F&C Managed Portfolio Trust PLC

Report and Accounts 2017

Contents

Financial Calendar 2017/2018	
Annual General Meeting	21 September 2017
Deadlines for submitting Conversion Instructions	18 & 22 September 2017
First interim dividend paid (XD Date 14 September 2017)	6 October 2017
Share Conversion Facility date	19 October 2017
Second interim dividend paid (XD Date 14 December 2017)	5 January 2018
Announcement of Interim Results for six months to 30 November 2017	January 2018
Third interim dividend paid (XD Date 15 March 2018)	6 April 2018
Fourth interim dividend paid (XD Date June 2017)	6 July 2018
Announcement of Annual Results and Posting of Annual Report	July 2018
Annual General Meeting	September 2018

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Company Overview

F&C Managed Portfolio Trust plc (the "Company"), launched on 16 April 2008 and its shares are listed on the London Stock Exchange. Net assets attributable to shareholders at 31 May 2017 were £121.5 million (2016: £98.0 million).

The Company's shares provide investors with access to a broad spread of investment companies, covering a variety of geographies, sectors and investment managers, with the objective of providing both income and growth, while spreading investment risk.

This is intended to appeal, in particular, to investors with smaller investment portfolios and to regular savers.

The Company has two classes of shares with two separate investment portfolios – the Income shares, where the investment focus is to provide an attractive level of income, together with some capital growth; and the Growth shares, where the investment focus is to achieve capital growth.

As at 31 May 2017, the Income shares had a dividend yield of 3.9% and had achieved growth in the net asset value of 39.7% (excluding dividends paid) since launch. The net asset value of the Growth shares had risen by 89.6% since launch.

The benchmark index for both the Income Portfolio and the Growth Portfolio is the FTSE All-Share Index total return. Both portfolios have outperformed this benchmark over the 3 years and 5 years to 31 May 2017 and since launch.

Visit our website at www.fcmanagedportfolio.co.uk

Income shares – Highlights 2017

+4.8%

Dividend increased

Annual dividend increased by 4.8% to 5.45p per Income share.

3.9%

Dividend yield[1]

Dividend yield of 3.9% at 31 May 2017, based on dividends at the current annual rate of 5.45p per Income share, compared to the yield on the FTSE All-Share Index of 3.5%. Dividends are paid quarterly.

+24.5%

Strong return

Net asset value total return[2] per Income share of 24.5% matching the FTSE All-Share Index total return of 24.5%.

[1] Yield – Based on total dividends of 5.45p and the Income share price at 31 May 2017

[2] Total return – see Alternative Performance Measures on page 80

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Income shares – Performance Summary

	Year ended 31 May 2017	Year ended 31 May 2016
Total Return[1]		
Net asset value per Income share	+24.5%	-4.8%
Income share price	+28.8%	-7.6%
FTSE All-Share Index	+24.5%	-6.3%

	Year ended 31 May 2017	Year ended 31 May 2016
Revenue and Dividends		
Revenue return per share (including net income transfer from Growth shares)	5.89p	5.62p
Dividends per Income share	5.45p	5.20p
Dividend yield[2]	3.9%	4.6%
Ongoing Charges‡		
As a percentage of average net assets	1.12%	1.09%

	Highs 2017	Lows 2017
Year's Highs/Lows		
Net asset value per Income share	137.5p	108.0p
Income share price	142.0p	111.0p
Premium/(Discount)†	4.4%	(2.7)%

(1) Total return – see Alternative Performance measures on page 80

(2) Yield – Based on total dividends of 5.45p (2016: 5.2p) and the Income share price at 31 May.

‡ 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. Ongoing charges of the Company's underlying investments have not been included in this calculation.

† 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

Growth shares – Highlights 2017

+1.9%

Outperformance

Net asset value total return per Growth share of +26.4%, outperformed, the FTSE All-Share Index total return (+24.5%) by +1.9%.

+89.6%

Long term growth

The net asset value per Growth share has increased by +89.6% since launch on 16 April 2008, outperforming the FTSE All-Share Index total return (+85.8%) by +3.8%.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Growth shares – Performance Summary

	Year ended 31 May 2017	Year ended 31 May 2016
Total Return(1)		
Net asset value per Growth share	+26.4%	-4.5%
Growth share price	+26.8%	-3.9%
FTSE All-Share Index	+24.5%	-6.3%
Ongoing Charges‡		
As a percentage of average net assets	1.08%	1.09%

	Highs 2017	Lows 2017
Year's Highs/Lows		
Net asset value per share	186.2p	138.4p
Growth share price	189.0p	144.0p
Premium/(Discount)†	4.0%	(3.2)%

(1) Total return – see Alternative Performance measures on page 80

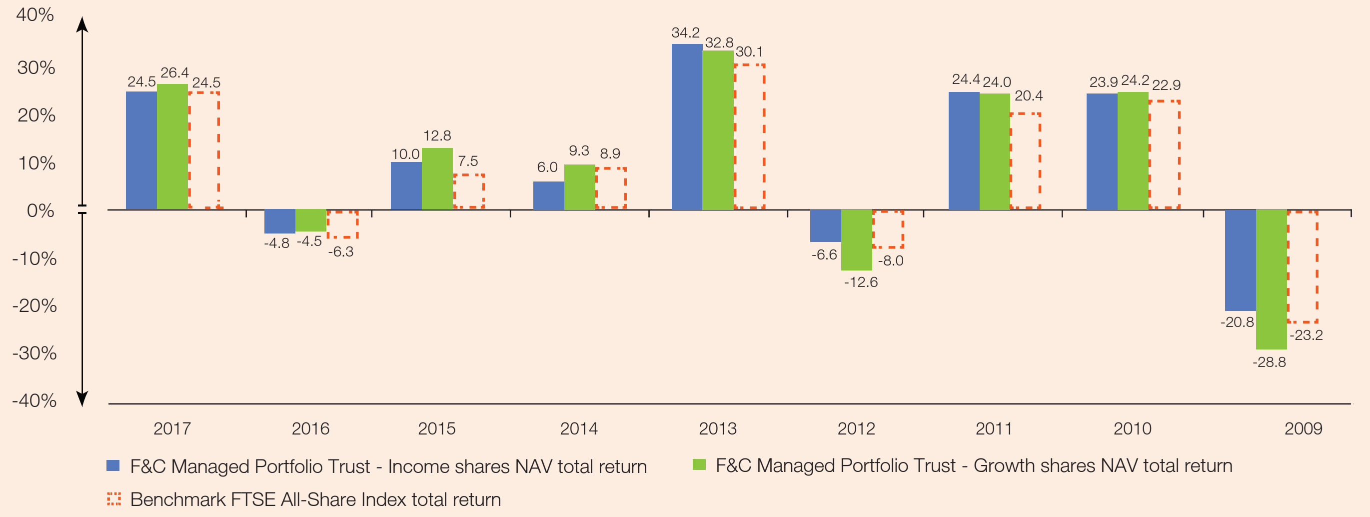
‡ The total expenses (both revenue and capital) incurred by the Company (excluding finance costs and any performance fee) divided by the average net asset value in the year. Ongoing charges of the Company's underlying investments have not been included in this calculation.

† 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

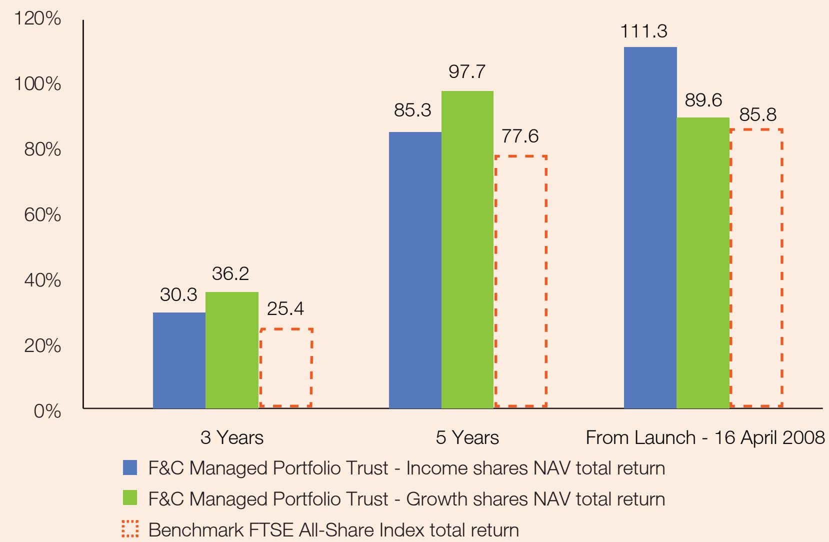
Long-term summary

Discrete Performance for the financial years to 31 May



Sources: F&C Investment Business Limited and Datastream

Cumulative Performance to 31 May 2017



Sources: F&C Investment Business Limited and Datastream

‘The Company’s shares have been a popular choice for parents, with more than 7,700 children having become shareholders through a Child Trust Fund, Junior ISA or a Children’s Investment Plan’

Chairman's Statement

Richard Martin Chairman

Despite a turbulent political backdrop, this financial year has been a good one for global equity markets. Your Company has delivered strong performance, increased its annual dividend by 4.8% and net assets now exceed £120 million.

Performance

Net asset value total return

For the Company's financial year to 31 May 2017, the NAV total return (i.e. adding dividends paid to capital performance) was 24.5% for the **Income** shares and 26.4% for the **Growth** shares. This compares with the 24.5% total return for the FTSE All-Share Index, the benchmark index for both portfolios.

The Investment Company sector, as measured by the FTSE Equity Investment Instruments Index, returned 29.9%. The UK equity market moved ahead strongly, in part due to the significant decline in sterling following the EU Referendum result and also the further cut in interest rates shortly thereafter. The Investment Company sector benefitted from the substantial exposure to overseas equity markets of many investment companies. Strong local equity market returns were boosted by currency weakness when translated back into sterling, as illustrated by the total return of 33.2% in sterling terms from the MSCI All Country World Index.

The principal contributors to the performance and additional information on the Company's investment portfolios are identified in the Investment Manager's Review, commencing on page 14.

Our longer-term performance is strong and is illustrated graphically on page 6. The Income shares have produced NAV total returns of 30.3% over three years and 85.3% over five years. For the Growth shares, the corresponding figures are 36.2% and 97.7%. Both shares have outperformed the benchmark over the same periods and indeed since launch.

Revenue and dividends

We have been able to increase the dividend by 4.8%, well above inflation on any realistic measure. This is the sixth consecutive year of increase, in line with our objective. As a result, the yield on the **Income** shares was 3.9% on the year-end share price, compared with 3.5% for the FTSE All-Share index. We were also able to add to the revenue reserve, which is now equivalent to approximately 48% of the annual dividend cost, an important buffer for the dividend in challenging times.

For the year ended 31 May 2017, four interim dividends have now been paid, totalling 5.45p per Income share (5.2p for the previous year). The fourth interim dividend was paid after the year end on 7 July 2017.

In the absence of unforeseen circumstances, your Board intends again to declare three interim dividends, each of not less than 1.25p per Income share payable in October 2017, January 2018 and April 2018. A fourth interim dividend will be paid in July 2018 when a clearer view emerges of income for the year.

Borrowing

In view of rising inflation in the UK and the prospect of tighter monetary conditions across the Atlantic, we felt it prudent to secure the current low interest rates on borrowing for a longer term. Accordingly, in February 2017 the Company entered into an unsecured loan facility agreement with The Royal Bank of Scotland plc ("RBS") for £5 million for a five year term at a fixed rate of 2.03%. This was in place of the existing £5 million unsecured revolving credit facility ("RCF"). In addition the Company also entered into a two year unsecured RCF with RBS for £2 million.

The Board is responsible for the Company's gearing strategy and sets parameters within which the Investment Manager operates. Borrowings are not normally expected to exceed 20% of the total assets of the relevant Portfolio; in practice they have been modest and primarily used to enhance income in the Income Portfolio by investing in higher yielding alternative funds. At the time of writing, borrowings total £5.0 million (8.7% of net assets) in the Income Portfolio and zero in the Growth Portfolio.

Share capital
As part of our efforts to maintain the share price close to the NAV, we were active in both issuing and buying back shares during the year. Earlier in the year, 285,000 Growth shares were bought back at an average discount of 3.5%, while more recently, 593,537 Growth shares were resold from treasury at an average premium to NAV of 1.4%. A further 75,000 new Growth shares were issued from the Company's block listing authority at an average premium to NAV of 1.4%.

In terms of the Income shares, overall 475,000 shares were bought back at an average discount of 3.1%, again earlier in the year, while 795,000 Income shares were resold from treasury at an average premium to NAV of 1.4%.

In normal circumstances, we aim to maintain the discount to NAV at which our shares trade, at not more than 5%. In practice over the years the shares have generally traded close to NAV. During the year to 31 May 2017 we have been able to maintain an average premium of 0.1% for the Income shares and an average discount of 0.4% for the Growth shares.

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 ("AGM").

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 19 October 2017. Information is provided in the Annual Report and Accounts on pages 76 and 77 and full details will be provided on the Company's website (www.fcmanagedportfolio.co.uk) from 28 July 2017.

However, 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 avoid incurring costs of conversion which would be disproportionate to the level of converting assets. The Board is however considering alternative cost proposals, which may allow the conversion to be more economic for converting shareholders in the future.

Board composition
In line with best practice, all four Directors will be standing for re-election at the AGM as all have now served on the Board for more than nine years.

We have begun to discuss the composition of the Board and intend to "refresh" the Board during the coming year prior to the 2018 AGM.

Change of Auditor
As set out in the Report of the Audit Committee, in accordance with the new EU audit rotation rules, the Audit Committee put this appointment out to tender in the current year. Following this process it is recommended that KPMG LLP be appointed as auditor for the forthcoming year to 31 May 2018 and a resolution proposing this appointment will be put to shareholders at the forthcoming AGM.

The Board would like to thank EY for their audit work and support since the launch of the Company and we are pleased that they can continue to provide tax services which may no longer be carried out by the Company's auditor.

AGM
The AGM will be held at 12.30pm on Thursday 21 September 2017 in the offices of BMO Global Asset Management, 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 Investment Manager and I would encourage you to attend.

Outlook
The level of political uncertainty experienced over the past year has been unparalleled. It is highly likely that the next twelve months and beyond will remain in a similar vein, given the inconclusive UK general election result and the complex "Brexit" negotiations ahead. In terms of investment prospects however, it is best to focus on the underlying fundamentals and in this regard evidence of a more synchronised global recovery is encouraging. Equity valuations, especially in the US, are elevated which means any setback could be meaningful.

