**	1.45

(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 shares and Growth shares at launch. Available as distributable profits to be used for the buy back of shares. The cost of any shares bought back is deducted from this reserve. The cost of any shares resold from treasury is added back to this reserve.

(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 costs 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. This is 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 41, can be analysed as follows. This has been disclosed to assist shareholders' understanding, but this analysis is additional to that required by UK GAAP and is not audited:

Year ended 31 May 2014

		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	**–**	**845**	**845**	**–**	**2,683**	**2,683**	**–**	**3,528**	**3,528**
Foreign exchange losses		**–**	**(9)**	**(9)**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Income	3	**1,388**	**–**	**1,388**	**583**	**–**	**583**	**1,971**	**–**	**1,971**
Investment management and performance fees	4	**(82)**	**(123)**	**(205)**	**(43)**	**(174)**	**(217)**	**(125)**	**(297)**	**(422)**
Other expenses	5	**(162)**	**–**	**(162)**	**(170)**	**–**	**(170)**	**(332)**	**–**	**(332)**
Return on ordinary activities before finance costs and tax		**1,144**	**713**	**1,857**	**370**	**2,509**	**2,879**	**1,514**	**3,222**	**4,736**
Finance costs	6	**(10)**	**(15)**	**(25)**	**(1)**	**(6)**	**(7)**	**(11)**	**(21)**	**(32)**
Return on ordinary activities before tax		**1,134**	**698**	**1,832**	**369**	**2,503**	**2,872**	**1,503**	**3,201**	**4,704**
Tax on ordinary activities	7	**(3)**	**–**	**(3)**	**(1)**	**–**	**(1)**	**(4)**	**–**	**(4)**
Return §	9	**1,131**	**698**	**1,829**	**368**	**2,503**	**2,871**	**1,499**	**3,201**	**4,700**

Year ended 31 May 2013

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

§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.

FINANCIAL REPORT

Notes to the Accounts (continued)

3. Income

	2014 Income Portfolio £'000	2014 Growth Portfolio £'000	2014 Total £'000	2013 Income Portfolio £'000	2013 Growth Portfolio £'000	2013 Total £'000
Income from listed and quoted investments†						
UK dividend income	727	525	1,252	714	511	1,225
Overseas dividends	644	58	702	630	44	674
Interest on fixed interest securities	17	–	17	18	–	18
	1,388	583	1,971	1,362	555	1,917
Other income‡						
Deposit interest	–	–	–	–	3	3
Total income	1,388	583	1,971	1,362	558	1,920
Total income comprises:						
Dividends	1,371	583	1,954	1,344	555	1,899
Other income	17	–	17	18	3	21
	1,388	583	1,971	1,362	558	1,920

†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 2014

	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
Investment management fee	82	123	205	43	174	217	125	297	422
	82	123	205	43	174	217	125	297	422

Year ended 31 May 2013

	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
Investment management fee	72	108	180	36	143	179	108	251	359
Performance fee	–	86	86	–	–	–	–	86	86
	72	194	266	36	143	179	108	337	445

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 2014 the total return of the Income Portfolio for the year (+6.0%) did not exceed that of the FTSE All-Share Index (+8.9%) and a performance fee has not been recognised (2013: £86,000). At 31 May 2014 the total return of the Growth Portfolio since launch (+39.2%) did not exceed that of the FTSE All-Share Index since launch (+48.2%).

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

	2014			2013		
	Income Portfolio £'000	**Growth Portfolio £'000**	**Total £'000**	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Auditors' remuneration for:						
– statutory audit*	**11**	**11**	**22**	11	11	22
– taxation and other services (non-audit)*	**4**	**4**	**8**	5	5	10
Directors' fees	**37**	**38**	**75**	38	37	75
Secretarial fees	**45**	**48**	**93**	46	45	91
Marketing	**13**	**14**	**27**	14	14	28
Printing and postage	**11**	**12**	**23**	11	11	22
Private investor share plan expenses	**–**	**–**	**–**	22	58	80
Registrars' fees	**8**	**7**	**15**	8	7	15
Other expenses including custody, listing fees and legal fees	**33**	**36**	**69**	33	34	67
	162	**170**	**332**	188	222	410

*Auditors' remuneration for audit services, exclusive of VAT, amounts to £18,300 (2013: £18,000). Auditors' remuneration for non-audit services, exclusive of VAT, amounts to £7,000 for taxation services (2013: £8,000).

