Finsbury Growth & Income Trust PLC Annual Report for the year ended 30 September 2012

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Annual Report for the year ended 30 September 2012

Frostrow CAPITAL

LINDSELL TRAIN

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www.finsburygt.com

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About your Company

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 principally in the securities of UK listed companies, whilst up to a maximum of 20% of the Company's portfolio, at the time of acquisition, can be invested in quoted companies worldwide. 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 portfolio is managed by Lindsell Train Limited and will normally comprise approximately 30 investments. Unless driven by market movements, securities in FTSE 100 companies, and comparable companies listed on an overseas stock exchange, will normally represent between 50% and 100% of the portfolio; securities in FTSE 350 companies and comparable companies listed on overseas stock exchanges will normally represent at least 70% of the portfolio.

Further details of the Company's investment policy are set out in the Report of the Directors on page 14.

Benchmark
Performance is measured against the FTSE All-Share Index (total return).

Investment Awards
Winner:
- Investment Week, Investment Trust of the Year 2010 and 2011, UK Income Category
- Money Week, Investment Trust of the Year 2011, UK Growth & Income Category
- Moneywise, Investment Trust of the Year 2011, UK Growth & Income Category

Capital Structure
At 30 September 2012 the Company had 68,568,381 shares of 25p each in issue (2011: 57,237,423). As at this date no shares were held in treasury (2011: Nil). During the year 11,330,958 new shares were issued. Following the year-end and up to 11 December 2012, the latest practicable date before the printing of this report, a further 2,735,000 new shares have been issued and, as at 11 December 2012, the Company had 71,303,381 shares in issue, carrying one vote each. Therefore, the total voting rights in the Company as at 11 December 2012 are 71,303,381.

Gearing
As at 30 September 2012 the Company is in the second year of its £25 million secured fixed term committed revolving credit facility with Scotiabank Europe PLC (due to expire in October 2013) and, as at that date, a total of £15.3 million was drawn down from this facility. As at 30 September 2011 a total of £13.6 million was drawn down from this facility.

Annual General Meeting
The Annual General Meeting of the Company will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL at 12 noon on Wednesday, 30 January 2013.

Company Summary

Key Statistics

	As at 30 September 2012	As at 30 September 2011	% Change
Share price	376.0p	308.1p	+22.0
Net asset value per share (including income)	370.7p	310.3p	+19.5
Net asset value per share (excluding income)~	365.1p	305.5p	+19.5
Premium of share price to net asset value per share (excluding income)	3.0%	0.9%	
Gearing (net basis)*	5.1%	6.2%	
Shareholders' funds	£254.2m	£177.6m	+43.1
Market capitalisation	£257.8m	£176.4m	+46.1
Number of shares in issue	68,568,381	57,237,423	+19.8

	Year ended 30 September 2012	Year ended 30 September 2011
Share price (total return)#	+23.6%	+6.5%
Net asset value per share total return#	+21.1%	+5.8%
FTSE All-Share Index (total return) (Company benchmark)# +	+17.3%	–4.4%
Ongoing charges*	0.9%	1.0%

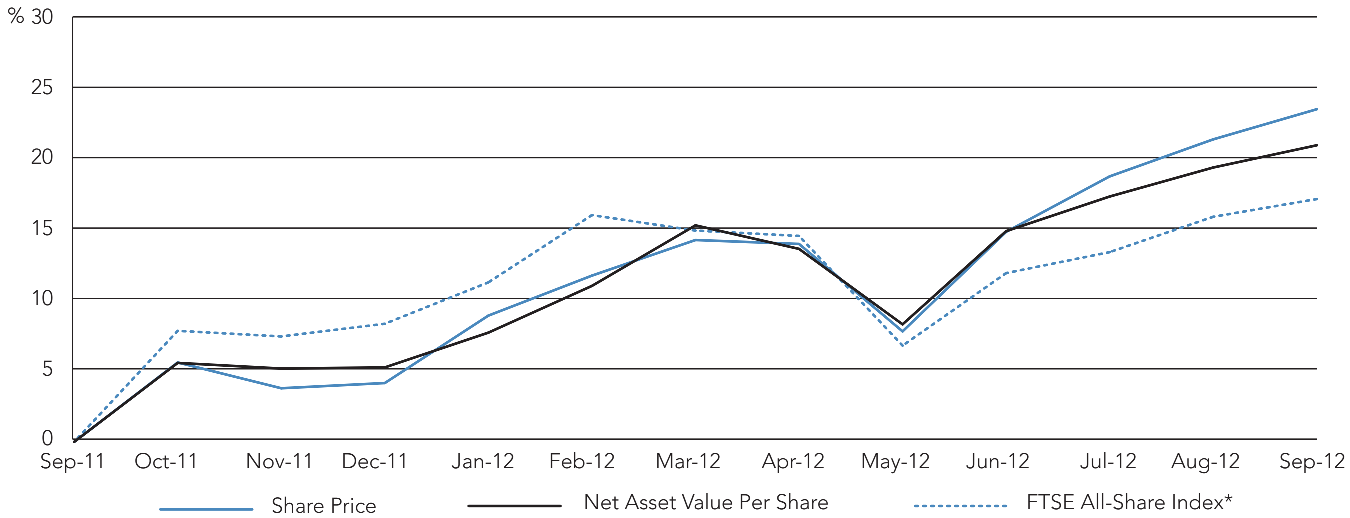
Dividends per Share			
First interim dividend	4.6p	4.4p	
Second interim dividend	5.2p	4.8p	
Please see note 8 on page 42.	9.8p	9.2p	+6.5

#Source – Morningstar

+Source – FTSE International Limited ("FTSE")©FTSE 2012*

*See glossary on page 56.
~excluding accumulated net income as at 30 September.

