

# Finsbury Growth & Income Trust PLC

## Annual Report

for the year ended 30 September 2008



## Investment Objective

The Company's investment objective is to achieve capital and income growth and to provide shareholders with a total return in excess of that of the FTSE All-Share Index.

## Investment Policy

The Company invests in the securities of UK quoted companies. Where possible, a minimum position size of 1% of the Company's gross assets is held unless the holding concerned is being built or disposed of.

The investment portfolio is managed by Lindsell Train Limited and will normally comprise approximately thirty investments. Unless driven by market movements, FTSE 100 companies, including preference shares issued by such companies, will normally represent between 50% and 100% of the investment portfolio; at least 70% of the investment portfolio will normally be invested in companies within the FTSE 350. The Company does not and will not invest more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

Further details of the Company's investment policy are set out in the Report of the Directors on page 12.

## Capital Structure

At 30 September 2008 the Company had 50,950,673 shares of 25p each in issue and 1,846,750 shares were held in treasury (2007: 52,647,423 and treasury nil). During the year 150,000 new shares were issued and 667,396 shares were reissued out of treasury; 2,514,146 shares were repurchased to be held in treasury. Following the year-end and up to 16 December 2008, the latest practicable date before the printing of this report, 50,000 shares were reissued out of treasury and 182,000 shares were repurchased to be held in treasury. As at 16 December 2008, the Company had 50,818,673 shares in issue.

## Gearing

As at 30 September 2008 the Company had two committed borrowing facilities, one of £20 million and one of £10 million, with ING Bank N.V. and, as at that date, a total of £13 million was drawn down. These facilities expired on 7 October and 10 October 2008 respectively and were replaced with a committed one year revolving credit facility of £15 million.

## Annual General Meeting

The Annual General Meeting of the Company will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS at 12 noon on Friday, 23 January 2009.

## Dividends

– first interim dividend	4.4p per share paid on 6 May 2008 (2007: 4.2p)
– second interim dividend	5.1p per share paid on 3 November 2008 (2007: 4.8p)
Total dividends for the year	9.5p per share (2007: 9.0p)

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## FINANCIAL HIGHLIGHTS

	30 September 2008	30 September 2007	% Change
Share price	202.0p	307.5p	-34.3
Net asset value per share	215.5p	315.4p	-31.7
Discount of share price to net asset value per share**	6.3%	2.5%	-
Shareholders' funds	£109.8m	£166.1m	-33.9
Market capitalisation	£102.9m	£161.9m	-36.4
Dividends per share			
First interim paid	4.4p	4.2p	+4.8
Second interim paid	5.1p <sup>^</sup>	4.8p	+6.3
Total	9.5p	9.0p	+5.6
Share price total return*	-33.1%	+5.3%	-
Net asset value per share total return*	-31.4%	+6.9%	-
FTSE All-Share Index (total return) (company benchmark)	-22.3%	+12.2%	-
Total expense ratio (excluding performance fee) <sup>†</sup>	1.0%	1.1%	-

## FIVE YEAR PERFORMANCE SUMMARY

	30 September 2004	30 September 2005	30 September 2006	30 September 2007	30 September 2008
Share price	199.5p	260.3p	300.3p	307.5p	202.0p
Share price total return*	+37.4%	+37.2%	+19.6%	+5.3%	-33.1%
Net asset value per share	207.5p <sup>◇</sup>	257.8p <sup>◇</sup>	302.6p	315.4p	215.5p
Net asset value per share total return*	+26.0%	+31.5%	+21.2%	+6.9%	-31.4%
FTSE All-Share index total return	+15.7%	+24.9%	+14.7%	+12.2%	-22.3%
(Discount)/premium of share price to net asset value per share	(3.9)% <sup>◇</sup>	1.0% <sup>◇</sup>	(0.8)%	(2.5)%	(6.3)%
Shareholders' funds	£75.7m	£115.9m	£149.0m	£166.1m	£109.8m
Market capitalisation	£72.8m	£117.0m	£147.9m	£161.9m	£102.9m
Ordinary dividends per share	5.9p	8.0p	8.4p	9.0p	9.5p
Special dividends per share	-	-	2.3p	-	-
Total dividends per share	5.9p	8.0p	10.7p	9.0p	9.5p

\*\* Further information on the Company's discount control mechanism can be found on page 14.

<sup>^</sup> Second interim dividend paid on 3 November 2008.

\* Source: Fundamental Data. Does not include the second interim dividend paid on 3 November 2008, ex-dividend date 1 October 2008.

<sup>†</sup> TER is calculated based on the average net asset value during the year ended 30 September.

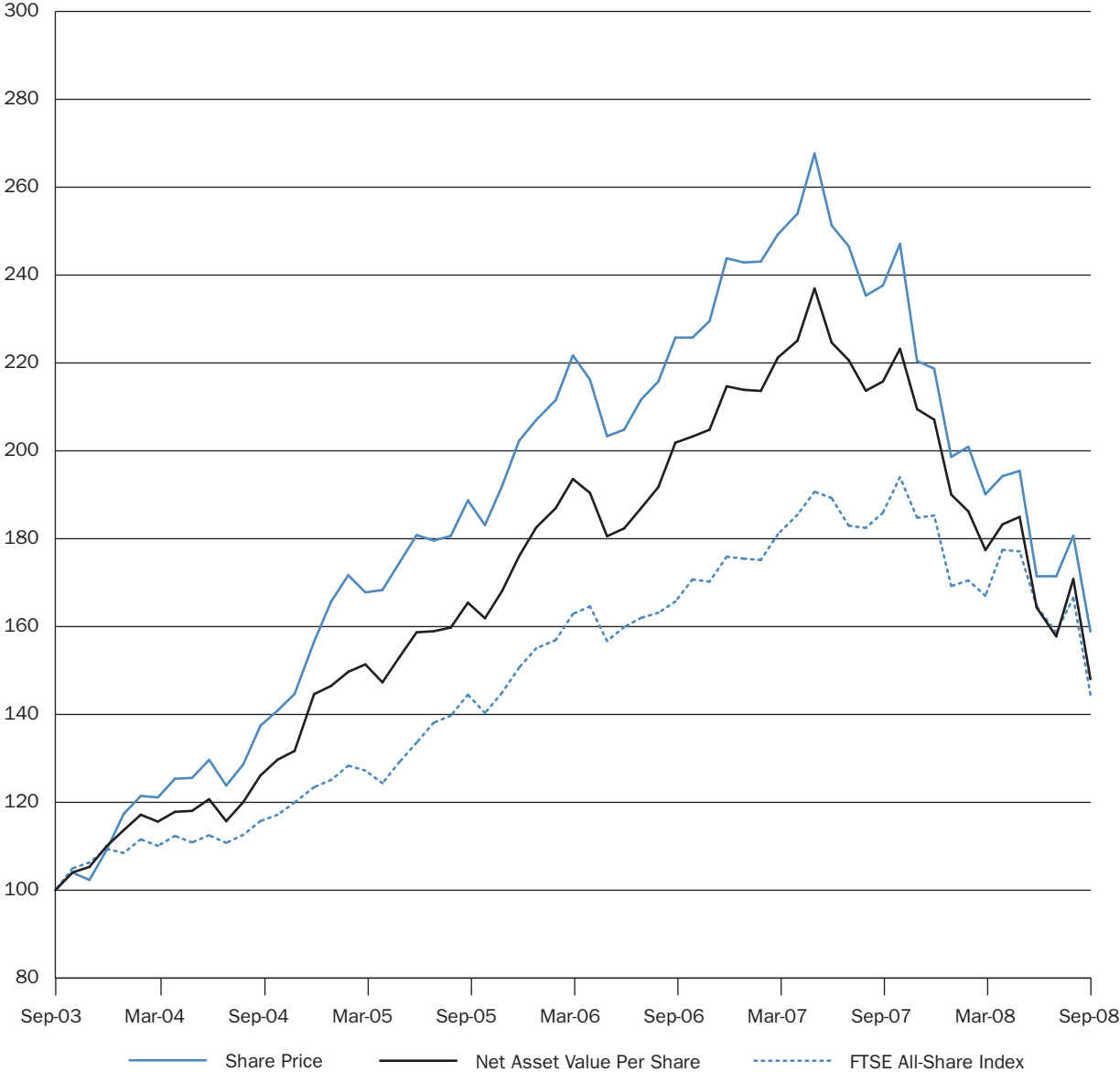
<sup>◇</sup> Restated due to change in accounting policies.

# PERFORMANCE

The graph below shows the performance of the Company's share price and net asset value per share alongside the benchmark, the FTSE All-Share Index, all measured on a total return basis.

## Five Year Total Return Performance

to 30 September 2008



Source: Fundamental Data and Frostrow Capital LLP  
 Rebased to 100 at 30 September 2003

## THE BOARD

### Anthony Townsend (Chairman)

Anthony Townsend, (60), rejoined the Board in February 2005 and succeeded Michael Reeve as Chairman in January 2008. He has spent over 35 years working in the City and was Chairman of the Association of Investment Companies from 2001 to 2003. He is Chairman of iimia Investment Trust plc, British and American Investment Trust PLC and F&C Global Smaller Companies PLC. He is also a Director of Finsbury Worldwide Pharmaceutical Trust PLC. Anthony is Chairman of the Management Engagement Committee.

### John Allard

John Allard, (62), has served on the Board as a Director since 2000. He was a Fund Manager with M&G for over 20 years and is now a Director of Exeter Equity Growth & Income Fund Limited and Exeter Securities (Guernsey) Ltd. John has been a Director of various investment trust companies since 1981.

### Neil Collins

Neil Collins, (61), joined the Board as a Director in January 2008. He has spent most of his career in financial journalism and was City Editor of The Daily Telegraph for nearly 20 years until he retired from the position in 2005. Prior to that he had been City Editor of the London Evening Standard and The Sunday Times. He is a columnist for the London Evening Standard and is a Director of Templeton Emerging Markets Investment Trust PLC.

### David Hunt, FCA

David Hunt, (61), joined the Board as a Director in 2006. A Chartered Accountant, he is employed by Smith & Williamson Limited as a Director of the Assurance and Business Services Division and has over 25 years' experience advising quoted companies. David is Chairman of the Audit Committee.

### Vanessa Renwick

Vanessa Renwick, (47), has served on the Board as a Director since 2000. Vanessa has over 20 years' experience in the investment funds industry, having worked for Laing & Cruickshank and UBS Warburg. Vanessa has particular expertise in corporate finance and marketing.

### Giles Warman

Giles Warman, (60), has served on the Board as a Director since 1989. Giles is employed by Numis Securities Limited and is a Director of European Assets Trust NV. He has over 35 years' experience in the investment industry.

All members of the Board are non-executive. None of the Directors have any other connections with the Investment Manager and are not employed by any of the companies in which the Company holds an investment.

## INVESTMENT MANAGER

### Lindsell Train Limited (“Lindsell Train”)

Lindsell Train was appointed Investment Manager to the Company in December 2000. Lindsell Train has given Nick Train responsibility for managing the Company's investment portfolio. Mr Train was previously head of Global Equities at M&G PLC and head of Pan-European Equities at GT Management PLC. Mr Train has managed money in the UK equity market since 1983, including the top decile performer GT Income Fund (1985-1998). Lindsell Train is authorised and regulated by the Financial Services Authority.

## MANAGER, ADMINISTRATOR AND COMPANY SECRETARY

### Frostrow Capital LLP (“Frostrow”)

Frostrow is a firm established in 2007 to provide specialist management, administration, company secretarial and marketing services to investment companies. Frostrow is authorised and regulated by the Financial Services Authority.

## CHAIRMAN'S STATEMENT

### Performance

I mentioned at the interim stage that the outlook for markets was likely to be volatile and uncertain. This looks to have been something of an understatement. The FTSE All-Share Index, the Company's benchmark, fell by 22.3% during the year on a total return basis. I am very disappointed to report that the Company's net asset value per share fell rather more, by 31.7% and the share price by 34.3% reflecting a wider discount to the net asset value per share compared with the previous year. Given the recent market conditions, that widening was probably unavoidable. The overall performance of the investment portfolio relative to the benchmark index was not helped by the level of gearing held in a falling market, together with disappointing contributions by regional brewers and financials.

Performance in the short term has been difficult but I would like to remind shareholders that the longer term investment performance generated by the Company relative to its peers continues to be strong with the Company ranked second out of its peer group of 16 similar investment trusts over the last five years (source: Winterflood Securities Limited).

### Investment Strategy and Portfolio

Recent stock market turmoil will have caused many boards to reconsider their investment mandates, but your Company's overall investment strategy under the stewardship of Lindsell Train deliberately remains largely unchanged when compared to previous years. The focus of the investment portfolio continues to be towards investment in durable cash generative business franchises which are held for the long term. The investment portfolio is concentrated with less than thirty stocks held and is focussed in banking and financial stocks, consumer staple stocks and business facing media and software stocks. The Board has had the benefit of feedback from many of the Company's major shareholders and after careful review continues to be confident in the strategy adopted by our investment manager; for more detailed information on the strategy and investment portfolio please see their report set out on pages 6 and 7.

### Return and Dividend

The Income Statement shows a total loss per share of 91.08p (2007 return: 20.23p) made up of a revenue return of 10.12p (2007: 9.44p) and a capital loss of 101.20p (2007 return: 10.79p).

Your Board has declared two interim dividends totalling 9.5p per share and the yield of 5.1% is in line with Company's peer group. The total dividend for the year represents an increase of 5.6% over that paid last year and is in line with your Board's desire to maintain a progressive dividend policy. The second interim dividend was paid on 3 November 2008 to shareholders on the register at the close of business on 3 October 2008. The associated ex-dividend date was 1 October 2008.

Following the payment of the second interim dividend of £2,598,000 on 3 November 2008, the Company had £2,351,000 of retained distributable revenue reserves which is equivalent to approximately 4.6p per share. These retained reserves are available to the Company to facilitate a progressive dividend policy.

### Share Capital

The Company continues to use its power to buy back shares as part of its discount control mechanism with a consequent increase in shareholder value per share. During the year the Company purchased into treasury a total of 2,514,146 shares at a cost of £6.1m (including expenses). A total of 150,000 new shares were issued and 667,396 shares were reissued out of treasury in early 2008 and a further 50,000 subsequent to the Company's year end at a narrower discount to that at which they were bought. As at 30 September 2008, the Company held 1,846,750 shares in treasury.

The authority to repurchase shares will expire at the Annual General Meeting on 23 January 2009 and a Special Resolution will be proposed for its renewal. This will allow the Company to purchase up to 14.99% of its shares in issue (excluding treasury shares) in the open market and for the purchased shares to be cancelled or held in treasury.