The Manager, F&C Investment Business Limited, receives a secretarial and administrative fee of £77,692 per annum (2013: £75,659), 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 £93,000 (2013: £91,000), of which £23,000 (2013: £22,000) is payable to F&C Investment Business Limited at the year end.

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

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

Notes to the Accounts (continued)

6. Finance costs

Year ended 31 May 2014	**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	**10**	**15**	**25**	**1**	**6**	**7**	**11**	**21**	**32**

Year ended 31 May 2013	**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	7	11	18	–	1	1	7	12	19

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

7. (a) Tax on ordinary activities

Year ended 31 May 2014

	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	**3**	**–**	**3**	**1**	**–**	**1**	**4**	**–**	**4**

Year ended 31 May 2013

	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	3	–	3	2	–	2	5	–	5

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 21 per cent (2013: 23 per cent). The main rate of corporation tax was reduced from 23 per cent to 21 per cent with effect from 1 April 2014 and accordingly a blended rate has been used in the reconciliation below:

	2014 Income Shares £'000	**2014 Growth Shares £'000**	**2014 Total £'000**	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Return on ordinary activities before tax:	**1,832**	**2,872**	**4,704**	8,152	7,801	15,953
Corporation tax at standard rate of 22.7 per cent (2013: 23.8 per cent)	**415**	**651**	**1,066**	1,943	1,859	3,802
Effects of:						
Gains on investments not taxable	**(192)**	**(608)**	**(800)**	(1,731)	(1,822)	(3,553)
Overseas tax suffered	**3**	**1**	**4**	3	2	5
Non taxable UK dividend income	**(165)**	**(119)**	**(284)**	(170)	(122)	(292)
Non taxable overseas dividend income	**(146)**	**(13)**	**(159)**	(151)	(10)	(161)
Expenses not utilised	**88**	**89**	**177**	109	95	204
Current year tax charge (note 7. (a))	**3**	**1**	**4**	3	2	5

As at 31 May 2014, the Company had unutilised expenses of £3,715,000 (2013: £2,948,000). The deferred tax asset of £780,150 (2013: £678,040) in respect of unutilised expenses at 31 May 2014 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	2014 Income Shares Total £'000	2013 Income Shares Total £'000
Amounts recognised as distributions to shareholders during the year:				
For the year ended 31 May 2013				
– special interim dividend (2012: 0.3p per Income share)	n/a	n/a	**–**	67
– fourth interim dividend of 1.3p per Income share (2012: 1.2p)	21 June 2013	5 July 2013	**346**	323
For the year ended 31 May 2014				
– first interim dividend of 1.1p per Income share (2013: 1.1p)	20 September 2013	4 October 2013	**296**	296
– second interim dividend of 1.1p per Income share (2013: 1.1p)	20 December 2013	3 January 2014	**296**	292
– third interim dividend of 1.1p per Income share (2013: 1.1p)	21 March 2014	7 April 2014	**297**	292
			1,235	1,270
Amounts relating to the year but not paid at the year end:				
– fourth interim dividend of 1.5p per Income share* (2013: 1.3p)	20 June 2014	4 July 2014	**416**	346

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 2014, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2014 £'000	2013 £'000
Revenue available for distribution by way of dividends for the year	**1,499**	1,390
First interim dividend of 1.1p per Income share in respect of the year ended 31 May 2014 (2013: 1.1p)	**(296)**	(296)
Second interim dividend of 1.1p per Income share in respect of the year ended 31 May 2014 (2013: 1.1p)	**(296)**	(292)
Third interim dividend of 1.1p per Income share in respect of the year ended 31 May 2014 (2013: 1.1p)	**(297)**	(292)
Fourth interim dividend of 1.5p per Income share* in respect of the year ended 31 May 2014 (2013: 1.3p)	**(416)**	(346)
Revenue reserve transfer	**194**	164

*Based on 27,714,936 Income shares in issue at the record date of 20 June 2014.

