F&C Managed Portfolio Trust PLC

Annual Report and Financial Statements 2018

F&C Managed Portfolio Trust PLC ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Contents

Financial Calendar 2018/2019	
Annual General Meeting	19 September 2018
Deadlines for submitting Conversion Instructions	21 & 28 September 2018
First interim dividend paid (XD Date 13 September 2018)	5 October 2018
Share Conversion Facility date	25 October 2018
Second interim dividend paid (XD Date 27 December 2018)	11 January 2019
Announcement of Interim Results for six months to 30 November 2018	January 2019
Third interim dividend paid (XD Date 28 March 2019)	12 April 2019
Fourth interim dividend paid (XD Date 27 June 2019)	12 July 2019
Announcement of Annual Results and Posting of Annual Report	July 2019
Annual General Meeting	September 2019

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your shares in F&C Managed Portfolio Trust plc please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Company Overview

F&C Managed Portfolio Trust plc launched on 16 April 2008 and its shares are listed on the London Stock Exchange. Net assets attributable to shareholders at 31 May 2018 were £130.8 million.

Our Aim

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.

Share classes

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 2018, the Income shares had a dividend yield of 4.1% (excluding the special dividend) and had achieved a net asset value total return of 117.7% since launch. The net asset value of the Growth shares had risen by 110.4% since launch.

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

Visit our website at **www.fcmanagedportfolio.co.uk**

The Company is registered in Scotland with company registration number SC338196 Legal Entity Identifier: 213800ZA6TW45NM9YY31

Income shares – Highlights 2018

+4.6%

Dividend increased

Annual dividend increased by 4.6% to 5.7p per Income share.

0.8p

Special dividend

A special dividend of 0.8p per Income share was also declared for the financial year to 31 May 2018.

4.1%

Dividend yield[(1)]

Dividend yield of 4.1% at 31 May 2018, based on dividends at the current annual rate of 5.7p per Income share (excluding the special dividend of 0.8p per Income share), compared to the yield on the FTSE All-Share Index of 3.6%. Dividends are paid quarterly.

+3.0%

NAV total return[(2)]

Net asset value total return per Income share for the financial year of 3.0% compared with the FTSE All-Share Index total return of 6.5%.

+117.7%

Long term performance

Net asset value total return per Income share of 117.7% since launch on 16 April 2008, outperforming the FTSE All-Share Index total return (97.9%) by 19.8%.

[(1)] Yield – see Alternative Performance Measures on page 83. Based on the Income share price at 31 May 2018

[(2)] Total return – see Alternative Performance Measures on page 83

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 2018	Year ended 31 May 2017
Total Return(1)		
Net asset value per Income share	+3.0%	+24.5%
Income share price	+2.7%	+28.8%
FTSE All-Share Index	+6.5%	+24.5%

	Year ended 31 May 2018	Year ended 31 May 2017
Revenue and Dividends		
Revenue return per share (including net income transfer from Growth shares)	7.32p	5.89p
Dividends per Income share	6.5p*	5.45p
Dividend yield(2)	4.1%	3.9%
Ongoing Charges(3)		
As a percentage of average net assets	1.07%	1.12%

	Highs 2018	Lows 2018
Year's Highs/Lows		
Net asset value per Income share	141.5p	128.9p
Income share price	144.0p	129.0p
Premium/(Discount)(4)	4.0%	-0.8%

(1) Total return – see Alternative Performance Measures on page 83.
(2) Yield – See Alternative Performance Measures on page 83. Based on total dividends of 5.7p (excluding the special dividend of 0.8p) per Income share (2017: 5.45p) and the Income share price at 31 May.
* Including special dividend of 0.8p per Income share.
(3) Ongoing charges – See Alternative Performance Measures on page 83.
The total expenses (both revenue and capital) incurred by the Portfolio (excluding finance costs and any performance fee) divided by the average net asset value in the year. Ongoing charges of the Portfolio's underlying investments have not been included in this calculation.
(4) Premium/(discount) – See Alternative Performance Measures on page 83.
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 2018

+11.0%

NAV total return[1]

Net asset value total return per Growth share for the financial year of 11.0% outperformed the FTSE All-Share Index total return (6.5%) by 4.5%.

+110.4%

Long term growth

The net asset value per Growth share has increased by +110.4% since launch on 16 April 2008, outperforming the FTSE All-Share Index total return (+97.9%) by +12.5%.

Outperformance

Consistent out-performance of the benchmark

The net asset value total return per Growth share has outperformed the FTSE All-Share Index total return over three years, five years and from launch to 31 May 2018

[1] Total return – see Alternative Performance Measures on page 83

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 2018	Year ended 31 May 2017
Total Return[(1)]		
Net asset value per Growth share	+11.0%	+26.4%
Growth share price	+10.6%	+26.8%
FTSE All-Share Index	+6.5%	+24.5%
Ongoing Charges[(2)]		
As a percentage of average net assets	1.03%	1.08%

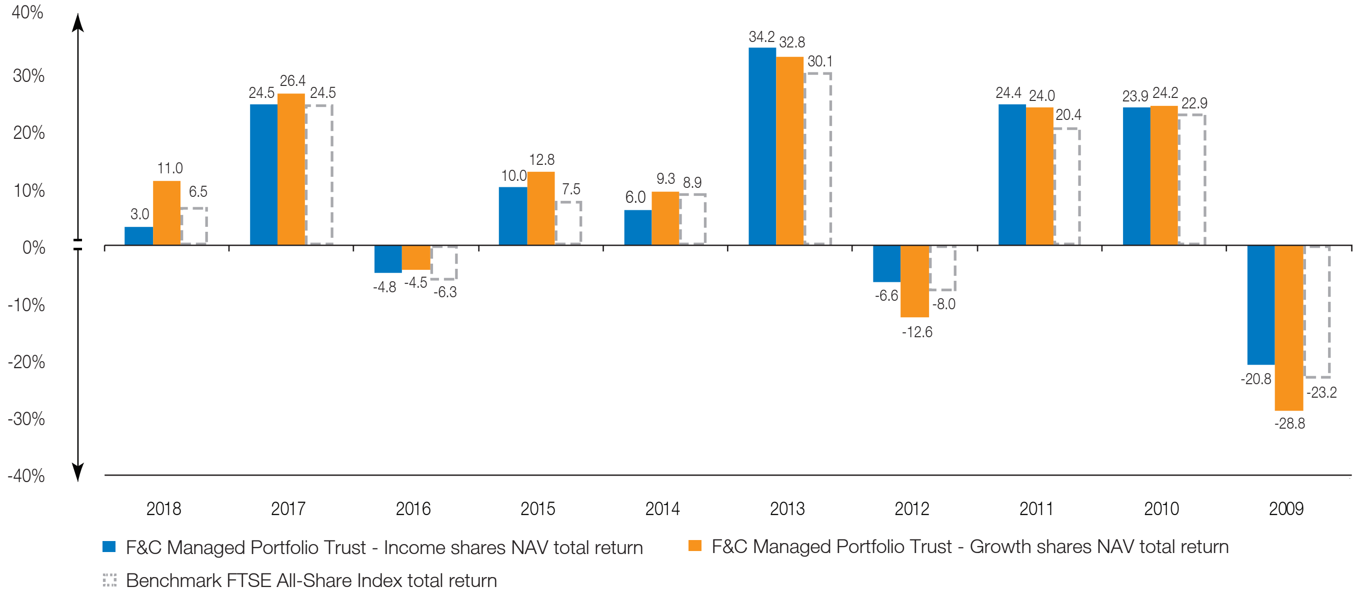
Year's Highs/Lows	Highs 2018	Lows 2018
Net asset value per share	207.3p	185.1p
Growth share price	209.0p	189.5p
Premium/(Discount)[(3)]	4.5%	-1.6%

(1) Total return – see Alternative Performance Measures on page 83.
(2) Ongoing charges – See Alternative Performance Measures on page 83.
The total expenses (both revenue and capital) incurred by the Portfolio (excluding finance costs and any performance fee) divided by the average net asset value in the year. Ongoing charges of the Portfolio's underlying investments have not been included in this calculation.
(3) Premium/(discount) – See Alternative Performance Measures on page 83.
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

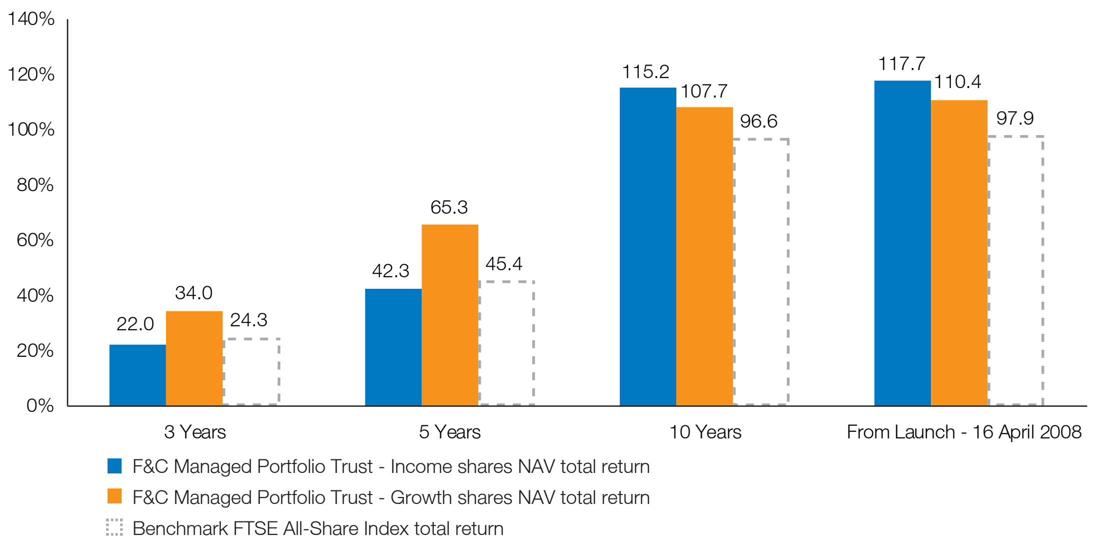
Long-term summary

Discrete Performance for the Financial Years to 31 May



Sources: F&C Investment Business Limited and Datastream

Cumulative Performance to 31 May 2018



Sources: F&C Investment Business Limited and Datastream

Chairman's Statement

Richard Martin Chairman

- Growth shares achieve 11% return in difficult markets
- Dividend for Income shares increased by 4.6% plus 0.8p special dividend
- Seventh consecutive year of dividend increases
- Board changes announced
- Continuation vote at September AGM.

Performance

For the Company's financial year to 31 May 2018 the NAV total return (adding dividends paid to capital performance) was 3.0% for the Income shares and 11.0% for the Growth shares. This compares with the 6.5% total return for the FTSE All-Share Index, the benchmark index for both portfolios.

For most of the year under review the UK equity market struggled to make headway. It was only a late surge in April and May that allowed a positive return for the year. Despite this, returns from the UK equity market lagged most overseas equity markets, as highlighted by a 9.1% sterling adjusted total return from the MSCI All Country World Index.

The difference between the performance of the Growth Portfolio and the Income Portfolio was the widest since the inception of the Company over ten years ago and reflected the market's preference for growth stocks, particularly in the technology sector. It is difficult for the Income Portfolio to gain exposure to these types of stocks as they typically have very low dividends at best.

The principal contributors to the performance are identified in the Investment Manager's Review, which also includes additional information on the two investment portfolios.

Our longer-term performance is strong and is illustrated graphically on page 6. The Growth shares have outperformed the benchmark over three years, five years and from launch to 31 May 2018. As explained above, the Income shares experienced a more difficult second half of the financial year and consequently NAV performance is now slightly behind the benchmark over the three years and five years to 31 May 2018 but ahead over the period from launch.

Revenue and dividends

For the year ended 31 May 2018, four interim dividends have now been paid, totalling 5.7p per Income share (5.45p for the previous year). In addition, we declared a special interim dividend of 0.8p per Income share. This was made possible by the receipt of a special dividend from one of our investee companies (3i Infrastructure) and indeed enforced by the need to retain no more than 15% of income under the retention test within the investment trust rules. Both the fourth interim dividend and the special interim dividend were paid after the year end on 13 July 2018.

Excluding the special interim dividend, which by its nature is non-recurring, we have been able to increase the annual dividend by 4.6%, well above inflation on any realistic measure. This is the seventh consecutive year of increase, in line with our objective. As a result (excluding the special interim dividend), the yield on the Income shares was 4.1% on the year-end share price, compared with 3.6% for the FTSE All-Share Index. We were also able to add to the revenue reserve, which is now equivalent to approximately 58% of the annual dividend cost, an important buffer for the dividend in challenging times.

In the absence of unforeseen circumstances, your Board intends again to declare three interim dividends, each of not less than 1.3p per Income share payable in October 2018, January 2019 and April 2019. A fourth interim dividend is expected to be paid in July 2019 when a clearer view emerges of income for the year.