## CHAIRMAN'S STATEMENT (continued)

### Borrowings

At 30 September 2008, the Company had two credit facilities with ING Bank N.V. totalling £30m of which £13m was drawn down. These facilities expired in early October and were replaced by a single loan facility of £15m which better reflects our Investment Manager's requirements in current markets.

### The Company's Articles of Association (the "Articles")

The Board believes that as a result of various recent legislative and regulatory developments the Articles should be amended to bring them into line with current best practice. This will include a provision for the future use of communications with shareholders both in electronic form and via the website. A Special Resolution will be proposed at the Annual General Meeting which will, if approved, ratify the adoption of new Articles. The material differences between the current and the proposed Articles are summarised on pages 47 and 48.

### VAT

The position with regard to the repayment of VAT remains as described in my statement at the interim stage. We continue to work towards a settlement with the Company's previous Manager, Close Investments Limited and will report on developments as they arise.

### Outlook

Recent market turbulence has resulted in unprecedented write-downs in financial assets and losses for many of the world's largest banks leading to an acute shortage of liquidity within the financial sector. The outlook for the UK economy in the short-term is poor. Along with other major economies the UK is now in recession; while the prospect of lower oil and food prices and further cuts in interest rates may allow a recovery to begin next year it will take some time to gain momentum. Your Board remains cautious in its outlook but the investment portfolio is invested in strong cash generative companies that the Board and the Investment Manager believe should be best positioned to take advantage of a recovery in markets.

### Annual General Meeting

The Annual General Meeting of the Company will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on Friday, 23 January 2009 from 12 noon. I hope as many shareholders as possible will attend. This will provide an opportunity to hear the latest views of the Company's Investment Manager.

**Anthony Townsend**

*Chairman*

16 December 2008

## INVESTMENT MANAGER'S REVIEW (Companies held in the investment portfolio are shown in bold type)

After a year as disappointing and disturbing as that to September 2008, I am relieved that at least one thing is clear – that is the content of this report. There are three things that need to be said, and said earnestly.

First, I take the opportunity to apologise formally and sincerely to all shareholders for the loss of value they have endured.

A year ago I remember persuading the then Chairman to delete some cautious remarks from his annual statement to shareholders, so confident was I that the massing storm clouds of 2007 would shortly disperse. By mid-October, with the FTSE All-Share down 40% year-to-date, my determinedly optimistic stance on markets looks dogmatic and naïve.

At Lindsell Train we were not wholly oblivious to the deteriorating conditions and took some evasive action for your Company. For instance, over the year your Company's borrowings have been reduced by £11.85m, the holding in the **London Stock Exchange** was cut early in the year and, thankfully, we sold the entire position in Bradford & Bingley at around £2.00 per share. Today, though, I can't escape feelings of hindsight regret – why not sell more, earlier?

However, in golfing parlance – the ball must be played from where it lies, like it or not. And we must keep shareholders alert to the risks and opportunities within the investment portfolio – as we apprehend them – today, not as it stood at the start of the year.

Discussion of these risks and opportunities is, then, the second objective of this report. In what follows we refer to holdings and position sizes as at 30 November 2008, not the September period end. This is because events have moved on decisively since then.

In our opinion, there is one dominant risk in the investment portfolio – the remaining exposure to financial companies. The total at the end of November amounted to 24.1% of the net asset value and we think it helpful to disaggregate the holdings into three types.

### Bank Ordinary Shares

The amount invested here amounts to 4.9% of net asset value and comprises two positions, **Lloyds TSB**, 4.6% and, after two reductions, 0.3% in **HBOS** ordinary. After both those reductions we switched the proceeds into Lloyds – a decision that has proven only relatively successful, because Lloyds has fallen, but the less of the two. We made the switch because we have long hoped for an opportunity to invest in a dominant, strongly-branded retail banking franchise in the UK, believing that such entities are attractive for long term investors – if they are prudently managed, as Lloyds has been. Candidly, we are dismayed at the circumstances that have brought about this opportunity – namely the loss of HBOS as a viable independent entity. On balance, in full awareness of the disadvantages attendant, we are supportive of the merger between Lloyds and HBOS, expecting that investors will come to approve the creation of a group with number 1 positions in UK current accounts, deposit accounts, mortgages and savings.

### Bank Preference Shares

Three holdings here amount to 7.9% of the net asset value, two HBOS issues, at 7.3% and another 0.6% in **NatWest** (or, effectively, RBS). These positions were built up five years ago, and, we must admit, we did not then give any serious consideration to the possibility that not only might these preference dividends not be paid, but that the issuing banks could become insolvent. The recognition of this possibility has been uncomfortable and a salutary reminder that even boring, apparently low risk assets are never risk-free.

Our understanding of the outlook for these preference shares and their dividends, as of late October, is as follows. Both HBOS and RBS have confirmed to us that the ban on the payment of ordinary dividends, on which the Treasury has insisted for all banks drawing on public funds, does not extend to the dividends on their existing preference shares. To be clear then, if HBOS and RBS retain sufficient earnings to afford to pay their existing preference dividends there is no reason they cannot do so.

We judge, therefore, that it is likely that these dividends will be paid. This because both RBS and HBOS have been given access to the billions required to stabilise their balance sheets and, for HBOS, there is the additional security of its merger with Lloyds. Despite the grumbling, we still think this transaction will consummate, given it represents a “once in a generation” opportunity for Lloyds and the Government must be keen to ensure that HBOS does not follow Bradford & Bingley and Northern Rock into nationalisation.

On current yields of c. 10.5% net, the risk and reward for the preference shares are finely balanced. In extremis there could be a catastrophic loss of value. On the other hand, we think it possible that the instruments could be sought out by investors and valued more highly, once the parent banks have recapitalised. Preference shares were originally created for economic conditions such as those likely to prevail over the next few years – sluggish GDP growth, volatile ordinary dividends – and their high income returns could be attractive to income-starved savers.

## INVESTMENT MANAGER'S REVIEW (continued)

### Financial Market Proxies

We retain four holdings of this type, amounting to 11.3% of net asset value – the companies are **Hargeaves Lansdown**, London Stock Exchange, **Rathbone** and **Schroders**.

These have some common characteristics – they are all strong brands in their respective markets. Three of the four have significant net cash on their balance sheets – the London Stock Exchange is the exception, which has moderate debt, but comfortable interest cover (5.6x). This means that none of them is currently at any risk of financial embarrassment. Finally, each is a proxy for the long term health of global equity markets.

We continue to own these “market proxies” because, unfashionably enough, we are optimistic about equity markets – and not only in the long term. What we expect is that the transition between the end of the current bear market and a new bull market will be violent, sudden and compressed into a short period. The timing of it is also wholly unpredictable. As long term bulls then, we think it critical to maintain exposure to sound wealth management companies and the London Stock Exchange, because these give us participation in any “spike” upwards in markets. Certainly these are among the last stocks we would sell today, given the extraordinary, all-pervading pessimism.

### Consumer Staples

Elsewhere, the Company has maintained its very substantial investments in “consumer staple” companies. As I write the only share in the investment portfolio with a gain for calendar year 2008 is **A.G. Barr**, the IRN-BRU company, up 6.5%. With 10.1% invested in Barr, 13.6% in **Diageo**, 11.9% **Unilever**, 8.4% **Cadbury** and a further 12.5% combined in **Dr Pepper**, **Fullers**, **Marston** and **Youngs** – the Company has 56.5% of its net assets accounted for by “booze, chocolate and soap”. By and large these have proven defensive holdings, offering nervous investors durability, predictable cash flows and, in the medium term, protection against inflation.

In addition, we expect a theme in any new equity bull market to be consumption growth in Emerging Economies – because it is in those parts that there are savings pools and relatively healthy banks, which could finance early recovery. Cadbury, Diageo and, especially, Unilever are well-positioned and are among the stocks we hope will lead Western markets out of their slump.

The investment portfolio has benefited this year, relatively speaking, from its holdings in business-facing Media and Software companies, notably **Pearson** (7.4% of net assets), **Reed** (6.1%) and **Sage** (5.2%). While not exempt from both capital market and economic pressures, these companies are increasingly recognised as offering non-cyclical “growth” and, in our opinion, are rare and undervalued.

### Conclusion

Our final message is that it is important for shareholders to know we continue to take a bullish view of the investment portfolio, however dogmatic or naïve – to reuse a phrase from earlier in this report – this reads in currently discouraging circumstances.

The world will muddle through.

The risk of a systemic banking collapse is receding.

Stock markets often go up during recessions.

The Internet and Emerging Markets are still young industrial and investment themes.

Through 2008 we have been waiting for three conditions to be met, which we expect to at least spark a rally and perhaps lay the foundations for a new bull market. As this report is written, two out of the three have triggered and the last is imminent. The three are – Consolidation in the European banking industry, Oil below \$80 and, in the UK, a positively sloped yield curve (short term interest rates below long term rates).

It looks likely UK interest rates could decline much further through into 2009 and this is an important consideration in our thinking about the last risk and opportunity that shareholders should be aware of – the Company's gearing. In consultation with your Board, we have maintained borrowings, today at £13m, for gearing of 13.3%. This debt has exacerbated the fall in net asset value in 2008, but will enhance the eventual recovery in values, whose timing, to reiterate, is unpredictable, but likely to be V-shaped and turbo-charged.

In the long run we are confident that the FTSE All-Share Index and, we hope, your investment portfolio will generate returns in excess of the Company's cost of borrowing, handsomely so if interest rates are falling (reducing that interest charge) and this is the other justification for your Company's policy toward gearing its balance sheet.

**Nick Train, Lindsell Train Limited**

*Investment Manager*

16 December 2008

## CONTRIBUTION TO NET ASSET VALUE

for the year ended 30 September 2008

Investment	Contribution for the year to 30 September 2008 £'000	Contribution per share (pence)*
<b>Equities</b>		
Dr Pepper Snapple	759	1.45
Unilever	71	0.13
Hargreaves Lansdown	23	0.04
Halma	(92)	(0.18)
Daily Mail and General Trust	(159)	(0.30)
Celtic	(206)	(0.39)
Lindsell Train Investment Trust	(319)	(0.61)
Reed Elsevier	(520)	(1.00)
Royal Dutch Shell	(745)	(1.43)
Thomson Reuters (formerly Reuters)	(1,064)	(2.04)
Cadbury (formerly Cadbury Schweppes)	(1,085)	(2.08)
Barr (A.G.)	(1,281)	(2.45)
Rathbone Brothers	(1,378)	(2.64)
Diageo	(1,387)	(2.66)
Sage	(1,399)	(2.68)
Pearson	(1,410)	(2.70)
Euromoney Institutional Investor	(1,411)	(2.70)
Bradford & Bingley	(1,458)	(2.79)
Fidessa	(1,640)	(3.14)
Schroders	(1,725)	(3.30)
Young & Co's Brewery	(1,729)	(3.31)
London Stock Exchange	(1,981)	(3.79)
Fuller Smith & Turner	(2,189)	(4.19)
Marston's	(5,276)	(10.11)
Lloyds TSB	(5,445)	(10.43)
HBOS	(7,389)	(14.15)
	<b>(40,435)</b>	<b>(77.45)</b>
<b>Fixed Interest</b>		
UK Treasury 2.5% 29/12/49	37	0.07
Consolidated 2.5% 05/04/23	32	0.06
	<b>69</b>	<b>0.13</b>
<b>Preference Shares (Franked income)</b>		
Celtic 6.0% (cum Preference)	2	0.00
HBOS 9.75% (non cum preference)	(648)	(1.24)
NatWest 9.0% (non cum preference)	(834)	(1.59)
HBOS 9.25% (non cum preference)	(3,374)	(6.46)
	<b>(4,854)</b>	<b>(9.29)</b>
<b>Unquoted</b>		
Frostrow Capital LLP	11	0.02
	<b>11</b>	<b>0.02</b>
<b>Total contribution (excluding bank interest and money market dividend)</b>	<b>(45,209)</b>	<b>(86.59)</b>

\* Based on the Company's weighted average number of shares in issue for the year, being 52,206,113.

## INVESTMENTS

as at 30 September 2008

	Sector	Fair Value £'000	% of investments
Diageo	Beverages	13,786	11.3
Unilever	Food Producers	11,784	9.7
Barr (A.G.)	Beverages	9,078	7.5
Cadbury (formerly Cadbury Schweppes)	Food Producers	8,330	6.9
Pearson	Media	6,968	5.7
Reed Elsevier	Media	6,156	5.1
Sage	Software & Computer Services	5,965	4.9
Rathbone Brothers	General Financials	5,945	4.9
Lloyds TSB	Banks	5,580	4.6
Marston's	Travel & Leisure	4,916	4.0
<b>Top 10 Investments</b>		<b>78,508</b>	<b>64.6</b>
HBOS 9.25% (non cum preference)#	Banks	4,854	4.0
Schroders	General Financials	4,831	4.0
Fidessa	Software & Computer Services	4,746	3.9
Dr Pepper Snapple^	Beverages	4,043	3.3
Royal Dutch Shell	Oil & Gas Producers	3,547	2.9
Young & Co's Brewery	Travel & Leisure	2,918	2.4
London Stock Exchange	General Financials	2,701	2.2
Fuller Smith & Turner	Travel & Leisure	2,695	2.2
Euromoney Institutional Investor	Media	2,496	2.1
Thomson Reuters (formerly Reuters)	Media	2,423	2.0
<b>Top 20 Investments</b>		<b>113,762</b>	<b>93.6</b>
NatWest 9.0% (non cum preference)#	Banks	1,938	1.6
Lindsell Train Investment Trust	General Financials	1,370	1.1
HBOS 9.75% (non cum preference)#	Banks	1,149	1.0
HBOS	Banks	887	0.7
Halma	Electronic & Electrical Equipment	806	0.7
Celtic	Travel & Leisure	682	0.6
Daily Mail and General Trust	Media	415	0.3
Hargreaves Lansdown	General Financials	377	0.3
Frostrow Capital LLP†	General Financials	150	0.1
Celtic 6.0% (cum preference)#	Travel & Leisure	50	–
<b>Total Investments</b>		<b>121,586</b>	<b>100.0</b>

All of the above investments are equities listed in the UK, unless otherwise stated.