Notes to the Accounts (continued)

9. Return per share

The Return per share is as follows:

Year ended 31 May 2014

	Income Shares			Growth Shares		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Return attributable to Portfolios	**1,131**	**698**	**1,829**	**368**	**2,503**	**2,871**
Transfer of net income from Growth to Income Portfolio	**368**	**–**	**368**	**(368)**	**–**	**(368)**
Transfer of capital from Income to Growth Portfolio	**–**	**(368)**	**(368)**	**–**	**368**	**368**
Return attributable to shareholders	**1,499**	**330**	**1,829**	**–**	**2,871**	**2,871**
Return per share	**5.56p**	**1.22p**	**6.78p**	**–**	**11.41p**	**11.41p**
Weighted average number of shares in issue during the year (excluding shares held in treasury)		**26,969,936**			**25,153,747**	

Year ended 31 May 2013

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

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 2013, 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	22,426	1,309	289	24,024
Opening fair value adjustment	8,118	(5)	(203)	7,910
Opening valuation	30,544	1,304	86	31,934
Movements in the year:				
Purchases at cost	2,958	635	–	3,593
Sales – proceeds	(2,858)	–	–	(2,858)
– gains on sales based on historical cost	497	–	–	497
Increase in fair value adjustment	165	182	1	348
Closing valuation	31,306	2,121	87	33,514
Closing book cost	23,023	1,944	289	25,256
Closing fair value adjustment	8,283	177	(202)	8,258
Closing valuation	31,306	2,121	87	33,514

During the year the Income Portfolio incurred transaction costs on purchases of £11,000 (2013: £1,000) and transaction costs on sales of £8,000 (2013: £4,000).

	Level 1		
Growth Shares	**Listed in the UK £'000**	**Listed Overseas £'000**	**Total £'000**
Opening cost	23,108	547	23,655
Opening fair value adjustment	8,004	73	8,077
Opening valuation	31,112	620	31,732
Movements in the year:			
Purchases at cost	4,078	–	4,078
Sales – proceeds	(3,275)	–	(3,275)
– gains on sales based on historical cost	734	–	734
Increase in fair value adjustment	1,844	105	1,949
Closing valuation	34,493	725	35,218
Closing book cost	24,645	547	25,192
Closing fair value adjustment	9,848	178	10,026
Closing valuation	34,493	725	35,218

During the year the Growth Portfolio incurred transaction costs on purchases of £26,000 (2013: £22,000) and transaction costs on sales of £9,000 (2013: £10,000).

Notes to the Accounts (continued)

10. Investments (continued)

	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Equity shares	**32,933**	**35,218**	**68,151**	31,360	31,732	63,092
Fixed income securities	**581**	**–**	**581**	574	–	574
	33,514	**35,218**	**68,732**	31,934	31,732	63,666

	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Gains/(losses) on sales in the year	**497**	**734**	**1,231**	(175)	(304)	(479)
Movement in fair value of investments held	**348**	**1,949**	**2,297**	7,437	7,949	15,386
Gains on investments	**845**	**2,683**	**3,528**	7,262	7,645	14,907

11. Debtors

	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Accrued income	**31**	**38**	**69**	43	21	64
Other debtors and prepayments	**10**	**11**	**21**	11	10	21
	41	**49**	**90**	54	31	85

The carrying value of the balances above approximates to fair value. There are no amounts which are past due, or impaired at the year end (2013: £nil).

12. Creditors: amounts falling due within one year

	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Management fee accrued	**52**	**56**	**108**	49	49	98
Performance fee provision	**–**	**–**	**–**	120	–	120
Secretarial fee accrued	**11**	**12**	**23**	11	11	22
Other accruals	**47**	**49**	**96**	49	66	115
Due to brokers	**–**	**141**	**141**	–	–	–
Bank borrowing	**467**	**–**	**467**	421	430	851
	577	**258**	**835**	650	556	1,206

The Company has a 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.

13. Share capital

	£'000
Authorised share capital at 31 May 2014 and 31 May 2013	
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 2013	27,364,936	2,736	(735,000)	(73)	26,629,936	2,663
Resold from treasury	–	–	735,000	73	735,000	73
Issued	150,000	15	–	–	150,000	15
Balance at 31 May 2014	**27,514,936**	**2,751**	**–**	**–**	**27,514,936**	**2,751**

During the year the Company bought back nil (2013: 300,000) Income shares at a cost of £nil (2013: £292,000) to be held in treasury and resold out of treasury 735,000 (2013: £50,000) Income shares, receiving net proceeds of £866,000 (2013: £59,000). At 31 May 2014 the Company held nil (2013: 735,000) Income shares in treasury. A further 150,000 Income shares were issued for net proceeds of £180,000.