Borrowing

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 (8.6% 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 issuing shares during the year. 430,000 Income shares were resold from treasury at an average premium to NAV of 1.3% and 520,000 new Income shares were issued from the Company's block listing authority at an average premium to NAV of 1.5%. 815,000 new Growth shares were also issued from the block listing authority 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 2018 we have been able to maintain an average premium of 1.6% for the Income shares and 1.1% for the Growth shares.

We are 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 conversion facility

Shareholders have the opportunity to convert their Income shares into Growth shares or their Growth shares into Income shares annually subject to minimum conversion thresholds. The next opportunity will be on 25 October 2018. Information is provided on pages 79 and 80 and full details will be provided on the Company's website (www.fcmanagedportfolio.co.uk) from 31 July 2018.

Since launch no conversion has yet taken place as the number of shares offered for conversion has been well below the minimum threshold, which is set by the Board in order to avoid incurring costs of conversion which would be disproportionate to the level of converting assets.

As the ability to convert without incurring capital gains tax should be an attractive facility for shareholders, we have been considering the conversion mechanism and in particular how the costs of conversion are included in the relative NAVs for conversion. Following this review the Board is proposing to amend the Articles of Association so that, at the discretion of the Board, all or some of the costs and expenses of the conversion could be borne by the Company as opposed to converting shareholders, who currently bear all conversion costs. If this is approved by shareholders at the AGM, the Board has determined that all of the conversion costs in the current year will be borne by the Company; the conversion costs this year are expected to be approximately 0.01% of the Company's NAV. We hope that the Company bearing all or some of the conversion costs will allow conversions to proceed in future. Further details of this amendment and certain other regulatory amendments to the Articles of Association are set out on pages 33 to 34 and 77.

Continuation vote

At the Annual General Meeting on 19 September 2018, shareholders will be asked to vote to approve an ordinary resolution to the effect that the Company continues as an investment trust. This requirement to put a resolution to shareholders at the 2018 AGM (being the tenth AGM of the Company) and five-yearly thereafter is set out in the Company's Articles of Association.

The Board believes that the Company has proved a very effective vehicle for shareholders to gain exposure to a wide range of markets and sectors:

- the NAV total return of both the Income shares and Growth shares has outperformed the FTSE All-Share Index since launch on 16 April 2008;
- the NAV total return of both the Income shares and Growth shares have equalled or bettered the benchmark index in eight of the ten financial years since launch;
- the annual dividend on the Income shares has been increased in each of the last seven years. This dividend represents an attractive yield of 4.1% based on the share price at the year-end;
- since the Company's launch both the Income shares and Growth shares have traded at close to NAV (average premium of 0.2% and discount of 0.2% respectively);
- annually the Company offers the ability to switch between the Growth shares and Income shares, and vice versa, in a tax efficient and cost-effective manner to suit investors' needs;
- in just over ten years we have grown the Company from net assets of £42.8 million at launch to £130.8 million at the year-end; and
- the ongoing charges of running the Company have reduced steadily from 1.5% at launch to close to 1%.

Accordingly, the Board strongly believes that it is in the best interests of shareholders for the Company to continue and encourages shareholders to vote in favour of the resolution, as they intend to do in respect of their own shareholdings.

Board composition

Four of the Directors were appointed at the launch of the Company and so all have served for ten years. We do believe it is important to "refresh" the Board from time to time in order to avoid stale, consensus thinking so during the year we carried out a recruitment process with facilitation from a professional recruitment agency specialising in the investment trust sector. I am delighted to announce that Sue Inglis was appointed to the Board on 9 July 2018. Sue has extensive experience and knowledge of the asset management and investment company sectors and we believe she will contribute significantly to the direction of the Company. Her experience can be viewed on page 28. Sue will be put forward for election at the AGM.

I intend to retire at the end of the calendar year in order to make way for further board changes. The Directors have elected Colin McGill to follow me as Chairman while Alistair Stewart will become Chairman of the Audit Committee. The refreshment process will continue thereafter.

I would like to thank my Board colleagues as well as Peter Hewitt and Ian Ridge for their support, advice and expertise over the last ten years. It has been an effective Board with a balance of skills and styles – and a pleasure to serve on. I am confident that the Company will be left in good hands.

AGM

The AGM will be held at 12.30pm on Wednesday 19 September 2018 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

Although there will be much focus on Brexit and the accompanying political uncertainty for some time to come, from an investment standpoint it is best to focus on the prospects for the fundamentals. In this regard the underlying fundamentals remain generally positive although the policy Quantitative Easing – which was so supportive of financial markets – has given way to one of tighter monetary policy, particularly in the US where the Federal Reserve has raised interest rates seven times. This does not preclude positive returns from equities; however the driver will be earnings growth as opposed to higher valuations. It is encouraging that against a background of largely synchronised global growth it is likely that strong corporate earnings growth will continue for some time yet.

Nonetheless, although the duration of a bull market is not a constraint on future returns, this one, at over nine years, is long in the tooth and at some stage will come to an end. This warrants a cautious approach with an emphasis for both Portfolios on selecting the highest quality investment company fund managers in the belief that this should serve shareholders' interests best amidst these uncertain times.

Richard M Martin
Chairman

30 July 2018

Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

Business Model and Strategy

F&C Managed Portfolio Trust is a closed-end listed investment company and carries on business as an investment trust. 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. Biographical details of the Directors, all of whom are non-executive, can be found on page 28. The Board consists of four male Directors and one female Director. The Company has no executive Directors or employees.

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 13. An important responsibility is also the annual evaluation and appointment of the Manager, which also acts as the Alternative Investment Fund Manager ('**AIFM**'). The outcome of the evaluation in the current year is set out on page 30.

The Manager

The Board has contractually delegated the management of the investment portfolios, and other services, to F&C Investment Business Limited ('**FCIB**' or 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 financial statements. The Manager also acts as the AIFM 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 35 years' investment experience and specialises in investment companies.

Investment strategy and policy

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

Any material change in the Company's investment policy will require the approval of shareholders at a general meeting.

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 are likely to 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 18 to 21.

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 2018, 39 investments were held in the Income Portfolio and 41 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 Board works closely with the Manager to ensure optimal delivery of the Company's investment proposition through all available channels.

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 81. In addition, meetings are held regularly with current and prospective shareholders and analysts covering the investment trust sector.

Principal Risks

The Company's Principal Risks are set out in detail on pages 25 and 26.

Review of Performance and Outlook

The Company's performance in meeting its objectives is measured against key performance indicators ('**KPIs**') as set out on page 24.

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 Strategic Report, contained on pages 7 to 26, has been approved by the Board of Directors.

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

30 July 2018

Policy Summary

Investment Policy

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

The **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 and that 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 and that 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 London Stock Exchange's Main Market) 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.

Gearing Policy

As explained in the Investment Policy on the facing page, the Company has the flexibility to borrow.

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

The Company currently has a £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 financial statements.

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.

Dividends are currently paid quarterly in October, January, April and July.

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.

Taxation Policy

The Board is fully committed to complying with applicable legislation and statutory guidelines, including the UK's Criminal Finances Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates. The policy is based upon a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

The Company complies at all times with Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") such that it does not suffer UK Corporation Tax on capital gains; and ensures that it submits correct taxation returns annually to HMRC and settles promptly any taxation due.

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 36.

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.

Board diversity

The Board is composed solely of non-executive Directors and has 20% female representation. The Board's approach to the appointment of non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender. The Board complies with the UK Corporate Governance Code in appointing appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company. The Board will always appoint the best person for the job and will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

Investment Manager's Review

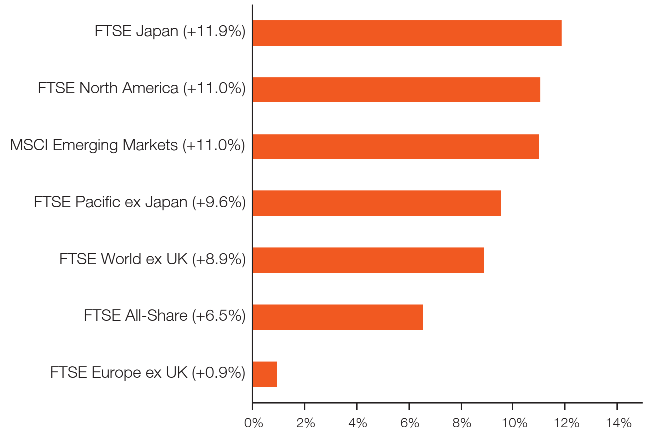
Peter Hewitt,
Investment Manager

The past year was another positive one for returns from both of the Company's portfolios. The Growth Portfolio, through its exposure to various technology-related investment companies, performed particularly well.

Stockmarket Background

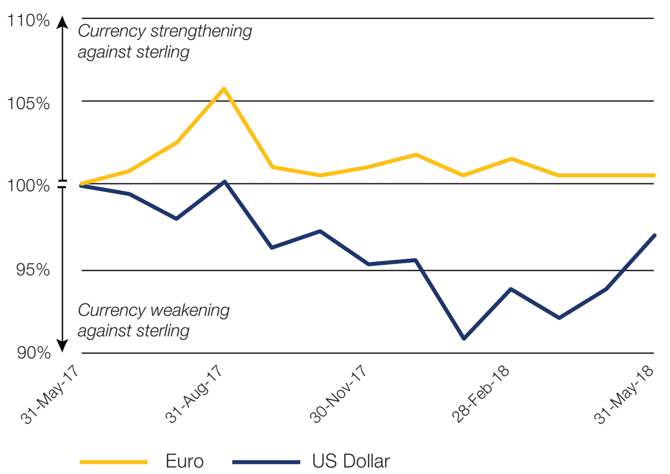
The overall background for global equity markets has remained positive over the past twelve months. Political uncertainty, which was acute this time last year, moderated somewhat, though that could easily change. However, it is economic fundamentals which have the greatest influence on markets and tend to dictate their direction and in this regard for the year under review they have been positive. Inflation has risen but only from very low levels and recently has shown signs of flattening out across major economies. Interest rates have remained low and stable almost everywhere with the notable exception of the United States. However, the rate rises have been well flagged and therefore have not been unexpected for financial markets. Perhaps the most important element has been growth, which has strengthened and broadened out in a synchronised manner for Europe, Asia Pacific, most Emerging Markets and notably the United States. This backdrop has allowed corporate profits to experience a robust recovery and underpin positive returns for most major equity markets.

Total Return by Region/Market for the Year to 31 May 2018 (sterling)



As can be seen from the chart above, the US has once again helped to lead global markets higher. A key additional stimulus came from some quite substantial corporate and personal tax cuts implemented in the US which was beneficial for US corporate earnings. Despite significant political uncertainty around Brexit and the slowest rate of growth amongst developed economies the UK still managed a positive return over the year. However, this was in doubt until the last couple of months when a sharp decline in the value of sterling against the dollar and a surge of merger activity was behind an unexpected near 10% surge in the FTSE All-Share, led by the largest companies which were the main beneficiaries of these trends. Despite this late recovery, in relative terms only Europe was behind the UK when returns were translated back into sterling.

Currency Movements against Sterling in year to 31 May 2018 (US$ and Euro)



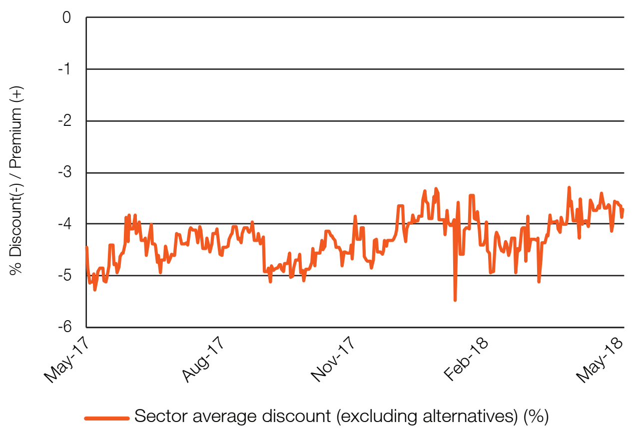
Performance

For the year to 31 May 2018, the FTSE All-Share Index rose 6.5% (in total return terms). Over the same period the Net Asset Value of the Growth Portfolio gained 11.0% whilst that of the Income Portfolio was ahead by 3.0% (again both in total return terms). This represents the sixth consecutive financial year that the Growth Portfolio has been ahead of the FTSE All-Share Index. The disparity in performance between the Growth Portfolio and the Income Portfolio over the past year has never been as wide and indicative of the bifurcated nature of performance that has existed across many global equity markets. Particularly in the US and China, new economy stocks, as highlighted by certain technology or internet companies, have experienced extremely strong growth which has fed through to very strong share price performance. In contrast more value orientated stocks, examples of which could be found in the telecoms, utility or tobacco sectors, have seen their share prices lag mainstream indices. These types of companies are typically quite mature and have above average dividend yields and often form a core element within income or equity income portfolios. Technology or growth companies often do not pay dividends as they require the cash they generate to fund future growth and so investment companies with a dividend requirement will find it difficult to own these types of companies.