Nonetheless the global outlook, in terms of inflation, interest rates, growth and corporate earnings for equity markets remains generally constructive. For both Portfolios our strategy will continue to emphasise investment companies with overseas exposure, with a focus on selecting the best fund managers. Allied to a cautious investment approach, this should best serve shareholders' interests amidst these uncertain times.

Richard M Martin
Chairman

28 July 2017

Business Model, Strategy and Policies

The Company's shares provide investors with access to a broad spread of investment companies, covering a variety of geographies, sectors and investment managers, with the objective of providing both income and growth, while spreading investment risk.

The Company has two classes of shares with two separate investment portfolios – the Income shares where the investment focus is to provide an attractive level of income, together with some capital growth; and the Growth shares, where the investment focus is to achieve capital growth.

Board of Directors

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 procedures and risk management. The Directors have considered their duties under section 172 of the Companies Act 2006 in promoting the success of the Company for the benefit of stakeholders. This includes duties towards responsible ownership, which are explained on page 11. An important responsibility is also the annual evaluation and appointment of the Manager, which also acts as the Alternative Investment Fund Manager. Biographical details of the Directors, all of whom are non-executive, can be found on page 26. The Company has no executive directors or employees.

The Manager

The Board has contractually delegated the management of the investment portfolios, and other services, to F&C Investment Business Limited (the '**Manager**'), a wholly-owned subsidiary of F&C Asset Management plc ('**F&C**'). F&C is wholly owned by Bank of Montreal ('**BMO**') and is part of BMO Global Asset Management.

A summary of the management agreement is contained in note 4 to the accounts. The Manager also acts as the Alternative Investment Fund Manager ('AIF Manager') under the Alternative Investment Fund Managers Directive ('AIFMD').

Peter Hewitt acts as Investment Manager (the '**Investment Manager**') to the Company, on behalf of F&C. Peter has managed the Company's assets (which were previously held in the F&C investment trust managed portfolio service) since 2002. He has over 30 years' investment experience and specialises in investment companies.

Investment strategy and policy

The Company's investment policy is set out on page 12.

Our approach

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.

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 Investment Manager's Review and a full list of their investments can be found on pages 20 to 23.

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 2017, 47 investments were held in the Income Portfolio and 45 in the Growth Portfolio.

Investment of Assets

At each Board meeting, the Board receives a presentation from the Investment 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.

Marketing

F&C 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.

The Manager offers a range of private investor savings schemes which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 78.

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

Responsible Ownership

The Board supports F&C in its belief that good governance creates value. F&C takes a particular interest in corporate governance and sustainable business practices, and continues to work on systematically incorporating environmental, social and governance factors into its investment processes. This is based on the view that companies with strong management focus on these areas have the potential to reduce risks facing their business and deliver sustainable performance over the longer term. Engagement with companies on significant matters, so as to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms an important part of F&C's approach towards responsible investment.

Information on where to find the statement of compliance with The UK Stewardship Code can be found on page 33.

The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no significant direct social, human rights, community or environmental responsibilities.

Gearing

The Company currently has a £5,000,000 unsecured fixed rate loan for a five year term and a two year £2,000,000 unsecured revolving credit facility with The Royal Bank of Scotland plc, which is described in more detail in the notes to the accounts.

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.

Dividend Policy

Within the Company's investment objective is the aim to provide an attractive level of income for income shareholders. In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, the Company's dividend payment record and the Corporation Tax rules governing investment trust status. Dividends can also be paid from capital reserves although the Board has no current need or intention to do so.

Share issue and buy-back strategy

Share issuance and buy-backs help reduce the volatility of the share price discount or premium to net asset value per share and enhance the net asset value per share for continuing shareholders.

In normal circumstances, the Board aims to maintain the discount to NAV at which the Company's shares trade, at not more than 5%. In practice over the years the shares have generally traded close to NAV. 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. Shares held in treasury may be resold, subject to conditions on dilution to net asset value.

Principal Risks

The Company's Principal Risks are set out in detail on pages 24 and 25.

Review of Performance and Outlook

The Company's performance in meeting its objectives is measured against key performance indicators as set out on page 13.

The Chairman's Statement and Investment Manager's Review within this Report provide a review of the Company's returns, 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.

"The Company's two portfolios – Growth and Income – work in tandem to enhance each other's potential"

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.

By order of the Board
For F&C Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

28 July 2017

Key Performance Indicators

The Board recognises that longer term share price performance and an attractive level of income (for Income shareholders) are most important to the Company's investors. Underlying share price performance is driven largely by the performance of the net asset value. The overriding priority is to continue to strive for consistent achievement of relative outperformance; adding value for shareholders through net asset value and share price return; discount/premium management; dividend growth and competitive ongoing charges.

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators, which largely show encouraging trends, are set out below:

Additional comments are provided in the Chairman's Statement and Investment Manager's Review discussing the performance of the Company during the current year.

Net asset value per share total return‡ performance to 31 May 2017

	1 year %	3 years %	5 years %	Since launch†	
Income shares NAV total return	24.5	30.3	85.3	111.3	This measures the Company's NAV total return, which assumes dividends paid by the Company have been reinvested, relative to the benchmark.
Growth shares NAV total return	26.4	36.2	97.7	89.6	
Benchmark total return*	24.5	25.4	77.6	85.8	

*Benchmark: FTSE All-Share Index
†Launched on 16 April 2008
‡See Alternative Performance Measures on page 80

Source: F&C Investment Business Limited and Datastream

Dividend level of the Income Shares

Financial year to 31 May	2017	2016	2015	2014	2013	
Annual dividend	**5.45p**	5.20p	5.00p	4.80p	4.60p	This shows the dividend yield of the Income shares at the year-end relative to the benchmark.
Dividend yield†	**3.9%**	4.6%	3.9%	3.9%	3.9%	
Yield on FTSE All-Share index	**3.5%**	3.75%	3.3%	3.3%	3.3%	

†Based on Income share price at 31 May

Source: F&C Investment Business Limited and Datastream

Average premium/(discount)‡ to NAV

During the financial year to 31 May	Income shares %	Growth shares %	
2017	**0.1**	**(0.4)**	This is the difference between the share price and the NAV per share.
2016	0.9	1.2	
2015	1.6	0.6	
2014	0.2	(0.6)	
2013	(2.1)	(2.7)	

‡See Alternative Performance Measures on page 80

Source: F&C Investment Business Limited

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

At 31 May	Income shares* %	Growth shares* %	
2017	**1.12**	**1.08**	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of average net assets.
2016	1.09	1.09	
2015	1.16	1.15	
2014	1.16	1.17	
2013	1.24	1.24	

‡See Alternative Performance Measures on page 80
*Excludes the performance fee

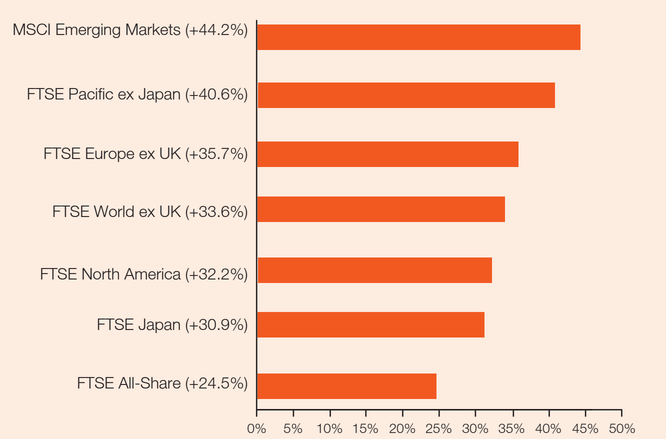
Investment Manager's Review

Stockmarket Background

The past twelve months have been in some respects amongst the most turbulent, volatile and uncertain for a generation. Politics has dominated the headlines and the media. Starting with Brexit last June which had not been anticipated. Then the election of President Trump in the US, an outcome which had also not been expected. Although the elections in Europe have not sprung a surprise, the calling of a general election in the UK has once again added to the uncertainty. All this and the real negotiations over the terms of Brexit and what ultimately it may mean for both the UK and Europe have yet to begin.

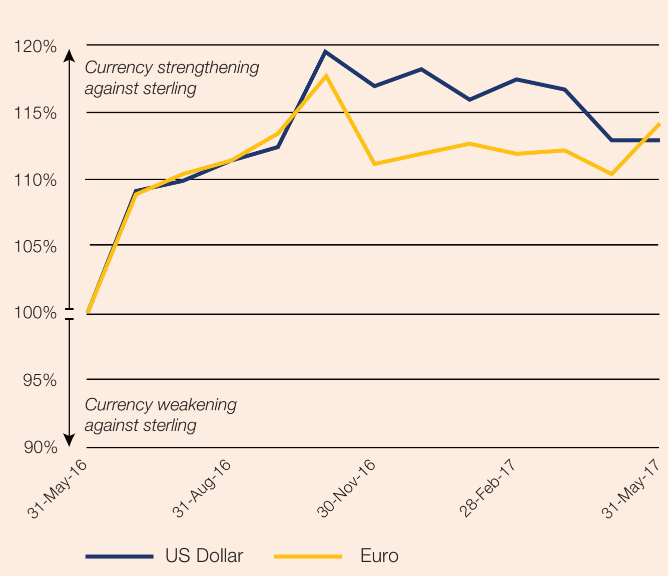
Conventional thinking might point to an assumption that all of the above would not be taken well by investors and that returns for the period under review could be adversely affected. The final outcome would almost certainly not have been forecast at the start of the period. Returns across most major global equity markets were not only positive, but amongst the largest in terms of magnitude for many years.

Total Return by Region/Market for the year to 31 May 2017 (sterling)



As can be seen from the chart above, the UK stockmarket did very well over the past year, however in relative terms it lagged behind most other major equity markets when returns were translated back into sterling. The move in sterling was a big element in returns although, particularly against the dollar, most of it occurred in the first half. Strong positive returns continued to be achieved during the second six months of the financial year, particularly from European, Asian and Emerging Markets reflecting consolidating recovery, better corporate profits performance and a recognition that these regions were in relative terms more attractively valued.

Currency movements against Sterling in year to 31 May 2017 ($ and Euro)

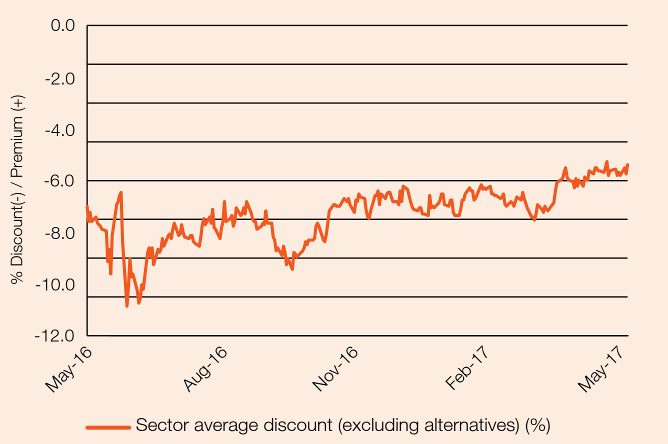


Performance

For the year to 31 May 2017, the FTSE All-Share Index rose by 24.5% (in total return terms). Over the same period, the Net Asset Value of the Income Portfolio also rose by 24.5% whilst that of the Growth Portfolio recorded a gain of 26.4% (again both in total return terms). This represents the fifth consecutive financial year that the Growth Portfolio has been ahead of the FTSE All-Share Index. The Income Portfolio has only underperformed the benchmark in one of the nine financial years since launch in 2008, albeit that in this past year it recorded a return exactly in line with that of the FTSE All-Share Index.

The immediate aftermath of the Brexit vote proved quite challenging for both portfolios as trusts invested in UK equities and with a bias towards mid and small cap companies (typically amongst the best performers over the longer term) underperformed quite markedly as they were not beneficiaries of the sharp fall in the value of sterling. Concern over what Brexit might mean for the domestic economy was another factor that favoured the large global companies that tend to be found in the FTSE 100 Index. As the year wore on and the UK economy proved much more resilient than initial expectations, so mid and small cap indices reversed some of the relative underperformance of the immediate post Brexit period. This was manifest in the investment company sector by better performance from active managers, whose portfolios tend to be overweight stocks in the mid and small cap sectors and also by a stabilisation/narrowing of discounts of UK equity trusts with these characteristics.

Investment Company – Average Sector Discount 1 year to 31 May 2017

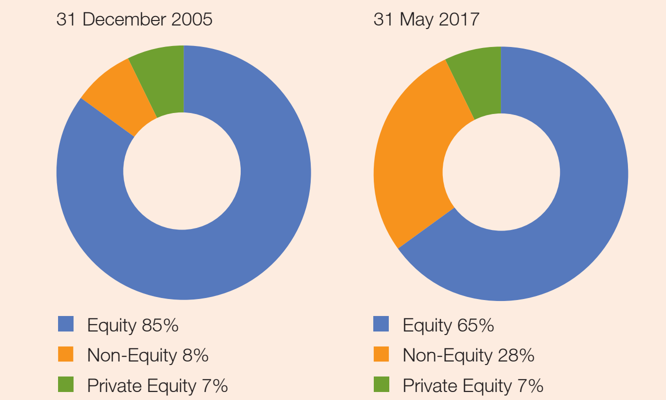


Source: Winterflood Securities

As can be seen from the chart above the average sector discounts for investment companies invested mainly in equities began the period at around 7.0% but then widened sharply following the Brexit vote to over 10.0% in July. From then on, reflecting generally buoyant equity markets across the globe and unusually low levels of volatility, discounts tended to gradually tighten to end the year at 5.4%. There are only two sectors; UK Smaller Companies and Global Emerging Markets which are trading at average discounts of over 10%. Discounts in investment companies have often been viewed as indicators of risk so the evidence of this chart could be interpreted that risks to the health of the global economy and of equity markets have lessened over the course of the past twelve months. Although the unpredictability of political events would seem to point in a different direction, as the year has worn on, the evidence of strengthening recovery from China, Asia Pacific and Europe along with the US and UK has been reflected in strong returns from many equity markets in these regions.