	Listed		Held in Treasury		In Issue	
	Number	£'000	Number	£'000	Number	£'000
Growth Shares of 10p each						
Balance at 1 June 2013	27,404,843	2,740	(2,395,000)	(239)	25,009,843	2,501
Purchased to be held in treasury	–	–	(270,000)	(27)	(270,000)	(27)
Resold from treasury	–	–	1,175,000	117	1,175,000	117
Balance at 31 May 2014	**27,404,843**	**2,740**	**(1,490,000)**	**(149)**	**25,914,843**	**2,591**
Total	**54,919,779**	**5,491**	**(1,490,000)**	**(149)**	**53,429,779**	**5,342**

During the year the Company bought back 270,000 (2013: 940,000) Growth shares at a cost of £325,000 (2013: £977,000) to be held in treasury and resold out of treasury 1,175,000 (2013: nil) Growth shares, receiving net proceeds of £1,597,000 (2013: nil). At 31 May 2014 the Company held 1,490,000 (2013: 2,395,000) Growth shares in treasury.

Shareholder entitlements

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

The entitlements of the Income shares and the Growth shares are set out in the "Capital Structure" section on pages 35 and 36 of this report.

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 2013	4,978	18,683	(3,680)	7,910	711
Gains on investments	–	–	497	348	–
Income shares resold from treasury	169	697	–	–	–
Issuance of Income shares	165	–	–	–	–
Management and performance fees charged to capital	–	–	(123)	–	–
Interest charged to capital	–	–	(15)	–	–
Foreign exchange losses	–	–	(9)	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	368
Transfer of capital from Income to Growth Portfolio	–	–	(368)	–	–
Net revenue for the year	–	–	–	–	1,131
Dividends paid	–	–	–	–	(1,235)
At 31 May 2014	5,312	19,380	(3,698)	8,258	975

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 2013	7,876	182	14,847	(2,515)	8,077	–
Gains on investments	–	–	–	734	1,949	–
Growth shares purchased for treasury	–	–	(325)	–	–	–
Growth shares resold from treasury	419	–	1,178	–	–	–
Management fees charged to capital	–	–	–	(174)	–	–
Interest charged to capital	–	–	–	(6)	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(368)
Transfer of capital from Income to Growth Portfolio	–	–	–	368	–	–
Net revenue for the year	–	–	–	–	–	368
At 31 May 2014	8,295	182	15,700	(1,593)	10,026	–

Capital management

The Company's capital is represented by the issued share capital, share premium account, capital redemption reserve, special reserve, capital reserve – investments sold, capital reserve – investments held and revenue reserve. Details of the movement through each reserve are shown above. The Company is not subject to any externally imposed capital requirements. The nature of the reserves are explained in note 1(i) on page 46.

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 2014

	Net asset value per share		Net asset value attributable	
	Income Shares pence	**Growth Shares pence**	**Income Shares £'000**	**Growth Shares £'000**
Basic	**119.85p**	**136.41p**	**32,978**	**35,350**

Year ended 31 May 2013

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

The net asset value per Income share is calculated on net assets of £32,978,000 (2013: £31,338,000), divided by 27,514,936 (2013: 26,629,936) Income shares, being the number of Income shares in issue at the year end (excluding shares held in treasury).

The net asset value per Growth share is calculated on net assets of £35,350,000 (2013: £31,207,000), divided by 25,914,843 (2013: 25,009,843) Growth shares, being the number of Growth shares in issue at the year end (excluding shares held in treasury).