The above trend is especially visible in the US and Chinese equity markets but is also in part a factor behind the relative underperformance of UK and European equity markets. There are not many of the growth type of companies described above in the UK and Europe whereas there is a much greater weighting in large financial, telecom, consumer and energy companies which have not performed as strongly in the past year.

Change in discounts can often be a significant factor behind the performance of investment companies, however as the chart below illustrates, despite a pick up in volatility in equity markets over the last twelve months the average discount of the investment company sector has only moved slightly narrowing from 4.5% to 3.7%.

Investment Company – Average Sector Discount
1 Year to 31 May 2018



Source: Winterflood Securities

Growth Portfolio – Leaders and Laggards

The strongest performer in the Growth Portfolio was **Syncona Limited** which achieved a total return of 47%. The company was formed in December 2016 when BACIT (formerly Battle against Cancer Trust) acquired Syncona Partners, then a subsidiary of the Wellcome Trust who now own a 33% holding in the enlarged investment company. Syncona had helped to create and invested in seven leading life sciences businesses built around highly innovative academic science which comprise the core of the portfolio. The seven holdings have made significant progress with one, Nightstar, already listed on NASDAQ and another, Autolus, having listed since the year end. Syncona Limited was valued at £1.5bn at the year end and is in the FTSE 250 Index. The next four best contributors all have a technology theme running through their portfolios. **Edinburgh Worldwide Investment Trust** rose 42% over the year and is a global small cap specialist. Managed by Baillie Gifford it is mainly invested in developed markets in companies under $5bn market capitalisation with a bias to technology and healthcare. **Allianz Technology Trust** was one of the top performers last year and continued its run this past year with a 39% rise in the share price. The trust has exposure to a number of the well-known larger technology and internet companies but also uses its San Francisco base to find new and emerging companies from Silicon Valley. The portfolio has exciting prospects. **Herald Investment Trust** has been a long time holding in the Growth Portfolio and is focussed on smaller companies in the technology and media sectors. The majority of its portfolio is invested in UK companies with the balance in the US and Asia. In the last financial year, the shares produced a 32% total return. Special mention should be made of **Scottish Mortgage Investment Trust** which was a top performer last year and maintained its record this year with a 29% gain. The trust is by far the biggest UK listed investment company by market value at over £7.5bn and is the only investment company which is a constituent of the FTSE 100 Index. The outstanding long term performance record is built through a concentrated portfolio of genuinely transformational companies mainly from the technology and healthcare sectors in the US and now increasingly China.

The most notable underperformer last year was **Woodford Patient Capital Trust** which suffered a 21% decline in the share price. The trust is principally invested in new, predominantly private companies, mainly though not exclusively in the UK. Around two thirds of the portfolio is in healthcare/biotechnology companies. Unfortunately the largest holding Prothena had unexpectedly bad news from an important clinical trial and suffered a sharp share price reversal. As the name infers investors require to exercise patience with this trust as the shares are lower than when listed three years ago. That said, a number of the major holdings are unlisted companies which have made encouraging progress at the operating level and the expectation is this will be reflected in better share performance in due course. **Henderson European Focus Trust** had a disappointing year with a 10% fall in the share price total return. European equities were the poorest performing region over the year and this affected the rating of this trust's shares which moved from a small premium to an

8% discount with most of that happening during the second half of the financial year. The long-term record remains ahead of both its benchmark and peer group. Another holding which lagged over the period was **Personal Assets Trust** which experienced a 3% decline in share price total return. The trust is positioned very defensively and is held to provide an element of protection for the portfolio in the event of a market setback. That it should underperform when equity markets make positive returns is not unexpected.

Income Portfolio – Leaders and Laggards

The top performer for the Income Portfolio was **CC Japan Income & Growth Trust** which recorded a 24% share price total return over the year. This was markedly ahead of the Japanese TOPIX Index and the result of outstanding stock selection. Although the dividend yield is one of the lowest in the Income Portfolio, the growth of the dividend is rapid and being able to gain exposure to an equity market which typically is not viewed as having sufficient yield provides a useful diversification for the portfolio. **BB Biotech** continued its strong performance record and was a notable contributor to performance with a total return of 21% from the shares. The Net Asset Value made good progress and the rating of the shares moved from a discount to a small premium, helped by a 5% dividend yield. Another notable performer was **3i Infrastructure** which achieved an 18% share price total return. This was driven by the profitable sale of two key assets, namely stakes in Anglian Water and Elenia (a Finnish electricity distributor) and resulted in the payment of a substantial special dividend to shareholders. The company is well positioned for the future and has increased guidance for dividend growth. A recovery in the oil price over the course of the year was a key factor in the 18% share price total return achieved by **Blackrock Commodities Income Investment Trust**.

Looking at the laggards, **HICL Infrastructure** the large, predominantly PFI infrastructure company experienced a 13% decline in share price total return. Most of this was not due to asset performance but a sharp reduction in the rating of the company as it moved from a premium to a discount. The well-publicised failure of one of its sub-contractors Carillion resulted in a 2% reduction to the asset value; however, the concern that a prospective Labour government may seek to take back some of its PFI contracts into public ownership was a major cause of the de rating of the shares. **Perpetual Income & Growth Investment Trust** has had a difficult year in terms of performance which was behind a 6% fall in share price total return. Significant positions in tobacco stocks and British Telecom and exposure to Provident Financial and Capita, both of which had unexpected profit warnings, were important factors. Although capital performance lagged, dividends were 5% higher and the yield on the shares is approaching 4%. Despite still good longer term performance numbers, the holding is under review. **Henderson High Income Trust** declined by 5% in share price total returns. It invests mainly in higher yielding UK equities and slightly underperformed in asset terms over the year however for shareholders this was exacerbated as the share price moved from a small premium to a 4% discount. Most of this happened in the first half of the financial year with performance stabilising in recent months. The shares yield over 5% and the dividend grew by over 2% over the last twelve months.

(All share prices are total return.)

Investment Strategy and Prospects

It is often said that bull markets for equities “climb a wall of worry”. This has certainly been the case over the past couple of years with all sorts of uncertainties, especially of the political kind, being manifest. Looking ahead there seems little change in the sense that uncertainty of the political variety will be with us for some time. For the UK, Brexit casts a long shadow. By later this year or early next, the nature of the terms of Brexit will be known. At this stage however, speculating on the eventual outcome is a fruitless endeavour.

Over the medium to longer term, returns from financial markets tend to be determined much less by political events and much more by the outlook for the fundamentals of the economy and the prospects for corporate profits and dividends. In this regard the synchronised nature of global growth, led by the US, has created a positive backdrop for equity markets. This is set to continue for the balance of this year and likely into 2019. However, a key policy which has proven to be a strong tailwind for financial markets is coming to an end. Quantitative Easing has, in the US, moved to Quantitative Tightening as the Federal Reserve has steadily increased interest rates and has stopped purchases of financial assets. Interest rates have been increased seven times to be at 2% with more predicted over the next year. Against a background of a slower economy the Bank of England has been more gradual, but even here has increased interest rates once. The ECB in Europe has indicated it will halt purchases of bonds by the end of this year, although a rise in interest rates is still some way off, the change of trend is clear.

With full employment, there are at long last signs that wage growth in the US (and again even in the UK) is accelerating. This is seen as a key component of rising inflation which is why the monetary authorities are keen to try to normalise interest rates after a decade of extremely low levels.

In this environment the valuation accorded to equity markets stops expanding (a key driver in recent years). In my report last year it was noted that the forward P/E ratio on the S&P Composite Index was 17x. This year it has fallen to 16x and yet the US market achieved a positive return of 11% over the past twelve months. Looking ahead, positive returns in most equity markets will be driven by earnings growth with valuations, if anything, likely to contract further.

Encouragingly earnings growth is strong in many markets. In the US, fuelled by tax cuts, year on year corporate earnings growth as at the end of Q1 2018 was 24%. In the UK this was 8%, with all major regions, Asia Pacific, Europe and Emerging Markets, reporting strong earnings and dividend progress.

The fact that this bull run for equity markets began in 2009 and that in a historic context this is much longer than almost any other bull market phase does not mean an end is imminent. In broad terms the environment remains constructive for further progress in equity markets. However, what should be anticipated are bouts of volatility which can be both sharp and uncomfortable. The principal risk is that central banks, particularly the Federal Reserve in the US, could tighten monetary policy too far or too fast in response to evidence that inflationary pressures are building. Although there are also more UK specific Brexit related risks, robust synchronised growth across most regions should be a key influence.

In terms of long term investment strategy, F&C Managed Portfolio Trust has endeavoured to participate in sectors which offer genuine secular growth opportunities such as technology, healthcare and biotechnology. Examples of investment companies which are exposed to these sectors would be **Monks Investment Trust**, **Polar Capital Technology Trust**, **Allianz Technology Trust**, **Scottish Mortgage Investment Trust**, **Edinburgh Worldwide Investment Trust**, **HgCapital Trust** and **Syncona Limited**. As many of these types of trusts either do not pay dividends or have very low dividend yields, it is more challenging to include them in an Income Portfolio. However, due to robust dividend performance across the whole Income Portfolio and also the income transfer between the Growth Portfolio and the Income Portfolio, scope has been created to permit some exposure to trusts in these sectors in the Income Portfolio. Examples include **BB Biotech**, **BB Healthcare**, **Monks Investment Trust** and **Allianz Technology Trust** even though the latter two have negligible or no dividend yields. Over the long term, returns from companies exposed to these sectors have been exceptional and looking ahead the opportunity for holdings in these sectors remains exciting.

In terms of investment selections, considerable effort is put into the identification of investment managers who have a clear and disciplined style with strong long-term performance records. Though there are risks which warrant a cautious approach, on balance prospects for equity market returns remain positive.

Peter Hewitt
Investment Manager
F&C Investment Business Limited

30 July 2018

Income shares –
Investment Portfolio

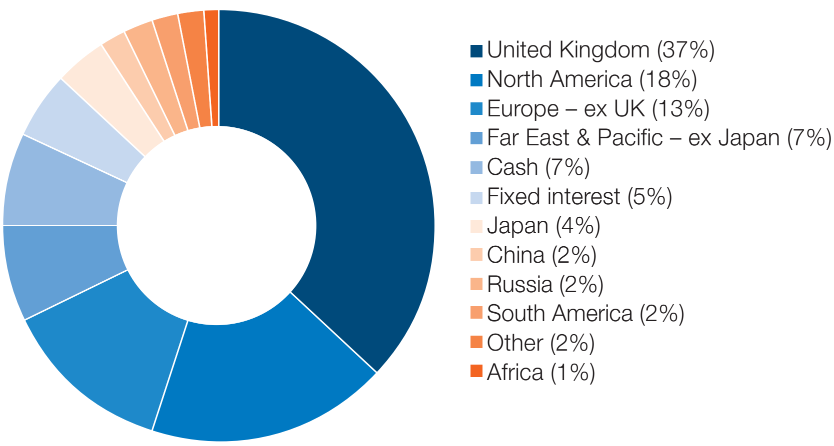
At 31 May 2018

Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Murray International Trust	Global Equity Income	2,189	3.8%
Law Debenture Corporation	Global	2,107	3.6%
Secure Income REIT	Property Specialist	1,930	3.3%
Invesco Perpetual UK Smaller Companies Investment Trust	UK Smaller Companies	1,920	3.3%
CC Japan Income & Growth Trust	Japan	1,886	3.2%
BB Biotech	Biotechnology & Healthcare	1,873	3.2%
City of London Investment Trust	UK Equity Income	1,842	3.2%
BB Healthcare	Biotechnology & Healthcare	1,823	3.1%
Henderson International Income Trust	Global Equity Income	1,822	3.1%
JPMorgan Global Growth & Income	Global Equity Income	1,806	3.1%
Ten largest investments		19,198	32.9%
Schroder Oriental Income Fund	Asia Pacific - Exc Japan	1,778	3.0%
Temple Bar Investment Trust	UK Equity Income	1,763	3.0%
Princess Private Equity Holding	Private Equity	1,737	3.0%
NB Private Equity Partners	Private Equity	1,725	3.0%
European Assets Trust†	European Smaller Companies	1,725	3.0%
Perpetual Income & Growth Investment Trust	UK Equity Income	1,697	2.9%
Henderson Far East Income	Asia Pacific - Exc Japan	1,661	2.9%
Troy Income & Growth Trust	UK Equity Income	1,609	2.8%
CQS New City High Yield Fund	UK Equity & Bond Income	1,565	2.7%
The Scottish American Investment Company	Global Equity Income	1,551	2.7%
Twenty largest investments		36,009	61.9%
The Bankers Investment Trust	Global	1,526	2.6%
Lowland Investment Company	UK Equity Income	1,525	2.6%
Civitas Social Housing REIT	Property Specialist	1,516	2.6%
Monks Investment Trust	Global	1,513	2.6%
3i Infrastructure	Infrastructure	1,506	2.6%
Majedie Investments	Global	1,502	2.6%
JPMorgan Global Emerging Markets Income Trust	Global Emerging Markets	1,494	2.6%
GCP Asset Backed Income	Debt	1,491	2.6%
Allianz Technology Trust	Tech Media & Telecomm	1,410	2.4%
Invesco Perpetual Enhanced Income Limited	Global High Income	1,400	2.4%
Thirty largest investments		50,892	87.5%