One Year Total Return Performance to 30 September 2012



Source: Morningstar and FTSE International Limited ("FTSE")©FTSE 2012*
Rebased to 100 at 30 September 2011
*See glossary on page 56 for the FTSE Disclaimer

Chairman's Statement

"…I am delighted to report that the Company's net asset value total return and share price total return have again significantly outperformed the Company's benchmark during the year"

Performance

I am delighted to report that the Company's net asset value total return for the year of 21.1% (2011: 5.8%) and the share price total return of 23.6% (2011: 6.5%) have again both significantly outperformed the Company's benchmark, the FTSE All-Share Index, measured on a total return basis, which rose by 17.3% over the same period. The principal contributions to net asset value performance came from our major holdings in Diageo, Unilever and Rathbone Brothers.

As at 30 September 2012 the premium of the Company's share price to the ex-income net asset value per share was 3.0% (30 September 2011: 0.9%). During the year the Company traded consistently at a premium of not less than 0.5% to the prevailing cum income net asset value per share.

It is also particularly pleasing to note that our Investment Manager's strategy has delivered excellent returns over the last ten years with £100 invested ten years ago now being worth approximately £425. This compares to approximately £235 if you invested in the Company's benchmark. A graph showing the Company's ten year total return can be found on page 7.

Share Capital

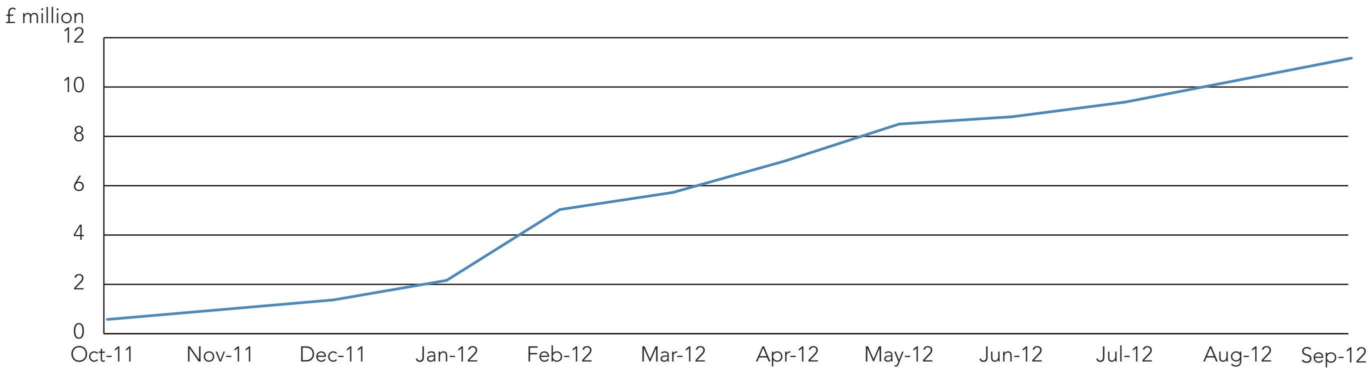
Continued strong demand has meant that the Company's shares have traded consistently close to its net asset value per share. As can be seen in the graph below, in order to satisfy this demand, the Company issued 11,330,958 shares during the year, at a minimum premium of 0.5% to the prevailing cum income net asset value per share at the time of issue, raising £39.2 million of new funds for the Company. The number of shares issued exceeded the maximum number possible under the authority obtained at the Company's Annual General Meeting held in January 2012 and a General Meeting was therefore held in May 2012 where shareholder authority was obtained to issue a further 6.5 million shares on a non-pre-emptive basis at prices not less than the prevailing cum income net asset value per share. The authority granted in May 2012 has been almost fully utilised. Therefore the Company has convened a General Meeting to be held on Friday, 28 December 2012 to obtain shareholder authority to continue to issue further shares on a non-pre-emptive basis at prices not less than the prevailing cum income net asset value per share. The Company's most recent prospectus dated 12 December 2011 is also being renewed in order that your Company is able to continue to issue shares in accordance with the Prospectus Directive under both the existing and reviewed authority. The authority granted in December 2012 will be proposed for renewal at the Company's Annual General Meeting to be held on Wednesday, 30 January 2013.