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

	2014			2013		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Net return before finance costs and taxation	**1,857**	**2,879**	**4,736**	8,170	7,802	15,972
Withholding tax suffered	**(3)**	**(1)**	**(4)**	(3)	(2)	(5)
Foreign exchange losses	**9**	**–**	**9**	–	–	–
Gains on investments	**(845)**	**(2,683)**	**(3,528)**	(7,262)	(7,645)	(14,907)
Decrease/(increase) in accrued income	**12**	**(17)**	**(5)**	5	24	29
Decrease/(increase) in prepayments and other debtors	**1**	**(1)**	**–**	(1)	(1)	(2)
(Decrease)/increase in creditors	**(119)**	**(9)**	**(128)**	114	45	159
Net cash inflow from operating activities	**912**	**168**	**1,080**	1,023	223	1,246

FINANCIAL REPORT

Notes to the Accounts (continued)

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

Income shares

	At 1 June 2013 £'000	Cash flow £'000	**At 31 May 2014 £'000**
Bank borrowing	(421)	(46)	**(467)**

Growth shares

	At 1 June 2013 £'000	Cash flow £'000	**At 31 May 2014 £'000**
Cash at bank and on deposit	–	341	**341**
Bank borrowing	(430)	430	**–**
	(430)	771	**341**

Total

	At 1 June 2013 £'000	Cash flow £'000	**At 31 May 2014 £'000**
Cash at bank and on deposit	–	341	**341**
Bank borrowing	(851)	384	**(467)**
	(851)	725	**(126)**

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 42.

The fair value of the financial assets and liabilities of the Company at 31 May 2014 and 31 May 2013 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:

	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Financial instruments						
Investment portfolio – Level 1 (refer note 10)	**33,514**	**35,218**	**68,732**	31,934	31,732	63,666
Cash at bank and on deposit	**–**	**341**	**341**	–	–	–
Accrued income	**31**	**38**	**69**	43	21	64
Prepayments	**10**	**11**	**21**	11	10	21
Financial liabilities						
Bank borrowing	**467**	**–**	**467**	421	430	851
Other creditors and accruals	**110**	**258**	**368**	229	126	355

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 16 and 17.

If the investment portfolio valuation fell by 10 per cent at 31 May 2014, the impact on the profit or loss and the net asset value would have been negative £3.4 million (Income shares) (2013: negative £3.2 million (Income shares)) and negative £3.5 million (Growth shares) (2013: negative £3.2 million (Growth shares)). If the investment portfolio valuation rose by 10 per cent at 31 May 2014, the effect would have been equal and opposite (2013: 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:

	2014 Income Shares £'000	2014 Growth Shares £'000	2014 Total £'000	2013 Income Shares £'000	2013 Growth Shares £'000	2013 Total £'000
Exposure to floating rates:						
Cash	**–**	**341**	**341**	–	–	–
Bank borrowing	**(467)**	**–**	**(467)**	(421)	(430)	(851)
Net exposure	**(467)**	**341**	**(126)**	(421)	(430)	(851)
Maximum net exposure during the year	**(257)**	**415**		(397)	1,024	
Minimum net exposure during the year	**(1,690)**	**(643)**		(1,066)	(430)	

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 (2013: decrease of £2,000) and on the Growth shares, an increase of £2,000 (2013: decrease 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 2014 (2013: 0.5 per cent). There are no other assets which are directly exposed to floating interest rate risk. The cost of the Company's borrowing facility from its custodian JPMorgan Chase Bank is linked to the Sterling Overnight Interbank Average Rate (SONIA) which was 0.42 per cent at 31 May 2014 (2013: 0.42 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:

	2014 £'000	2014 Weighted average interest rate	2014 Average duration until maturity	2013 £'000	2013 Weighted average interest rate	2013 Average duration until maturity
Fixed interest investments	**581**	**3.5%**	**4.2 years**	574	3.5%	5.3 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 £32,933,000 (2013: £31,360,000) for the Income portfolio and £35,218,000 (2013: £31,732,000) for the Growth portfolio.

21. Foreign currency risk

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

	2014 Income Shares Investments £'000	2014 Growth Shares Investments £'000	2014 Total £'000	2013 Income Shares Investments £'000	2013 Growth Shares Investments £'000	2013 Total £'000
US dollar	**504**	**–**	**504**	623	–	623
Swiss Franc	**596**	**–**	**596**	–	–	–
	1,100	**–**	**1,100**	623	–	623

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 an increase of £50,000 (Income shares) (2013: £62,000 (Income shares)). If the value of sterling had strengthened against the US dollar by 10 per cent the effect would have been equal and opposite.