At 31 May 2018			
Investment	Sector	Valuation £'000	% of Net assets of Income Portfolio
Jupiter Emerging & Frontier Income	Global Emerging Markets	1,385	2.4%
Henderson High Income Trust	UK Equity & Bond Income	1,358	2.3%
Sequoia Economic Infrastructure	Infrastructure	1,269	2.2%
Utilico Emerging Markets	Global Emerging Markets	1,242	2.1%
Impact Healthcare REIT	Property Specialist	1,236	2.1%
The Renewables Infrastructure Group	Infrastructure - Renewable Energy	1,052	1.8%
BlackRock Commodities Income Investment Trust	Commodities & Natural Resources	1,007	1.7%
Assura	Property Specialist	991	1.7%
HICL Infrastrucure	Infrastructure	823	1.4%
Total investments		61,255	105.2%
Net current assets		1,995	3.4%
Borrowing		(5,000)	(8.6)%
Total Assets		58,250	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 2018)

Growth shares –

Investment Portfolio

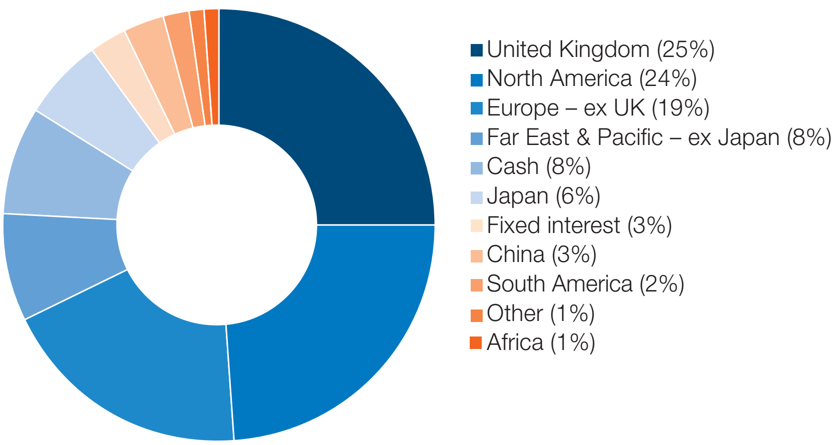
At 31 May 2018			
Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
Monks Investment Trust	Global	3,272	4.5%
Polar Capital Technology Trust	Tech Media & Telecomm	2,947	4.1%
Allianz Technology Trust	Tech Media & Telecomm	2,820	3.9%
Syncona Limited	Biotechnology & Healthcare	2,597	3.6%
Scottish Mortgage Investment Trust	Global	2,550	3.5%
Baillie Gifford Japan Trust	Japan	2,276	3.1%
Worldwide Healthcare Trust	Biotechnology & Healthcare	2,088	2.9%
Mid Wynd International Investment Trust	Global	1,938	2.7%
Jupiter European Opportunities Trust	Europe	1,920	2.6%
TR Property Investment Trust†	Property Securities	1,883	2.6%
Ten largest investments		24,291	33.5%
HgCapital Trust	Private Equity	1,845	2.5%
Edinburgh Worldwide Investment Trust	Global	1,840	2.5%
Herald Investment Trust	Small Media, Comms & IT Cos	1,820	2.5%
Impax Environmental Markets	Environmental	1,816	2.5%
RIT Capital Partners	Flexible Investment	1,813	2.5%
Finsbury Growth & Income Trust	UK Equity Income	1,811	2.5%
Templeton Emerging Markets Investment Trust	Global Emerging Markets	1,798	2.5%
Personal Assets Trust	Flexible Investment	1,784	2.5%
Fidelity Special Values	UK All Companies	1,774	2.4%
Ruffer Investment Company	Flexible Investment	1,638	2.3%
Twenty largest investments		42,230	58.2%
Henderson Opportunities Trust	UK All Companies	1,598	2.2%
ICG Enterprise Trust	Private Equity	1,577	2.2%
Lowland Investment Company	UK Equity Income	1,525	2.1%
Diverse Income Trust	UK Equity Income	1,525	2.1%
Capital Gearing Trust	Flexible Investment	1,512	2.1%
Schroder Asian Total Return Investment Company	Asia Pacific – Exc Japan	1,464	2.0%
Henderson European Focus Trust	Europe	1,458	2.0%
Henderson Smaller Companies Investment Trust	UK Smaller Companies	1,449	2.0%
Murray International Trust	Global Equity Income	1,382	1.9%
JPMorgan American Investment Trust	North America	1,375	1.9%
Thirty largest investments		57,095	78.7%

At 31 May 2018

Investment	Sector	Valuation £'000	% of Net assets of Growth Portfolio
Fidelity Asian Values	Asia Pacific – Exc Japan	1,286	1.8%
Biotech Growth Trust	Biotechnology & Healthcare	1,278	1.8%
Genesis Emerging Markets Fund	Global Emerging Markets	1,256	1.7%
British Empire Trust	Global	1,223	1.7%
Woodford Patient Capital Trust	UK All Companies	1,176	1.6%
European Assets Trust†	European Smaller Companies	1,166	1.6%
Standard Life Private Equity Trust	Private Equity	1,141	1.6%
BlackRock Frontiers Investment Trust	Global Emerging Markets	1,127	1.6%
Miton UK MicroCap Trust	UK Smaller Companies	1,112	1.5%
BH Macro	Hedge Funds	1,028	1.4%
Forty largest investments		68,888	95.0%
Law Debenture Corporation	Global	1,023	1.4%
Total investments		69,911	96.4%
Net current assets		2,614	3.6%
Total Assets		72,525	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 2018)


'The Company's shares have been a popular choice for parents, with more than 8,000 children becoming investors through a Child Trust Fund, Junior ISA or a Children's Investment Plan'

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 (also referred to as Alternative Performance Measures), 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. A description of these Alternative Performance Measures can be found on page 83.

Net asset value per share total return‡ performance to 31 May 2018

	1 year %	3 years %	5 years %	Since launch†	
Income shares NAV total return	3.0	22.0	42.3	117.7	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	11.0	34.0	65.3	110.4	
Benchmark total return*	6.5	24.3	45.4	97.9	

*Benchmark: FTSE All-Share Index
†Launched on 16 April 2008
‡See Alternative Performance Measures on page 83

Source: F&C Investment Business Limited and Datastream

Dividend level of the Income Shares

Financial year to 31 May	**2018**	2017	2016	2015	2014	
Annual dividend	**5.7p***	5.45p	5.20p	5.00p	4.80p	This shows the dividend yield of the Income shares at the year-end relative to the benchmark.
Dividend yield†	**4.1%**	3.9%	4.6%	3.9%	3.9%	
Yield on FTSE All-Share index	**3.6%**	3.5%	3.75%	3.3%	3.3%	

†Based on Income share price at 31 May
*Excluding special dividend of 0.8p per Income share.

Source: F&C Investment Business Limited and Datastream

Average premium/(discount)‡ to NAV

During the financial year to 31 May	Income shares %	Growth shares %	
2018	**1.6**	**1.1**	This is the difference between the share price and the NAV per share.
2017	0.1	(0.4)	
2016	0.9	1.2	
2015	1.6	0.6	
2014	0.2	(0.6)	

‡See Alternative Performance Measures on page 83

Source: F&C Investment Business Limited

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

At 31 May	Income shares* %	Growth shares* %	
2018	**1.07**	**1.03**	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of average net assets.
2017	1.12	1.08	
2016	1.09	1.09	
2015	1.16	1.15	
2014	1.16	1.17	

‡See Alternative Performance Measures on page 83
*Excludes the performance fee

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 risk management and internal control arrangements is included within the Report of the Audit Committee on pages 37 to 39. 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 and overleaf.

Notes 17 to 22 to the financial statements 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 financial statements. 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 its Risk team to review 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. A business continuity plan is in place. The Manager continues to benefit from the long-term financial strength and policies of its parent company, Bank of Montreal. F&C has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust Company ('**State Street**') and supervision of such third party service providers, including DST Financial Services who adminster the F&C savings plans, has been maintained by F&C. This includes the review of IT security and cyber threat. The Board received a presentation during the year from the Custodian on its own cyber-security controls.

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 at the forthcoming AGM on 19 September 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 page 25 and above, on page 37 in the Report of the Audit Committee and in Notes 17 to 22 to the financial statements.

The Directors have also considered:

- The level of ongoing charges incurred by the Company which are modest and predictable and total 1.07% and 1.03% 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,
- The Company has no employees, with only non-executive Directors and consequently does not have redundancy or other employment-related liabilities or responsibilities, and
- That there will be a continuation vote at the forthcoming AGM. The Board fully supports the continuation of the Company and, with the support of shareholders, the expectation is for the continuation vote to be passed.

These matters were assessed over a three year period to July 2021, 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 2021.

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

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, Chelverton UK 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.

Sue Inglis

Sue was a senior corporate financier in Cantor Fitzgerald's Investment Companies team until June 2018, having previously been a Managing Director – Corporate Finance in the Investment Companies team at Canaccord Genuity until 2012. Sue is a qualified lawyer and was a partner and head of the funds and financial services group at Shepherd & Wedderburn, a leading Scottish law firm. In 1999 she was a founding partner of Intelli Corporate Finance, an advisory boutique firm focusing on the asset management and investment company sectors, which was acquired by Canaccord Genuity in 2009. Sue is currently the senior independent director of The Bankers Investment Trust PLC and a non-executive director of Baillie Gifford US Growth Trust plc.

All of the Directors are non-executive, and with the exception of Sue Inglis, were appointed on 22 February 2008. Sue Inglis was appointed on 9 July 2018. All of the Directors 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 tenth Annual Report and Financial Statements of the Company for the year ended 31 May 2018.

Statement Regarding Annual Report and Financial Statements

Following a detailed review of the Annual Report and Financial Statements 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 Financial Statements would have a reasonable level of knowledge of the investment industry in general and investment companies in particular. The outlook for the Company can be found on pages 9, 16 and 17. Principal risks can be found on pages 25 and 26 with further information in notes 17 to 22 to the financial statements.

The Corporate Governance Statement set out on pages 35 to 36 is included in this Report of the Directors by reference.

Results and Dividends

The results for the year are set out in the attached financial statements. The total return attributable to shareholders was £8,751,000, of which £1,658,000 was attributable to the Income Portfolio and £7,093,000 to the Growth Portfolio.

First, second and third interim dividends, each of 1.3p per Income share, were paid on 6 October 2017, 5 January 2018 and 6 April 2018 respectively. A fourth interim dividend of 1.8p per Income share and a special interim dividend of 0.8p per Income share were paid after the year end, on 13 July 2018 to Income shareholders on the register at close of business on 29 June 2018.

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 continue 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 Auditor

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

Re-appointment of Auditor

KPMG LLP was first appointed as the Company's auditor at the Annual General Meeting on 21 September 2017 and it has expressed its willingness to continue in office as the Company's auditor. A resolution proposing its re-appointment and authorising the Directors to determine its remuneration will be submitted at the Annual General Meeting ('**AGM**') (Resolution 8).

Further information in relation to the re-appointment can be found on page 39.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 28 and are incorporated into this report by reference. There were no changes to the composition of the Board during the financial year.

Following the financial year-end, Ms S P Inglis, whose biographical details are shown on page 28, was appointed as a Director on 9 July 2018. In accordance with the Company's Articles of Association any Director appointed by the Board shall hold office only until the next General Meeting and shall then be eligible for election. Accordingly, she will retire at the AGM, being the first such meeting following her appointment and being eligible, offers herself for election. (Resolution 7).

All of the other 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. Accordingly, Mr R M Martin, Mr D Harris, Mr C S McGill and Mr A G Stewart will retire at the AGM and, being eligible, offer themselves for re-election. (Resolutions 3 to 6).

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 or her 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.

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 Chairman and 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 Chairman and the Board therefore believes that it is in the interests of shareholders that each of those Directors seeking election/re-election are elected/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 or her 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 the Manager in respect of the services provided is given in notes 4 and 5 to the financial statements. 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, which included a comparison against the terms of appointment of investment managers for similar investment companies, 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.

Safe Custody of Assets

The Company's investments are held in safe custody by JPMorgan Chase Bank (the '**Custodian**'). Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the investment management agreement.

Depositary

JPMorgan Europe Limited (the '**Depositary**') acts as the Company's depositary in accordance with the AIFM Directive. 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.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all resonable efforts to the contrary.