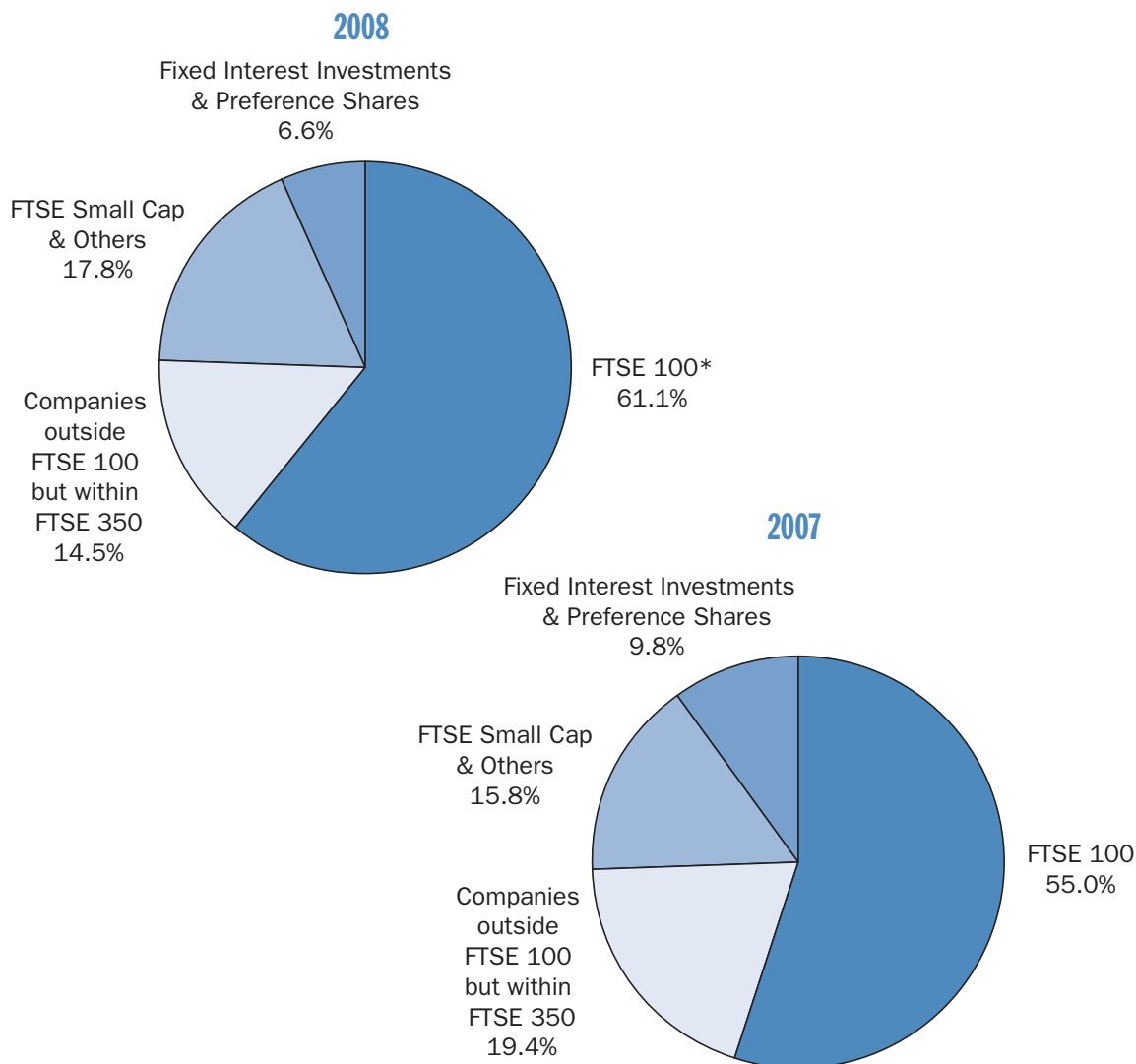
# Non-equity – Preference share

^ Listed in the United States. The holding arose during the year following the demerger from Cadbury Schweppes.

† Unquoted investment (see Report of the Directors page 17)

## INVESTMENT PORTFOLIO DISTRIBUTION

as at 30 September



\*Includes Dr Pepper Snapple, a U.S. listed company, which has been classified as a FTSE 100 security.

## ANALYSIS OF INVESTMENT PORTFOLIO

as at 30 September 2008

	£'000	%
Listed on a recognised stock exchange	113,445	93.3
<b>Total Listed Equities</b>	<b>113,445</b>	<b>93.3</b>
Frostrow Capital LLP	150	0.1
<b>Total Unquoted Investments</b>	<b>150</b>	<b>0.1</b>
HBOS 9.25% (non cum preference)	4,854	4.0
NatWest 9.0% (non cum preference)	1,938	1.6
HBOS 9.75% (non cum preference)	1,149	1.0
Celtic 6.0% (cum preference)	50	-
<b>Preference Shares</b>	<b>7,991</b>	<b>6.6</b>
<b>Total Investments</b>	<b>121,586</b>	<b>100.0</b>

## SECTOR ANALYSIS OF INVESTMENT PORTFOLIO

as at 30 September 2008

### Comparison of sector weightings with the FTSE All-Share Index

Sector	Finsbury Growth & Income %	FTSE All-Share Index %	Finsbury Growth & Income (Under)/over weight %
<b>Oil &amp; Gas</b>	<b>2.9</b>	<b>17.8</b>	<b>(14.9)</b>
Oil & Gas Producers	2.9	17.3	(14.4)
Oil Equipment, Services & Distribution	–	0.5	(0.5)
<b>Basic Materials</b>	<b>–</b>	<b>8.8</b>	<b>(8.8)</b>
Chemicals	–	0.3	(0.3)
Forestry & Paper	–	0.1	(0.1)
Industrial Metals	–	0.1	(0.1)
Mining	–	8.3	(8.3)
<b>Industrials</b>	<b>0.7</b>	<b>7.1</b>	<b>(6.4)</b>
Construction & Materials	–	0.2	(0.2)
Aerospace & Defence	–	2.1	(2.1)
General Industrials	–	0.7	(0.7)
Electronic & Electrical Equipment	0.7	0.3	0.4
Industrial Engineering & Transportation	–	0.8	(0.8)
Support Services	–	3.0	(3.0)
<b>Consumer Goods</b>	<b>38.7</b>	<b>10.6</b>	<b>28.1</b>
Automobile & Parts	–	0.1	(0.1)
Beverages	22.1	2.7	19.4
Food Producers	16.6	2.5	14.1
Household Goods	–	1.7	(1.7)
Personal Goods	–	0.2	(0.2)
Tobacco	–	3.4	(3.4)
<b>Health Care</b>	<b>–</b>	<b>8.3</b>	<b>(8.3)</b>
Health Care Equipment & Services	–	0.5	(0.5)
Pharmaceuticals & Biotechnology	–	7.8	(7.8)
<b>Consumer Services</b>	<b>24.4</b>	<b>9.5</b>	<b>14.9</b>
Food & Drug Retailers	–	3.2	(3.2)
General Retailers	–	1.3	(1.3)
Media	15.2	2.5	12.7
Travel & Leisure	9.2	2.5	6.7
<b>Telecommunications</b>	<b>–</b>	<b>6.1</b>	<b>(6.1)</b>
Fixed Line Telecommunications	–	1.2	(1.2)
Mobile Communications	–	4.9	(4.9)
<b>Utilities</b>	<b>–</b>	<b>5.0</b>	<b>(5.0)</b>
Electricity	–	2.1	(2.1)
Gas, Water & Multiutilities	–	2.9	(2.9)
<b>Financials</b>	<b>17.9</b>	<b>25.7</b>	<b>(7.8)</b>
Banks	5.3	14.9	(9.6)
Non-life Insurance	–	0.9	(0.9)
Life Insurance	–	3.2	(3.2)
Real Estate	–	1.9	(1.9)
General Financial	12.6	2.0	10.6
Equity Investment Instruments	–	2.8	(2.8)
<b>Technology</b>	<b>8.8</b>	<b>1.1</b>	<b>7.7</b>
Software & Computer Services	8.8	0.9	7.9
Technology Hardware & Equipment	–	0.2	(0.2)
<b>Total excluding Preference Shares</b>	<b>93.4</b>	<b>100.0</b>	<b>(6.6)</b>
Preference Shares	6.6	–	6.6
<b>Total including Preference Shares</b>	<b>100.0</b>	<b>100.0</b>	<b>–</b>

## REPORT OF THE DIRECTORS incorporating the Business Review

The Directors present their report and the financial statements for the year ended 30 September 2008.

### Business Review

Financial reporting requirements direct that the Company is required to provide a Business Review within the Report of the Directors. The Business Review must contain a review of the Company's business, the principal risks and uncertainties it faces and an analysis of its performance during the financial period and the position at the period end. To aid understanding of these areas the Board is required to include analysis using appropriate Key Performance Indicators. The Business Review should be read in conjunction with the Chairman's Statement on pages 4 and 5, the Investment Manager's Review on pages 6 and 7 and the analyses on pages 8 to 11.

### Status of the Company

During the year under review the Company has continued to conduct its affairs so as to qualify as an investment company, as defined under Section 833 of the Companies Act 2006, and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust has been received for all years up to and including the year ended 30 September 2007. This is however subject to review should there be any enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HM Revenue & Customs approval as an investment trust.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

### Investment Objective, Policy and Strategy

The Company's investment objective is to achieve capital and income growth and to provide shareholders with a total return in excess of that of the FTSE All-Share Index.

The Company invests in the securities of UK quoted companies. Where possible, a minimum position size of 1% of the Company's gross assets is held unless the holding concerned is being built or disposed of.

The investment portfolio is managed by Lindsell Train Limited (the "Investment Manager") and will normally comprise approximately thirty investments. Unless driven by market movements, FTSE 100 companies, including preference shares issued by such companies, will normally represent between 50% and 100% of the investment portfolio; at least 70% of the investment portfolio will normally be invested in companies within the FTSE 350. The Company does not and will not invest more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

The Board has set a maximum level of gearing of 25% of its net assets.

The Company has the ability to invest a proportion (up to 25% of its gross assets) in preference shares, bonds and other debt instruments, although no more than 10% of any one issue may be held. In addition, a maximum of 10% of the Company's gross assets can be held in cash, where the Investment Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities or to maintain liquidity.

Whilst performance is measured against the FTSE All-Share Index, the Company's investment portfolio is constructed and managed without reference to a stock market index, investments being selected only after extensive research by the Investment Manager. The Investment Manager uses a bottom-up stock picking approach and looks to invest in a universe of excellent UK listed businesses that appear undervalued.

There is no current intention to change the investment policy stated above.

### Performance and Performance Measurement

While the Board monitors the net asset value as the primary financial measurement it is aware that share price performance and income return are the most important factors to the Company's shareholders. Net asset value and share price performance are of course closely linked and it is the responsibility of the Investment Manager to seek the best investments and to manage the investment portfolio in the most beneficial way to achieve the highest returns for shareholders. The Company's net asset value per share (measured on a total return basis) fell by 31.4%\* during the year ended 30 September 2008. The Company's benchmark, the FTSE All-Share Index (measured on a total return basis) fell by 22.3% during the same period. The Company's share price (measured on a total return basis) fell by 33.1%\* as the discount of share price to net asset value per share widened from 2.5% at 30 September 2007 to 6.3% at 30 September 2008. For the year under review, the Contribution to Net Asset Value table is detailed on page 8.

\* Does not include the second interim dividend paid on 3 November 2008, ex-dividend date 1 October 2008.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

As stated previously, the Board recognises that income return is also important to shareholders. It is the responsibility of the Board to endeavour that the investment portfolio derives an income return sufficient to maintain a progressive dividend policy. The Company has paid dividends totalling 9.5p per share for the year ending 30 September 2008, an increase of 5.6% over the dividends paid in the previous year.

The Board reviews overall performance on a continuous basis. The Company's net asset value per share is announced daily via a regulatory news service and is available online (see page 56 of this annual report for details).

### Results and Dividends

The results attributable to shareholders for the year are shown on page 31. The dividends for the year to 30 September were:

	2008 £'000	2007 £'000
First Interim paid of 4.4p per share (2007: 4.2p)	2,318	2,183
Second Interim paid of 5.1p per share (2007: 4.8p)	2,598	2,527
Total	4,916	4,710

### Key Performance Indicators ("KPIs")

The Board assesses the Company's performance in meeting its investment objective against the following key performance indicators:

- Net asset value per share total return (see pages 1 and 2)
- Share price total return (see pages 1, 2 and 27)
- Income (see page 1 and 13)
- Stock contribution analysis (see page 8)
- Share price premium/(discount) to net asset value per share analysis (see page 1)
- Total expense ratio (see page 1)
- Benchmark and peer group performance (see pages 1, 2, 12 and 27)
- Issue and repurchase of Company's shares (see inside front cover and page 15)

As indicated, the management of the investment portfolio has been delegated to Lindsell Train Limited and the management of the administration services has been delegated to Frostrow Capital LLP (the "Manager"). Each provider is responsible to the Board which is ultimately responsible to the shareholders for performing against *inter alia* the above KPIs within the terms of their respective agreements by utilising the capabilities of the experienced professionals within each firm.

### Principal Risks and their Mitigation

The Company's assets consist principally of listed equities; its main area of risk is therefore stock market related. The specific key risks faced by the Company, together with the mitigation approach adopted, are as follows (further information on the Company's risk management strategy can be seen in note 17 beginning on page 43):

#### *Objective and Strategy – The Company and its Investment Objective become unattractive to investors*

The Board regularly reviews the investment mandate and the long-term investment strategy in relation to market and economic conditions, and the operation of the Company's peers, thereby monitoring whether the Company should continue in its present form. Each month the Board receives a Monthly Review, which monitors the Company's investment performance (both on an absolute basis and against the benchmark and peer group) and its compliance with the investment guidelines. The Company's Manager and Investment Manager regularly present additional reports and presentations to the Board and their continuity is regularly considered by the Board.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

### *Level of discount/premium – Share price performance lags NAV performance*

The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing. The Board has implemented a discount control mechanism to establish a maximum level of 5% discount of share price to net asset value per share. In the event of shares being re-purchased by the Company, such shares may be held in treasury (up to a maximum of 10% of the issued share capital) for reissue into the market when demand arises. Shareholders should note that it remains possible for the share price discount to net asset value per share to be greater than 5% on any one day. This was the case as at 30 September 2008 and is due to the fact that the share price continues to be influenced by overall supply and demand for the Company's shares in the secondary market. The average month-end share price discount during the year was 4.2%, a level that has been broadly maintained since the year end.

### *Market Price Risk*

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Board meets on at least a quarterly basis during the year and at each meeting they consider the asset allocation and concentration of the investment portfolio in order to minimise the risk associated with particular instruments. The Investment Manager has responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

### *Liquidity Risk*

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements where necessary.