Investment Company Sector

Investment Company Sector – Total Assets £151bn (As at 31st May 2017)



Source: Winterflood Securities, Thomson Reuters, Bloomberg

The past year has been one of strong growth for the broad investment company sector. Total assets have grown to over £150 billion an increase of 27% on the previous year. The substantial rise in global equity markets was a key driver, however so was new issuance, which for the year to 31 May 2017 was nearly £10 billion, an increase of 44% on the previous year. 72% of new issuance came in the area of alternative investment companies with £2.75 billion in infrastructure and renewable trusts and a further £2.25 billion in various property related vehicles. The common theme for most alternative investment companies is that the underlying assets they hold tend to be illiquid (which is why a closed end investment fund is the optimal structure), have little sensitivity to the direction of equity markets and offer high and consistent dividend yields. This has proven very attractive to investors at a time when yields on equities and especially bonds have been driven down to historically low levels and has been behind the high and growing level of issuance. It is likely the issuance from alternatives will continue for some time.

Gearing – Income Portfolio

During the second half of the financial year the Income Portfolio took on £5 million of gearing from The Royal Bank of Scotland at an all-in cost of just over 2% p.a. fixed for five years. The rationale for this was to enhance the revenue generating ability of the Income Portfolio. From an investment standpoint the objective is to hold certain investment companies in the alternatives sector which have little exposure to the equity market, possess low levels of volatility and have the characteristics of high and sustainable dividend yields, with the prospect of some growth. Holdings include: **Civitas Social Housing REIT, GCP Infrastructure Investments, Renewables Infrastructure Group, Sequoia Economic Infrastructure, GCP Asset Backed Income and Impact Healthcare REIT**.

Growth Portfolio – Leaders and Laggards

The two strongest performers in the Growth Portfolio were **Polar Capital Technology Trust** and **Allianz Technology Trust**, both gaining over 70%. Both of these trusts have outstanding long term records and are a good way for the Growth Portfolio to gain exposure to the secular growth characteristics represented by the dynamic US technology sector. The next two best performers are both managed by Baillie Gifford. **Monks Investment Trust** rose by 68% whilst **Scottish Mortgage Investment Trust** was ahead by 53%. Although both trusts employ a growth focussed investment strategy, the latter is more concentrated with a bias towards technology companies whilst the former is more diversified by number and nature of holdings. Special mention should also be made of **River & Mercantile UK Micro Cap Investment Company** which recorded a 45% gain due primarily to outstanding stock selection.

Two holdings which underperformed over the year were **Sanditon Investment Trust** which fell 6% and **BH Macro** which rose 4%. Both funds are defensive in nature and are held to provide an element of protection for the portfolio in a market setback. That they lagged a sharply rising equity market is not unexpected. **Woodford Patient Capital Trust** was down 4%. The fund is not a mainstream play on UK equities as it comprises a portfolio of private early stage and listed early growth companies, mainly spin outs from UK universities. Given the nature of these companies it will take time for them to come through and no doubt there will be failures along the way. However many of the underlying portfolio companies have made good progress and there is reason to believe that for the patient investor there will be significant upside potential.

Income Portfolio – Leaders and Laggards

Two of the leading performers were trusts which specialise in overseas private equity investments. **NB Private Equity Partners** delivered a 58% return whilst **Princess Private Equity Holding** gained 59%. Both funds also significantly benefitted from sterling devaluation against the dollar and the Euro. The former concentrates mainly in the US and offers a 4% dividend yield, whilst the latter is more global in its approach and has a dividend yield of over 5%. As with many private equity trusts both experienced a welcome narrowing of the discount between the share price and the asset value over the period.

The common theme of other strong performers was exposure to overseas equity markets where good local currency gains were further enhanced by sterling weakness. Examples include **JPMorgan Global Emerging Markets Income Trust** which rose 46%, **The Bankers Investment Trust** which was ahead by 38% and **Murray International Trust** which was up by 39%.

When equity markets have such a strong year, the laggards in the portfolio would tend to come from trusts which are not invested in equities. **GCP Infrastructure Investments** delivered a steady dividend yield of over 6% but only experienced a 10% rise in its share price. Similar trends were evident with **Carador Income** which rose 14% and **CQS New City High Yield Fund** which was ahead by 15%. Dividends were maintained at a high level although the capital performance could not keep pace with equity market returns.

(All share prices are total return)

Investment Strategy and Prospects

Given what has taken place over the past year, first with the unexpected result in the EU Referendum, then with the unexpected result in the US Presidential election, it is difficult to believe the magnitude of positive returns that have been achieved by equity markets. Political events have dominated the media and have served to confuse as it is the economic fundamentals which tend to determine the direction of financial markets. In this regard the fundamentals in terms of growth, inflation, interest rates and ultimately corporate profits and dividends came through much better than had been anticipated a year ago.

With this in mind what are the prospects for the coming year?

Once again in the UK, politics take centre stage. An inconclusive General Election result has bequeathed a Government that is fragile at best and with the imminent onset of Brexit negotiations it appears that, for the UK, there will be a protracted period of uncertainty which if events went awry have the potential to upset financial markets. With an unpredictable President it appears similar sentiments could affect the US. In comparison, Europe and Asia Pacific appear almost as an oasis of calm.

Using recent years as a guide, perhaps all of this uncertainty serves to obscure what is going on in underlying economies and by focussing on key trends in the fundamentals will allow a better analysis of prospects for financial markets. In this regard the potential for all the aforementioned uncertainty to weaken sterling further and for the fragile government to reverse austerity and embark on a programme of more stimulus would likely support equity markets. However, neither is guaranteed and meantime it is clear the UK is slowing with higher inflation squeezing the all-important consumer such that real incomes are under pressure. Encouragingly, the US recovery continues, although the timing of a boost from the promised tax cuts of President Trump remains unclear. Meantime the Federal Reserve continues its policy of trying to normalise interest rates by moving them higher. Europe is at last experiencing stronger growth with both inflation and interest rates at low levels and Asia Pacific is benefitting from stimulus measures taken by the Chinese government and as such is experiencing stronger growth also.

Over the last few years global markets have been led by the US which has performed strongly. Valuations in the US, where the forward P/E of the S&P Composite is 17x are elevated, and robust earnings growth, which is being delivered, is needed to justify current levels. Europe on the other hand is also beginning to achieve strong corporate earnings growth. It has taken a very long time in Europe, however recovery is genuine and equity market valuations are, whilst not cheap, attractive on a relative basis. Similarly growth is improving and valuations are reasonable in Asia Pacific and Emerging Markets. In the case of the latter, there are signs that a long period of underperformance is drawing to a close. Which leaves the UK, where investor sentiment is adverse and confidence is low and yet large global companies based in the UK could benefit from the synchronised recovery evident internationally and any further weakness in sterling. This would benefit primarily the FTSE 100 Index. For UK mid and small cap companies the environment could become more challenging.

An important element of the long term investment strategy for F&C Managed Portfolio Trust is to maintain exposure to sectors which offer genuine secular growth opportunities such as technology, biotechnology and healthcare. This is achieved through holdings in investment companies such as **Polar Capital Technology Trust, Allianz Technology Trust, Biotech Growth Trust, BB Biotech, BB Healthcare** and **Worldwide Healthcare Trust**. Over the long term, the returns from investment companies exposed to these sectors has been exceptional and looking ahead the opportunity for holdings in these sectors continues to be exciting.

There may well be setbacks and with volatility at such low levels, when these occur they could be both sharp and uncomfortable. That said, the global outlook remains constructive for equity markets. In terms of investment strategy, further progress from current levels is likely to be driven by earnings growth and not multiple expansion and in this regard that should favour Europe, Asia Pacific and Emerging Markets over the more highly rated US market. Prospects for the UK are less certain although the present political difficulties have not prevented the FTSE All-Share Index moving to a new all-time high. The preference is for investment companies with an overseas bias and then identifying investment managers who have a clear disciplined style with proven long term performance records. It is the intention to exercise considerable caution with strategy and investment selections but to remain fully invested in both portfolios.

Peter Hewitt
Investment Manager
F&C Investment Business Limited

28 July 2017

"The Company's shares provide investors access to a broadly diversified portfolio of investment companies, covering a variety of geographies, sectors and investment managers."

Income shares –
Investment Portfolio

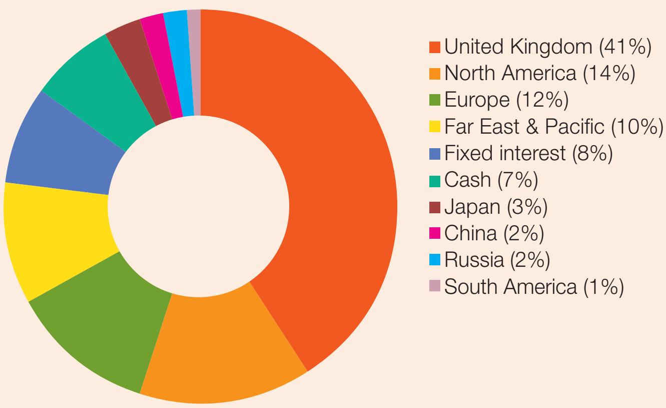
At 31 May 2017			
Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Murray International Trust	Global Equity Income	2,123	3.7%
Law Debenture Corporation	Global	2,033	3.5%
Perpetual Income & Growth Investment Trust	UK Equity Income	1,883	3.3%
City of London Investment Trust	UK Equity Income	1,860	3.2%
NB Private Equity Partners	Private Equity	1,855	3.2%
Invesco Perpetual UK Smaller Companies Investment Trust	UK Smaller Companies	1,774	3.1%
Princess Private Equity Holding	Private Equity	1,760	3.1%
Henderson International Income Trust	Global Equity Income	1,758	3.0%
Temple Bar Investment Trust	UK Equity Income	1,758	3.0%
Secure Income REIT	Property Specialist	1,730	3.0%
Ten largest investments		18,534	32.1%
Schroder Oriental Income Fund	Asia Pacific – Exc Japan	1,726	3.0%
Troy Income & Growth Trust	UK Equity Income	1,717	3.0%
3i Infrastructure	Infrastructure	1,668	2.9%
European Assets Trust†	European Smaller Companies	1,627	2.8%
BB Biotech	Biotechnology & Healthcare	1,627	2.8%
Invesco Perpetual Enhanced Income Limited	Global High Income	1,570	2.7%
Lowland Investment Company	UK Equity Income	1,535	2.7%
Edinburgh Investment Trust	UK Equity Income	1,533	2.7%
Majedie Investments	Global	1,522	2.6%
Aberforth Geared Income Trust	UK Smaller Companies	1,488	2.6%
Twenty largest investments		34,547	59.9%
Henderson High Income Trust	UK Equity & Bond Income	1,479	2.6%
Henderson Far East Income	Asia Pacific – Exc Japan	1,440	2.5%
Utilico Emerging Markets	Global Emerging Markets	1,362	2.4%
The Bankers Investment Trust	Global	1,355	2.3%
CC Japan Income & Growth Trust	Japan	1,340	2.3%
Civitas Social Housing REIT	Property Specialist	1,305	2.3%
JPMorgan Global Emerging Markets Income Trust	Global Emerging Markets	1,248	2.2%
Securities Trust of Scotland	Global Equity Income	1,181	2.0%
CQS New City High Yield Fund	UK Equity & Bond Income	1,173	2.0%
JPMorgan Global Growth & Income	Global Equity Income	1,132	2.0%
Thirty largest investments		47,562	82.5%

At 31 May 2017

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
GCP Infrastructure Investments	Infrastructure	1,124	2.0%
Renewables Infrastructure Group	Infrastructure – Renewable Energy	1,121	1.9%
Sequoia Economic Infrastructure	Infrastructure	1,065	1.8%
GCP Asset Backed Income	Debt	1,020	1.8%
Jupiter Emerging & Frontier Income	Global Emerging Markets	1,015	1.8%
The Mercantile Investment Trust	UK All Companies	981	1.7%
BB Healthcare	Biotechnology and Healthcare	961	1.7%
Aberdeen Asian Income Fund	Asia Pacific – Exc Japan	945	1.6%
BlackRock North American Income	North America	921	1.6%
Impact Healthcare REIT	Property Specialist	886	1.5%
Forty largest investments		57,601	99.9%
Honeycomb Investment Trust	Debt	763	1.3%
F&C UK High Income Trust†	UK Equity & Bond Income	742	1.3%
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	720	1.3%
City Merchants High Yield Trust	UK Equity & Bond Income	646	1.1%
Aberdeen Asian Smaller Companies Investment Trust 3.5% CULS 31/05/19	Asia Pacific – Exc Japan	566	1.0%
Carador Income	Debt	511	0.9%
HICL Infrastructure	Infrastructure	314	0.5%
Total investments		61,863	107.3%
Net liabilities		(4,209)	(7.3)%
Net assets of Income Portfolio		57,654	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 2017)

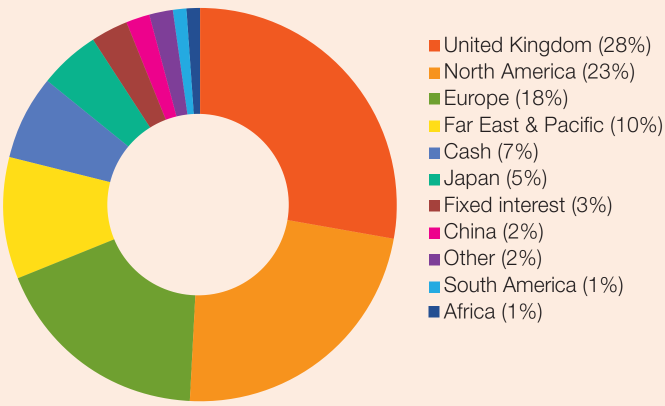
Growth shares –
Investment Portfolio

At 31 May 2017			
Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
Polar Capital Technology Trust	Tech Media & Telecomm	2,376	3.7%
Monks Investment Trust	Global	2,185	3.4%
Allianz Technology Trust	Tech Media & Telecomm	2,020	3.2%
Scottish Mortgage Investment Trust	Global	1,985	3.1%
Syncona Limited	Flexible Investment	1,788	2.8%
Baillie Gifford Japan Trust	Japan	1,774	2.8%
Jupiter European Opportunities Trust	Europe	1,726	2.7%
Mid Wynd International Investment Trust	Global	1,689	2.7%
RIT Capital Partners	Flexible Investment	1,679	2.6%
Henderson European Focus Trust	Europe	1,650	2.6%
Ten largest investments		18,872	29.6%
Impax Environmental Markets	Environmental	1,566	2.5%
Fidelity Special Values	UK All Companies	1,562	2.4%
Lowland Investment Company	UK Equity Income	1,535	2.4%
Murray International Trust	Global Equity Income	1,499	2.3%
Ruffer Investment Company	Flexible Investment	1,480	2.3%
Finsbury Growth & Income Trust	UK Equity Income	1,469	2.3%
Diverse Income Trust	UK Equity Income	1,454	2.3%
Personal Assets Trust	Flexible Investment	1,447	2.3%
Worldwide Healthcare Trust	Biotechnology & Healthcare	1,431	2.2%
Perpetual Income & Growth Investment Trust	UK Equity Income	1,400	2.2%
Twenty largest investments		33,715	52.8%
Herald Investment Trust	Small Media, Comms & IT Cos	1,380	2.2%
Templeton Emerging Markets	Global Emerging Markets	1,368	2.1%
Fidelity Asian Values	Asia Pacific – Exc Japan	1,297	2.0%
HgCapital Trust	Private Equity	1,290	2.0%
TR Property Investment Trust†	Property Securities	1,287	2.0%
Edinburgh Worldwide Investment Trust	Global	1,286	2.0%
JPMorgan American Investment Trust	North America	1,261	2.0%
Biotech Growth Trust	Biotechnology & Healthcare	1,223	1.9%
ICG Enterprise Trust	Private Equity	1,206	1.9%
Henderson Smaller Companies	UK Smaller Companies	1,192	1.9%
Thirty largest investments		46,505	72.8%