Capital Structure

The Company's capital structure is explained in the 'Capital Structure' section on page 78 of this Annual Report and details of the share capital are set out in note 13 to the financial statements. Details of voting rights are also set out in the notes to the notice of Annual General Meeting. At 31 May 2018, the total issued share capital of the Company (excluding treasury shares) was represented 55.0 per cent by Income shares and 45.0 per cent by Growth shares.

Substantial Interests in Share Capital

At 31 May 2018 the Company had 43,055,035 Income shares and 35,167,037 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.

F&C Savings Plans

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 85 per cent of the Growth shares are held in this manner. The voting arrangement for these shares is explained on page 78.

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 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.

Accounting and Going Concern

The financial statements start on page 50 and the unqualified Independent Auditor's Report on the financial statements is on pages 46 to 48.

Shareholders will be asked to approve the adoption of the Annual Report and Financial Statements at the AGM (Resolution 1).

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 financial statements 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 overleaf 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 and subject to the approval of the continuation vote referred to below. The Board fully supports the continuation of the Company and with the support of shareholders, the expectation is for this resolution to be passed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Company's longer term viability is considered in the 'Viability Assessment and Statement' on page 26.

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 this year's Annual General Meeting (being the tenth Annual General Meeting of the Company) and five-yearly thereafter to continue the Company. The continuation vote will be proposed as an ordinary resolution. Refer to page 34.

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 financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Exchange House, Primrose Street, London EC2A 2NY, on Wednesday 19 September 2018 at 12.30pm. The notice of Annual General Meeting is set out on pages 73 to 77.

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

Since the Annual General Meeting of the Company held on 21 September 2017, and in accordance with the authorities granted, the Board has exercised its powers by issuing 520,000 new Income shares and 790,000 new Growth shares (representing 1.2 per cent and 2.2 per cent of the Company's total issued Income share and Growth share capital respectively (excluding treasury shares) as at 30 July 2018) on a non pre-emptive basis at a premium to the net asset value per share.

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 £430,500 (consisting of 4,305,000 Income shares) and new Growth shares up to an aggregate nominal amount of £353,600 (consisting of 3,536,000 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 30 July 2018.

Resolution 10 will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £430,500 (consisting of 4,305,000 Income shares) and new Growth shares up to an aggregate nominal amount of £353,600, (consisting of 3,536,000 Growth shares), being approximately 10.0 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 30 July 2018, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. These authorities will continue until the earlier of 19 December 2019 (being 15 months from the date of the Annual General Meeting in 2018) and the conclusion of the Annual General Meeting in 2019. 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 2018, the Company did not purchase through the market any Income shares or Growth shares for treasury.

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 19 December 2019 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.

Accordingly there were 78,422,072 Income shares and Growth shares in issue (excluding treasury shares) as at 30 July 2018 of which 43,055,035 (54.9 per cent) are Income shares and 35,367,037 (45.1 per cent) are Growth shares. At that date, the Company held nil Income shares (nil per cent of the total Income share capital) in treasury and nil Growth shares (nil per cent of the total Growth share capital) in treasury.

The Company therefore in aggregate holds nil shares in treasury representing nil 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 10.0 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.

Adoption of New Articles of Association (Resolution 15)

As noted in the Chairman's statement the Board is seeking authority to adopt new Articles of Association, in order to amend the calculation of the net asset values for the purposes of the conversion facility so that at the discretion of the Board, the costs and expenses of conversion may be borne by the Company. The Board is hopeful that this will allow the Company to undertake conversions on a more frequent basis in future. Accordingly, the Company proposes to adopt new Articles of Association (the '**New Articles**') at the upcoming AGM.

It is proposed that the New Articles will also: (i) reflect the AIFMD and all applicable rules and regulations implementing that Directive, (ii) include provisions to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations and (iii) to increase the cap on Directors' fees to £150,000 per annum. A full summary of the proposed amendments to the Articles of Association is set out in the Appendix on page 77.

Continuation Vote (Resolution 16)

In accordance with the Company's Articles of Association the continuation of the Company is to be proposed by way of an ordinary resolution at this year's Annual General Meeting, being the tenth Annual General Meeting of the Company. If the resolution is not passed, the Board will be required within six months to convene a general meeting of the Company at which a special resolution shall be proposed to shareholders for the winding up of the Company and/or the reconstruction of the Company provided the latter provides an option for shareholders to elect to realise their investment in the Company in full. The Board believes that it is in the best interests of shareholders for the Company to continue and encourages shareholders to vote in favour of the resolution, as they intend to do in respect of their own shareholdings.

Recommendation

The Board considers 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

30 July 2018

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 ('**UK 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 UK 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. With the exception of Sue Inglis 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. As set out in the Chairman's Statement, following the financial year end, Sue Inglis was appointed as a Director on 9 July 2018. At the end of the calendar year Richard Martin intends to retire from the Board and will be replaced by Colin McGill as Chairman while Alistair Stewart will become Chairman of the Audit Committee. 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 11.

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.

Directors' attendance during the year ended 31 May 2018

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings	4	3	1	3
R M Martin	4	3	1	3
D Harris	4	3	1	2
C S McGill	4	3	1	3
A G Stewart	4	3	1	3

In addition, committee meetings were held during the year to approve the interim dividends. All Directors attended the Annual General Meeting in September 2017.

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.

Following this process it was concluded that the performance of each Director continues to be effective and each Director and the Chairman remain committed to the Company. The Board believes that each Director is independent in character and that there are no relationships or circumstances which are likely to affect his or her 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 37 to 39.

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 and the Directors' Remuneration Report is shown on pages 40 to 42.

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 Company's Board diversity policy is shown on page 13. The Directors have not set any measurable objectives in relation to diversity of the Board.

Following the end of the financial year, a new non-executive Director, Ms Sue P Inglis was appointed to the Board on 9 July 2018. An independent external recruitment agency, Fletcher Jones Executive Search facilitated this process.

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 19 September 2018 is set out on pages 73 to 77.

Risk Management and Internal Control
Details of the principal risks and internal controls applied by the Board are set out on pages 25 and 26 and pages 37 and 38 respectively.

Share Capital and Companies Act 2006 Disclosures
Details of the Company's share capital structure are set out on page 78 and other Companies Act 2006 Disclosures are included on page 31.

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

30 July 2018

Report of the Audit Committee

Composition 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.

Role of the Committee
The duties of the Audit Committee include reviewing the Annual and Interim financial statements, the system of internal controls and the terms of appointment and remuneration of the Auditor, KPMG LLP ('**KPMG**'), 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 KPMG. This was KPMG's first year as the Company's auditor.

The Audit Committee met on three occasions during the year and the attendance of each of the members is set out on page 35. In the due course of its duties, the committee had direct access to KPMG and senior members of the Manager's Fund Management, Investment Trust and Business Risk 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 financial statements;
- the accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;
- the principal risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's statement on viability;
- the effectiveness of the external audit process and related non-audit services and the independence and objectivity of KPMG, its re-appointment, remuneration and terms of engagement;
- the policy on the engagement of KPMG to supply non-audit services and approval of any such 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 and Financial Statements is fair, balanced and understandable.

Risk Management
The Board has 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.

F&C's Business Risk department 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 has a robust process for considering the resulting risk matrix and reviews the significance of the risks and reasons for any changes.

The Company's principal risks and their mitigations are set out on pages 25 to 26 with additional information provided in notes 17 to 22 to the financial statements.

The integration of these risks into the consideration of the Viability Statement on page 26 was also fully considered.

Internal Controls
The Board has overall responsibility 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 Audit Committee has reviewed and reported to the Board on these controls which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable.

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.

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.

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, loss or fraud. Further to the review by the Audit Committee, the Board has assessed the effectiveness of the Company's internal control systems.

The assessment included a review of the F&C risk management infrastructure and the Report on Internal Controls in accordance with ISAE 3402 and AAF (01/06) for the year to 31 October 2017 (the 'ISAE/AAF Report') that has been prepared for its investment company clients. The Audit Committee 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 reporting accountants KPMG LLP, it sets out the Manager's control environment 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.

The review procedures have been in place throughout the financial year and up to the date of approval of the financial statements, and the Board is satisfied with their effectiveness.

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 an external auditor. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

External Audit Process and Significant Matters Considered by the Audit Committee

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved KPMG's plan for the audit of the financial statements for the year ended 31 May 2018. At the conclusion of the audit KPMG 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. KPMG issued an unqualified audit report which is included on pages 46 to 48. The significant issues considered by the Audit Committee, are discussed in the table on the following page.

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. KPMG did not receive any fees, for non-audit services during the year (2017: £6,800 – EY). In the prior year the Audit Committee did not consider that the provision of such non-audit services was a threat to the objectivity and independence of the conduct of the audit.

In particular, the Committee has a policy, with effect from 1 June 2017, that the accumulated costs of all non-audit services sought from the auditor 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 Board reviews the full portfolio valuations at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depositary. The Audit Committee reviewed the Manager's annual ISAE/AAF Report, as referred to on page 38 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. The Manager has provided further assurance that controls have operated satisfactorily since that date.
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 ISAE/AAF Report, as referred to on page 38 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 2018.

The Audit Committee read and discussed this Annual Report and Financial Statements and concluded that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, objective and strategy.

Auditor Assessment, Independence and Appointment

The Audit Committee reviews the re-appointment of the auditor every year.

As part of the review of auditor independence and effectiveness, KPMG has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating KPMG, 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 KPMG continues to provide effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. The current senior statutory auditor was engaged for the first time during the year ended 31 May 2018.

KPMG's fee for the audit was £19,500 (2017: £19,900 – EY). On the basis of this assessment, the Audit Committee has recommended the re-appointment of KPMG to the Board.

Colin S McGill
Chairman of the Audit Committee

30 July 2018

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 May 2018, 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 46 to 48.

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 five 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 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 or her appointment and such letters are available for inspection at the Company's registered office. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire periodically and, if they wish, to offer themselves for re-election, by shareholders at the third Annual General Meeting after the Annual General Meeting at which last elected. However, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. There is no notice period and no provision for compensation upon termination of appointment.

Voting at Annual General Meeting on Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 21 September 2017. 96.1% of votes were in favour of the resolution and 3.9% were against.

As part of the business to be proposed at the Annual General Meeting it is proposed that the limit on Directors fees in the Articles of Association be increased from £120,000 to £150,000 per annum (Resolution 15).

Annual Statement

As Chairman of the Remuneration Committee, I confirm that effective 1 June 2017 Directors' fees increased 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.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year to 31 May 2019, the Remuneration Committee concluded that the amounts paid to Directors should remain unchanged.

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

Director	31 May 2019 £	31 May 2018# £
Chairman	27,500	27,500
Audit Committee chairman	23,000	23,000
Director	20,000	20,000

Actual Directors' remuneration for the year ended 31 May 2018.

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 2018 and 2017 and can expect to receive the fees indicated for 2019 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 2018 £	31 May 2017 £	31 May 2018 £	31 May 2017 £	31 May 2018 £	31 May 2017 £	31 May 2019 £
R M Martin (Chairman)	27,500	26,000	16	–	27,516	26,000	16,040
D Harris	20,000	19,000	1,100	1,518	21,100	20,518	20,000
S P Inglis[3]	n/a	n/a	n/a	n/a	n/a	n/a	17,920
C S McGill	23,000	21,000	–	–	23,000	21,000	24,875
A G Stewart	20,000	19,000	36	–	20,036	19,000	21,250
Total	90,500	85,000	1,152	1,518	91,652	86,518	100,085

(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 2019. (As explained in the Chairman's Statement on page 9 several changes are anticipated with respect to the Board composition and the impact of those have been reflected in the anticipated fees). Taxable benefits are also anticipated but are not currently quantifiable.

(3) Appointed 9 July 2018.

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 2018 £	31 May 2017 £	Change %
Aggregate Directors' remuneration	90,500	85,000	+6.5
Management and other expenses	1,483,500	1,149,000	+29.1
Distributions paid to shareholders (relating to the year)	2,773,000	2,275,000	+21.9
Aggregate cost of Income shares and Growth shares repurchased	–	997,000	-100.0

Directors' Shareholdings (Audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 May 2018 (all of which were beneficially held) were as follows:

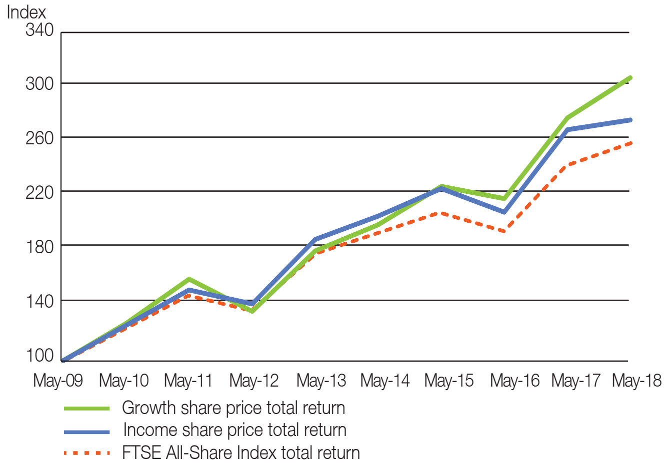
	31 May 2018		31 May 2017	
Director	Income Shares	Growth Shares	Income Shares	Growth Shares
R M Martin	31,000	10,000	31,000	10,000
D Harris	5,000	5,000	5,000	5,000
C S McGill	10,000	10,000	10,000	10,000
A G Stewart	10,000	10,000	10,000	10,000

There have been no changes in the Directors' interests in the shares of the Company between 31 May 2018 and 30 July 2018.