If the value of Sterling had weakened against the Swiss Franc by 10 per cent, the impact on the profit or loss and the net asset value would have been an increase of £60,000 (Income shares) (2013: nil). If the value of Sterling had strengthened against the Swiss Franc 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:

	2014			2013		
	Income Shares £'000	**Growth Shares £'000**	**Total £'000**	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	**–**	**341**	**341**	–	–	–
Accrued income	**31**	**38**	**69**	43	21	64
	31	**379**	**410**	43	21	64

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:

2014	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	**467**	**–**	**–**	**467**
Other creditors	**110**	**–**	**–**	**110**
	577	**–**	**–**	**577**
Growth shares				
Current liabilities				
Bank borrowing	**–**	**–**	**–**	**–**
Other creditors	**258**	**–**	**–**	**258**
	258	**–**	**–**	**258**
	835	**–**	**–**	**835**

2013	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
Income shares				
Current liabilities				
Bank borrowing	421	–	–	421
Other creditors	229	–	–	229
	650	–	–	650
Growth shares				
Current liabilities				
Bank borrowing	430	–	–	430
Other creditors	126	–	–	126
	556	–	–	556
	1,206	**–**	**–**	**1,206**

24. Related parties

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

Mr Martin (the chairman of the Company) is also a non-executive director of Montanaro European Smaller Companies Trust ('MESCT'). The Growth Portfolio has a holding of 150,000 shares in MESCT and was valued at £788,000 at the year end.

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 33 and 34 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 34. There are no outstanding balances with the Board at the year end.

Shareholder Information

Share Prices and Daily Net Asset Value

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

Dividends

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

Change of Address

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

Profile of the Company's Ownership

% of Income Shares held at 31 May 2014		% of Growth Shares held at 31 May 2014	
F&C Management Limited Retail Savings Plans	87.0%	F&C Management Limited Retail Savings Plans	93.4%
Individuals and Private Client Stockbrokers	13.0%	Individuals and Private Client Stockbrokers	6.6%
	100.0%		100.0%

Financial Calendar 2014/2015

23 September 2014	Annual General Meeting
22 & 26 September 2014	Deadlines for submitting Conversion Instructions
October 2014	Interim Management Statement for the quarter to 31 August 2014
3 October 2014	First interim dividend paid (XD Date 17 September 2014)
23 October 2014	Share Conversion Facility date
5 January 2015	Second interim dividend paid (XD Date 18 December 2014)
January 2015	Announcement of Interim Results for six months to 30 November 2014
7 April 2015	Third interim dividend paid (XD Date March 2015)
April 2015	Interim Management Statement for the quarter to 28 February 2015
July 2015	Fourth interim dividend paid (XD Date June 2015)
July 2015	Announcement of Annual Results and Posting of Annual Report
September 2015	Annual General Meeting

Warning to shareholders – Boiler Room Scams

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

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

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

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 23 October 2014 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 23 October 2014 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 each Portfolio for the 23 October 2014 Conversion is £500,000. In previous years, applications to convert shares have been lower than the minimum that was specified and to date, no share conversions have proceeded. A significant minimum has to be set in order to justify the costs of the exercise.

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 23 October 2014 Conversion is 10% of the Income shares and 10% of the Growth shares in issue.

Conversion ratio

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

Result

It is anticipated that, within 9 working days of the Conversion Date or the Deferred Conversion Date, the Company will send:

– to each holder of converting shares that are in certificated form a definitive certificate for the appropriate number of shares arising on conversion and a new certificate for any unconverted shares.

– to each holder of converting shares held in a F&C investment product, confirmation of the number of shares converted and the number of shares arising on conversion.

No share certificates will be issued in respect of any deferred shares arising as a result of the conversion.

These deferred shares have no economic value and will be automatically transferred to a nominee holder or bought back for nil consideration by the Company in accordance with the Company's articles of association.

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

Market price of Income & Growth shares

The mid market price for the Income shares and Growth shares on the first dealing day in each of the last six months, and 23 July 2014, being the latest practicable date before the approval of the Annual report and accounts were:

	Income shares (p)	Growth shares (p)
1 January 2014	117.5	134.5
3 February 2014	120.5	140.5
3 March 2014	120.0	139.5
1 April 2014	119.5	139.8
1 May 2014	120.3	136.0
2 June 2014	122.5	136.0
23 July 2014	119.25	136.5

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

Future conversions

It is intended that, following the next conversion in October 2014, the conversion facility will be offered annually or close to annually thereafter.