At 31 May 2017			
Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
Genesis Emerging Markets Fund	Global Emerging Markets	1,189	1.9%
Schroder Asian Total Return Investment Company	Asia Pacific – Exc Japan	1,168	1.8%
River and Mercantile UK Micro Cap Investment Company	UK Smaller Companies	1,155	1.8%
British Empire Trust	Global Emerging Markets	1,122	1.8%
Standard Life European Private Equity Trust	Private Equity	1,110	1.7%
Miton UK MicroCap Trust	UK Smaller Companies	1,037	1.6%
BH Macro	Hedge Funds	1,020	1.6%
European Assets Trust†	European Smaller Companies	1,017	1.6%
Sanditon Investment Trust	UK All Companies	1,006	1.6%
Law Debenture Corporation	Global	988	1.6%
Forty largest investments		57,317	89.8%
Gabelli Value Plus+ Trust	North America	956	1.5%
Henderson Opportunities Trust	UK All Companies	945	1.5%
BlackRock Frontiers Investment Trust	Global Emerging Markets	943	1.5%
Woodford Patient Capital Trust	UK All Companies	928	1.4%
Fundsmith Emerging Equities Trust	Global Emerging Markets	681	1.1%
Total investments		61,770	96.8%
Net current assets		2,051	3.2%
Net assets of Growth Portfolio		63,821	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 2017)

Principal Risks and Viability Statement

Most of the Company's principal risks that could threaten the achievement of its objective; strategy, future performance, liquidity and solvency are market related and comparable to those of other investment trusts investing primarily in listed securities.

A summary of the Company's internal control and risk management arrangements is included within the Report of the Audit Committee on pages 35 to 36. By means of the procedures set out in that summary, and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, issued by the Financial Reporting Council, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has also regularly reviewed the effectiveness of the Company's risk management and internal control systems for the period.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach are described below.

Notes 17 to 22 to the accounts provide detailed explanations of the risks associated with the Company's financial instruments and their management.

Principal Risks	Mitigation
Market Risk The Company's assets consist mainly of listed closed-ended investment companies and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.	An explanation of these risks and the way in which they are managed are contained in notes 17 to 22 to the accounts. The Board regularly considers the composition and diversification of the Income Portfolio and the Growth Portfolio together with purchases and sales of investments. Investments and markets are discussed with the Investment Manager on a regular basis.
Investment Risk Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/premium and the use of gearing could all lead to poor returns for shareholders.	The investment strategy, performance against peers and the benchmark, and gearing are reviewed with the Investment Manager at each Board meeting. The Income Portfolio and Growth Portfolio are diversified and comprise listed closed-ended investment companies and their composition are reviewed regularly with the Board. The Board regularly considers ongoing charges and a discount management policy has operated since the launch of the Company. Underlying dividends from investee companies and the dividend paying capacity of the Company are closely monitored.
Custody Risk Safe custody of the Company's assets may be compromised through control failures by the custodian.	The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

Principal Risks	Mitigation
Operational Risk Failure of F&C as the Company's main service provider or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring, leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence. External cyber attacks could cause such failure or could lead to the loss or sabotage of data.	The Board meets regularly with the management of F&C and receives regular internal control and risk reports from the Manager which includes oversight of third party service providers. The Manager's appointment is reviewed annually and the contract can be terminated with six months' notice. The Manager now benefits from the long-term financial strength and policies of its owner, Bank of Montreal, and through its stated commitment to the future of F&C's investment trust management business. The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions as part of the integration of its operations with Bank of Montreal including IT security. F&C has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust ("State Street") and supervision of such third party service providers, including IFDS who adminster the F&C savings plans, has been maintained by F&C. This includes the review of IT security and cyber threat.

Viability assessment and statement

In accordance with the UK Corporate Governance Code, the Board is required to assess the future prospects for the Company and has considered that a number of characteristics of the Company's business model and strategy were relevant to this assessment:

- The Company's investment objective and policy, which are subject to regular Board monitoring, means that the Company is invested principally in two diversified portfolios of investment companies and the level of borrowing is restricted.
- These investments are principally in listed securities which are traded in the UK or another Regulated Exchange and which are expected to be readily realisable.
- The Company is a closed-end investment trust, whose shares are not subject to redemptions by shareholders.
- Subject to shareholder continuation votes, the first of which will be in 2018 and five yearly thereafter, the Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Custodian and Depositary.
- The fixed term borrowing facility, which remains available until February 2022, and the revolving credit facility which remains available until February 2019, is also subject to a formal agreement, including financial covenants with which the Company complied in full during the year.

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance and solvency, including the impact of a significant fall in equity markets on the Company's investment portfolios. These risks, their mitigations and the processes for monitoring them are set out on the page opposite and above, pages 35 to 36 in the Report of the Audit Committee and in Notes 17 to 22 to the accounts.

The Directors have also considered:

- the level of ongoing charges incurred by the Company which are modest and predictable and total 1.12% and 1.08% of average net assets for the Income shares and Growth shares respectively,
- future revenue and expenditure projections,
- its ability to meet liquidity requirements given the Company's investment portfolios consist principally of listed investment companies which can be realised if required,
- the ability to undertake share buybacks if required,
- that the Company's objective and policy continue to be relevant to investors and
- the Company has no employees, with only non-executive Directors and consequently does not have redundancy or other employment related liabilities or responsibilities.

These matters were assessed over a three year period to July 2020, and the Board will continue to assess viability over three year rolling periods, taking account of severe but plausible scenarios. A rolling three year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, although they do have due regard to viability over the longer term.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to July 2020.

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 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 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 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 ninth Annual Report and Accounts of the Company for the year ended 31 May 2017.

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. The outlook for the Company can be found on pages 9, 16 and 17. Principal risks can be found on pages 24 and 25 with further information in notes 17 to 22 to the accounts.

Results and Dividends

The results for the year are set out in the attached accounts. The total return attributable to shareholders was £24,425,000 of which £11,343,000 was attributable to the Income Portfolio and £13,082,000 to the Growth Portfolio.

First, second and third interim dividends, each of 1.25p per Income share, were paid on 7 October 2016, 6 January 2017 and 7 April 2017 respectively. A fourth interim dividend of 1.7p per Income share was paid after the year end, on 7 July 2017 to Income shareholders on the register at close of business on 16 June 2017.

Principal Activity and Status

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

The Company carries on business as an investment trust 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 comply with the requirements.

The Company is required to comply with company law, the rules of the UK Listing Authority, financial reporting standards, and its Articles of Association.

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

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.

Auditors

As explained on page 35, it is proposed that KPMG LLP be appointed as auditors to the Company. This is in accordance with the new EU audit rotation rules and following a tender process carried out during the year. KPMG LLP has expressed its willingness to take office as the Company's auditor and a resolution proposing their appointment and authorising the Directors to determine their remuneration will be submitted at the Annual General Meeting ('AGM') (Resolution 8).

The Board extends its appreciation to Ernst & Young LLP ('EY') for its services as Auditor and confirms that there are no matters in connection with EY's resignation as Auditor following the year end 31 May 2017 audit, which need to be brought to the attention of shareholders. As explained on page 35, EY will however continue to provide tax services to the Company.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 26. There were no changes to the composition of the Board during the year.

All of the Directors were appointed on 22 February 2008 and have now served on the Board of the Company for more than nine years and therefore, in line with the recommendations of the UK Corporate Governance Code and the AIC Code of Corporate Governance, will seek re-election annually. The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board does not consider that a Director's tenure necessarily reduces his ability to act independently and, following formal performance evaluations, believes that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board and therefore no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

Accordingly Mr R M Martin, Mr D Harris, Mr C S McGill and Mr A G Stewart will retire at the Annual General Meeting and, being eligible, offer themselves 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 each of those Directors 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.

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. The Manager is the Company's AIFM, for which it does not receive any additional remuneration.

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.

Depositary

JPMorgan Europe Limited acts as the Company's depositary in accordance with the AIFMD. The depositary's responsibilities which are set out in an Investor Disclosure Document on the Company's website, include, but are not limited to, cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment and leverage limit requirements.

Substantial Interests in Share Capital

At 31 May 2017 the Company had 42,105,035 Income shares and 34,352,037 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 Guidance 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 savings plans. Approximately 73 per cent of the Income shares and 84 per cent of the Growth shares are held in this manner. The voting arrangement for these shares is explained on page 75.

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.

Other Companies Act Disclosures

- The Company's capital structure is explained in the 'Capital Structure' section on page 75 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 2017, the total issued share capital of the Company (excluding treasury shares) was represented 55.1 per cent by Income shares and 44.9 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 and have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's investment objective and policy, which is described on page 12 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 and has an agreement relating to its borrowing facilities with which it has complied during the year. Cash is only held with banks approved and regularly reviewed by the Manager.

Notes 17 to 22 to the accounts set out the financial risk profile of the Company and indicate the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

The Directors believe, in 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 a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Company's longer term viability is considered in the 'Viability assessment and statement' on page 25.

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.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on page 9 and the Investment Manager's Review on pages 16 and 17.

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.

Financial Instruments

The Company's financial instruments comprise its investment portfolios, 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 17 to 22 to the accounts.

Annual General Meeting

The Annual General Meeting will be held at Exchange House, Primrose Street, London EC2A 2NY, on Thursday 21 September 2017 at 12.30pm. The notice of Annual General Meeting is set out on pages 71 to 74.

Directors' Authority to Allot Shares (Resolutions 9 and 10)

Since the Annual General Meeting of the Company held on 22 September 2016, and in accordance with the authorities granted, the Board has exercised its powers by issuing 75,000 new Growth shares (representing 0.2 per cent of the Company's total issued Growth share capital (excluding treasury shares) as at 28 July 2017) on a non pre-emptive basis at a premium to the net asset value per share. No new Income shares were issued in the period.

The Directors believe that the Company's continuing ability to issue shares at a premium to net asset value will increase liquidity and reduce volatility by preventing the build-up of excessive demand for shares.

The Directors are seeking authority to allot Income shares and Growth shares. Resolution 9 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £422,500 (consisting of 4,225,000 Income shares) and new Growth shares up to an aggregate nominal amount of £343,500 (consisting of 3,435,000 Growth shares), being approximately 10 per cent of the Company's total issued Income shares and approximately 10 per cent of the Company's total issued Growth shares (excluding treasury shares) as at 28 July 2017.

Resolution 10 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £422,500 (consisting of 4,225,000 Income shares) and new Growth shares up to an aggregate nominal amount of £343,500, (consisting of 3,435,000 Growth shares) being approximately 9.9 per cent of the Company's total issued Income shares and approximately 10.0 per cent of the Company's total issued Growth shares (including treasury shares) as at 28 July 2017, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. These authorities will continue until the earlier of 21 December 2018 (being 15 months from the date of the Annual General Meeting in 2017) and the conclusion of the Annual General Meeting in 2018. The Directors 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.

Directors' Authority to Buy-Back Shares (Resolution 11)

During the year to 31 May 2017, the Company purchased through the market, for treasury, 475,000 Income shares with a nominal value of 10p each, representing 1.1 per cent of the Income shares in issue at the previous financial year end, for a total consideration of £579,000 in accordance with the Company's discount management policy.

During the year to 31 May 2017, the Company also purchased through the market, for treasury, 285,000 Growth shares with a nominal value of 10p each, representing 0.8 per cent of the Growth shares in issue at the previous financial year end, for a total consideration of £418,000 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 11, 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 21 December 2018 and the conclusion of the next Annual General Meeting of the Company.

There is no limit on the number of shares that a company can hold in treasury at any one time and the Board has not set a limit on the number of shares that can be held in treasury by the Company.

Since the year end, the Company has sold 150,000 Income shares from treasury.

Accordingly there were 76,607,072 Income shares and Growth shares in issue (excluding treasury shares) as at 28 July 2017 of which 42,255,035 (55.2 per cent) are Income shares and 34,352,037 (44.8 per cent) are Growth shares. At that date, the Company held 280,000 Income shares (0.7 per cent of the total Income share capital) in treasury and nil Growth shares (nil per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds 280,000 shares in treasury representing 0.4 per cent of the total share capital in issue (excluding treasury shares).

Treasury Shares (Resolutions 12 and 13)

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 12, 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 such 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 associated with the sale of treasury shares 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 12 is conditional on the passing of Resolution 13.

Resolution 13, 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 9.9 per cent and 10.0 per cent. of the Company's issued Income share capital and Growth share capital respectively (including treasury shares) as at the date of passing of the resolution. Resolution 13 is not conditional on the passing of Resolution 12.

Approval of the proposed Purchase Contract (Resolution 14)

Resolution 14 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 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.

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 Notice of the Annual General Meeting.

Individual Savings Accounts

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

By order of the Board
For F&C Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

28 July 2017

Corporate Governance Statement

Introduction

Arrangements in respect of corporate governance appropriate to an investment trust, have been put in place by the Board. The Company complied throughout the year with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council ('Code') available at website: www.frc.org.uk. The Board has also taken into account the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'), both of which can be found at www.theaic.co.uk.

Since the Company has no employees and all the Directors are non-executive, the provisions of the Code in respect of the role of the 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. As each Director has now served on the Board for more than nine years, in acordance with the recommendations of the UK Code and the AIC Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. Full details of the duties of Directors are provided at the time of appointment.

The Board

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

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 Business Model and Strategy on pages 10 to 12.

The Company has no executive Directors or employees. A management agreement between the Company and its Manager, F&C Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, corporate governance and risk management procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Martin	6	6	3	3	1	1	1	1
D Harris	6	5	3	3	1	1	1	1
C S McGill	6	6	3	3	1	1	1	1
A G Stewart	6	6	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 2017 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 in September 2016.