Company Performance

The following graph compares, for the nine financial years ended 31 May 2018, 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 on Annual Remuneration Report

At the Company's last Annual General Meeting, held on 21 September 2017, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 May 2017. 95.9% of votes were in favour of the resolution and 4.1% 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
30 July 2018

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 Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, 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 its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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, Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the directors in respect of the annual financial report

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 and profit or loss of the Company; and
- the Strategic Report and the Report of the Directors include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Richard M Martin
Chairman
30 July 2018

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

Independent Auditor's Report

to the members of F&C Managed Portfolio Trust PLC

1. Our opinion is unmodified

We have audited the financial statements of F&C Managed Portfolio Trust PLC ("the Company") for the year ended 31 May 2018 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 31 May 2018 and of its return for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 21 September 2017. This is the first year of engagement. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		£1.4m 1% of Total Assets
Risks of material misstatement		
Risk	Carrying value of listed equity investments	

2. Key audit matter: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently is incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Carrying Value of Listed Equity Investments (£131.2 million) *Refer to page 39 (Audit Committee Report), page 55 (accounting policy) and pages 63-64 (Note 10 Investments)*	**Low risk, high value:** The Company's portfolio of listed equity investments makes up 96.0% of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Tests of Detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our results** — We found the carrying amount of listed equity investments to be acceptable.

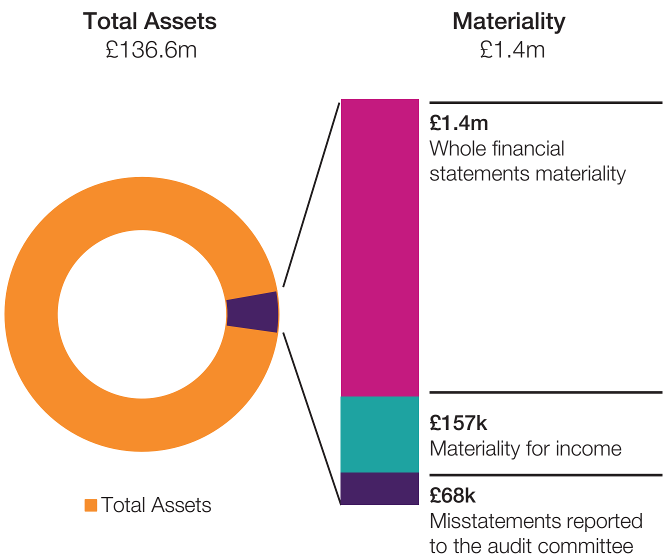
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.4m, determined with reference to a benchmark of total assets, of which it represents 1%.

In addition, we applied materiality of £157,000 to the Income line of the Income Statement, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £68,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at BMO Global Asset Management's office in Edinburgh.



4. We have nothing to report on going concern

We are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on pages 31 and 32 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

— the directors' confirmation within the Viability Statement on page 26 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company 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.

Under the Listing Rules we are required to review the Viability Statement.

We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

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

— certain disclosures of directors' remuneration specified by law are not made; or

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 43, the directors are responsible for: the preparation of the financial statements, including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors, the manager and the administrator (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements, including financial reporting (including related company legislation) as well as the Company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team, which included individuals with experience relevant to those laws and regulations, and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 July 2018

"Since launch on 16 April 2008, the NAV total return for the Income shares and Growth shares is 117.7% and 110.4% respectively outperforming the 97.9% total return from the Company's benchmark"

Income Statement

Notes	For the year ended 31 May	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
10	Gains on investments	–	6,558	6,558	–	22,555	22,555
	Foreign exchange (losses)/gains	–	(1)	(1)	–	3	3
3	Income	3,905	–	3,905	3,167	–	3,167
4	Investment management and performance fees	(249)	(849)	(1,098)	(219)	(554)	(773)
5	Other expenses	(476)	–	(476)	(461)	–	(461)
	Return on ordinary activities before finance costs and tax	3,180	5,708	8,888	2,487	22,004	24,491
6	Finance costs	(44)	(66)	(110)	(19)	(30)	(49)
	Return on ordinary activities before tax	3,136	5,642	8,778	2,468	21,974	24,442
7	Tax on ordinary activities	(27)	–	(27)	(17)	–	(17)
	Return attributable to shareholders	3,109	5,642	8,751	2,451	21,974	24,425
9	Return per Income share	7.32p	(3.42p)	3.90p	5.89p	21.35p	27.24p
9	Return per Growth share	–	20.45p	20.45p	–	38.71p	38.71p

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 financial statements.

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

Notes	as at 31 May	2018 Income Shares £'000	2018 Growth Shares £'000	2018 Total £'000	2017 Income Shares £'000	2017 Growth Shares £'000	2017 Total £'000
	Fixed assets						
10	Investments at fair value	61,255	69,911	131,166	61,863	61,770	123,633
	Current assets						
11	Debtors	260	62	322	189	48	237
	Cash at bank and on deposit	1,905	3,197	5,102	773	2,691	3,464
		2,165	3,259	5,424	962	2,739	3,701
	Creditors						
12	Amounts falling due within one year	(170)	(645)	(815)	(171)	(688)	(859)
	Net current assets	1,995	2,614	4,609	791	2,051	2,842
	Creditors						
12	Amounts falling due in more than one year	(5,000)	–	(5,000)	(5,000)	–	(5,000)
	Net assets	58,250	72,525	130,775	57,654	63,821	121,475
	Capital and reserves						
13	Called-up share capital	4,306	3,517	7,823	4,254	3,435	7,689
14	Share premium	22,597	20,408	43,005	21,839	18,879	40,718
14	Capital redemption reserve	–	182	182	–	182	182
14	Special reserve	19,371	17,190	36,561	18,873	17,190	36,063
14	Capital reserves	9,414	31,228	40,642	10,865	24,135	35,000
14	Revenue reserve	2,562	–	2,562	1,823	–	1,823
15	**Shareholders' funds**	58,250	72,525	130,775	57,654	63,821	121,475
15	**Net asset value per share (pence)**	135.29p	206.23p		136.93p	185.78p	

Company Number: SC338196

Approved by the Board and authorised for issue on 30 July 2018 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	2018 Total £'000	Income Shares £'000	Growth Shares £'000	2017 Total £'000
16	Net cash outflow from operations before dividends and interest	(664)	(730)	(1,394)	(624)	(589)	(1,213)
	Dividends received	2,860	963	3,823	2,373	812	3,185
	Interest received	4	7	11	14	3	17
	Interest paid	(102)	–	(102)	(87)	–	(87)
	Net cash inflow from operating activities	2,098	240	2,338	1,676	226	1,902
	Investing activities						
	Purchases of investments	(15,258)	(7,307)	(22,565)	(11,594)	(5,871)	(17,465)
	Sales of investments	15,354	5,962	21,316	7,650	6,530	14,180
	Net cash flows from investing activities	96	(1,345)	(1,249)	(3,944)	659	(3,285)
	Net cash flows before financing activities	2,194	(1,105)	1,089	(2,268)	885	(1,383)
	Financing activities						
8	Equity dividends paid	(2,370)	–	(2,370)	(2,228)	–	(2,228)
	Proceeds from issuance of new shares	708	1,611	2,319	12	144	156
	Sale of shares from treasury	600	–	600	1,074	1,075	2,149
	Shares purchased to be held in treasury	–	–	–	(579)	(418)	(997)
	Loan drawn down	–	–	–	4,000	–	4,000
	Net cash flows from financing activities	(1,062)	1,611	549	2,279	801	3,080
	Net movement in cash and cash equivalents	1,132	506	1,638	11	1,686	1,697
	Cash and cash equivalents at the beginning of the year	773	2,691	3,464	762	1,005	1,767
	Cash and cash equivalents at the end of the year	1,905	3,197	5,102	773	2,691	3,464
	Represented by:						
	Cash at bank and short-term deposits	1,905	3,197	5,102	773	2,691	3,464

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

Statement of Changes in Equity

for the year ended 31 May 2018

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 2017	4,254	21,839	–	18,873	10,865	1,823	57,654
13	Increase in share capital in issue, net of share issuance expenses	52	656	–	–	–	–	708
13	Shares sold from treasury	–	102	–	498	–	–	600
	Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	631	631
	Transfer of capital from Income to Growth Portfolio	–	–	–	–	(631)	–	(631)
8	Dividends paid	–	–	–	–	–	(2,370)	(2,370)
	Return attributable to shareholders	–	–	–	–	(820)	2,478	1,658
	As at 31 May 2018	4,306	22,597	–	19,371	9,414	2,562	58,250
	Growth Shares							
	As at 31 May 2017	3,435	18,879	182	17,190	24,135	–	63,821
13	Increase in share capital in issue, net of share issuance expenses	82	1,529	–	–	–	–	1,611
	Transfer of net income from Growth to Income Portfolio	–	–	–	–	–	(631)	(631)
	Transfer of capital from Income to Growth Portfolio	–	–	–	–	631	–	631
	Return attributable to shareholders	–	–	–	–	6,462	631	7,093
	As at 31 May 2018	3,517	20,408	182	17,190	31,228	–	72,525
	Total							
	As at 31 May 2017	7,689	40,718	182	36,063	35,000	1,823	121,475
	Increase in share capital in issue, net of share issuance expenses	134	2,185	–	–	–	–	2,319
	Shares sold from treasury	–	102	–	498	–	–	600
8	Dividends paid	–	–	–	–	–	(2,370)	(2,370)
	Return attributable to shareholders	–	–	–	–	5,642	3,109	8,751
	Total Company as at 31 May 2018	7,823	43,005	182	36,561	40,642	2,562	130,775

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

Statement of Changes in Equity – continued

for the year ended 31 May 2017

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 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

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 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

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 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.

Notes to the Financial Statements

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 2018.

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.

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.

1. Accounting policies (continued)

(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. Finance costs, including interest are accrued using the effective interest rate method. See note 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 and 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	2018	2017
US dollar	1.33	1.29
Swiss Franc	1.31	1.25
Euro	1.14	1.15

(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 50, 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 2018

		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)/gains on investments	10	–	(512)	(512)	–	7,070	7,070	–	6,558	6,558
Foreign exchange losses		–	(1)	(1)	–	–	–	–	(1)	(1)
Income	3	2,920	–	2,920	985	–	985	3,905	–	3,905
Investment management and performance fees	4	(161)	(241)	(402)	(88)	(608)	(696)	(249)	(849)	(1,098)
Other expenses	5	(216)	–	(216)	(260)	–	(260)	(476)	–	(476)
Return on ordinary activities before finance costs and tax		2,543	(754)	1,789	637	6,462	7,099	3,180	5,708	8,888
Finance costs	6	(44)	(66)	(110)	–	–	–	(44)	(66)	(110)
Return on ordinary activities before tax		2,499	(820)	1,679	637	6,462	7,099	3,136	5,642	8,778
Tax on ordinary activities	7	(21)	–	(21)	(6)	–	(6)	(27)	–	(27)
Return§	9	2,478	(820)	1,658	631	6,462	7,093	3,109	5,642	8,751

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

§ 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

	2018			2017		
	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	1,379	855	2,234	1,352	729	2,081
Overseas dividends	1,535	124	1,659	977	94	1,071
Interest on fixed interest securities	2	–	2	9	–	9
	2,916	979	3,895	2,338	823	3,161
Other income‡						
Deposit interest	4	6	10	3	3	6
Total income	2,920	985	3,905	2,341	826	3,167
Total income comprises:						
Dividends	2,914	979	3,893	2,329	823	3,152
Other income	6	6	12	12	3	15
	2,920	985	3,905	2,341	826	3,167

† 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 2018

	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	161	241	402	88	353	441	249	594	843
Performance fee	–	–	–	–	255	255	–	255	255
	161	241	402	88	608	696	249	849	1,098

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

The Company's 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 period is less than the NAV per share at the start of the financial period, (the "Watermark NAV") payment of the performance fee in respect of that financial period 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 2018 the adjusted total return of the Income Portfolio for the period 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 (2017: £nil). At 31 May 2018 the adjusted total return of the Growth Portfolio since 31 May 2017, being the date a performance fee was last payable, exceeded that of the FTSE All-Share Index and a performance fee of £312,000 has been calculated. However, as the performance fee is capped at 0.35% of total assets of the relevant portfolio, the fee has been scaled back, in line with the cap, and an amount of £255,000 has been recognised (2017: £43,000).