### *Interest Rate Risk*

The Company borrows in sterling at floating rates of interest and hence is exposed to the risk that its cashflow will change due to movements in prevailing interest rates. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

The Company also invests in fixed rate preference shares and fixed interest investments which are exposed to movements in their fair value arising from changes in interest rates. These risks are managed alongside market price risk as described above.

### *Credit Risk*

The Company's principal financial assets are bank balances, debtors and investments which represent the Company's maximum exposure to credit risk in relation to financial assets. The credit risk on bank balances is considered low because the counter-parties are banks with high credit ratings assigned by international credit agencies. The credit risk in relation to the companies that comprise the investment portfolio is monitored closely by the Investment Manager.

### *Shareholder Profile – Activist shareholders may be attracted onto the shareholder list, interests may not be consistent with the long-term objectives of the Company*

The Manager provides a shareholder analysis to every Board meeting. The Board, in conjunction with the Manager and Investment Manager and where appropriate the Corporate Stockbroker, considers the potential consequences of activist holdings and any action which may be required to mitigate negative activity.

### *Portfolio Performance – Investment performance may not be meeting the investment objective or shareholder requirements*

The Board regularly reviews investment performance against the benchmark and against the peer group. The Board also receives reports that show an analysis of performance compared with other relevant indices. The Investment Manager provides an explanation of stock selection decisions and an overall rationale for the make-up of the investment portfolio. The Investment Manager discusses current and potential investment holdings with the Board on a regular basis in addition to new initiatives, which may enhance shareholder returns.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

### *Operational and Regulatory – Compliance with s842, Income and Corporation Taxes Act 1988*

A breach of s842 could lead to the Company being subject to capital gains tax on the sale of its investments, whilst serious breach of other regulatory rules may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, either by the Manager, the Investment Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager and the Investment Manager review the level of compliance with s842 and other financial regulatory requirements on a daily basis. All transactions, income and expenditure forecasts are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. These risks are formalised in the Company's risk assessment register. The Board ensures that satisfactory assurances are received from service providers. The Manager's and the Investment Manager's Compliance Officers produce regular reports for review by the Company's Audit Committee and are available to attend meetings in person if required.

### *Investment Management Key Person Risk*

There is a risk that the individual responsible for managing the Company's investment portfolio may leave his employment or may be prevented from undertaking his duties.

The Investment Manager has in place an insurance policy covering key personnel. There is a qualified individual who works with the designated investment portfolio manager who could take over if necessary.

## Fixed Asset Investments

The fair value of the Company's investments, at 30 September 2008 was £121,586,000 (2007: £189,042,000) showing an unrealised loss since acquisition of £1,632,000 (2007: profit £53,223,000). Taking these investments at this valuation, the net assets attributable to each share at 30 September 2008 amounted to 215.5p (2007: 315.4p).

## Issue and Repurchase of Shares

At the Annual General Meeting held on 30 January 2008, authority to allot shares on a non pre-emptive basis was granted for 5,215,503 shares.

The Board continues to believe the use of a discount management policy, to buy back shares if offered at a discount greater than 5% to net asset value per share, and the use of the treasury share facility, whereby shares repurchased by the Company are held in treasury for reissue into the market when demand is present, are in the best interests of the Company and shareholders. During the year a total of 2,514,146 shares were repurchased by the Company and held in treasury. From 1 October 2008 to 16 December 2008, the latest practicable date before the printing of this Annual Report, a further 182,000 shares have been purchased and held as treasury shares.

During the year a total of 150,000 new shares were issued. Also, 667,396 shares were reissued out of treasury at a price representing a narrower discount to net asset value per share than that at which they had been bought into treasury. Following the year-end and up until 16 December 2008, a further 50,000 shares were reissued out of treasury also at a price representing a narrower discount to net asset value per share than that at which they had been bought into treasury. As at 16 December 2008 a total of 1,978,750 shares are held in treasury.

## Prospects

A review of the Company's year and of its performance since the year end can be found in the Chairman's Statement on pages 4 and 5 and in the Investment Manager's Review on pages 6 and 7. The Board concentrates its attention on the Company's investment performance and the Investment Manager's investment approach and on factors that may have an effect on this approach. Marketing reports are given to the Board at each Board meeting, which include how the Company is being promoted and details of communications with existing and potential shareholders. The Board is regularly updated on wider investment trust industry issues and discussions are held concerning the Company's development and strategy.

Post the year end, the difficult environment has continued and for the period from the year end to 30 November 2008, the Company's net asset value per share fell by 7.5% and the share price by 10.7% (both on a total return basis) compared to a 13.4% fall in the Company's benchmark. The Investment Manager, however, continues to take a bullish view of the investment portfolio and, against a background of falling interest rates, it believes that the investment portfolio will generate a rate of return in excess of the cost of the Company's borrowings in the long run.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

### Management

The Company has no employees and most of its day-to-day activities are delegated to third parties. The Company has appointed Frostrow Capital LLP as Manager, Administrator and Company Secretary and Lindsell Train Limited as Investment Manager.

The Board looks to the Investment Manager to deliver investment performance. The Manager is responsible for providing company secretarial, administrative, accounting and marketing services. Details of the appointment of each party are given below.

The Investment Manager continues to manage the investment portfolio in accordance with the investment objective and policy. The Investment Manager is an independent investment management company and is able to access, through in-depth research and analysis, the most profitable investments for the Company.

*Management, Administrative and Secretarial Services Agreement:* Management, Administrative, Secretarial and other services are provided to the Company by the Manager. The Manager is authorised and regulated by the Financial Services Authority.

At the commencement of the previous financial year, management services were provided to the Company by Close Investments Limited. The management fee payable was 0.65% per annum of the Company's market capitalisation and was shared equally between Close Investments Limited and Lindsell Train Limited. In addition, a secretarial fee of £50,000 per annum and a generic marketing fee of £80,000 per annum were payable to Close Investments Limited. Following a review undertaken by the Board, the Investment Management and Administrative and Secretarial Services Agreements were terminated on 10 April 2007 and new agreements were entered into with Frostrow Capital LLP as the new Manager and also with Lindsell Train Limited as Investment Manager. The new Administrative and Secretarial Services Agreement was entered into on the following terms: the Manager received a periodic fee equal to 0.05% per annum of the Company's market capitalisation plus an annual minimum amount equal to £200,000 which increased pro rata with any increase in the Company's market capitalisation. This arrangement remained in place until 30 June 2008. From 1 July 2008 the Manager receives a periodic fee at a rate of 0.15% per annum of the Company's market capitalisation plus a fixed fee of £70,000 per annum calculated monthly and payable monthly in arrears.

The notice period on the Management, Administration and Company Secretarial Agreement with the Manager is 12 months and may be terminated by either party.

The Manager, under the terms of the Management, Administrative & Secretarial Services Agreement provides *inter alia* the following services:

- marketing and shareholder services;
- administrative services to such extent and from such dates as the Board may determine;
- advice and guidance in respect of corporate governance requirements;
- performance measurement reports;
- maintaining adequate accounting records in respect of Company dealing, investments, transactions, dividends and other income, the income account, balance sheet and cash books and statements;
- preparation and despatch of the audited annual financial statements, the unaudited interim report and the interim management statements; and
- attending to general tax affairs where necessary.

*Investment Management Agreement:* As stated above, on 10 April 2007 the Company entered into a new Investment Management Agreement with the Investment Manager, under which Lindsell Train Limited provide discretionary investment management services to the Company for a periodic fee equal to 0.45% per annum of the Company's market capitalisation. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months. The Investment Manager under the terms of the Agreement provides *inter alia* the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which monies should be invested, disinvested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made; and
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

*Performance Fee:* Dependent on the level of performance achieved, the Manager and Investment Manager are also entitled to the payment of a performance fee. The calculation basis of the performance fee is by reference to the annual increase in the Company's market capitalisation, but only after attainment of an absolute return hurdle, which is the sum of the increase in the Retail Price Index in the year, plus a fixed return of 6%. The Investment Manager receives 85% and the Manager receives 15% of the performance fee. The total fixed, periodic and performance fees payable in any one year to the Investment Manager and the Manager are capped at 1.25% of the Company's market capitalisation. Any outperformance, that would have resulted in a higher fee being paid had there been no cap, is carried forward into the calculation of future years' fees. Similarly, in the case of underperformance, any underperformance has to be made up in future years before a performance fee becomes payable in those years.

### Partnership Interest in Frostrow Capital LLP

The Company acquired a 10% interest in the Manager at a cost of £150,000 on 5 September 2007. Subsequent to the year end, on 30 October 2008, £75,000 of the amount paid was repaid to the Company by Frostrow Capital LLP. As part of the acquisition, the Company also agreed to provide the Manager with a £250,000 three year credit facility at the interest rate agreed with ING Bank, the provider of the Company's committed borrowing facilities, plus 25 basis points per annum. At the Company's year-end, and up to the date of this Annual Report, the facility was not utilised by the Manager.

### Manager and Investment Manager Evaluation and Re-Appointment

The review of the Manager and the Investment Manager's performance is a continuous process carried out by the Board with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by the Manager and the Investment Manager and receives regular reports and views from the Investment Manager on investment strategy, asset allocation and stock selection. The Board also receives performance measurement reports to enable it to determine whether or not the performance objective set by the Board has been met.

The Board believes the continuing appointment of the Manager and the Investment Manager, under the terms described above, is in the interests of shareholders as a whole. In coming to this decision it also took into consideration the following additional reasons:

- the quality and depth of experience of the management, administrative, company secretarial and marketing team that the Manager allocates to the management of the Company; and
- the quality and depth of experience allocated by the Investment Manager to the management of the investment portfolio and the level of past performance of the investment portfolio in absolute terms and also by reference to the benchmark index.

### Going Concern

The Directors, having made relevant enquiries, are satisfied that it is appropriate to prepare financial statements on the going concern basis as the net assets of the Company consist of securities, all of which, with the exception of the partnership interest in Frostrow Capital LLP, are traded on recognised stock exchanges.

### Creditors' Payment Policy

Terms of payment are negotiated with service providers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. As at 30 September 2008, the Company did not have any trade creditors (2007: nil).

### Social, Economic and Environmental Matters

The Company's primary objective is to achieve capital and income growth by investing in the shares of UK companies. The Board recognises that this should be done in an environmentally responsible and ethical way. As the majority of the Company's investments are in blue-chip companies, the Board is of the opinion that investee companies are likely to have considerable regard both for the welfare of their employees and on environmental matters in relation to areas where their operations are located.

### Charitable and Political Donations

The Company has not in the past and does not intend in the future to make any charitable or political donations.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

### Directors

The Directors of the Company, all of whom served throughout the year, unless where stated, are shown below. Further information on the Directors can be found on page 3.

Anthony Townsend  
 John Allard  
 Neil Collins (appointed 30 January 2008)  
 David Hunt  
 Michael Reeve (retired 30 January 2008)  
 Vanessa Renwick  
 Giles Warman

### Directors' Interests

The beneficial interests of the Directors and their families in the Company were as set out below:

	Number of shares held	
	30 September 2008*	30 September 2007*
Anthony Townsend	57,880	57,880
John Allard**	9,884	9,147
Neil Collins	3,746	Nil
David Hunt	6,500	6,500
Vanessa Renwick	12,580	7,220
Giles Warman	73,000	65,000

\* or date of appointment if later

\*\* on 6 October 2008, Mr Allard purchased a further 209 shares as a result of an automatic re-investment of a dividend.

Other than what is detailed above, there have been no changes to the Directors' interests in the Company's shares between the end of the year and the date of this report.

None of the Directors were granted or exercised rights over shares during the year. None of the Directors has any contract (including service contracts) with the Company.

### Directors' Fees

A report on Directors' Remuneration is set out on pages 27 and 28.

### Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 30 September 2008. It is intended that this policy will continue for the year ended 30 September 2009 and subsequent years.

### Substantial Share Interests

As at 8 December 2008 the Company was aware of the following substantial interests in the voting rights of the Company:

Fund Manager	Registered Holder	Number of shares	% of shares
Alliance Trust Savings	Alliance Trust Savings Nominees	5,978,480	11.76
Brewin Dolphin	Various Brewin Nominee Managed Accounts	5,129,908	10.09
Rathbone	Various Rathbone Nominee Managed Accounts	4,516,616	8.88
Rensburg Sheppards Investment Management	Ferlim Nominees, Rensburg Client Nominees	3,829,742	7.53
Speirs & Jeffery Fund Management	Various Speirs & Jeffery Nominee Accounts	2,390,825	4.70
Midas Capital Partners	Various Nominee Accounts	2,197,169	4.32
Legal & General Investment Management	Various Nominee Accounts	2,188,731	4.31
JP Morgan Asset Management	Chase Nominees	1,720,000	3.38

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

### Shareholder Analysis

as at 30 September

	2008 Number of shares	2008 % of issued share capital	2007 Number of shares	2007 % of issued share capital
Nominee Companies*	45,465,771	89.23	47,652,643	90.51
Private Individuals	3,221,564	6.32	3,421,521	6.50
Other Institutions, Investment Funds, Pension Funds and Companies	1,116,218	2.19	1,054,970	2.00
Banks and Bank Nominees	1,147,120	2.26	518,289	0.99
Total shares in issue	50,950,673	100.00	52,647,423	100.00
*Includes Alliance Trust Savings and ISA Clients	5,620,104	11.03	5,810,058	11.04

### Auditors

Grant Thornton UK LLP have indicated their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

### Audit Information

Pursuant to s234ZA(2) of the Companies Act 1985, each of the Directors confirms that: (a) so far as they are aware, there is no relevant information of which the Auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of such information.

### Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The financial statements are published on the Company's website (website address: [www.finsburygt.com](http://www.finsburygt.com)) and on the Manager's website (website address: [www.frostrow.com](http://www.frostrow.com)). The maintenance and integrity of these websites, so far as it relates to the Company, is the responsibility of the Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of these websites and accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The Directors confirm that to the best of their knowledge the financial statements, within the Annual Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the loss for the year ended 30 September 2008, and that the Chairman's Statement, Investment Manager's Review and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.2.11R of the FSA's Disclosure and Transparency Rules.

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

### Corporate Governance

A formal statement on Corporate Governance is set out on pages 22 to 26.

### Beneficial Owners of Shares – Information Rights

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

### Annual General Meeting

The formal notice of Annual General Meeting is set out on pages 49 to 53 of this Annual Report. Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

#### *Share Repurchases*

At the Annual General Meeting held on 30 January 2008, shareholders approved the renewal of the authority permitting the Company to repurchase its own shares.

The Directors wish to renew the authority given by shareholders at the previous Annual General Meeting. The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the Annual General Meeting.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares 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 trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share. Shares which are purchased under this authority will either be cancelled or held as treasury shares.