Board effectiveness

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.

Voting policy on portfolio investments

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.

F&C's statement of compliance with The UK Stewardship Code has been reviewed and endorsed by the Board, which encourages and supports F&C on its voting policy and its stance towards environmental, social and governance issues. The statement is available on F&C's website at http://www.bmogam.com/corporate/about-us/responsible/.

Committees

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

Audit Committee

Details of the Audit Committee are contained in the Report of the Audit Committee on pages 34 to 36.

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.

All four directors have now served on the Board for more than nine years and the Nomination Committee has begun to discuss the composition of the Board and it is intended to "refresh" the Board during the coming year prior to the 2018 AGM.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The notice for the forthcoming Annual General Meeting, to be held on 21 September 2017 is set out on pages 71 to 74.

Risk Management and Internal Control

Details of the principal risks and internal controls applied by the Board are set out on pages 24 and 25 and pages 35 and 36 respectively.

Share Capital Structure

Details of the Company's share capital structure is set out on page 75.

By order of the Board
For F&C Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

28 July 2017

Report of the Audit Committee

Role of the Committee

The Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience.

The Audit Committee, chaired by Mr Colin McGill who has recent and relevant financial experience, operates within clearly defined terms of reference and comprises the full Board. These Directors have a combination of financial, investment and business experience and specifically with respect to the investment trust sector. 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 32. In the due course of its duties, the committee had direct access to EY and senior members of the Manager's 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 and risk management environment;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of EY, their remuneration and terms of engagement;
- The appointment of an audit firm for the year ending 31 May 2018;
- The policy on the engagement of EY to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The need for the Company to have its own internal audit function;
- The receipt of AAF(01/06) and SSAE16 reports or their equivalent from the Manager, the custodian and other significant third party service providers; and
- Whether the Annual Report is fair, balanced and understandable.

External audit process

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 2017. 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 weaknesses. EY issued an unqualified audit report which is included on pages 42 to 46.

Non-audit services

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 £19,900 (2016: £19,175), EY received fees, excluding VAT, for non-audit services of £6,800 (2016: £15,875) for the year to 31 May 2017 for the provision of tax compliance services (recurring). 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 the Company is a Public Interest Entity listed on the London Stock Exchange, with effect from 1 June 2017, under new EU legislation, prohibitions and a cap on the level of fees for permissable non-audit services will apply. Consequently, the Committee now has a policy, with effect from 1 June 2017 that the accumulated costs of all non-audit services sought from the auditors in any one year should not exceed 30% of the likely audit fees for that year and by year four, not exceed 70% of the average audit fee for the previous three years.

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, as referred to on page 36, 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 Manager's AAF Report, as referred to on page 36, 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. The Depositary has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the periods since implementation of AIFMD to 31 May 2017.
Income Recognition Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Audit Committee reviewed the Manager's annual internal control report, as referred to on page 36, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the forecasts made during the year and discussed the accounting treatment of all special or unusual dividends with the Manager.
Calculation of Performance Fee As disclosed in note 4 to the financial statements, the Manager is entitled to a performance fee. Errors in its calculation could result in an overpayment or underpayment of fees to the Manager.	The calculation, as set out in the investment management agreement was reviewed by the Audit Committee as part of the approval of the Report and Accounts.

Auditor assessment, independence and appointment

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. 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.

EY has been the Company's auditor since its launch in 2008. In accordance with the new EU audit rotation rules, the Audit Committee put this appointment out to tender in the current financial year. A number of firms were invited to tender and to submit a detailed document addressing key areas. The Audit Committee then met with these firms. After detailed discussions, the Committee recommends that KPMG LLP be appointed as the Company's auditor for the 31 May 2018 year end audit and a resolution proposing this appointment will be submitted at the Annual General Meeting.

We would like to take this opportunity to thank EY for the audit work they have performed for the Company, which has always been of the highest standard.

While EY will cease to be the Company's auditor, EY will continue to provide tax services to the Company.

Internal Controls and Risk Management

The Board is responsible for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the daily operations, which are managed by F&C. 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 related guidance issued by the Financial Reporting Council. Control of the risks identified, including financial, operational, compliance and overall risk management is exercised by the Audit Committee and the Board through regular reports provided by F&C. The reports cover investment performance, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrator of the F&C savings plans and other relevant issues.

F&C's Business Risk department also provide regular control report updates to the Audit Committee and the Board covering risk and compliance and any significant issues identified by internal audit that might be relevant to the Company.

A key risk summary is also produced to help identify the risks to which the Company is exposed and the controls in place and actions taken to mitigate them. The Board discusses the resulting risk matrix and reviews the significance of the risks and reasons for any changes.

The Company's principal risks are set out on pages 24 to 25 with additional information provided in notes 17 to 22 to the accounts.

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.

A formal annual review of these procedures is carried out by the Audit Committee. The Audit Committee has also reviewed the Manager's "Report on Internal Controls in accordance with AAF (01/06)" for the year ended 31 October 2016 that has been prepared for their investment company clients. The Audit Committee has also received confirmation from F&C that subsequent to this date, there had been no material changes to the control environment. Containing a report and an unqualified opinion from independent external accountants, the report sets out the Manager's control policies and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by the Manager's Group Audit and Compliance Committee which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within F&C's control environment and those extending to any outsourced service provider to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Board Meeting by the Manager. No failings or weaknesses material to the overall control environment and financial statements in respect of the Company were 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, the Depositary and Registrar and was satisfied that there were no material exceptions.

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 their effectiveness. 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.

The Audit Committee has reviewed the need for an internal audit function. Based on review, observation and enquiry, the Audit Committee has concluded that the systems and procedures employed by the Manager, together with the Manager's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained and the Board has concurred. 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

28 July 2017

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 May 2017, 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 42 to 46.

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.

Remuneration Committee

The Remuneration Committee consists of all four non-executive Directors and it is chaired by Alistair Stewart. A comprehensive review of comparative Directors' fees is considered in advance of each review.

Directors' Remuneration Policy

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.

The policy was first approved by Shareholders in 2014 and will be put to Shareholders for renewal at the Annual General Meeting with the express provision for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and Committee meetings. This will include those treated as a benefit in kind subject to tax and national insurance.

The Company has not received any views from its Shareholders in respect of the levels of Directors' remuneration. It is intended that the policy will continue for the three year period ending at the AGM in 2020.

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 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 for re-election annually. There is no notice period and no provision for compensation upon termination of appointment.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year to 31 May 2018, the Remuneration Committee concluded that the amounts paid to Directors should increase by £1,500 per annum for the Chairman, £2,000 per annum for the Audit Committee Chairman and £1,000 per annum for each of the other Directors.

Based on this, Directors' remuneration for the forthcoming financial year would be as follows:

Director	31 May 2018 £	31 May 2017# £
Chairman	27,500	26,000
Audit Committee chairman	23,000	21,000
Director	20,000	19,000

Actual Directors' remuneration for the year ended 31 May 2017.

Voting at Annual General Meeting

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 23 September 2014. 93.1% of votes were in favour of the resolution and 6.9% were against. An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting.

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 May 2017 and 2016 and can expect to receive the fees indicated for 2018 as well as reminbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)

	Fees (audited)		Taxable Benefits[1] (audited)		Total (audited)		Anticipated Fees[2]
Director	31 May 2017 £	31 May 2016 £	31 May 2017 £	31 May 2016 £	31 May 2017 £	31 May 2016 £	31 May 2018 £
R M Martin (Chairman)	26,000	26,000	–	52	26,000	26,052	27,500
D Harris	19,000	19,000	1,518	1,941	20,518	20,941	20,000
C S McGill	21,000	21,000	–	–	21,000	21,000	23,000
A G Stewart	19,000	19,000	–	52	19,000	19,052	20,000
Total	85,000	85,000	1,518	2,045	86,518	87,045	90,500

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.

(2) Fees expected to be payable to the Directors during the year ended 31 May 2018. Taxable benefits are also anticipated but are not currently quantifiable.

Relative Importance of Spend on Pay

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

	31 May 2017 £	31 May 2016 £	Change %
Aggregate Directors' Remuneration	85,000	85,000	–
Management and other expenses	1,149,000	925,000	+24.2
Distributions paid to Shareholders (relating to the year)	2,275,000	2,041,000	+11.5
Aggregate cost of Income shares and Growth shares repurchased	997,000	1,720,000	-42.0

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 May 2017 (all of which were beneficially held) were as follows:

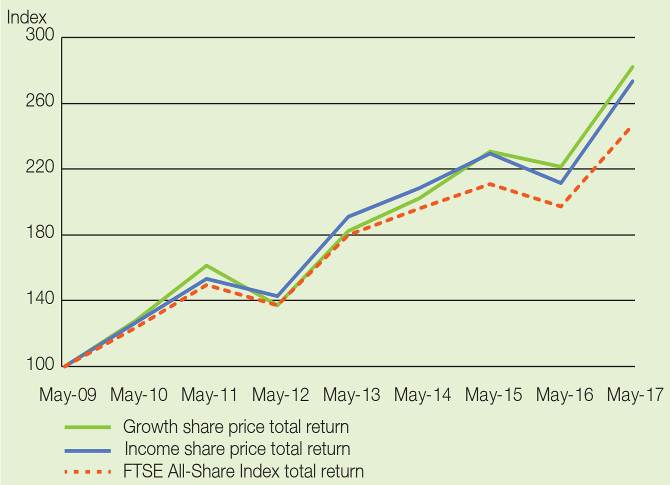
	31 May 2017		31 May 2016	
Director	Income Shares	Growth Shares	Income Shares	Growth Shares
R M Martin	31,000	10,000	31,000	10,000
D Harris	5,000	5,000	5,000	5,000
C S McGill	10,000	10,000	10,000	10,000
A G Stewart	10,000	10,000	10,000	10,000

There have been no changes in the Directors' interests in the shares of the Company between 31 May 2017 and 28 July 2017.

Company Performance

The following graph compares, for the eight financial years ended 31 May 2017, 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 Investment 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 22 September 2016, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 May 2016. 94.0% of votes were in favour of the resolution and 6.0% 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
28 July 2017

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 Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for ensuring that the Annual Report and Accounts is fair, balanced and understandable and 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;
- the Strategic Report 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;
- taken as a whole, the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the Company;
- the financial statements include details on related party transactions; and
- having assessed the principal risks and other matters discussed in connection with the Viability Statement, it is appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board
Richard M Martin
Chairman
28 July 2017


"There is a rich assortment of well-managed income and growth trusts from which our Investment Manager can select."

Independent Auditor's Report

Our opinion on the 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 2017 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

F&C Managed Portfolio Trust plc's financial statements comprise:

Income Statement for the year ended 31 May 2017
Balance Sheet as at 31 May 2017
Cash Flow Statement for the year ended 31 May 2017
Statement of Changes in Equity for the year ended 31 May 2017
Related notes 1 to 23 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate revenue recognition though failure to recognise proper income entitlement's or apply appropriate accounting treatment • Incorrect valuation and existence of the investment portfolio
Audit scope	• All audit work has been performed directly by the audit engagement team
Materiality	• Materiality of £1.22m which represents 1% of net assets of the Company (2016: £0.98m)

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition though failure to recognise proper income entitlement's or apply appropriate accounting treatment (as described on page 35 in the Report of the Audit Committee). The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income receivable for the year to 31 May 2017 was £3.17m (2016: £2.80m), with the majority being dividend payments from listed investments. Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital'.	We have performed the following procedures: We reviewed State Street's (the 'Administrator') and the Manager's processes and controls surrounding revenue recognition including special dividends. We agreed a sample of dividend receipts to the corresponding announcement made by the investee company, recalculated the dividend amount received and agreed cash received to bank statements. We agreed a sample of investee company dividend announcements from an independent source to the income recorded by the Company.	The results of our procedures are: We have no matters to communicate with respect to our assessment of the Administrator's and Manager's processes and controls surrounding revenue recognition including special dividends. We noted no issues in agreeing the sample of dividend receipts to an independent source, recalculating these amounts and agreeing them to the bank statements. We noted no issues in agreeing the sample of investee company announcements to the income entitlements recorded by the Company.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
During the year, the Company received two special dividends with an aggregate value of £28k. Both special dividends were treated as revenue.	For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 May 2017. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and agreed cash received to post year end bank statements, where possible. We reviewed the income report for all material dividends and checked these against an independent source to determine if any were special. We also reviewed the acquisitions and disposals report for any potential special dividends treated as capital to assess if any should be treated as revenue.	We noted no issues in recalculating the accrued dividends, agreeing, where possible, to post year end bank statements, and confirming that the income obligation arose prior to 31 May 2017. We reviewed the treatment of one special dividend and agreed with the allocation to revenue.
The incorrect valuation and existence of the investment portfolio (as described on page 35 of the Report of the Audit Committee). The valuation of the portfolio at 31 May 2017 was £123.63m (2016: £97.31m), consisting of listed investment companies. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: We reviewed the Administrator's and the Manager's processes and controls surrounding investment pricing and trade settlement. For all investments in the portfolio, we compared the market values and exchange rates applied to an independent source. We agreed the Company's investment portfolio to the independent confirmation received from the Company's Custodian and Depositary as at 31 May 2017.	The results of our procedures are: We have no matters to communicate with respect to our assessment of the Administrator's and Manager's processes and controls surrounding investment pricing and purchases and sales. For all investments, we noted no material differences in market value or exchange rates when compared to an independent source. We noted no differences between the Custodian and Depositary confirmation and the Company's underlying financial records.

In the prior year, our auditor's report included a risk of material misstatement in relation to performance fees payable to the investment manager. In the current year, this has not been included as the performance fees are not significant to the financial statements and considered to be a straightforward calculation, being governed by the investment management agreement and as such, is not deemed to be a key audit risk.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.22m (2016: £0.98m), which is 1% (2016: 1%) of net assets of the Company. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

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% of planning materiality, being £0.91m (2016: £0.74m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.12m (2016: £0.11m) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.06m (2016: £0.05m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 40, 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.

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.