Details of outstanding management fees at 31 May 2018 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

	2018			2017		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Auditors' remuneration for:						
– statutory audit* (KPMG)	10	13	23	–	–	–
– statutory audit* (EY)	–	–	–	11	13	24
– taxation and other services (non-audit)**	–	–	–	4	4	8
Directors' fees	42	49	91	42	43	85
Secretarial fees	45	53	98	46	49	95
Marketing	32	38	70	32	33	65
Printing and postage	25	30	55	26	28	54
Registrars' fees	13	15	28	16	13	29
Custody and depositary fees	9	11	20	9	10	19
Other expenses including listing fees and legal fees	40	51	91	39	43	82
	216	260	476	225	236	461

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

* Auditors' remuneration for audit services, exclusive of VAT, amounts to £19,500 (2017: EY-£19,900).

** Auditors' remuneration for non-audit services, exclusive of VAT, amounts to £nil (2017: £6,800 for tax compliance services).

The Manager, F&C Investment Business Limited, receives a secretarial and administrative fee of £81,450 per annum (2017: £79,171), 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 £98,000 (2017: £95,000), of which £24,000 (2017: £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 £27,500 per annum. Full details are provided in the Directors' Remuneration Report.

6. Finance costs

	Income Portfolio			Growth Portfolio			Total		
Year ended 31 May 2018	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank borrowings	44	66	110	–	–	–	44	66	110

	Income Portfolio			Growth Portfolio			Total		
Year ended 31 May 2017	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank borrowings	19	30	49	–	–	–	19	30	49

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 2018

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax charge for the year (all irrecoverable overseas tax) being Taxation on ordinary activities	21	–	21	6	–	6	27	–	27

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
Current tax charge for the year (all irrecoverable overseas tax) being Taxation on ordinary activities	16	–	16	1	–	1	17	–	17

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 (2017: 19 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.

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Return on ordinary activities before tax:	1,679	7,099	8,778	11,359	13,083	24,442
Corporation tax at standard rate of 19 per cent (2017: 19.83 per cent)	319	1,349	1,668	2,253	2,595	4,848
Effects of:						
Losses/(gains) on investments not taxable	97	(1,343)	(1,246)	(1,915)	(2,559)	(4,474)
Overseas tax suffered	21	6	27	16	1	17
Non taxable UK dividend income	(235)	(162)	(397)	(230)	(145)	(375)
Non taxable overseas dividend income	(292)	(24)	(316)	(194)	(19)	(213)
Expenses not utilised	111	180	291	86	128	214
Current year tax charge (note 7. (a))	21	6	27	16	1	17

As at 31 May 2018, the Company had unutilised expenses of £8,153,000 (2017: £6,610,000). The deferred tax asset of £1,549,000 (2017: £1,124,000) in respect of unutilised expenses at 31 May 2018 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	2018 Income Shares Total £'000	2017 Income Shares Total £'000
Amounts recognised as distributions to shareholders during the year:				
For the year ended 31 May 2017				
– fourth interim dividend of 1.7p per Income share (2016: 1.6p)	16 June 2017	7 July 2017	716	669
For the year ended 31 May 2018				
– first interim dividend of 1.3p per Income share (2017: 1.25p)	15 September 2017	6 October 2017	550	519
– second interim dividend of 1.3p per Income share (2017: 1.25p)	15 December 2017	5 January 2018	550	520
– third interim dividend of 1.3p per Income share (2017: 1.25p)	16 March 2018	6 April 2018	554	520
			2,370	2,228

Amounts relating to the year but not paid at the year end:				
– fourth interim dividend of 1.8p per Income share* (2017: 1.7p)	29 June 2018	13 July 2018	775	716
– special dividend of 0.8p per Income share* (2017: nil)	29 June 2018	13 July 2018	344	–

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 2018, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2018 £'000	2017 £'000
Revenue available for distribution by way of dividends for the year	3,109	2,451
First interim dividend of 1.3p per Income share in respect of the year ended 31 May 2018 (2017: 1.25p)	(550)	(519)
Second interim dividend of 1.3p per Income share in respect of the year ended 31 May 2018 (2017: 1.25p)	(550)	(520)
Third interim dividend of 1.3p per Income share in respect of the year ended 31 May 2018 (2017: 1.25p)	(554)	(520)
Fourth interim dividend of 1.8p per Income share* in respect of the year ended 31 May 2018 (2017: 1.7p)	(775)	(716)
Special dividend of 0.8p per Income share* in respect of the year ended 31 May 2018 (2017: nil)	(344)	–
Revenue reserve transfer	336	176

* Based on 43,055,035 Income shares in issue at the record date of 29 June 2018.

9. Return per share

The Return per share is as follows:

Year ended 31 May 2018

	Income Shares			Growth Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	2,478	(820)	1,658	631	6,462	7,093
Transfer of net income from Growth Portfolio to Income Portfolio	631	–	631	(631)	–	(631)
Transfer of capital from Income Portfolio to Growth Portfolio	–	(631)	(631)	–	631	631
Return attributable to shareholders	3,109	(1,451)	1,658	–	7,093	7,093
Return per share	7.32p	(3.42p)	3.90p	–	20.45p	20.45p
Weighted average number of shares in issue during the year (excluding shares held in treasury)		42,451,199			34,687,229	

9. Return per share (continued)

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 Portfolio to Income Portfolio	516	–	516	(516)	–	(516)
Transfer of capital from Income Portfolio 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	

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; and
- Level 3 – investments whose value is not based on observable market data.

In the prior year to 31 May 2017, 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/SFS £'000	Total £'000
Opening book cost	41,237	1,935	2,160	45,332
Opening fair value adjustment	14,756	1,319	456	16,531
Opening valuation	55,993	3,254	2,616	61,863
Movements in the year:				
Purchases at cost	14,639	263	356	15,258
Sales – proceeds	(15,354)	–	–	(15,354)
– gains on sales based on historical cost	2,478	–	–	2,478
Increase in fair value adjustment	(3,265)	81	194	(2,990)
Closing valuation at 31 May 2018	54,491	3,598	3,166	61,255
Closing book cost	43,000	2,198	2,516	47,714
Closing fair value adjustment	11,491	1,400	650	13,541
Closing valuation at 31 May 2018	54,491	3,598	3,166	61,255

During the year the Income Portfolio incurred transaction costs on purchases of £38,000 (2017: £32,000) and transaction costs on sales of £5,000 (2017: £5,000).

10. Investments (continued)

Growth Shares	Level 1 Listed in the UK £'000	Level 1 Listed Overseas £'000	Total £'000
Opening cost	38,766	656	39,422
Opening fair value adjustment	21,987	361	22,348
Opening valuation	60,753	1,017	61,770
Movements in the year:			
Purchases at cost	6,770	263	7,033
Sales – proceeds	(5,962)	–	(5,962)
– gains on sales based on historical cost	1,045	–	1,045
Increase/(decrease) in fair value adjustment	6,139	(114)	6,025
Closing valuation at 31 May 2018	68,745	1,166	69,911
Closing book cost	40,619	919	41,538
Closing fair value adjustment	28,126	247	28,373
Closing valuation at 31 May 2018	68,745	1,166	69,911

During the year the Growth Portfolio incurred transaction costs on purchases of £33,000 (2017: £39,000) and transaction costs on sales of £3,000 (2017: £4,000).

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Equity shares	61,255	69,911	131,166	61,297	61,770	123,067
Fixed income securities	–	–	–	566	–	566
	61,255	69,911	131,166	61,863	61,770	123,633

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Gains on sales in the year	2,478	1,045	3,523	796	2,133	2,929
Movement in fair value of investments held	(2,990)	6,025	3,035	8,858	10,768	19,626
(Losses)/gains on investments	(512)	7,070	6,558	9,654	12,901	22,555

11. Debtors

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Accrued income	143	40	183	87	23	110
Other debtors and prepayments	117	22	139	102	25	127
	260	62	322	189	48	237

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 (2017: £nil).

12. Creditors:
Amounts falling due within one year

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Management fee accrued	102	116	218	100	101	201
Performance fee provision	–	255	255	2	43	45
Secretarial fee accrued	11	13	24	11	13	24
Other accruals	57	58	115	58	54	112
Due to brokers	–	203	203	–	477	477
	170	645	815	171	688	859

Amounts falling due in more than one year

	2018			2017		
	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
	5,000	–	5,000	5,000	–	5,000

Effective from 10 February 2017, the Company entered into a £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 2018 (2017: £5 million). 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 2018 (2017: £nil).

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 2017	42,535,035	4,254	(430,000)	(43)	42,105,035	4,211
Issued	520,000	52	–	–	520,000	52
Resold from treasury	–	–	430,000	43	430,000	43
Balance at 31 May 2018	43,055,035	4,306	–	–	43,055,035	4,306

During the year, the Company resold out of treasury 430,000 (2017: 795,000) Income shares, receiving net proceeds of £600,000 (2017: £1,074,000). 520,000 Income shares were issued during the year for net proceeds of £708,000 (2017: nil). At 31 May 2018, the Company held no Income shares in treasury (2017: 430,000).

	Listed		Held in Treasury		In Issue	
	Number	£'000	Number	£'000	Number	£'000
Growth Shares of 10p each						
Balance at 1 June 2017	34,352,037	3,435	–	–	34,352,037	3,435
Issued	815,000	82	–	–	815,000	82
Balance at 31 May 2018	35,167,037	3,517	–	–	35,167,037	3,517
Total	78,222,072	7,823	–	–	78,222,072	7,823

13. Share capital (continued)

During the year, the Company issued 815,000 (2017: 75,000) Growth shares for net proceeds of £1,611,000 (2017: £140,000). At 31 May 2018, the Company held no Growth shares in treasury (2017: nil).

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 78 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 2017	21,839	18,873	(5,666)	16,531	1,823
Gains/(losses) on investments	–	–	2,478	(2,990)	–
Income shares resold from treasury	102	498	–	–	–
Issuance of Income shares	656	–	–	–	–
Management fees charged to capital	–	–	(241)	–	–
Interest charged to capital	–	–	(66)	–	–
Foreign exchange losses	–	–	(1)	–	–
Transfer of net income from Growth Portfolio to Income Portfolio	–	–	–	–	631
Transfer of capital from Income Portfolio to Growth Portfolio	–	–	(631)	–	–
Net revenue for the year	–	–	–	–	2,478
Dividends paid	–	–	–	–	(2,370)
At 31 May 2018	22,597	19,371	(4,127)	13,541	2,562

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 2017	18,879	182	17,190	1,787	22,348	–
Gains on investments	–	–	–	1,045	6,025	–
Issuance of Growth shares	1,529	–	–	–	–	–
Management fees charged to capital	–	–	–	(353)	–	–
Performance fees charged to capital	–	–	–	(255)	–	–
Transfer of net income from Growth Portfolio to Income Portfolio	–	–	–	–	–	(631)
Transfer of capital from Income Portfolio to Growth Portfolio	–	–	–	631	–	–
Net revenue for the year	–	–	–	–	–	631
At 31 May 2018	20,408	182	17,190	2,855	28,373	–

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 57.

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 2018

	Net asset value per share		Net asset value attributable	
	Income Shares pence	Growth Shares pence	Income Shares £'000	Growth Shares £'000
Basic	135.29p	206.23p	58,250	72,525

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

The net asset value per Income share is calculated on net assets of £58,250,000 (2017: £57,654,000), divided by 43,055,035 (2017: 42,105,035) Income shares, being the number of Income shares in issue at the year end (excluding any shares held in treasury).

The net asset value per Growth share is calculated on net assets of £72,525,000 (2017: £63,821,000), divided by 35,167,037 (2017: 34,352,037) Growth shares, being the number of Growth shares in issue at the year end (excluding any shares held in treasury).

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

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Return on ordinary activities before tax	1,679	7,099	8,778	11,359	13,083	24,442
Adjust for returns from non-operating activities:						
Losses/(gains) on investments	512	(7,070)	(6,558)	(9,654)	(12,901)	(22,555)
Exchange gains/(losses)	1	–	1	(3)	–	(3)
Return from operating activities	2,192	29	2,221	1,702	182	1,884
Decrease/(increase) in prepayments	1	3	4	(6)	(12)	(18)
(Decrease)/increase in creditors	(3)	231	228	24	69	93
Withholding tax suffered	(44)	(8)	(52)	(52)	(2)	(54)
Dividend income	(2,914)	(979)	(3,893)	(2,329)	(823)	(3,152)
Interest income	(6)	(6)	(12)	(12)	(3)	(15)
Interest expense	110	–	110	49	–	49
Net cash outflow from operations before dividends and interest	(664)	(730)	(1,394)	(624)	(589)	(1,213)

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 2018 and 31 May 2017 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:

	2018			2017		
	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)	61,255	69,911	131,166	61,863	61,770	123,633
Cash at bank and on deposit	1,905	3,197	5,102	773	2,691	3,464
Accrued income	143	40	183	87	23	110
Financial liabilities						
Other creditors and accruals	170	645	815	171	688	859
Fixed term loan	5,000	–	5,000	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 Portfolios are 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 18 to 21.