Special Resolution No. 10 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 16 December 2008, being the nearest practicable date prior to the signing of this Report, (amounting to 7,617,719 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

#### *Issue of Shares*

Ordinary Resolution No. 7 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,270,467 (equivalent to 5,081,867 shares, or 10% of the Company's existing issued share capital on 16 December 2008, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 8 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 16 December 2008 (reduced by any treasury shares sold by the Company pursuant to Resolution No. 9, as described below), as if Section 89(1) of the Act does not apply. This is the same nominal

## REPORT OF THE DIRECTORS incorporating the Business Review (continued)

amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 7. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) (the "Treasury Share Regulations") the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. The Treasury Share Regulations require such sale to be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued share capital on a non pre-emptive basis pursuant to Resolution No. 8, Resolution No. 9, if passed, will give the Directors authority to sell shares held in treasury on a non pre-emptive basis. Under the Treasury Share Regulations, the holding of treasury shares is restricted to 10% of the Company's issued share capital, no dividends may be paid on any shares held in treasury and no voting rights will attach to such shares. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. It is the intention of the Board that any re-sale of treasury shares would only take place at a narrower discount to the net asset value per share than that at which they had been bought into treasury, and in any event at a discount no greater than 5% to the prevailing net asset value per share, and this is reflected in the text of Resolution No. 9. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The number of treasury shares which may be sold pursuant to this authority is limited to 10% of the Company's existing share capital on 16 December 2008 (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution No. 8, as described above). This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier.

The Directors intend to use the authority given by Resolutions Nos. 7 and 8 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

### *Amendment to Articles of Association*

It is proposed to make certain changes to the Company's Articles of Association in order to reflect the provisions of the Companies Act 2006 in so far as they apply to the Company. Accordingly, Special Resolution No. 11 will be put to the Annual General Meeting to be held on 23 January 2009. Details of the changes are set out on pages 47 and 48 of this Annual Report. Shareholders should be mindful that the 2006 Act is being implemented over a period of time, with the final stage taking effect in October 2009.

## Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting.

By order of the Board

### **Frostrow Capital LLP**

*Company Secretary*

16 December 2008

## CORPORATE GOVERNANCE

### Compliance

The Board has considered 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”). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code throughout the year ended 30 September 2008 and up to the date of this report, except with regard to the composition of its committees and as set out below.

The Combined Code includes provisions relating to:

- The role of the chief executive;
- Executive directors’ remuneration; and
- The need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the AIC Code, the Board considers these provisions are not relevant to the position of Finsbury Growth & Income Trust PLC, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

### Internal Audit

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there are no requirements for an internal audit function. The Board reviews annually whether a function equivalent to an internal audit is needed and it will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

### Board Independence, Composition and Tenure

The Board, chaired by Anthony Townsend, currently consists of six non-executive Directors. The Directors’ biographical details, set out on page 3, demonstrate a breadth of investment, commercial and professional experience. Giles Warman has served in excess of nine years on the Board since his first election. Nonetheless, the Board considers him to be independent in character and judgement and does not consider that the criterion of length of service should necessarily preclude him from being so considered. This position accords with the recommendation of the AIC Code that a director may be viewed as being independent notwithstanding service that could be considerably more than nine years. Accordingly, Mr Warman, who became a Director in 1989, is considered by the Board to be independent.

Anthony Townsend, who rejoined the Board in 2005, John Allard and Vanessa Renwick, who both joined the Board in 2000, David Hunt, appointed a Director in 2006 and Neil Collins who became a Director in January 2008, are all also considered by the Board to be independent.

Under the Company’s Articles of Association, Neil Collins, having been appointed by the Board on 30 January 2008 shall stand for first election by shareholders; John Allard retires by rotation. Both Messrs Collins and Allard being eligible, they offer themselves for election and re-election respectively at the Annual General Meeting. Giles Warman, having served on the Board for more than nine years from the date of his first election, also retires at the Annual General Meeting and, being eligible, offers himself for re-election.

The Board has considered the position of Messrs Allard, Collins and Warman, and believes that it would be in the Company’s best interests to propose them for election and re-election at the forthcoming Annual General Meeting.

None of the Directors has a service contract with the Company. New Directors are appointed with the expectation that they will serve for a minimum period of three years. Directors’ appointments are reviewed formally every three years by the Board. Any Director may resign in writing to the Board at any time. The Company’s Articles of

## CORPORATE GOVERNANCE (continued)

Association provide that one-third of the Directors must retire by rotation and may offer themselves of re-election at each Annual General Meeting. The terms of the Directors' appointments also provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after appointment and at least every three years thereafter. Directors who have served more than nine years on the Board and those who are not deemed to be independent are required to seek re-election annually. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the offices of the Company's Manager and will be available at the Annual General Meeting. When a new Director is appointed to the Board, he/she is provided with all relevant information regarding the Company and his/her duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Manager and Investment Manager in order to learn more about their processes and procedures. The Board also receives regular briefings from, amongst others, the Auditors and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

### The Board's Responsibilities

The Board is responsible for efficient and effective leadership of the Company and has reviewed the schedule of matters reserved for its decision. The Board meets at least on a quarterly basis and at other times as necessary. The Board is responsible for all aspects of the Company's affairs, including the setting of parameters for and the monitoring of the investment strategy, the review of investment performance and investment policy. It also has responsibility for all corporate strategy issues, dividend policy, share buy-back policy, gearing, share price and discount/premium monitoring and corporate governance matters. To enable them to discharge their responsibilities, prior to each meeting the Directors are provided, in a timely manner, with a comprehensive set of papers giving detailed information on the Company's transactions, financial position, performance and income forecast. Representatives of the Manager and Investment Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern; a full written report is also received from the Investment Manager at each quarterly meeting. In light of these reports, the Board gives direction to the Investment Manager with regard to the Company's investment objectives and guidelines. Within these established guidelines, the Investment Manager takes decisions as to the purchase and sale of individual investments.

There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense. The Directors have access to the advice and services of the company secretary, through its appointed representative, who is responsible to the board for ensuring that Board procedures are followed.

### Performance Evaluation

The Board carries out an annual evaluation of its performance.

### Committees of the Board

During the year the Board delegated certain responsibilities and functions to committees. In line with the AIC Code, the Board has disbanded the Nominations and Remuneration Committees in favour of the full Board adopting the responsibilities of such committees under the Chairmanship of the Chairman, Anthony Townsend. The Audit and Management Engagement Committees continue in operation and copies of the full Terms of Reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary, will be available at the Annual General Meeting and can be found on the Company's website on [www.finsburygt.com](http://www.finsburygt.com) and on the website of the Manager at [www.frostrow.com](http://www.frostrow.com). The Board acknowledges its departure from the recommendations of the current edition of the Combined Code in respect of the Chairman of the Board being a member of various committees. The Board believes that his extensive knowledge and experience has proven to be of great benefit when making their deliberations. The Audit Committee is chaired by David Hunt and the Management Engagement Committee is chaired by the Chairman, Anthony Townsend.

The table overleaf details the number of Board and Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings and one meeting of the Management Engagement Committee.

## CORPORATE GOVERNANCE (continued)

### Meeting Attendance

The number of meetings held during the year of the Board and its Committees, and each Director's attendance level is shown below:

Type and number of meetings held in the year to 30 September 2008	Board (5)	Audit Committee (2)	Management Engagement Committee (1)
Anthony Townsend	5	2	1
John Allard	5	2	1
Neil Collins*	2	1	1
David Hunt	5	2	1
Michael Reeve**	3	1	N/A
Vanessa Renwick	4	1	1
Giles Warman	4	2	1

\* Joined the Board on 30 January 2008.

\*\* Retired from the Board on 30 January 2008.

Other ad hoc meetings of the Board and Committees are held in connection with specific events as and when necessary. All of the Directors attended the Annual General Meeting held on 30 January 2008.

### Audit Committee

The Company's Audit Committee meets at least twice per year and all Directors are members of the Committee. The Audit Committee is responsible for the review of the Annual Report and the Interim Report, the nature and scope of the external audit and the findings thereof and the terms of appointment of the Auditors, including their remuneration and the provision of any non-audit services by them.

The Audit Committee reviews the need for non-audit services and authorises such on a case by case basis having given consideration to the cost effectiveness of the services and the independence and objectivity of the auditors.

The Audit Committee meets representatives of the Manager and the Investment Manager and their Compliance Officers who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company, the Manager and the Investment Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit.

### Management Engagement Committee

The Management Engagement Committee meets at least once per year and all Directors are members of the Committee. The Management Engagement Committee is responsible for the regular review of the terms of the management and investment management agreements with, and the performance of, the Manager and Investment Manager and for making recommendations to the Board in respect of such agreements. The Committee last met in September 2008, at which time it was agreed that no amendments to the agreements were required. The agreements shall continue to be reviewed on a periodic basis as necessary.

### Internal Controls

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management. This accords with the FRC's Internal Control Guidance for Directors.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. Such a system, however, is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Unlike the boards of most other listed companies, the boards of investment trust companies obtain the majority of their evidence as to whether internal controls are operating effectively from third party suppliers to whom investment management, custody, administration, accounting and secretarial matters have been delegated. This

## CORPORATE GOVERNANCE (continued)

means that an understanding of the internal controls for an investment trust company requires Directors to consider information from a number of independent sources, rather than from a consolidated single source covering a typical listed company's system of internal control.

The Directors, through the procedures outlined below, have kept the effectiveness of the Company's internal controls under review throughout the period covered by these financial statements and up to the date of their approval.

The Manager and the Investment Manager have established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of their clients. Their compliance monitoring programmes assess the effectiveness of and provide the Board with regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers including the Company's custodian). Business risks have been analysed and recorded in a Risk Register, which is reviewed at each meeting of the Audit Committee and at other times as necessary.

### Relations with Shareholders

The Board reviews the shareholder register at each Board meeting. The Company has regular contact with its institutional shareholders particularly through the Manager. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting under the Chairmanship of the Chairman of the Board. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and are also published on the Company's website at [www.finsburygt.com](http://www.finsburygt.com). Representatives from the Investment Manager attend the Annual General Meeting and give a presentation on investment matters to those present. The Company has adopted a nominee share code which is set out on page 26.

The Board receives marketing and public relations reports from the Manager to whom the marketing function has been delegated. The Board reviews and considers the marketing plans of the Manager on a regular basis.

The Annual and Interim Reports, the Interim Management Statements and a monthly fact sheet are available to all shareholders. The Board considers the format of the Annual and Interim Reports so as to ensure they are useful to all shareholders and others taking an interest in the Company. In accordance with best practice, the Annual Report, including the Notice of the Annual General Meeting, is sent to shareholders at least 20 working days before the Meeting. Separate resolutions are proposed for substantive issues.

### Exercise of Voting Powers

The Board has delegated authority to the Investment Manager to vote the shares held by the Company through its nominee, The Bank of New York (Nominees) Limited, which accords with current best practice whilst maintaining a primary focus on financial returns. The Investment Manager may refer to the Board on any matters of a contentious nature.

## CORPORATE GOVERNANCE (continued)

### Accountability and Audit

The Directors' statement of responsibilities in respect of the financial statements is set out on page 19. The report of the Company's auditor is set out on pages 29 and 30. The Board has delegated contractually to external agencies, including the Manager and the Investment Manager, the management of the investment portfolio, custodial services (which includes the safeguarding of the Company's assets), the day to day marketing, accounting administration, company secretarial requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

### Nominee Share Code

Where shares are held in a nominee company name, where the beneficial owner of the shares is unable to vote in person, the Company nevertheless undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and
- that investors in the Alliance Trust Savings Scheme or ISA are automatically sent shareholder communications, including details of general meetings, together with a form of direction to facilitate voting and to seek authority to attend.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

## DIRECTORS' REMUNERATION REPORT

for the year ended 30 September 2008

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 30.

### Policy on Directors' Fees

The Board's policy is that the remuneration of Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (Ordinary shares), and have a similar investment objective. It is intended that this policy will continue for the year ending 30 September 2009 and subsequent years.

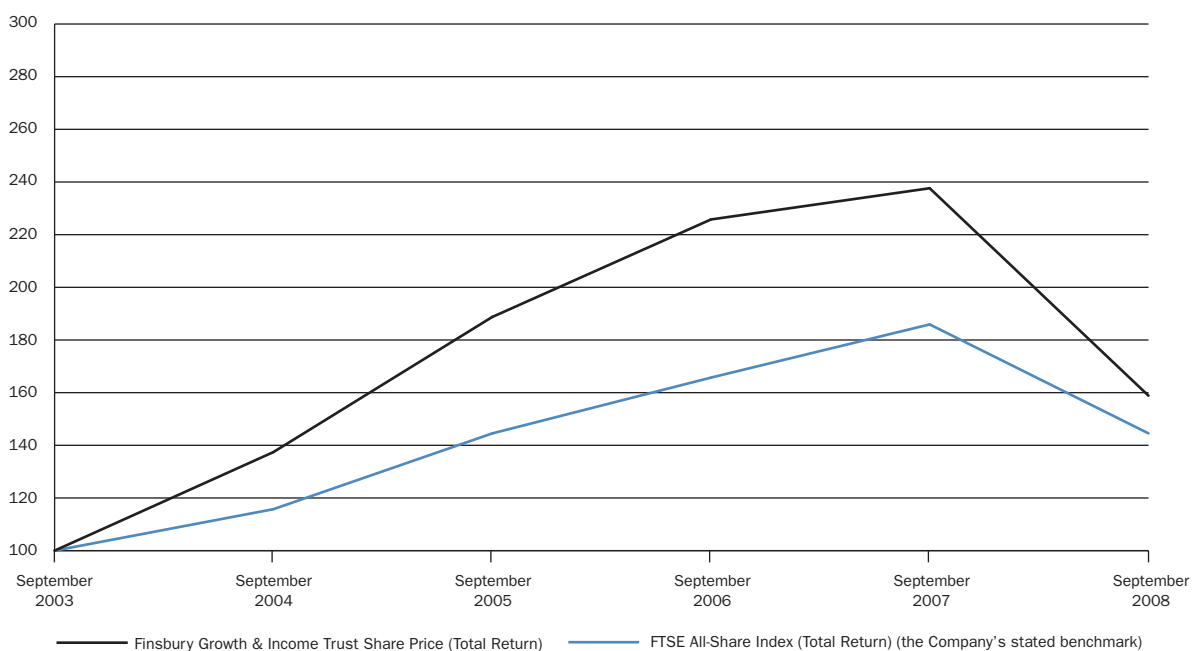
The fees for the Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount being £150,000, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

### Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment, and at least every three years after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

### Your Company's Performance

The law requires a line graph be included in the Directors' Remuneration Report showing total shareholder return for each of the financial years in the relevant period. The graph set out below compares, on a cumulative basis, the total return (assuming all dividends are reinvested) to shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the FTSE All-Share Index (the Company's stated benchmark) is calculated.