How do I convert?

If you hold your shares:

1. through an Investment Product managed or marketed by F&C Management Limited please download a "Plan" conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 28 July 2014.

   This "Plan" Conversion instruction form must be received by **5pm on Monday 22 September 2014** in respect of the 23 October 2014 Conversion Date.

2. in certificated form, please download a "Certificated" conversion instruction form from the website at www.fcmanagedportfolio.co.uk, which will be available from 28 July 2014.

   This "Certificated" Conversion instruction form must be received by **5pm on Friday 26 September 2014** in respect of the 23 October 2014 Conversion Date.

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

3. in uncertificated form (that is in CREST) then please follow the instructions on the website at www.fcmanagedportfolio.co.uk, which will be available from 28 July 2014.

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

How to Invest

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

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

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £15,000 for the 2014/15 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund (CTF)
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £4,000 for birthdays in the 2014/15 tax year.

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

F&C Junior ISA (JISA)
This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £4,000 for the 2014/15 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

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

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

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

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

Dealing charge per holding
ISA: 0.2%
PIP/CIP/JISA: postal instruction £12, online instruction £8

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

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

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

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

How to Invest
You can invest in all our savings plans online.

Prospective Investors:
Contact our Investor Services Team

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

Existing Plan Holders
Contact our Investor Services Team

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

BMO A part of BMO Financial Group

F&C Management Limited is authorised and regulated by the Financial Conduct Authority FRN: 119230 and is a member of the F&C Group.
The ultimate parent company of the F&C Group is the Bank of Montreal.

Glossary of Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC – Association of Investment Companies, the trade body for Closed-end Investment Companies.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an Investment Trust, nevertheless, will remain fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

Benchmark – the FTSE All-Share Index is the benchmark against which the increase or decrease in the Company's net asset value is measured.

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and in which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or Fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JP Morgan Chase Bank.

Depositary – under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary will be strictly liable for loss of any investments or other assets in its custody and will be obliged to maintain oversight of share buy backs, dividend payments and adherence to investment limits.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value (NAV) per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium.

Glossary of Terms (continued)

Dividend Dates – Reference is made in announcements of dividends to three dates. The "ex-dividend" date is the date up to which the shareholder need to hold the shares in order to be entitled to receive the next dividend. As it takes time for a stock purchase to be recorded on the register, dividends are actually paid to the holders of shares on the share register on the "record" date. If a share transfer prior to the ex-dividend date is not recorded on the register before the record date, the selling party will need to pass on the benefit or dividend to the buying party. The "ex-dividend" date is currently the second business day prior to the record date. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before shareholders in their entitlement to capital and/or income. They include: overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report.

Growth Shares – a security issued by the Company. The net asset value attributable to each Growth share is equal to the Net Asset Value of the Growth Portfolio divided by the total number of Growth shares in issue. The Growth shares are not entitled to dividends paid by the Company.

Income Shares – a security issued by the Company. The net asset value attributable to each Income share is equal to the Net Asset Value of the Income Portfolio divided by the total number of Income shares in issue. The Income shares are entitled to dividends paid by the Company.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 8 to the accounts). The Report of the Directors contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

Manager – F&C Investment Business Limited (F&C), a part of BMO Financial Group. The responsibilities and remuneration of the Manager are set out in the Business Model and Strategy, Report of the Directors and note 4 to the accounts.

Market capitalisation – the stock market quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV, the market capitalisation will be lower than the Net asset value.

Net asset value (NAV) – the assets less the liabilities of the Company, as set out on the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 1 to the accounts) and United Kingdom Accounting Standards. The net assets correspond to Equity Shareholders' Funds, which comprise the share capital account, share premium, capital redemption reserve, buy back reserve, special capital reserve and capital and revenue reserves.

Net asset value (NAV), Debt at par – The Company's bank loan is valued in the Accounts at par (the actual amount borrowed) and this NAV including this number is referred to as "NAV, Debt at par".

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive directors. Non-executive Directors' remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Statement of Corporate Governance.

Ongoing Charges – all operating costs expected to be incurred in future and that are payable by the Company, expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing shares. Ongoing charges of the Company's underlying investments have not been included.