If the investment Portfolio valuation fell by 10 per cent at 31 May 2018, the impact on the profit or loss and the net asset value would have been negative £6.1 million (Income shares) (2017: negative £6.2 million (Income shares)) and negative £7.0 million (Growth shares) (2017: negative £6.2 million (Growth shares)). If the investment portfolio valuation rose by 10 per cent at 31 May 2018, the effect would have been equal and opposite (2017: 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:

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Exposure to floating rates:						
Cash	1,905	3,197	5,102	773	2,691	3,464
Net exposure	1,905	3,197	5,102	773	2,691	3,464
Maximum net exposure during the year	2,904	3,197		1,569	2,691	
Minimum net exposure during the year	522	499		(2,898)	886	

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 £10,000 (2017: increase of £4,000) and on the Growth shares an increase of £16,000 (2017: increase of £13,000). If interest rates fell by 0.5%, the effect would have been equal and opposite. The calculations are based on the financial assets and liabilities held and the interest rates ruling at each Balance Sheet date and are not representative of the year as a whole.

Floating rate

When the Company retains cash balances the majority of the cash is held in variable rate bank accounts yielding rates of interest linked to the UK base rate which was 0.5 per cent at 31 May 2018 (2017: 0.25 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 2018 or at 31 May 2017.

Fixed rate

Movements in market interest rates will affect the market value of fixed interest investments. Refer to the market price risk note 18. The Income portfolio no longer holds fixed interest investments.

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

	2018			2017		
	£'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

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 £61,255,000 (2017: £61,297,000) for the Income portfolio and £69,911,000 (2017: £61,770,000) 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:

	2018			2017		
	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
Swiss Franc	1,873	–	1,873	1,627	–	1,627
Euro	1,737	–	1,737	1,760	–	1,760
	3,610	–	3,610	3,898	–	3,898

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 £187,000 (Income shares) (2017: £163,000 (Income shares)). 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 £174,000 (Income shares) (2017: £176,000). 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 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:

	2018			2017		
	Income Shares £'000	Growth Shares £'000	Total £'000	Income Shares £'000	Growth Shares £'000	Total £'000
Cash at bank and on deposit	1,905	3,197	5,102	773	2,691	3,464
Accrued income	143	40	183	87	23	110
	2,048	3,237	5,285	860	2,714	3,574

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 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 £2 million revolving credit facility agreement until 10 February 2019. As at 31 May 2018, £5 million of the fixed term loan was drawn down (2017: £5 million). 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 2018 (2017: not drawn down).

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:

2018	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	170	–	–	170
	170	–	5,000	5,170
Growth shares				
Current liabilities				
Other creditors	645	–	–	645
	645	–	–	645
Total	815	–	5,000	5,815

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

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 40 to 42 and as set out in note 5 to the financial statements. The beneficial interests of the Directors in the Income shares and Growth shares of the Company are disclosed on page 41. There are no outstanding balances with the Board at the year end.

Ms S P Inglis, who was appointed to the Board on 9 July 2018, is also a non-executive director of The Bankers Investment Trust. The Income Portfolio has a holding of 173,047 shares in this company valued at £1,544,000 at the date of this report.

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 2018 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	100%	104%

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 Company's 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 tenth Annual General Meeting of F&C Managed Portfolio Trust PLC will be held at Exchange House, Primrose Street, London EC2A 2NY on Wednesday 19 September 2018 at 12.30pm for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9, 12 and 16 will be proposed as Ordinary Resolutions and Resolutions 10, 11 and 13 to 15 as Special Resolutions:

Ordinary Resolutions

1. That the Report and Financial Statements for the year to 31 May 2018 be received.

2. That the Annual Report on Directors' Remuneration for the year to 31 May 2018 be approved.

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

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

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

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

7. That Susan P Inglis be elected as a Director.

8. That KPMG LLP be re-appointed as Auditor and the Directors be authorised to determine its 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 £430,500 in respect of Income shares and £353,600 in respect of Growth shares, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

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 £430,500 in respect of Income shares and £353,600 in respect of Growth shares (being approximately 10.0 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 30 July 2018) 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 19 December 2019 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 £430,500 in respect of Income shares and £353,600 in respect of

[1] Following Resolution 11 becoming effective the maximum aggregate number of shares hereby authorised to be purchased shall be 6,453,900 Income shares and 5,301,500 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 19 December 2019 and the conclusion of the Annual General Meeting of the Company to be held in 2019, 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 financial statements published by the Company on 30 July 2018) 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.

15. That the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in the substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the 2018 Annual General Meeting.

Ordinary Resolution

16. That the continuation of the Company be approved.

By order of the Board
For F&C Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
30 July 2018

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.

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 do 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 17 September 2018 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 17 September 2018 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 30 July 2018 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 43,055,035 Income shares carrying one vote each and 35,367,037 Growth shares carrying one vote each. The Company holds nil Income shares and nil Growth shares in treasury. Therefore the total voting rights in the Company as at 30 July 2018 were 78,422,072 votes. 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. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

9. The Proposed Purchase Contract referred to in Resolution 14 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 auditor) 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.

18. A copy of the current Articles of Association of the Company and the proposed new Articles of Association of the Company will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, from the date of the Annual Report in which this notice is included up until the close of the AGM. Copies will also be available at BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

Appendix

The Company proposes to adopt new Articles of Association (the 'New Articles'). The principal changes proposed to be introduced in the New Articles and their effects are set out below.

1. Conversion facility
   The Board is recommending an amendment to the Company's current Articles of Association (the 'Existing Articles') in order that, at the discretion of the Board, the costs and expenses of the conversion could be borne by the Company. Under the Existing Articles shares are converted into the other share class by reference to the relative underlying NAV of the Growth shares and Income shares (as adjusted for realignment costs and related expenses). The Board is conscious that the costs incurred should not be disproportionate to the level of converting assets and no conversion has taken place since launch. The Board is hopeful that with the Company bearing all or some of the conversion costs, as opposed to converting shareholders, this will allow conversions to proceed in future, subject to the minimum and maximum thresholds as set out in the Articles of Association having been met.

2. The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')
   The Board is proposing to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive. The proposed new provisions are as follows:

2.1 The Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

2.2 The AIFM Regulations require that, prior to any new or existing investor making an investment in the Company, certain prescribed information is to be made available to them. Therefore, the New Articles will include language with the effect that such information shall be made available to prospective and existing shareholders in such manner as may be determined by the Board from time to time (including, in certain cases, on the Company's website or by electronic notice).

2.3 The valuation of the Company's assets will be performed in accordance with prevailing accounting standards, in line with guidance from the Financial Conduct Authority. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

2.4 The Existing Articles will be amended to provide that the Company's annual report and financial statements may be prepared either in accordance with generally acceptable accounting principles of the United Kingdom or such other international accounting standards as may be permitted under the law of Scotland. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

3. International tax regimes requiring the exchange of information
   The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

   The Hiring Incentives to Restore Employment Act 2010 of the United States of America commonly known as the Foreign Account Tax Compliance Act and all associated regulations and official guidance ('FATCA') imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1 September 2013. These regulations have now been replaced by the International Tax Compliance Regulations 2015 (the 'Regulations').

   The Existing Articles will be amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA and consequently having to pay withholding tax to the US Internal Revenue Service. The Existing Articles will also be amended to ensure that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole.

   The Regulations also include the automatic exchange of information regimes being brought in by the new tax regulation under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) which will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As a result, the Company will have to provide information annually to the local tax authority on the tax residency of a number of non-UK based certified shareholders and corporate entities.

   Therefore, the Existing Articles will also be amended in order to provide the Company with the ability to require shareholders to co-operate in respect of these broader obligations including its obligations under the OECD and FATCA.

4 Directors fees
   The limit in the Existing Articles in respect of the fees that may be paid to Directors is currently £120,000 per annum. It is proposed that this limit is increased in the New Articles to £150,000 per annum to give the Board the flexibility to continue with the ongoing refreshment of the Board and the appointment of new non-executive Directors as required.

Capital Structure At 31 May 2018

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 on 25 October 2018 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 79 and 80.

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 25 October 2018 and then annually or close to annually thereafter (subject to the Articles of Association of the Company). Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

Conversion process

Minimum level

The Board may, in its sole and absolute discretion, specify a minimum number of converting shares which are to be converted by a shareholder in the case of either the Income shares or Growth shares.

The minimum amount for the 25 October 2018 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 aggregate for the 25 October 2018 Conversion is £250,000. 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 25 October 2018 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 set out in more detail in the Company's Articles of Association). As noted on page 33 a resolution will be proposed at the AGM to approve certain amendments to the conversion mechanics. If such resolution is approved the expenses of the Conversion will, at the discretion of the Board be borne by the Company. 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 nine 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 shares & 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 2018, being the latest practicable date before the approval of the Annual report and financial statements were:

	Income shares (p)	Growth shares (p)
2 January 2018	141.5	203.0
1 February 2018	139.5	202.0
1 March 2018	137.5	203.0
2 April 2018	129.0	196.0
1 May 2018	136.0	201.0
1 June 2018	138.5	209.0
27 July 2018	134.5	213.0

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 on 25 October 2018, 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 31 July 2018.

   This "Plan Conversion Instruction" form must be received by **5pm on Friday 21 September 2018** in respect of the 25 October 2018 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 31 July 2018.

   This "CERTIFICATED CONVERSION NOTICE" Form must be received by **5pm on Friday 28 September 2018** in respect of the 25 October 2018 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 31 July 2018.

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 2018	
F&C Management Limited Retail Savings Plans	73.1%
Individuals and Private Client Wealth Managers	26.9%
	100.0%

% of Growth shares held at 31 May 2018	
F&C Management Limited Retail Savings Plans	84.7%
Individuals and Private Client Wealth Managers	15.3%
	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 Registrar, 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.

Data Protection

The Company is committed to protecting and respecting the confidentiality, integrity and security of the personal data it holds. For information on the processing of personal data, please see the privacy policy on the Company's website.

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 2018/19 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 £4,260 for the tax year 2018/19 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 £4,260 for the 2018/19 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.

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 ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

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, The Share Centre

Ten Year Record

Income Shares

As at 31 May	Financial Year Net Asset Value total return	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%
2018	3.0%	6.5%	135.29p	138.0p	2.0%	7.32p	6.5p*	1.07%	5.3%

‡4.9p was paid in respect of the first 13 1/2 month financial period from launch.

*including special dividend of 0.8p per share.

Growth Shares

As at 31 May	Financial Year Net Asset Value total return	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)%
2018	11.0%	6.5%	206.23p	209.0p	1.3%	1.03%	(4.4)%

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.

Ongoing charges calculation

		31 May 2018		31 May 2017	
		Income Portfolio £'000	Growth Portfolio £'000	Income Portfolio £'000	Growth Portfolio £'000
Total expenditure (excluding performance fee)		618	701	590	601
Less non-recurring cost		–	–	(3)	–
Total	(a)	618	701	587	601
Average daily net assets	(b)	57,783	67,865	52,244	55,758
Ongoing charges (c = a/b)	(c)	1.07%	1.03%	1.12%	1.08%

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.

The share price and NAV for the Income shares and Growth shares are set out on the Ten Year Record on page 82 and the dividends which went ex-dividend on the Income shares during the year (see note 8 on page 62) are set out below. The effect of reinvesting these dividends on the respective ex-dividend dates and the share price total returns and NAV total returns are shown below.

	Dividends	Effect of reinvestment	Share price total return
Income shares	5.6p (2017: 5.35p)	5.78p (2017: 6.19p)	2.7% (2017: 28.8%)
Growth shares	n/a	n/a	10.6% (2017: 26.8%)

	Dividends	Effect of reinvestment	NAV total return
Income shares	5.6p (2017: 5.35p)	5.75p (2017: 6.22p)	3.0% (2017: 24.5%)
Growth shares	n/a	n/a	11.0% (2017: 26.4%)

Yield – the total annual dividend expressed as a percentage of the year-end share price.

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 alternative 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 financial statements.

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 financial statements) 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 financial statements 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 financial statements 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‡‡
Susan P Inglis
Colin S McGill††
Alistair G Stewart¶¶

Alternative Investment Fund Manager ('AIFM'), Manager and Company Secretary
F&C Investment Business Limited
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

Auditor
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Saltire Court
20 Castle Terrace
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Depositary
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25 Bank Street
Canary Wharf
London E14 5JP

Bankers and Custodian
JPMorgan Chase Bank
25 Bank Street
Canary Wharf
London E14 5JP

Bankers
The Royal Bank of Scotland
24-25 St Andrew Square
Edinburgh EH2 1AF

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

Company Number
SC338196

Website
www.fcmanagedportfolio.co.uk

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

F&C Managed Portfolio Trust plc

Annual Report and Financial Statements 2018

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Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0371 384 2923*

Registrars' Broker Helpline: 0371 384 2779†

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