Source: Fundamental Data and Frostrow Capital LLP  
Rebased to 100 at 30 September 2003

## DIRECTORS' REMUNERATION REPORT (continued)

The Board, while fulfilling the function of a Remuneration Committee, reviews the level of remuneration on an annual basis by reference to the activities of the Company and comparison with other companies of a similar structure and size.

At a Board meeting held in September 2008, it was agreed that the remuneration of the Directors should remain unchanged. The last change to the levels of remuneration was made in October 2005.

### Directors' Emoluments for the Year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees 2008 £'000	Fees 2007 £'000
Anthony Townsend (Chairman of the Board)#	23.8	16.0
John Allard	16.0	16.0
Neil Collins^	12.6	–
David Hunt*	19.0	17.5
Michael Reeve**	9.1	27.5
Vanessa Renwick	16.0	16.0
Giles Warman	16.0	16.0
	112.5	109.0

# Anthony Townsend was appointed Chairman of the Company on 30 January 2008.

^ Neil Collins was appointed a Director of the Company on 30 January 2008.

\* Chairman of the Audit Committee.

\*\* Fees in respect of Michael Reeve's services were paid to The Tregear Company Ltd. Michael Reeve retired as a Director and Chairman of the Company on 30 January 2008.

### Approval

The Directors' Remuneration Report was approved by the Board of Directors on 16 December 2008 and signed on its behalf by

**Anthony Townsend**

*Chairman*

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FINSBURY GROWTH & INCOME TRUST PLC

We have audited the financial statements (the “financial statements”) of Finsbury Growth & Income Trust PLC for the year ended 30 September 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders’ Funds, the Balance Sheet, the Cash Flow Statement and Notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

This report is made solely to the Company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report, the Directors’ Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes the information given in the Chairman’s Statement and Investment Manager’s Review that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial Highlights and Five Year Performance Summary, the Performance, the Board, the Chairman’s Statement, the Investment Manager’s Review, the Contribution to Net Asset Value, the Investments, the Investment Portfolio Distribution and Analysis, the Sector Analysis of the Investment Portfolio, the Report of the Directors, and the unaudited part of the Directors’ Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Company’s financial statements and the part of the Directors’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Company’s financial statements, and of whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

## REPORT OF THE INDEPENDENT AUDITOR (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company's financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Company's financial statements and the part of the Directors' Remuneration Report to be audited.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

### **Grant Thornton UK LLP**

*Chartered Accountants and Registered Auditor*

*London, England*

16 December 2008

## INCOME STATEMENT

for the year ended 30 September 2008

	Notes	Revenue £'000	Capital £'000	2008 Total £'000	Revenue £'000	Capital £'000	2007 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	9	–	(51,522)	(51,522)	–	7,401	7,401
Income	2	6,363	–	6,363	6,253	–	6,253
Investment management, management and performance fees	3	(300)	(609)	(909)	(415)	(895)	(1,310)
Other expenses	4	(434)	–	(434)	(513)	–	(513)
<b>Return/(loss) on ordinary activities before finance charges and taxation</b>		5,629	(52,131)	(46,502)	5,325	6,506	11,831
Finance charges	5	(346)	(702)	(1,048)	(470)	(954)	(1,424)
<b>Return/(loss) on ordinary activities before taxation</b>		5,283	(52,833)	(47,550)	4,855	5,552	10,407
Taxation on ordinary activities	6	–	–	–	–	–	–
<b>Return/(loss) on ordinary activities after taxation</b>		5,283	(52,833)	(47,550)	4,855	5,552	10,407
<b>Return/(loss) per share</b>	8	10.12p	(101.20)p	(91.08)p	9.44p	10.79p	20.23p

The total column of this statement represents the profit and loss account of the Company.

The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies (AIC).

All items in the above statement derive from continuing operations.

The Company had no recognised gains or losses other than those declared in the Income Statement.

The notes on pages 35 to 46 form part of these financial statements.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 September 2008

	Called-up share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2007	13,162	35,482	12,424	3,453	97,023	4,511	166,055
Net (loss)/return on ordinary activities	–	–	–	–	(52,833)	5,283	(47,550)
Second interim dividend (4.8p per share) for the year ended 30 September 2007	–	–	–	–	–	(2,527)	(2,527)
First interim dividend (4.4p per share) for the year ended 30 September 2008	–	–	–	–	–	(2,318)	(2,318)
Shares issued net of issue expenses	37	432	–	–	–	–	469
Repurchase of shares into treasury	–	–	–	–	(6,081)	–	(6,081)
Sale of shares from treasury	–	–	–	–	1,736	–	1,736
<b>Year ended 30 September 2008</b>	<b>13,199</b>	<b>35,914</b>	<b>12,424</b>	<b>3,453</b>	<b>39,845</b>	<b>4,949</b>	<b>109,784</b>
At 30 September 2006	12,309	25,414	12,424	3,453	91,471	3,907	148,978
Net return from ordinary activities	–	–	–	–	5,552	4,855	10,407
Second interim dividend (4.2p per share) for the year ended 30 September 2006	–	–	–	–	–	(2,068)	(2,068)
First interim dividend (4.2p per share) for the year ended 30 September 2007	–	–	–	–	–	(2,183)	(2,183)
Shares issued net of issue expenses	853	10,068	–	–	–	–	10,921
Year ended 30 September 2007	13,162	35,482	12,424	3,453	97,023	4,511	166,055

The notes on pages 35 to 46 form part of these financial statements.

## BALANCE SHEET

as at 30 September 2008

	<i>Notes</i>	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	9	121,586	189,042
<b>Current assets</b>			
Debtors	10	1,159	1,753
Cash at bank		204	507
		1,363	2,260
<b>Current liabilities</b>			
Creditors	11	(165)	(397)
Bank loans	11	(13,000)	(24,850)
		(13,165)	(25,247)
<b>Net current liabilities</b>			
		(11,802)	(22,987)
<b>Total net assets</b>			
		109,784	166,055
<b>Capital and reserves</b>			
Called-up share capital	12	13,199	13,162
Share premium account		35,914	35,482
Special reserve		12,424	12,424
Capital redemption reserve		3,453	3,453
Capital reserve	13	39,845	97,023
Revenue reserve		4,949	4,511
<b>Equity shareholders' funds</b>			
		109,784	166,055
<b>Net asset value per share</b>			
	14	215.5p	315.4p

The accounts on pages 31 to 46 were approved by the Board of Directors on 16 December 2008, and were signed on its behalf by:

**Anthony Townsend**  
*Chairman*

The notes on pages 35 to 46 form part of these financial statements.

## CASH FLOW STATEMENT

for the year ended 30 September 2008

	<i>Notes</i>	2008 £'000	2007 £'000
<b>Net cash inflow from operating activities</b>	<b>18</b>	<b>5,548</b>	<b>4,083</b>
<b>Net cash outflow from servicing of finance</b>		<b>(1,185)</b>	<b>(1,376)</b>
<b>Financial investment</b>			
Purchase of investments		(5,886)	(15,890)
Sale of investments		21,791	71
<b>Net cash inflow/(outflow) from financial investment</b>		<b>15,905</b>	<b>(15,819)</b>
<b>Equity dividends paid</b>		<b>(4,845)</b>	<b>(4,251)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>15,423</b>	<b>(17,363)</b>
<b>Financing</b>			
Shares issued net of issue expenses		469	10,921
Repurchase of shares into treasury		(6,081)	–
Sale of shares from treasury		1,736	–
(Repayment)/drawdown of loans		(11,850)	4,850
<b>Net cash (outflow)/inflow from financing</b>		<b>(15,726)</b>	<b>15,771</b>
<b>Decrease in cash</b>	<b>19</b>	<b>(303)</b>	<b>(1,592)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Decrease in cash resulting from cashflows	19	(303)	(1,592)
Decrease/(increase) in debt	19	11,850	(4,850)
Movement in net debt	19	11,547	(6,442)
Net debt at 1 October 2007	19	(24,343)	(17,901)
<b>Net debt at 30 September 2008</b>	<b>19</b>	<b>(12,796)</b>	<b>(24,343)</b>

The notes on pages 35 to 46 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies

The principal accounting policies, all of which have been applied consistently throughout the year in the preparation of these financial statements are set out below:

#### *(a) Basis of preparation*

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments and in accordance with UK Generally Accepted Accounting Practice (GAAP) and the Statement of Recommended Practice (SORP) for “financial statements of Investment Trust Companies” issued by the Association of Investment Companies dated December 2005.

#### *(b) Investments*

Investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value. Fair value for quoted investments is deemed to be bid market prices, or last traded price, depending on the convention of the exchange on which they are quoted.

Unquoted investments are valued by the Directors using primary valuation techniques.

Changes in the fair value of investments held at fair value through profit or loss, and gains and losses on disposal are recognised in the Income Statement as “gains or losses on investments held at fair value through profit or loss”.

All purchases and sales of investments are accounted for on the trade date basis.

The Company’s policy is to expense transaction costs on acquisition through the capital column of the Income Statement. The total of such expenses, showing the total amounts included in disposals and additions are disclosed below, as recommended by the SORP.

Transaction costs on the acquisition and sale of investments totalled £50,000 and £33,000 respectively (2007: £108,000 and £nil) and are included in the (losses)/gains on investments within the Income Statement.

#### *(c) Dividend Payments*

Dividends paid by the Company on its shares are recognised in the financial statements in the period in which they are paid and are shown in the Reconciliation of Movements in Shareholders’ Funds.

#### *(d) Investment Income*

Dividends receivable on equity shares are recognised on the ex-dividend basis.

Fixed returns on non-equity shares are recognised on a time apportionment basis.

Special dividends: In deciding whether a dividend should be regarded as a capital or revenue receipt, the Company reviews all relevant information as to the reasons for and sources of the dividend on a case by case basis.

LLP profit share is recognised in the financial statements when the entitlement to the income is established.

#### *(e) Expenditure and Finance Charges*

All the expense and finance costs are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except as follows:

- (1) expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of that investment (as explained in 1(b) above);
- (2) expenses are taken to the capital reserve realised via the capital column of the Income Statement, where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In line with the Boards’ expected long term split of returns, in the form of capital gains and income, from the Company’s investment portfolio, 67% of the investment management fee and finance costs are taken to the capital reserve realised;
- (3) performance fees are charged 100% to capital.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (f) Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

Any tax relief obtained in respect of management and investment management fees, finance costs and other capital expenses charged or allocated to the capital column of the Income Statement is reflected in the Capital reserve – realised and a corresponding amount is charged against the revenue column of the Income Statement. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

### (g) Capital Reserve

Capital reserve – realised

The following are taken to this reserve:

- (1) Gains and losses on the realisation of investments;
- (2) Realised exchange differences of a capital nature;
- (3) Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies; and

Capital reserve – unrealised

The following are taken to this reserve:

- (4) Increase and decrease in the valuation of investments held at the year end; and
- (5) Unrealised exchange differences of a capital nature.

### (h) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

## 2. Income

	2008 £'000	2007 £'000
<b>Income from investments</b>		
Franked investment income		
– dividends	6,237	6,074
Unfranked investment income		
– Limited Liability Partnership profit-share	11	–
– fixed interest	65	145
– money market dividend	44	25
	6,357	6,244
<b>Other income</b>		
Bank interest	6	9
<b>Total income</b>	6,363	6,253

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. Investment Management, Management and Performance Fees

	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000	Revenue 2007 £'000	Capital 2007 £'000	Total 2007 £'000
Investment management fee	199	402	601	196	398	594
Management fee	86	176	262	157	320	477
Performance fee	–	–	–	–	44	44
VAT thereon*	15	31	46	62	133	195
<b>Total fees</b>	<b>300</b>	<b>609</b>	<b>909</b>	<b>415</b>	<b>895</b>	<b>1,310</b>

\*With effect from 1 October 2007 no VAT has been charged on Investment Management fees.

With effect from 1 July 2007, the Company entered into new management and investment management arrangements. Details of these arrangements are set out in the Report of the Directors on pages 16 and 17.

### 4. Other Expenses

	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000	Revenue 2007 £'000	Capital 2007 £'000	Total 2007 £'000
Secretarial services	–	–	–	44	–	44
Directors' fees	112	–	112	109	–	109
Fees payable to the Company's auditors – statutory annual audit	20	–	20	18	–	18
Fees payable to the Company's auditors – all other services	2	–	2	2	–	2
Printing	24	–	24	32	–	32
ISA, PEP & Savings Scheme costs	60	–	60	48	–	48
Bank and custody fees	18	–	18	25	–	25
Marketing costs	39	–	39	54	–	54
Legal and professional fees	–	–	–	32	–	32
Other expenses	159	–	159	149	–	149
<b>Total expenses</b>	<b>434</b>	<b>–</b>	<b>434</b>	<b>513</b>	<b>–</b>	<b>513</b>

All of the above expenses include VAT where applicable, with the exception of the fees paid to the Company's auditor, which are shown net of VAT.

Details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 27 and 28.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. Finance Charges

	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000	Revenue 2007 £'000	Capital 2007 £'000	Total 2007 £'000
On bank loans and overdrafts wholly repayable within five years	346	702	1,048	470	954	1,424

### 6. Taxation on Ordinary Activities

	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000	Revenue 2007 £'000	Capital 2007 £'000	Total 2007 £'000
<b>(a) Analysis of charge for the year</b>						
Corporation tax at 28% (2007: 30%)	–	–	–	–	–	–

	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000	Revenue 2007 £'000	Capital 2007 £'000	Total 2007 £'000
<b>(b) Factors affecting tax charge for year</b>						
Return/(loss) on ordinary activities before taxation	5,283	(52,833)	(47,550)	4,855	5,552	10,407
Return/(loss) on ordinary activities multiplied by Corporation tax of 28%# (2007: 30%)	1,479	(14,793)	(13,314)	1,457	1,665	3,122
Effects of:						
Franked investment income not subject to corporation tax	(1,746)	–	(1,746)	(1,822)	–	(1,822)
Excess expenses unutilised	251	–	251	351	–	351
Amounts charged to capital	–	367	367	–	555	555
Expenses not deductible for tax purposes	16	–	16	14	–	14
Capital loss/(returns) not subject to tax*	–	14,426	14,426	–	(2,220)	(2,220)
Current tax charge for the year (note 6(a))	–	–	–	–	–	–

#Under the Finance Act 2008, the rate of Corporation Tax was lowered to 28% from 30% on 1 April 2008.