SORP – Statement of Recommended Practice. Where consistent with the requirements of UK Generally Accepted Accounting Practice, the accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 1 to the accounts.

Total return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of F&C Managed Portfolio Trust plc will be held at Exchange House, Primrose Street, London EC2A 2NY, on Tuesday 23 September 2014 at 12 noon for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 6 and 9 will be proposed as Ordinary Resolutions and Resolutions 7, 8, 10 and 11 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 May 2014 be received.

2. That the Directors Remuneration Policy be approved.

3. That the Annual Report on Directors' Remuneration for the year to 31 May 2014 be approved.

4. That David Harris, who retires by rotation, be re-elected as a Director.

5. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.

6. 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 £277,100 in respect of Income Shares and £261,100 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

7. That, subject to the passing of resolution number 6, 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 6 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 £277,100 in respect of Income Shares and £261,100 in respect of Growth Shares (being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 24 July 2014) 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).

8. That, in substitution for any existing authority but without prejudice to the exercise of any such

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

(a) the maximum aggregate number of Income Shares and Growth Shares hereby authorised to be purchased is 14.99 per cent of the issued Income Shares and 14.99 per cent of the issued Growth Shares (excluding Income Shares and Growth Shares held in treasury) immediately prior to the passing of this resolution[1];

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

(c) the maximum price (excluding expenses) which may be paid for an Income Share or Growth Share shall not be more than the higher of:

i. 5 per cent. above the average closing price on the London Stock Exchange of an Income Share or Growth Share over the five business days immediately preceding the date of purchase; and

ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or on 23 December 2015 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Income Shares and/or Growth Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Income Shares and/or Growth Shares pursuant to any such contract.

Ordinary Resolution

9. That, subject to the passing of Resolution 10 to be proposed at the Annual General Meeting of the Company convened for 23 September 2014, 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 10, provided always that Income Shares and/or Growth Shares will only be resold from treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which such Income Shares and/or Growth Shares are to be resold must be less than the average discount at which Income Shares and/ or Growth Shares held in treasury have been repurchased and, second, the net asset value dilution associated with the sale of treasury shares in any one financial year must not exceed 0.5 per cent of net assets.

Special Resolutions

10. 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 £277,100 in respect of Income Shares and £261,100 in respect of Growth Shares and shall expire on the earlier of 23 December 2015 and the conclusion of the Annual General Meeting of the Company to be held in 2015, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements

[1]Following Resolution 8 becoming effective the maximum aggregate number of shares hereby authorised to be purchased shall be 4,154,460 Income shares and 3,914,610 Growth shares (or, if less, 14.99 per cent of the number of Income shares and 14.99 per cent of the Growth shares in issue (excluding Treasury shares) immediately prior to the passing of this resolution)

Notice of Annual General Meeting (continued)

or arrangements as if the power conferred hereby had not expired.

11. That the proposed Purchase Contract (as defined in the annual report and accounts published by the Company on 24 July 2014) 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
24 July 2014

Notes

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

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

   The statements of the rights of members in relation to the appointment of proxies in Note 1 and 2 above does not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.

6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.00 pm on 19 September 2014 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm on the day two business days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 pm on 19 September 2014 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 24 July 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 27,714,936 Income Shares carrying one vote each and 26,114,843 Growth Shares carrying one vote each. The Company holds nil Income Shares and 1,290,000 Growth Shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 24 July 2014 were 53,829,779 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;

Notice of Annual General Meeting (continued)

(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.

Corporate Information

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

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

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

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

Registrars' Shareholder Helpline
Tel No. 0871 384 2923*

Registrars' Broker Helpline
Tel No. 0871 384 2779†

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

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

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

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

*Calls to this number are charged at 8p per minute plus network extras.
Lines open 8.30 am to 5.30 pm Monday to Friday.

†Calls to this number are charged at £1 per minute from a BT Landline. Other telephony providers costs may vary.
Lines open 8.30 am to 5.30 pm Monday to Friday.

Registered Office

80 George Street
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Tel: 0207 628 8000
Fax: 0131 225 2375

Registrars

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West Sussex BN99 6DA
Registrars' Shareholder Helpline: 0871 384 2923*
Registrars' Broker Helpline: 0871 384 2779†
Registrars' Overseas Helpline: +44 121 415 7012

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