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
    - based on the work undertaken in the course of the audit:
    - 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement set out on page 33 with respect to internal control and risk management systems in relation to financial reporting processes

and about share capital structures and in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority:

- is consistent with the financial statements; and
- has been prepared in accordance with applicable legal requirement;
- based on the work undertaken rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (with respect to the Company's corporate governance code and practices about its administrative, management and supervisory bodies and their committees) have been complied with if applicable.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial 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 report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report, Directors' Report or Corporate Governance Statement. 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; or • a Corporate Governance Statement has not been prepared by the company.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the Directors' statement in relation to going concern, set out on page 29, and longer-term viability, set out on page 25; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
28 July 2017

Notes:

1. The maintenance and integrity of the F&C Managed Portfolio Trust plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

"Since launch on 16 April 2008, the NAV total return for the Income shares and Growth shares is 111.3% and 89.6% respectively which have outperformed the 85.8% total return from the Company's benchmark"

Income Statement

Notes	For the year ended 31 May	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
10	Gains/(losses) on investments	–	22,555	22,555	–	(6,051)	(6,051)
	Foreign exchange gains	–	3	3	–	2	2
3	Income	3,167	–	3,167	2,797	–	2,797
4	Investment management and performance fees	(219)	(554)	(773)	(177)	(418)	(595)
5	Other expenses	(461)	–	(461)	(415)	–	(415)
	Return on ordinary activities before finance costs and tax	2,487	22,004	24,491	2,205	(6,467)	(4,262)
6	Finance costs	(19)	(30)	(49)	(8)	(20)	(28)
	Return on ordinary activities before tax	2,468	21,974	24,442	2,197	(6,487)	(4,290)
7	Tax on ordinary activities	(17)	–	(17)	(11)	–	(11)
	Return attributable to shareholders	2,451	21,974	24,425	2,186	(6,487)	(4,301)
9	Return per Income share	5.89p	21.35p	27.24p	5.62p	(11.18)p	(5.56)p
9	Return per Growth share	–	38.71p	38.71p	–	(6.72)p	(6.72)p

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

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

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

Return attributable to shareholders represents the profit/(loss) for the year and also total comprehensive income.

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

Balance Sheet

as at 31 May

Notes		Income Shares £'000	Growth Shares £'000	2017 Total £'000	Income Shares £'000	Growth Shares £'000	2016 Total £'000
	Fixed assets						
10	Investments at fair value	61,863	61,770	123,633	48,262	49,051	97,313
	Current assets						
11	Debtors	189	48	237	161	28	189
	Cash at bank and on deposit	773	2,691	3,464	762	1,005	1,767
		962	2,739	3,701	923	1,033	1,956
	Creditors						
12	Amounts falling due within one year	(171)	(688)	(859)	(1,141)	(142)	(1,283)
	Net current assets/(liabilities)	791	2,051	2,842	(218)	891	673
	Creditors						
12	Amounts falling due in more than one year	(5,000)	–	(5,000)	–	–	–
	Net assets	57,654	63,821	121,475	48,044	49,942	97,986
	Capital and reserves						
13	Called-up share capital	4,254	3,435	7,689	4,254	3,428	7,682
14	Share premium	21,839	18,879	40,718	21,685	18,546	40,231
14	Capital redemption reserve	–	182	182	–	182	182
14	Special reserve	18,873	17,190	36,063	18,532	16,733	35,265
14	Capital reserves	10,865	24,135	35,000	1,973	11,053	13,026
14	Revenue reserve	1,823	–	1,823	1,600	–	1,600
15	**Shareholders' Funds**	57,654	63,821	121,475	48,044	49,942	97,986
15	**Net asset value per share (pence)**	136.93p	185.78p		114.98p	147.02p	

Approved by the Board and authorised for issue on 28 July 2017 and signed on its behalf by:

Richard M Martin, Director.

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

Cash Flow Statement

Notes	for the year ended 31 May	Income Shares £'000	Growth Shares £'000	2017 Total £'000	Income Shares £'000	Growth Shares £'000	2016 Total £'000
16	Net cash outflow from operations before dividends and interest	(624)	(589)	(1,213)	(500)	(495)	(995)
	Dividends received	2,373	812	3,185	2,029	725	2,754
	Interest received	14	3	17	22	8	30
	Interest paid	(87)	–	(87)	(16)	(12)	(28)
	Net cash inflow from operating activities	1,676	226	1,902	1,535	226	1,761
	Investing activities						
	Purchases of investments	(11,594)	(5,871)	(17,465)	(9,703)	(8,606)	(18,309)
	Sales of investments	7,650	6,530	14,180	1,682	2,035	3,717
	Net cash flows from investing activities	(3,944)	659	(3,285)	(8,021)	(6,571)	(14,592)
	Net cash flows before financing activities	(2,268)	885	(1,383)	(6,486)	(6,345)	(12,831)
	Financing activities						
8	Equity dividends paid	(2,228)	–	(2,228)	(1,910)	–	(1,910)
	Proceeds from issuance of new shares	12	144	156	9,118	8,159	17,277
	Sale of shares from treasury	1,074	1,075	2,149	–	400	400
	Shares purchased to be held in treasury	(579)	(418)	(997)	(848)	(872)	(1,720)
	Loan drawn/(repaid) down	4,000	–	4,000	(500)	(1,400)	(1,900)
	Net cash flows from financing activities	2,279	801	3,080	5,860	6,287	12,147
	Net movement in cash and cash equivalents	11	1,686	1,697	(626)	(58)	(684)
	Cash and cash equivalents at the beginning of the year	762	1,005	1,767	1,388	1,063	2,451
	Cash and cash equivalents at the end of the year	773	2,691	3,464	762	1,005	1,767
	Represented by:						
	Cash at bank and short-term deposits	773	2,691	3,464	762	1,005	1,767

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

Statement of Changes in Equity

for the year ended 31 May 2017

Notes		Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	Income Shares							
	As at 31 May 2016	4,254	21,685	–	18,532	1,973	1,600	48,044
13	Shares sold from treasury	–	154	–	920	–	–	1,074
13	Shares purchased for treasury	–	–	–	(579)	–	–	(579)
	Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	516	516
	Transfer of capital from Income to Growth Portfolio	–	–	–	–	(516)	–	(516)
8	Dividends paid	–	–	–	–	–	(2,228)	(2,228)
	Return attributable to shareholders	–	–	–	–	9,408	1,935	11,343
	As at 31 May 2017	4,254	21,839	–	18,873	10,865	1,823	57,654
	Growth Shares							
	As at 31 May 2016	3,428	18,546	182	16,733	11,053	–	49,942
13	Increase in share capital in issue, net of share issuance expenses	7	133	–	–	–	–	140
13	Shares sold from treasury	–	200	–	875	–	–	1,075
13	Shares purchased for treasury	–	–	–	(418)	–	–	(418)
	Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(516)	(516)
	Transfer of capital from Income to Growth Portfolio	–	–	–	–	516	–	516
	Return attributable to shareholders	–	–	–	–	12,566	516	13,082
	As at 31 May 2017	3,435	18,879	182	17,190	24,135	–	63,821
	Total							
	As at 31 May 2016	7,682	40,231	182	35,265	13,026	1,600	97,986
	Increase in share capital in issue, net of share issuance expenses	7	133	–	–	–	–	140
	Shares sold from treasury	–	354	–	1,795	–	–	2,149
	Shares purchased for treasury	–	–	–	(997)	–		(997)
8	Dividends paid	–	–	–	–	–	(2,228)	(2,228)
	Return attributable to shareholders	–	–	–	–	21,974	2,451	24,425
	Total Company as at 31 May 2017	7,689	40,718	182	36,063	35,000	1,823	121,475

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

Statement of Changes in Equity – continued

for the year ended 31 May 2016

Notes		Income Shares						
		Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	As at 31 May 2015	3,469	13,346	–	19,380	6,320	1,324	43,839
13	Increase in share capital in issue, net of share issuance expenses	785	8,339	–	–	–	–	9,124
13	Shares purchased for treasury	–	–	–	(848)	–	–	(848)
	Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	438	438
	Transfer of capital from Income to Growth Portfolio	–	–	–	–	(438)	–	(438)
8	Dividends paid	–	–	–	–	–	(1,910)	(1,910)
	Return attributable to shareholders	–	–	–	–	(3,909)	1,748	(2,161)
	As at 31 May 2016	4,254	21,685	–	18,532	1,973	1,600	48,044

Notes		Growth Shares						
		Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	As at 31 May 2015	2,884	10,927	182	17,197	13,201	–	44,391
13	Increase in share capital in issue, net of share issuance expenses	544	7,619	–	–	–	–	8,163
13	Shares sold from treasury	–	–	–	408	(8)	–	400
13	Shares purchased for treasury	–	–	–	(872)	–	–	(872)
	Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(438)	(438)
	Transfer of capital from Income to Growth Portfolio	–	–	–	–	438	–	438
	Return attributable to shareholders	–	–	–	–	(2,578)	438	(2,140)
	As at 31 May 2016	3,428	18,546	182	16,733	11,053	–	49,942

Notes		Total						
		Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	As at 31 May 2015	6,353	24,273	182	36,577	19,521	1,324	88,230
	Increase in share capital in issue, net of share issuance expenses	1,329	15,958	–	–	–	–	17,287
	Shares sold from treasury	–	–	–	408	(8)	–	400
	Shares purchased for treasury	–	–	–	(1,720)	–	–	(1,720)
	Dividends paid	–	–	–	–	–	(1,910)	(1,910)
	Return attributable to shareholders	–	–	–	–	(6,487)	2,186	(4,301)
	Total Company as at 31 May 2016	7,682	40,231	182	35,265	13,026	1,600	97,986

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 on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, Financial Reporting Standards (FRS 102) and the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies (AIC).

There have been no significant changes to the Company's accounting policies during the year ended 31 May 2017.

The audited financial statements for the Company comprise the Income Statement and the total columns of the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the Company totals shown in the notes to the financial statements.

The preparation of the Company's financial statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current or future periods, depending on circumstance.

Management do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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 has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

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". Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition.

Listed and quoted investments are subsequently 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.

1. Accounting policies (continued)

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.

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 revenue.

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.

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.

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

(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 portfolios 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 are 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.

(e) Taxation

The tax expense represents the sum of the tax currently payable, overseas tax suffered 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.

1. Accounting policies (continued)

(h) Foreign currencies

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year 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	2017	2016
US dollar	1.29	1.46
Swiss Franc	1.25	1.45
Euro	1.15	1.31

(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 reserves
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.

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

(e) *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.

(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 48, can be analysed as follows. This has been disclosed to assist shareholders' understanding, but this analysis is additional to that required by FRS 102:

Year ended 31 May 2017

		Income Portfolio			Growth Portfolio			Total		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	–	9,654	9,654	–	12,901	12,901	–	22,555	22,555
Foreign exchange gains		–	3	3	–	–	–	–	3	3
Income	3	2,341	–	2,341	826	–	826	3,167	–	3,167
Investment management and performance fees	4	(146)	(219)	(365)	(73)	(335)	(408)	(219)	(554)	(773)
Other expenses	5	(225)	–	(225)	(236)	–	(236)	(461)	–	(461)
Return on ordinary activities before finance costs and tax		1,970	9,438	11,408	517	12,566	13,083	2,487	22,004	24,491
Finance costs	6	(19)	(30)	(49)	–	–	–	(19)	(30)	(49)
Return on ordinary activities before tax		1,951	9,408	11,359	517	12,566	13,083	2,468	21,974	24,442
Tax on ordinary activities	7	(16)	–	(16)	(1)	–	(1)	(17)	–	(17)
Return§	9	1,935	9,408	11,343	516	12,566	13,082	2,451	21,974	24,425

Year ended 31 May 2016

		Income Portfolio			Growth Portfolio			Total		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	10	–	(3,725)	(3,725)	–	(2,326)	(2,326)	–	(6,051)	(6,051)
Foreign exchange gains		–	2	2	–	–	–	–	2	2
Income	3	2,085	–	2,085	712	–	712	2,797	–	2,797
Investment management and performance fees	4	(116)	(176)	(292)	(61)	(242)	(303)	(177)	(418)	(595)
Other expenses	5	(206)	–	(206)	(209)	–	(209)	(415)	–	(415)
Return on ordinary activities before finance costs and tax		1,763	(3,899)	(2,136)	442	(2,568)	(2,126)	2,205	(6,467)	(4,262)
Finance costs	6	(6)	(10)	(16)	(2)	(10)	(12)	(8)	(20)	(28)
Return on ordinary activities before tax		1,757	(3,909)	(2,152)	440	(2,578)	(2,138)	2,197	(6,487)	(4,290)
Tax on ordinary activities	7	(9)	–	(9)	(2)	–	(2)	(11)	–	(11)
Return§	9	1,748	(3,909)	(2,161)	438	(2,578)	(2,140)	2,186	(6,487)	(4,301)

§ 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 Statement of Changes in Equity.

3. Income

	2017			2016		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Income from listed and quoted investments†						
UK dividend income	1,352	729	2,081	1,029	606	1,635
Overseas dividends	977	94	1,071	1,034	98	1,132
Interest on fixed interest securities	9	–	9	17	–	17
	2,338	823	3,161	2,080	704	2,784
Other income‡						
Deposit interest	3	3	6	5	8	13
Total income	2,341	826	3,167	2,085	712	2,797
Total income comprises:						
Dividends	2,329	823	3,152	2,063	704	2,767
Other income	12	3	15	22	8	30
	2,341	826	3,167	2,085	712	2,797

† 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 2017

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	146	219	365	73	292	365	219	511	730
Performance fee	–	–	–	–	43	43	–	43	43
	146	219	365	73	335	408	219	554	773

Year ended 31 May 2016

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	116	174	290	61	242	303	177	416	593
Performance fee	–	2	2	–	–	–	–	2	2
	116	176	292	61	242	303	177	418	595

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 adjusted 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).

4. Investment management and performance fees (continued)

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

In the event that a portfolio has outperformed the benchmark index such that a performance fee would be payable as described above, but the NAV per share for the relevant portfolio at the end of the financial year is less than (i) the NAV per share at the start of the financial year or (ii) in the case of the Growth shares, the NAV per share immediately following Admission (as a performance fee has not previously been earned), 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 2017 the adjusted total return of the Income Portfolio for the year since 31 May 2016, being the date a performance fee was last payable, did not exceed that of the FTSE All-Share Index and no performance fee has been recognised (2016: £2,000). At 31 May 2017 the adjusted total return of the Growth Portfolio since launch exceeded that of the FTSE All-Share Index since launch and a performance fee of £43,000 has been recognised (2016: £nil).

Details of outstanding management fees at 31 May 2017 are included in note 12.

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

	2017			2016		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Auditors' remuneration for:						
– statutory audit*	11	13	24	12	12	24
– taxation and other services (non-audit)**	4	4	8	4	4	8
Directors' fees	42	43	85	42	43	85
Secretarial fees	46	49	95	47	48	95
Marketing	32	33	65	26	27	53
Printing and postage	26	28	54	22	24	46
Registrars' fees	16	13	29	9	7	16
Custody and depositary fees	9	10	19	8	8	16
Other expenses including listing fees and legal fees	39	43	82	36	36	72
	225	236	461	206	209	415

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

* Auditors' remuneration for audit services, exclusive of VAT, amounts to £19,900 (2016: £19,175).