\*Gains on investments are not subject to corporation tax within an investment trust company.

#### (c) Provision for deferred taxation

No provision for deferred taxation has been made in the current or prior year.

The Company has not recognised a deferred tax asset of £8,572,000 (2007: £8,522,000) arising as a result of excess management expenses and business charges. The expenses will only be utilised if the Company generates sufficient taxable profits in the future.

Deferred tax is not provided on unrealised capital gains or losses arising on investments because the Company meets and intends to continue meeting the conditions for approval as an investment trust.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Dividends

	Ex-Div Date	Register Date	Payment Date	2008 £'000	2007 £'000
2008:					
First interim dividend of 4.4p per share (2007: 4.2p)	2 April 2008	4 April 2008	6 May 2008	2,318	2,183
2008:					
Second interim dividend of 5.1p per share (2007: 4.8p)	1 October 2008	3 October 2008	3 November 2008	2,598	2,527

The second interim dividend of 5.1p (2007: 4.8p) has not been included as a liability in these financial statements as it is only recognised in the financial year in which it is paid.

The total dividend payable in respect of the financial year which forms the basis of Section 842 of the Income and Corporation Taxes Act 1988 are set out below:

	2008 £'000
Revenue available for distribution by way of dividend for the year	5,283
2008: First interim dividend of 4.4p per share paid on 6 May 2008	(2,318)
2008: Second interim dividend of 5.1p paid on 3 November 2008	(2,598)
Undistributed revenue for Section 842 purposes	367

### 8. Return per Share

	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000	Revenue 2007 £'000	Capital 2007 £'000	Total 2007 £'000
Return	10.12p	(101.20)p	(91.08)p	9.44p	10.79p	20.23p

The total return per share is based on the total loss attributable to equity shareholders of £47,550,000 (2007: profit £10,407,000), and on 52,206,113 (2007: 51,438,470) shares, being the weighted average number of shares in issue during the year.

Revenue return per share is based on the net revenue on ordinary activities after taxation of £5,283,000 (2007: profit £4,855,000).

Capital loss per share is based on the net capital loss for the year of £52,833,000 (2007: profit £5,552,000).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. Investments

#### Analysis of investment portfolio movements

	2008 £'000	2007 £'000
Opening book cost	135,819	120,520
Opening unrealised appreciation	53,223	45,827
Opening valuation	189,042	166,347
Movements in the year:		
Purchases at cost	5,857	15,365
Sales		
– proceeds	(21,791)	(71)
– realised profit on sales	3,333	5
(Decrease)/increase in unrealised appreciation	(54,855)	7,396
Closing valuation	121,586	189,042
Closing book cost	123,218	135,819
Closing unrealised (depreciation)/appreciation	(1,632)	53,223
Closing valuation	121,586	189,042
<b>(Loss)/gains from investments held at fair value through profit or loss</b>		
	2008 £'000	2007 £'000
Realised gains based on historical cost	3,333	5
Amounts recognised as unrealised in previous year	(10,760)	(5)
Realised loss based on carrying values at previous year's balance sheet date	(7,427)	–
Net movement in unrealised appreciation/(depreciation)	(44,095)	7,401
(Loss)/gains on investments during the year	(51,522)	7,401

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. Debtors

	2008 £'000	2007 £'000
Prepayments and accrued income	1,159	1,503
Subordinated loan – Frostrow Capital LLP	–	250
	1,159	1,753

### 11. Creditors

Amounts falling due within one year	2008 £'000	2007 £'000
Bank loans with ING Bank N.V.*	13,000	24,850
Amounts due to brokers	–	29
Other creditors and accruals	165	368
	13,165	25,247

\* Further details on the loan facilities can be found in note 17.

### 12. Share Capital

	2008 £'000	2007 £'000
<b>Authorised:</b>		
Shares of 25p	25,000	25,000
<b>Allotted, called up and fully paid:</b>		
52,797,423# (2007: 52,647,423) shares of 25p each	13,199	13,162

# In the year to 30 September 2008, 150,000 new shares were issued, 667,396 shares were re-issued out of treasury and 2,514,146 shares were repurchased to be held in treasury. In the period 1 October 2008 to 16 December 2008 a further 50,000 shares were re-issued out of treasury, and 182,000 have been repurchased to be held in treasury.

At the year end the Company held 1,978,750 shares in treasury.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. Capital Reserve

	Capital Reserve Realised £'000	Capital Reserve Unrealised £'000	Total £'000
At 1 October 2007	43,800	53,223	97,023
Transfer on disposal of investments	10,760	(10,760)	–
Net losses on investments	(7,427)	(44,095)	(51,522)
Expenses charged to capital	(1,311)	–	(1,311)
Repurchase of shares into treasury	(6,081)	–	(6,081)
Sale of shares from treasury	1,736	–	1,736
<b>At 30 September 2008</b>	<b>41,477</b>	<b>(1,632)</b>	<b>39,845</b>

The Institute of Chartered Accountants in England and Wales has issued guidance (TECH 01/08) stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. However, under the terms of the Company's Articles of Association, sums with "Other capital reserves" are available for distribution only by way of redemption or purchase of any of the Company's own shares. In addition, in order to maintain investment trust status, the Company may only distribute by way of dividend accumulated revenue profits.

### 14. Net Asset Value per Share

Net asset value per share is based on net assets of £109,784,000 (2007: £166,055,000) and on 50,950,673 (excluding treasury shares) (2007: 52,647,423) shares in issue at the year end. As at 30 September 2008 the Company held 1,846,750 shares in treasury (2007: nil).

### 15. Contingent Assets/Liabilities

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal. The Board is currently in the process of quantifying the potential repayment that should be due. However, the amount the Company will receive, the period to which it will refer, and the time scale for receipt are all uncertain and hence the Company has made no provision in these financial statements for any such receipt.

There were no capital commitments or contingent liabilities at 30 September 2008 (2007: nil).

### 16. Related Parties

Details of the relationship between the Company, Frostrow Capital LLP and Lindsell Train Limited are disclosed in the Report of the Directors on pages 16 and 17. During the year ended 30 September 2008, Lindsell Train Limited received £601,000 in respect of Investment Management fees, of which £42,000 was outstanding at the year end.

The Company has an investment in The Lindsell Train Investment Trust Plc with a book cost of £1,000,000 and a fair value of £1,370,000 as at 30 September 2008. The Lindsell Train Investment Trust Plc is managed by the Company's Investment Manager.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Risk Management

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objectives as stated on page 12. In pursuit of its investment objectives, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the revenue profits available for distribution.

The Company's financial instruments comprise equity and fixed interest investments, cash balances, borrowings and debtors and creditors that arise directly from its operations.

The principal risks inherent in managing the Company's financial instruments are market risk, liquidity risk and credit risk. These risks and the Directors' approach to the management of them are set out in the Report of Directors on pages 13 to 15.

#### Market Risk

Market risk comprises three types of risk: market price risk, interest rate risk and currency risk.

#### Market price risk

As an investment company, the performance is dependent on the performance of the underlying companies and securities in which it invests. The market price of investee companies' shares is subject to their performance, supply and demand for the shares and investor sentiment regarding the company or the sector. Consequently market price risk is one of the most significant risks to which the Company is exposed.

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

At 30 September 2008, the fair value of the Company's assets exposed to market price risk was £121,586,000 (2007: £189,042,000) (see page 9). The Board meets on at least a quarterly basis during the year and at each meeting they consider the asset allocation and concentration of the Portfolio in order to minimise the risk associated with particular instruments. The Investment Manager has the responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

If the fair value of the Company's investments at the balance sheet date increased or decreased by 10%, while all other variables remained constant, the capital return and net assets attributable to shareholders for the year ended 30 September 2008 would have increased or decreased by £12,159,000 or 23.86p per share (2007: £18,904,000 or 35.91p per share).

No derivatives or hedging instruments are utilised to manage market price risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate movement may affect:

- the interest payable on the Company's variable rate borrowings
- the level of income receivable from fixed interest securities and cash at bank and on deposit
- the fair value of investments of fixed rate securities

The Company's main exposure to significant interest rate risk is through its credit facilities with ING Bank N.V. Borrowings varied throughout the year as part of the Board's endorsed policy. Borrowings at the year end amounted to £13,000,000 (2007: £24,850,000).

As at 30 September 2008, the Company's unsecured revolving credit facilities comprised a £20,000,000 2 year revolving credit facility and a £10,000,000 364 day revolving credit facility. A total of £13,000,000 was drawn down from the former facility (2007: £20,000,000) at an interest rate of 6.87785% (LIBOR 6.36125% and a margin and rate of additional costs of 0.5166%). At the year end the Company did not utilise the £10,000,000 revolving credit facility (2007: £4,850,000).

If the above level of borrowing was maintained for a year a 1% increase/decrease in LIBOR would decrease/increase the revenue return by £43,000 and decrease/increase the capital return by £87,000, and decrease/increase the net assets by £130,000 (2007: decrease/increase the revenue return by £82,000 and decrease/increase the capital return by £167,000 and decrease/increase the net assets by £249,000).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Risk Management (continued)

The weighted average interest rate on borrowings under the committed revolving credit facilities provided by ING Bank N.V was 6.34% (2007: 6.09%).

At the year-end, the Company's financial assets and liabilities exposed to interest rate risk were as follows:

	2008 Within one year £'000	2007 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	204	507
Creditors: amount falling due within one year		
– borrowings on the loan facility	13,000	24,850
Exposure to fixed interest rates:		
Investments held at fair value through profit or loss	7,991	18,473
Total exposure to interest rates	21,195	43,830

#### Currency risk

The financial statements are presented in sterling, which is the functional currency and presentational currency of the Company. At 30 September 2008, all of the Company's investments, with the exception of one, Dr Pepper Snapple, were priced in sterling. This U.S. investment represents only 3.3% of the investment portfolio (see page 9).

#### Credit Risk

Credit risk is the Company's exposure to financial loss from the failure of a counterparty to deliver securities or cash for acquisition or disposals of investments which could result in the Company suffering a financial loss.

Credit risk is managed as follows:

- investment transactions are carried out only with brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transactions entered into by the Company has delivered its obligation before any transfer of cash or securities away from the Company is completed.

Any failing trades in the market are closely monitored by both the Investment Manager and the Manager of the Company.

Cash is only held at banks and in money market funds that have been identified by the Board as reputable and of high credit quality. Bank of New York Mellon has a credit rating of Aaa (Moody's) and AA (S&P).

None of the Company's financial assets or liabilities are secured by collateral.

The Company has not been materially exposed to credit risk throughout the year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Risk Management (continued)

As at 30 September 2008, the exposure to credit risk was £1,363,000 (2007: £2,260,000), comprising:

	2008 £'000	2007 £'000
Current assets:		
Other receivables (amounts due from brokers, dividends and interest receivable)	1,159	1,753
Cash at bank	204	507
Total exposure to credit risk	1,363	2,260

The exposure to credit risk calculation is based on the Company's credit risk exposure as at 30 September and may not be representative of the year as a whole.

#### Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable.

#### Fair value of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the balance sheet at their fair value or at a reasonable approximation of fair value.

#### Capital management policies and procedure

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to achieve capital and income growth and to provide shareholders with a total return in excess of that of the FTSE All-share Index;

through an appropriate balance of equity capital and debt.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the level of gearing, set at a maximum of 25% of its net assets, which takes account of the Company's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from last year.

The Company is subject to externally imposed capital requirements;

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

These requirements are unchanged since last year and the Company has complied with them at all times.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Reconciliation of Net (Loss)/Return Before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2008 £'000	2007 £'000
Total (loss)/return before finance charges and taxation	(46,502)	11,831
Less: capital (loss)/return before finance charges and taxation	52,131	(6,506)
Net revenue before finance costs and taxation	5,629	5,325
Decrease/(increase) in accrued income and prepayments	346	(162)
Decrease/(increase) in debtors	248	(245)
(Decrease)/increase in creditors	(66)	60
Investment management, management and performance fees charged to capital	(609)	(895)
<b>Net cash inflow from operating activities</b>	<b>5,548</b>	<b>4,083</b>

The Company's cash balances are generally placed on deposit with The Bank of New York Mellon who also utilise a Dublin domiciled money market fund managed by Goldman Sachs.

### 19. Analysis of Changes in Net Debt

	At 1 October 2007 £'000	Cashflow £'000	At 30 September 2008 £'000
Cash at bank	507	(303)	204
Debt falling due within 1 year	(24,850)	11,850	(13,000)
<b>Net debt</b>	<b>(24,343)</b>	<b>11,547</b>	<b>(12,796)</b>

### 20. Substantial Interests

The Company holds interests in 3.0% or more of any class of capital in the following companies:

Company or Limited Liability Partnership	Shares held	% of issued share capital or Limited Liability Partnership interest	Fair value £'000
Barr (A.G.)	890,000	4.6	9,078
Young & Co's Brewery	799,492	4.2	2,918
Lindsell Train Investment Trust*	10,000	5.0	1,370
Frostrow Capital LLP (unquoted)	–	10.0	150

\* Also managed by Lindsell Train Limited who receive an Investment Management fee of 0.65% per annum of the company's adjusted market capitalisation.

## EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

Set out below is a summary of the main differences between the current and the proposed new Articles of Association ("the Articles"). The principal changes in the new Articles to be adopted at the 2009 AGM relate to electronic communication with shareholders and shareholder meetings and resolutions, directors indemnities, transfers of shares and directors conflicts of interest, reflecting provisions of the Companies Act 2006 ("the 2006 Act") which came into effect in 2007 and 2008 and the removal of references to a class of Preference Shares in the Company which no longer exist.

### 1. Interpretation

Definition of "authenticated" has been inserted to reflect the new term used under the 2006 Act.

Definitions of "ordinary resolution" and "special resolutions" have been inserted to reflect the definitions within the 2006 Act.

Amendments have been made to the meaning of "member" to include reference to a person nominated under the 2006 Act (please see the wording below under Nomination Rights in relation to this).

Definitions have been updated generally in line with the main body of the New Articles.

### 2. Abolition of Extraordinary General Meetings and Extraordinary Resolutions

Throughout the new Articles, references to a requirement for an "extraordinary general meeting" have been replaced by "general meeting" and all references to "extraordinary" resolution" have been removed. The terms "extraordinary general meeting" and "extraordinary resolution" have ceased to be applicable under the 2006 Act.

### 3. Notice of and Proceedings at General Meetings

The provisions in the new Articles dealing with the convening of general meetings, method of notice and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act and include reference to the rights of nominees (please see the wording below under Nomination Rights in relation to this).