** Auditors' remuneration for non-audit services, exclusive of VAT, amounts to £6,800 (2016: £6,875) for tax compliance services.

The Manager, F&C Investment Business Limited, receives a secretarial and administrative fee of £79,171 per annum (2016: £78,986), subject to annual changes in line with the Consumer Price Index. During the year the Company has incurred secretarial and administrative fees, inclusive of irrecoverable VAT, of £95,000 (2016: £95,000), of which £24,000 (2016: £24,000) 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 £26,000 per annum. Full details are provided in the Directors' Remuneration Report.

6. Finance costs

Year ended 31 May 2017	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	19	30	49	–	–	–	19	30	49

Year ended 31 May 2016	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	6	10	16	2	10	12	8	20	28

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

7. (a) Tax on ordinary activities

Year ended 31 May 2017

	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	16	–	16	1	–	1	17	–	17

Year ended 31 May 2016

	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	9	–	9	2	–	2	11	–	11

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 19 per cent (2016: 20 per cent). The main rate of corporation tax was reduced from 20 per cent to 19 per cent with effect from 1 April 2017 and accordingly a blended rate has been used in the reconciliation below.

	2017 Income Shares £'000	2017 Growth Shares £'000	2017 Total £'000	2016 Income Shares £'000	2016 Growth Shares £'000	2016 Total £'000
Return on ordinary activities before tax:	11,359	13,083	24,442	(2,152)	(2,138)	(4,290)
Corporation tax at standard rate of 19.83 per cent (2016: 20.0 per cent)	2,253	2,595	4,848	(430)	(428)	(858)
Effects of:						
(Gains)/losses on investments not taxable	(1,915)	(2,559)	(4,474)	745	465	1,210
Overseas tax suffered	16	1	17	9	2	11
Non taxable UK dividend income	(230)	(145)	(375)	(206)	(121)	(327)
Non taxable overseas dividend income	(194)	(19)	(213)	(207)	(19)	(226)
Expenses not utilised	86	128	214	98	103	201
Current year tax charge (note 7. (a))	16	1	17	9	2	11

As at 31 May 2017, the Company had unutilised expenses of £6,610,000 (2016: £5,591,000). The deferred tax asset of £1,124,000 (2016: £1,006,000) in respect of unutilised expenses at 31 May 2017 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	2017 Income Shares Total £'000	2016 Income Shares Total £'000
Amounts recognised as distributions to shareholders during the year:				
For the year ended 31 May 2016				
– fourth interim dividend of 1.6p per Income share (2015: 1.55p)	17 June 2016	8 July 2016	669	538
For the year ended 31 May 2017				
– first interim dividend of 1.25p per Income share (2016: 1.2p)	16 September 2016	7 October 2016	519	427
– second interim dividend of 1.25p per Income share (2016: 1.2p)	16 December 2016	6 January 2017	520	438
– third interim dividend of 1.25p per Income share (2016: 1.2p)	17 March 2017	7 April 2017	520	507
			2,228	1,910
Amounts relating to the year but not paid at the year end:				
– fourth interim dividend of 1.7p per Income share* (2016: 1.6p)	16 June 2017	7 July 2017	716	669

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 2017, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2017 £'000	2016 £'000
Revenue available for distribution by way of dividends for the year	2,451	2,186
First interim dividend of 1.25p per Income share in respect of the year ended 31 May 2017 (2016: 1.2p)	(519)	(427)
Second interim dividend of 1.25p per Income share in respect of the year ended 31 May 2017 (2016: 1.2p)	(520)	(438)
Third interim dividend of 1.25p per Income share in respect of the year ended 31 May 2017 (2016: 1.2p)	(520)	(507)
Fourth interim dividend of 1.7p per Income share* in respect of the year ended 31 May 2017 (2016: 1.6p)	(716)	(669)
Revenue reserve transfer	176	145

* Based on 42,105,035 Income shares in issue at the record date of 16 June 2017.

9. Return per share

The Return per share is as follows:

Year ended 31 May 2017

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	1,935	9,408	11,343	516	12,566	13,082
Transfer of net income from Growth to Income Portfolio	516	–	516	(516)	–	(516)
Transfer of capital from Income to Growth Portfolio	–	(516)	(516)	–	516	516
Return attributable to shareholders	2,451	8,892	11,343	–	13,082	13,082
Return per share	5.89p	21.35p	27.24p	–	38.71p	38.71p
Weighted average number of shares in issue during the year (excluding shares held in treasury)		41,646,802			33,793,152	

9. Return per share (continued)

Year ended 31 May 2016

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	1,748	(3,909)	(2,161)	438	(2,578)	(2,140)
Transfer of net income from Growth to Income Portfolio	438	–	438	(438)	–	(438)
Transfer of capital from Income to Growth Portfolio	–	(438)	(438)	–	438	438
Return attributable to shareholders	2,186	(4,347)	(2,161)	–	(2,140)	(2,140)
Return per share	5.62p	(11.18)p	(5.56)p	–	(6.72)p	(6.72)p
Weighted average number of shares in issue during the year (excluding shares held in treasury)		38,891,707			31,829,730	

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.

FRS 102 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 – quoted prices (unadjusted) in active markets for identical assets;
- 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 2016, 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/SFM £'000	Total £'000
Opening book cost	36,159	2,085	2,345	40,589
Opening fair value adjustment	6,757	851	65	7,673
Opening valuation	42,916	2,936	2,410	48,262
Movements in the year:				
Transfer from SFM to Listed in the UK				
– cost	1,274	–	(1,274)	–
– fair value adjustment	(48)	–	48	–
Purchases at cost	10,410	98	1,089	11,597
Sales – proceeds	(7,357)	(293)	–	(7,650)
– gains on sales based on historical cost	751	45	–	796
Increase in fair value adjustment	8,047	468	343	8,858
Closing valuation at 31 May 2017	55,993	3,254	2,616	61,863
Closing book cost	41,237	1,935	2,160	45,332
Closing fair value adjustment	14,756	1,319	456	16,531
Closing valuation at 31 May 2017	55,993	3,254	2,616	61,863

During the year the Income Portfolio incurred transaction costs on purchases of £32,000 (2016: £30,000) and transaction costs on sales of £5,000 (2016: £1,000).

10. Investments (continued)

Growth Shares	Level 1 Listed in the UK £'000	Level 1 Listed Overseas £'000	Total £'000
Opening cost	36,652	819	37,471
Opening fair value adjustment	11,348	232	11,580
Opening valuation	48,000	1,051	49,051
Movements in the year:			
Purchases at cost	6,348	–	6,348
Sales – proceeds	(6,335)	(195)	(6,530)
– gains on sales based on historical cost	2,101	32	2,133
Increase in fair value adjustment	10,639	129	10,768
Closing valuation at 31 May 2017	60,753	1,017	61,770
Closing book cost	38,766	656	39,422
Closing fair value adjustment	21,987	361	22,348
Closing valuation at 31 May 2017	60,753	1,017	61,770

During the year the Growth Portfolio incurred transaction costs on purchases of £39,000 (2016: £43,000) and transaction costs on sales of £4,000 (2016: £1,000).

	2017 Income Shares £'000	2017 Growth Shares £'000	2017 Total £'000	2016 Income Shares £'000	2016 Growth Shares £'000	2016 Total £'000
Equity shares	61,297	61,770	123,067	47,348	49,051	96,399
Fixed income securities	566	–	566	914	–	914
	61,863	61,770	123,633	48,262	49,051	97,313

	2017 Income Shares £'000	2017 Growth Shares £'000	2017 Total £'000	2016 Income Shares £'000	2016 Growth Shares £'000	2016 Total £'000
Gains/(losses) on sales in the year	796	2,133	2,929	(339)	474	135
Movement in fair value of investments held	8,858	10,768	19,626	(3,386)	(2,800)	(6,186)
Gains/(losses) on investments	9,654	12,901	22,555	(3,725)	(2,326)	(6,051)

11. Debtors

	2017 Income Shares £'000	2017 Growth Shares £'000	2017 Total £'000	2016 Income Shares £'000	2016 Growth Shares £'000	2016 Total £'000
Accrued income	87	23	110	132	12	144
Other debtors and prepayments	102	25	127	29	16	45
	189	48	237	161	28	189

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 (2016: £nil).

12. Creditors:

Amounts falling due within one year

	2017			2016		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Management fee accrued	100	101	201	79	80	159
Performance fee provision	2	43	45	2	–	2
Secretarial fee accrued	11	13	24	12	12	24
Other accruals	58	54	112	48	50	98
Due to brokers	–	477	477	–	–	–
Revolving credit facility utilised	–	–	–	1,000	–	1,000
	171	688	859	1,141	142	1,283

Amounts falling due in more than one year

	2017			2016		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
£5 million fixed term loan maturing 10 February 2022	5,000	–	5,000	–	–	–
	5,000	–	5,000	–	–	–

Effective from 10 February 2017, the Company entered into a new £5 million five year fixed term loan and a two year £2 million revolving credit facility agreement with The Royal Bank of Scotland plc. ("RBS"). £5 million of the fixed term loan was drawn down as at 31 May 2017 (2016: n/a). The interest rate on the amount drawn down is fixed at 2.03% per annum. £nil of the revolving credit facility was drawn down at 31 May 2017 (2016: £1 million).

Under the covenants which relate to the facility, the Company is required to ensure that at all times:

- gross borrowings of the Company do not exceed 20 per cent of the adjusted portfolio value; and
- net tangible assets are not less than £50 million.

The Company met all covenant conditions during the year.

13. Share capital

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 2016	42,535,035	4,254	(750,000)	(75)	41,785,035	4,179
Purchased for treasury	–	–	(475,000)	(48)	(475,000)	(48)
Resold from treasury	–	–	795,000	80	795,000	80
Balance at 31 May 2017	42,535,035	4,254	(430,000)	(43)	42,105,035	4,211

During the year, the Company bought back 475,000 (2016: 750,000) Income shares to be held in treasury, at a cost of £579,000 (2016: £848,000) and resold out of treasury 795,000 (2016: nil) Income shares, receiving net proceeds of £1,074,000 (2016: £nil). No Income shares were issued during the year (2016: 7,845,099 Income shares; net proceeds of £9,124,000). At 31 May 2017, the Company held 430,000 Income shares in treasury (2016: 750,000).

	Listed		Held in Treasury		In Issue	
	Number	£'000	Number	£'000	Number	£'000
Growth Shares of 10p each						
Balance at 1 June 2016	34,277,037	3,428	(308,537)	(31)	33,968,500	3,397
Issued	75,000	7	–	–	75,000	7
Purchased for treasury	–	–	(285,000)	(29)	(285,000)	(29)
Resold from treasury	–	–	593,537	60	593,537	60
Balance at 31 May 2017	34,352,037	3,435	–	–	34,352,037	3,435
Total	76,887,072	7,689	(430,000)	(43)	76,457,072	7,646

13. Share capital (continued)

During the year, the Company bought back 285,000 (2016: 583,537) Growth shares to be held in treasury, at a cost of £418,000 (2016: £872,000) and resold out of treasury 593,537 (2016: 275,000) Growth shares, receiving net proceeds of £1,075,000 (2016: £400,000). The Company issued 75,000 (2016: 5,437,194) Growth shares during the year for net proceeds of £140,000 (2016: £8,163,000). At 31 May 2017, the Company held no Growth shares in treasury (2016: 308,537).

Shareholder entitlements

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

The entitlements of the Income shares and the Growth shares are set out in the "Capital Structure" section on page 75 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 2016	21,685	18,532	(5,700)	7,673	1,600
Gains on investments	–	–	796	8,858	–
Income shares resold from treasury	154	920	–	–	–
Buy backs for treasury	–	(579)	–	–	–
Management fees charged to capital	–	–	(219)	–	–
Interest charged to capital	–	–	(30)	–	–
Foreign exchange gains	–	–	3	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	516
Transfer of capital from Income to Growth Portfolio	–	–	(516)	–	–
Net revenue for the year	–	–	–	–	1,935
Dividends paid	–	–	–	–	(2,228)
At 31 May 2017	21,839	18,873	(5,666)	16,531	1,823

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 2016	18,546	182	16,733	(527)	11,580	–
Gains on investments	–	–	–	2,133	10,768	–
Growth shares resold from treasury	200	–	875	–	–	–
Issuance of Growth shares	133	–	–	–	–	–
Buy backs for treasury	–	–	(418)	–	–	–
Management fees charged to capital	–	–	–	(292)	–	–
Performance fees charged to capital	–	–	–	(43)	–	–
Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(516)
Transfer of capital from Income to Growth Portfolio	–	–	–	516	–	–
Net revenue for the year	–	–	–	–	–	516
At 31 May 2017	18,879	182	17,190	1,787	22,348	–

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 55.

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 2017

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	136.93p	185.78p	57,654	63,821

Year ended 31 May 2016

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	114.98p	147.02p	48,044	49,942

The net asset value per Income share is calculated on net assets of £57,654,000 (2016: £48,044,000), divided by 42,105,035 (2016: 41,785,035) 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 £63,821,000 (2016: £49,942,000), divided by 34,352,037 (2016: 33,968,500) Growth shares, being the number of Growth shares in issue at the year end (excluding shares held in treasury).

16. Reconciliation of return on ordinary activities before taxation to net cash outflow from operating activities

	2017			2016		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Return on ordinary activities before tax	11,359	13,083	24,442	(2,152)	(2,138)	(4,290)
Adjust for returns from non-operating activities:						
(Gains)/losses on investments	(9,654)	(12,901)	(22,555)	3,725	2,326	6,051
Exchange gains	(3)	–	(3)	(2)	–	(2)
Return from operating activities	1,702	182	1,884	1,571	188	1,759
(Increase)/decrease in prepayments	(6)	(12)	(18)	1	–	1
Increase in creditors	24	69	93	18	19	37
Withholding tax suffered	(52)	(2)	(54)	(21)	(2)	(23)
Dividend income	(2,329)	(823)	(3,152)	(2,063)	(704)	(2,767)
Interest income	(12)	(3)	(15)	(22)	(8)	(30)
Interest expense	49	–	49	16	12	28
Net cash outflow from operations before dividends and interest	(624)	(589)	(1,213)	(500)	(495)	(995)

17. 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 the financial assets and liabilities of the Company at 31 May 2017 and 31 May 2016 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;

17. Financial instruments (continued)

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

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

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

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

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

	2017			2016		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Financial instruments						
Investment portfolio – Level 1 (refer note 10)	61,863	61,770	123,633	48,262	49,051	97,313
Cash at bank and on deposit	773	2,691	3,464	762	1,005	1,767
Accrued income	87	23	110	132	12	144
Financial liabilities						
Revolving credit facility	–	–	–	1,000	–	1,000
Other creditors and accruals	171	688	859	141	142	283
Fixed term loan	5,000	–	5,000	–	–	–

18. 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 20 to 23.