### 4. Votes of Members, Proxies and Corporate Representatives

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise or all of any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The 2006 Act also provides for multiple corporate representatives to be appointed and the new Articles therefore refer to the right to appoint multiple corporate representatives.

### 5. Security Procedures at General Meetings

The new Articles have been amended so as to clarify the provisions in relation to security at general meeting. The Board may refuse entry to or eject from General Meetings persons who fail to comply with security arrangements made under the Articles.

### 6. Polls

A new Article has been inserted to clarify that the Company must publish the results of a poll on its website in accordance with the 2006 Act.

### 7. Proxies

Articles 84 to 93 have been amended to ensure that the provisions in relation to multiple proxies are in line with the 2006 Act.

### 8. Directors' Interests and Conflicts of Interests

The Companies Act 2006 sets out directors' general duties which largely codify the existing law, but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can 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 the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

## EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION (continued)

There are safeguards which will apply when directors decide whether to authorise a conflict of potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

### 9. Seals

Article 156 has been amended so as to reflect the 2006 Act provision which enables the Company to sign documents by one director executed in the presence of a witness.

### 10. Service of Notices and Other Documents

Article 61 includes provisions applying where notices of meetings are sent in electronic form or by being made available on a website. Articles 173 to 175 have been amended so as to clarify the methods of service and to reflect the rights of nominees. Articles 176 and 177 will allow the Company to send documents in electronic form or via a website to shareholders who have agreed to receive documents in that manner. Article 179 will allow shareholders to require hard copies of documents sent to them in electronic form or via a website.

### 11. Right to Stop Sending Dividend Warrants, Notices etc

Article 185 has been inserted to grant the Company the right to:

- (a) stop sending dividend cheques or warrants in certain circumstances namely where they have been returned, undelivered or left uncashed for 2 consecutive occasions during the periods which they are valid and reasonable enquiries have been made to establish any new address for the relevant member or person; and
- (b) stop sending members and all people granted information rights by virtue of the 2006 Act, notices etc, if they have been returned undelivered on at least two consecutive occasions or if following one such occasion reasonable enquiries have failed to establish a new address for service, subject to the passing of a director's resolution confirming that the Company need not send such documents to the said member/person granted information rights.

### 12. Indemnity

The new Articles permit the Directors (but not the Auditors) to be indemnified to the fullest extent permitted by the 2006 Act not only in relation to the affairs of the Company but also in relation to the affairs of any subsidiary or subsidiary undertaking of the Company.

### 13. Nomination Rights

Articles to be inserted to reflect the statutory framework within the 2006 Act by which indirect investors who hold their shares through intermediaries may exercise certain membership rights if the company's Articles allow it. It should be noted that members of a listed company are able to nominate another person to receive information to which they are entitled. Even if the Company does not want a member to have the right to nominate someone to exercise all of the available rights, the Articles should still be amended to provide for members to nominate someone to receive information to which they are entitled. This should cover:

- the rights which a nominee may enjoy.
- the situations in which a person's nomination rights will terminate and the form and content of nomination notices.
- when nomination notices take effect and how the Company must deal with them.

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Finsbury Growth & Income Trust PLC will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on Friday, 23 January 2009 at 12 noon, for the following purposes:

### Ordinary Business

- 1 To receive and consider the audited accounts and the Report of the Directors for the year ended 30 September 2008.
- 2 To elect Neil Collins as a Director of the Company.
- 3 To re-elect John Allard as a Director of the Company.
- 4 To re-elect Giles Warman as a Director of the Company.
- 5 To approve the Directors' Remuneration Report.
- 6 To reappoint Grant Thornton UK LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

### Special Business

To consider, and if thought fit, pass the following resolutions of which resolutions 8, 9, 10 and 11 are proposed as special resolutions:

### Authority to Allot Shares

- 7 THAT in substitution of all existing authorities the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the 'Act') to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to a maximum aggregate nominal amount of £1,270,467 being 10% of the issued share capital at 16 December 2008 and representing 5,081,867 shares of 25p each in the Company (or, if changed, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed, by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

### Disapplication of Pre-emption Rights

- 8 THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 9 set out in the notice convening the Annual General Meeting at which this resolution is proposed ("Notice of Annual General Meeting")) the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred on them by resolution 7 set out in the Notice of Annual General Meeting or otherwise as if Section 89(1) of the Act did not apply to any such allotment:
  - (a) pursuant to an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 25p each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

## NOTICE OF THE ANNUAL GENERAL MEETING (continued)

(b) provided that (otherwise than pursuant to sub-paragraph (a) above) this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £1,270,467, being 10% of the issued share capital of the Company as at 16 December 2008 and representing 5,081,867 Shares or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed, and provided further that (i) the number of equity securities to which this power applies shall be reduced from time to time by the number of treasury shares which are sold pursuant to any power conferred on the Directors by resolution 9 set out in the Notice of Annual General Meeting and (ii) no allotment of equity securities shall be made under this power which would result in Shares being issued at a price which is less than the net asset value per Share as at the latest practicable date before such allotment of equity securities as determined by the Directors in their reasonable discretion,

and such power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might otherwise require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

9 THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 8 set out in the Notice of Annual General Meeting) the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to sell relevant shares (within the meaning of Section 94 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 162A of the Act ("treasury shares")), for cash as if Section 89(1) of the Act did not apply to any such sale provided that:

(a) where any treasury shares are sold pursuant to this power at a discount to the then prevailing net asset value of ordinary shares of 25p each in the Company ("Shares"), such discount must be (i) lower than the discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury and (ii) not greater than 5% to the prevailing net asset value per Share at the latest practicable time before such sale (and for this purpose the Directors shall be entitled to determine in their reasonable discretion the discount to their net asset value at which such Shares were acquired by the Company and the net asset value per Share at the latest practicable time before such Shares are sold pursuant to this power); and

(b) this power shall be limited to the sale of relevant shares having an aggregate nominal value of £1,270,467, being 10% of the issued share capital of the Company as at 16 December 2008 and representing 5,081,867 Shares or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed, and provided further that the number of relevant shares to which power applies shall be reduced from time to time by the number of Shares which are allotted for cash as if Section 89(1) of the Act did not apply pursuant to the power conferred on the Directors by resolution 8 set out in the Notice of Annual General Meeting,

and such power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might otherwise require treasury shares to be sold after such expiry and the Directors may sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

## NOTICE OF THE ANNUAL GENERAL MEETING (continued)

### Authority to Repurchase Shares

10 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") provided that:

- (i) the maximum aggregate number of Shares authorised to be purchased is 7,617,719 or, if changed, the number representing 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;
- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 25 pence;
- (iii) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange as stipulated in Article 5(1) of Regulation No. 2233/2003 of the European Commission (Commission Regulation of 22 December 2003 implementing the Market Abuse Directive as regards exemption for buyback programmes and stabilisation of financial instruments);
- (iv) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and
- (v) the Company may make a contract to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

### Adoption of New Articles of Association

11 THAT the Articles of Association produced to the meeting and signed or initialled by the Chairman of the meeting for identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

**Frostrow Capital LLP**  
*Company Secretary*  
16 December 2008

25 Southampton Buildings  
London  
WC2A 1AL

## NOTICE OF THE ANNUAL GENERAL MEETING (continued)

### Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than 12 noon on 21 January 2009.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any 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 have someone else appointed) as a proxy for the 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.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at 5.30 p.m. on 21 January 2009 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 16 December 2008 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 50,818,673 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 December 2008 are 50,818,673.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. 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 Application Host) from which the issuer'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.
12. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. 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.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

# NOTICE OF THE ANNUAL GENERAL MEETING (continued)

## Notes (continued)

- 16. Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras).
- 17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent BR3 4BR.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke its proxy appointment but the revocation is received after the time for receipt of proxy appointments (see above) then, subject to paragraph 4, the proxy appointment will remain valid.

- 19. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

## Location of the Annual General Meeting

to be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on Friday, 23 January 2009 at 12 noon.



## GLOSSARY OF TERMS

### Discount or Premium

A description of the situation when the share price is lower or higher than the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share this situation is called a premium. If the share price is lower than the net asset value, shares are trading at a discount.

### Gearing

The term used to describe the process of borrowing money for investment purposes in the expectation that the returns on the investments purchased using the borrowings exceed the finance costs associated with those borrowings.

### Net Asset Value per share (pence)

Net asset value per share is shareholders' funds expressed as an amount per share. Shareholders' funds are the total value of all of the Company's assets, at fair value, after deducting bank borrowings and other liabilities.

### Net Asset Value Total Return

The theoretical total return on shareholders' funds per share, including the assumed £100 original investment at the beginning of the period specified, reflecting the change in net asset value assuming that dividends paid to shareholders were reinvested at net asset value per share at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in discounts or premiums.

### Total Assets

Total assets give an indication of the total value of all the Company's investments before deducting any borrowings used for gearing/investment purposes.

### Treasury Shares

Shares previously issued by a company that have been bought back from shareholders to be held by the company for potential sale or cancellation at a later date.

### Total Expense Ratio

The total operating expenses incurred by a company, including any charged to capital, as a percentage of average total shareholders' funds.

## Alliance Trust Savings Limited

### Savings Plan

The Company participates in the Alliance Trust Savings Limited Investment Trust Savings Plan, which facilities both regular monthly investments and occasional lump sum investments in the Company's shares. Shareholders who would like information on the Savings Plan should call Alliance Trust Savings Limited on 01382 573737. Calls to this number are recorded for monitoring purposes and are charged at local rates, non-BT line charges may vary.

### Individual Savings Accounts ("ISA") and Personal Equity Plan ("PEP")

ISAs are a tax-efficient method of investment, introduced by the Government. With effect from 6 April 2008 a number of changes to the structure of ISAs and PEPs were introduced with the aim of removing the complexities associated with the existing PEP and ISA schemes and to provide savers with more certainty and flexibility.

The principal changes to ISAs and PEPs are:

- The distinction between Mini and Maxi ISAs has been removed.
- All ISAs have been reclassified as either a Cash ISA or a Stocks and Shares ISA, and both types of ISA are available indefinitely with no set end date.
- The annual subscription limit has been raised from £7,000 to £7,200. Investors may use their entire allowance to invest in the Stocks and Shares ISA. Alternatively, investors are able to save up to £3,600 of their allowance in a Cash ISA with one provider. The remainder of the £7,200 can be invested in a Stocks and Shares ISA with either the same or a different provider.
- All PEPs have been reclassified as Stocks and Shares ISAs and become subject to the ISA rules.

Under the new rules, investors can transfer some or all of the money invested in Cash ISAs over previous years into a Stocks and Shares ISA without affecting the annual subscription limit, but not the vice versa.

Investors may also invest in one Cash ISA and one Stocks and Shares ISA, subject to the annual subscription limits, each April to April tax year. A Cash ISA and a Stocks and Shares ISA can be with the same or different providers.

## CAPITA REGISTRARS – SHARE DEALING SERVICE

A quick and easy share dealing service is available to existing shareholders through the Company’s Registrar, Capita Registrars, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

Type of trade	Online	Telephone
Share certificates	1% of the value of the deal (Minimum £20.00, max £52.50)	1.5% of the value of the deal (Minimum £25.00, max £102.50)

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade ‘real time’ at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, shareholder reference number, full postcode and your date of birth. Your shareholder reference number can be found on your latest statement or certificate where it will appear as either a ‘folio number’ or ‘investor code’. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact:  
[www.capitadeal.com](http://www.capitadeal.com) (online dealing) or 0870 458 4577† (telephone dealing)

† Calls cost 10p per minute plus network extras and may be recorded for training purposes.

## COMPANY INFORMATION

### Directors

Anthony Townsend (Chairman)  
John Allard  
Neil Collins  
David Hunt, FCA  
Vanessa Renwick  
Giles Warman

### Registered Office

50 Lothian Road, Festival Square,  
Edinburgh EH3 9BY

### Company Registration Number

13958 (Registered in Scotland)

### Website

[www.finsburygt.com](http://www.finsburygt.com)

### Manager, Administrator and Company Secretary

Frostrow Capital LLP  
25 Southampton Buildings,  
London WC2A 1AL  
Telephone: 020 3008 4910  
E-Mail: [info@frostrow.com](mailto:info@frostrow.com)  
Website: [www.frostrow.com](http://www.frostrow.com)

*Authorised and regulated by the Financial Services Authority*

If you have an enquiry about the Company or if you would like to receive a copy of the Company's fact sheet by e-mail, please contact Frostrow Capital using the above e-mail address.

### Investment Manager

Lindsell Train Limited  
2 Queen Anne's Gate Buildings, Dartmouth Street,  
London SW1H 9BP  
Website: [www.lindselltrain.com](http://www.lindselltrain.com)

*Authorised and regulated by the Financial Services Authority*

### Auditors

Grant Thornton UK LLP  
30 Finsbury Square, London EC2P 2YU

### Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Capita Registrars, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People) you should dial 18001 from your textphone followed by the number you wish to dial.

### Registrars

Capita Registrars  
Northern House, Woodsome Park,  
Fenay Bridge, Huddersfield,  
West Yorkshire HD8 0LA  
Telephone (in UK): 0871 664 0300<sup>†</sup>  
Telephone (from overseas): +44 (0) 20 8639 3399  
Facsimile: +44 (0) 1484 600911  
E-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
Website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

<sup>†</sup>calls cost 10p per minute plus network extras and may be recorded for training purposes.

### Stockbrokers

Winterflood Investment Trusts  
The Atrium Building, Cannon Bridge,  
25 Dowgate Hill, London EC4R 2GA

### Alliance Trust Savings Limited

PO Box 164,  
Meadow House,  
64 Reform Street  
Dundee DD1 9YP  
Customer Services: 01382 573737\*  
E-Mail: [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk)

\*calls to this number are recorded for monitoring purposes and will be charged at local rates, non-BT line charges may vary.

Please contact Alliance Trust Savings Limited if you have a query concerning an Alliance Trust Savings Scheme, First Steps Plan or ISA account.

### Share Price Listings

The price of your shares can be found in various publications including the Financial Times, and in The Daily Telegraph, The Times, The Scotsman and The Herald.

The Company's net asset value per share is announced daily and is available, together with the share price, on the TrustNet website at [www.trustnet.com](http://www.trustnet.com)

### Identification Codes

Ordinary shares:	SEDOL:	0781606
	ISIN:	GB0007816068
	BLOOMBERG:	FGTLN
	EPIC:	FGT





Finsbury Growth & Income Trust PLC  
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[www.finsburygt.com](http://www.finsburygt.com)