If the investment portfolio valuation fell by 10 per cent at 31 May 2017, the impact on the profit or loss and the net asset value would have been £6.2 million (Income shares) (2016: negative £4.8 million (Income shares)) and £6.2 million (Growth shares) (2016: negative £4.9 million (Growth shares)). If the investment portfolio valuation rose by 10 per cent at 31 May 2017, the effect would have been equal and opposite (2016: equal and opposite). The calculations are based on the portfolio valuation as at the respective balance sheet dates, are not representative of the period as a whole and may not be reflective of future market conditions.

19. Interest rate risk

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

	2017			2016		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Exposure to floating rates:						
Cash	773	2,691	3,464	762	1,005	1,767
Revolving credit facility	–	–	–	(1,000)	–	(1,000)
Net exposure	773	2,691	3,464	(238)	1,005	767
Maximum net exposure during the year	1,569	2,691		6,645	5,904	
Minimum net exposure during the year	(2,898)	886		(885)	(335)	

19. Interest rate risk (continued)

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 an increase of £4,000 (2016: decrease of £1,000) and on the Growth shares, an increase of £13,000 (2016: increase of £5,000). 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 0.25 per cent at 31 May 2017 (2016: 0.5 per cent). There are no other assets which are directly exposed to floating interest rate risk. The cost of the Company's revolving credit facility from The Royal Bank of Scotland is linked to LIBOR but was not drawn down at 31 May 2017 (2016: LIBOR 0.51 per cent).

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 18.

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

	2017			2016		
	£'000	Weighted average interest rate	Average duration until maturity	£'000	Weighted average interest rate	Average duration until maturity
Fixed interest investments	566	3.5%	2.0 years	914	3.5%	2.5 years

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

The Company has a £5 million fixed rate loan with an interest rate of 2.03% per annum.

Non-interest bearing investments

The Company's non-interest bearing investments are its equity investments which had a value of £61,297,000 (2016: £47,348,000) for the Income portfolio and £61,770,000 (2016: £49,051,000) for the Growth portfolio.

20. Foreign currency risk

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

	2017			2016		
	Income Shares Invest–ments £'000	Growth Shares Invest–ments £'000	Total £'000	Income Shares Invest–ments £'000	Growth Shares Invest–ments £'000	Total £'000
US dollar	511	–	511	1,654	–	1,654
Swiss Franc	1,627	–	1,627	1,276	–	1,276
Euro	1,760	–	1,760	1,140	–	1,140
	3,898	–	3,898	4,070	–	4,070

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 £51,000 (Income shares) (2016: £165,000 (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 £163,000 (Income shares) (2016: £128,000). If the value of Sterling had strengthened against the Swiss Franc by 10 per cent the effect would have been equal and opposite.

20. Foreign currency risk (continued)

If the value of sterling had weakened against the Euro by 10 per cent, the impact on the profit or loss and the net asset value would have been an increase of £176,000 (Income shares) (2016: £114,000). If the value of sterling had strengthened against the Euro 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 18 includes an element of currency exposure.

21. Credit risk

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

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

	2017			2016		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	773	2,691	3,464	762	1,005	1,767
Accrued income	87	23	110	132	12	144
	860	2,714	3,574	894	1,017	1,911

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 Audit Committee.

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.

22. 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. The Company has a £7 million term and revolving loan facility agreement with The Royal Bank of Scotland. The facility has two elements: a £5 million five year fixed term loan, maturing 10 February 2022, and a two year £2 million revolving credit facility agreement. As at 31 May 2017, £5 million of the fixed term loan was drawn down (2016: n/a). The interest rate on the fixed rate loan, which is fully drawn, is 2.03% per annum. The revolving credit facility was not drawn down at 31 May 2017 (2016: £1 million).

22. Liquidity risk (continued)

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

2017	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
Income shares				
Liabilities				
Bank borrowing (Fixed term loan)	–	–	5,000	5,000
Other creditors	171	–	–	171
	171	–	5,000	5,171
Growth shares				
Current liabilities				
Other creditors	688	–	–	688
	688	–	–	688
Total	859	–	5,000	5,859

2016	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 (Revolving credit facility)	1,000	–	–	1,000
Other creditors	139	2	–	141
	1,139	2	–	1,141
Growth shares				
Current liabilities				
Other creditors	142	–	–	142
	142	–	–	142
Total	1,281	2	–	1,283

23. Related parties and Transactions with the Manager

The Board of Directors (the "Board") is considered a related party. There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 37 and 38 and as set out in note 5 to the accounts. The beneficial interests of the Directors in the Income shares and Growth shares of the Company are disclosed on page 38. There are no outstanding balances with the Board at the year end.

Transactions between the Company and the Manager are detailed in note 4 on investment management and performance fees, note 5 and note 12 on fees owed to the Manager at the balance sheet date. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

AIFM Disclosures

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from F&C on request.

The Company's maximum and average actual leverage levels at 31 May 2017 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	102%	105%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Companys positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of F&C Managed Portfolio Trust plc will be held at Exchange House, Primrose Street, London EC2A 2NY on Thursday 21 September 2017 at 12.30pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9 and 12 will be proposed as Ordinary Resolutions and Resolutions 10, 11, 13 and 14 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Accounts for the year to 31 May 2017 be received.

2. That the Directors' Remuneration Policy be approved.

3. That the Annual Report on Directors' Remuneration for the year to 31 May 2017 be approved.

4. That Richard M Martin, who retires annually, be re-elected as a Director.

5. That David Harris, who retires annually, be re-elected as a Director.

6. That Colin S McGill, who retires annually, be re-elected as a Director.

7. That Alistair G Stewart, who retires annually, be re-elected as a Director.

8. That KPMG LLP be appointed as Auditors and the Directors be authorised to determine their remuneration.

9. Authority to allot shares

   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 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 £422,500 in respect of Income Shares and £343,500 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

10. Authority to allot shares without rights of pre-emption

    That, subject to the passing of Resolution 9, 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 9 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 £422,500 in respect of Income Shares and £343,500 in respect of Growth Shares (being approximately 9.9 per cent of the nominal value of the issued Income share capital of the Company, and approximately 10.0 per cent of the nominal value of the issued Growth share capital of the Company as at 28 July 2017) 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).

11. Authority to buy-back shares

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 share 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 or 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 21 December 2018 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

12. Authority to sell treasury shares

That, subject to the passing of Resolution 13, 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 13, 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 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.

Special Resolutions

13. Authority to sell treasury shares without rights of pre-emption

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 £422,500 in respect of Income Shares and £343,500 in respect of

[1] Following Resolution 11 becoming effective the maximum aggregate number of shares hereby authorised to be purchased shall be 6,334,000 Income shares and 5,149,300 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)

Growth Shares and shall expire on the earlier of 21 December 2018 and the conclusion of the Annual General Meeting of the Company to be held in 2018, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

14. That the proposed Purchase Contract (as defined in the annual report and accounts published by the Company on 28 July 2017) 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
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
28 July 2017

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. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

3. 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.

4. 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.

5. 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.

6. 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 Notes 1 and 3 above does not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.

7. 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 6.30 pm on 19 September 2017 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30 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 6.30 pm on 19 September 2017 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30 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.

8. As at 28 July 2017 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 42,255,035 Income Shares carrying one vote each and 34,352,037 Growth Shares carrying one vote each. The Company holds 280,000 Income Shares and nil Growth Shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 28 July 2017 were 76,607,072 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 Guidance and Transparency Rules.

9. 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.

10. 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.

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

12. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

    (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. 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 AUDITOR'S 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 Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG.

14. 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.

15. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 17 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.

16. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 17 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.

17. 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 15); or (ii) a matter of business to be dealt with at the Meeting (see Note 16), 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.

Capital Structure At 31 May 2017

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 in October, January, April and July. The Growth shares do not carry an entitlement to receive dividends.

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

Capital

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

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

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

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

Voting

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

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

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

Voting of shares held in the Share Plans

Since the launch of the Company, the majority of the Income shares and Growth shares in the Company have been held through the F&C Share Plans which are administered by the Manager. The Manager 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 shares 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 2017 and then annually thereafter. Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

Full details are provided in the Shareholder Information section on pages 76 and 77.

Shareholder Information

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 19 October 2017 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 19 October 2017 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 19 October 2017 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 19 October 2017 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 27 July 2017, being the latest practicable date before the approval of the Annual report and accounts were:

	Income shares (p)	Growth shares (p)
2 January 2017	125.0	163.5
1 February 2017	126.5	168.5
1 March 2017	132.5	174.0
3 April 2017	135.0	177.5
1 May 2017	137.0	182.5
1 June 2017	142.5	191.0
27 July 2017	137.75	190.0

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 2017, 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 2017.

   This "Plan Conversion Instruction" form must be received by 5pm on Monday 18 September 2017 in respect of the 19 October 2017 Conversion Date.

2. in certificated form, please download a "CERTIFICATED CONVERSION NOTICE" Form from the website at www.fcmanagedportfolio.co.uk, which will be available from 28 July 2017.

   This "CERTIFICATED CONVERSION NOTICE" Form must be received by 5pm on Friday 22 September 2017 in respect of the 19 October 2017 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 2017.

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

Profile of the Company's Ownership

% of Income Shares held at 31 May 2017	
F&C Management Limited Retail Savings Plans	72.9%
Individuals and Private Client Wealth Managers	27.1%
	100.0%

% of Growth Shares held at 31 May 2017	
F&C Management Limited Retail Savings Plans	84.3%
Individuals and Private Client Wealth Managers	15.7%
	100.0%

Share Prices and Daily Net Asset Value

The Company's Income shares and Growth shares are listed on the London Stock Exchange. 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 0345 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 back cover 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.

The Company conducts its affairs so that its Income shares and Growth shares can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's rules relating to non-mainstream investment products and intends to continue to do so.

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 Investments.

F&C Investment Trust ISA
You can use your ISA allowance to make an annual tax- efficient investment of up to £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

F&C Junior ISA (JISA)*
You can invest up to £4,128 for the tax year 2017/18 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA.

F&C Child Trust Fund (CTF)*
If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

F&C Private Investor Plan (PIP)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan (CIP)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18. **Calls may be recorded or monitored for training and quality purposes.

Charges
Annual management charges and other charges 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 charges
ISA: 0.2%
PIP/CIP/JISA: postal instructions £12, online instructions £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

There are no dealing charges 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 the purchase of shares (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 our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website fandc.co.uk.

How to Invest
To open a new F&C savings plan, apply online at fandc.com/apply

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

New Customers
Call: 0800 136 420** (8.30am – 5.30pm, weekdays)
Email: info@fandc.com

Existing Plan Holders
Call: 0345 600 3030** (9.00am – 5.00pm, weekdays)
Email: investor.enquiries@fandc.com
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, LLoyds Bank, Selftrade, TD Direct Investing, The Share Centre

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

BMO | A part of BMO Financial Group

Nine 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	Net gearing/ (net cash)
2009	-20.8%	-23.2%	73.86p	75.0p	1.5%	5.33p	4.9p‡	1.47%	(6.5)%
2010	23.9%	22.9%	86.81p	89.5p	3.1%	4.58p	4.4p	1.51%	(3.8)%
2011	24.4%	20.4%	103.09p	103.0p	-0.1%	4.20p	4.4p	1.42%	4.2%
2012	-6.6%	-8.0%	91.86p	91.5p	-0.4%	5.04p	4.5p	1.44%	1.8%
2013	34.2%	30.1%	117.68p	116.5p	-1.0%	5.20p	4.6p	1.24%	1.3%
2014	6.0%	8.9%	119.85p	122.0p	1.8%	5.56p	4.8p	1.16%	1.4%
2015	10.0%	7.5%	126.37p	128.5p	1.7%	5.87p	5.0p	1.16%	0.3%
2016	-4.8%	-6.3%	114.98p	113.5p	-1.3%	5.62p	5.2p	1.09%	0.5%
2017	24.5%	24.5%	136.93p	140.0p	2.2%	5.89p	5.45p	1.12%	7.3%

‡4.9p was paid in respect of the first 13 1/2 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	Net gearing/ (net cash)
2009	-28.8%	-23.2%	69.79p	68.5p	-1.8%	1.45%	(4.7)%
2010	24.2%	22.9%	86.70p	87.0p	0.3%	1.53%	(2.4)%
2011	24.0%	20.4%	107.52p	109.0p	1.4%	1.55%	(1.6)%
2012	-12.6%	-8.0%	93.97p	93.0p	-1.0%	1.59%	(1.1)%
2013	32.8%	30.1%	124.78p	123.0p	-1.4%	1.24%	1.4%
2014	9.3%	8.9%	136.41p	136.0p	-0.3%	1.17%	(1.0)%
2015	12.8%	7.5%	153.92p	155.0p	0.7%	1.15%	0.8%
2016	-4.5%	-6.3%	147.02p	149.0p	1.4%	1.09%	(2.0)%
2017	26.4%	24.5%	185.78p	189.0p	1.7%	1.08%	(4.2)%

Alternative Performance Measures ("APMs")

The Company uses the following Alternative Performance Measures ("APMs")

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.

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.

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.

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 required that all investment vehicles in the European Union, including Investment Trusts, appoint a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an Investment Trust, nevertheless, 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 JPMorgan Chase Bank.

Depositary – under AIFMD rules which have applied 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 has strict liability for the loss of any investments or other assets in its custody and is obliged to maintain oversight of matters such as share buy-backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

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.

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 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.

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

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, special 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.

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.

Corporate Information

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

Alternative Investment Fund Manager ('AIFM'), Investment Manager and Company Secretary
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Quartermile 4
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Bankers and Custodian
JPMorgan Chase Bank
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Canary Wharf
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Bankers
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24-25 St Andrew Square
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Solicitors
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Company Number
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Website
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** Chairman of the Nomination Committee
‡‡ Senior Independent Director
†† Chairman of the Audit Committee
¶¶ Chairman of the Remuneration Committee

F&C Managed Portfolio Trust plc

Annual Report and Accounts 2017

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Registrars' Overseas Helpline: +44 121 415 7012

* Lines open 8.30 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales.

† 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.

F&C Investments