Return and Dividend

The Income Statement shows a total return per share of 68.8 pence per share (year ended 30 September 2011: 15.8 pence) consisting of a revenue return per share of 10.8 pence (year ended 30 September 2011: 9.7 pence) and a capital return per share of 58.0 pence (year ended 30 September 2011: 6.1 pence).

I am pleased to report that the Company's net revenue return during the year was again higher than the previous year and your Board has declared two interim dividends for the year totalling 9.8 pence per share (year ended 30 September 2011: 9.2 pence) an increase of 6.5%. This is in line with the Board's long-term objective of a progressive dividend policy.

Share Issuance during the Year to 30 September 2012



Source: Frostrow Capital LLP

Chairman's Statement

Continued

Full biographies of our Board of Directors can be found on pages 12 and 13 and on the Company's website. (www.finsburygt.com)

In light of the continued strong demand for the Company's shares and in order to facilitate dividend payments on a timely basis, your Board continues to elect to distribute the Company's income to shareholders by means of two interim dividends.

Borrowings

The Company is in the second year of its £25 million secured fixed term committed revolving credit facility with Scotiabank Europe PLC. The facility is subject to a variable interest rate. As at 11 December 2012 a total of £17.2 million was drawn down from this facility.

The Company's Investment Policy

The Company obtained shareholder approval to amend its Investment Policy in January 2010, to allow up to a maximum of 20% of the Company's portfolio, at the time of acquisition, to be invested in quoted companies outside of the UK. The Board has recently agreed that a further minor amendment should be made such that securities in FTSE 100 companies, and comparable companies listed on an overseas stock exchange will normally represent between 50% and 100% of the portfolio and securities in FTSE 350 companies and comparable companies listed on overseas stock exchanges will normally represent at least 70% of the portfolio. The Board has made this change to ensure that comparable companies listed on overseas stock exchanges are included within the weightings referred to above.

Investment Tax Rules and Proposed Changes to the Company's Memorandum and Articles of Association

New legislation for investment trusts has been introduced and one of the changes has resulted in the removal of the prohibition on the distribution of capital profits by way of dividend.

The Board therefore intends to seek shareholder approval at the Annual General Meeting to amend the Articles of Association to permit the distribution of capital profits by way of dividend. It should be noted that this does not in any way indicate that there will be a change in the Company's dividend policy. The Board believes that this change will provide greater flexibility for future dividends in the context of the Board's long term objective of a progressive dividend policy.

As part of this process the Board is also making a number of other amendments including the deletion of all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association, and the removal of the upper limit of the Company's share capital included in its current Articles of Association.

A Special Resolution will be proposed at the Annual General Meeting which will, if approved, ratify the adoption of new Articles of Association and the deletion of the Memorandum of Association. The material differences between the current and the proposed Articles of Association are summarised on page 50.

Outlook

As mentioned within the half year report, the outlook for the UK economy remains uncertain with the International Monetary Fund having recently scaled down its growth forecasts for both 2012 and 2013. However, with the S&P 500 index up 15% during the calendar year to 30 September 2012, the Nasdaq index up 20% and Apple, the world's biggest company, up over 50% there is evidence that we are in a bull market for equities, particularly in the technology and growth sector.

Against this background, your Board continues to fully support our Investment Manager's strategy. We firmly believe that this will continue to deliver strong investment returns to shareholders over the longer-term.

Further information concerning the portfolio, including dividend prospects, can be found in our Investment Manager's Review beginning on page 5.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 30 January 2013 at 12 noon, and we hope as many shareholders as possible will attend. This will be an opportunity to meet the Board and to receive a presentation from our Investment Manager.

Anthony Townsend
Chairman

11 December 2012

Investment Manager's Review

"...There's plenty to be cheerful about, if you're looking for it"

I've decided to devote this report to an attempt to refute two assertions that have been put to me recently at separate client meetings. I do so because each of the two assertions tells us something about many investors' beliefs and attitudes today toward equity markets. In addition, in attempting the refutation, I can remind shareholders how Lindsell Train goes about trying to make money for them and make some suggestions about the possible shape of equity returns over the next decade or so.

The two assertions are as follows:

"I don't believe anyone could have made any money in UK equities in recent years without trading."

"Equity markets are likely to remain sluggish for at least the next ten years."

Both were made by smart and experienced market watchers and, although making very different claims, both have something in common. What they have in common is a certain cynicism, indeed pessimism, about equities. Perhaps this is not so surprising. As this review is written, in October 2012, the FTSE All-Share Index was still below the level it attained 13 years ago, back in 1999. And there has certainly been enough roller-coaster volatility since then to leave most participants feeling nauseous and uncertain whether they want to stay on for the next leg of the ride. Nonetheless, we disagree with both propositions and below explain why.

As to the first; the idea that because the UK market has gone nowhere, the only way to have made an adequate return was to trade the up swings and the down swings – we have to say: "Well, what about us?" It is for shareholders to determine whether Lindsell Train has earned an adequate return for them over the period of our responsibility the numbers show the Company's net asset value total return running at 7.4% per annum since our appointment, versus the FTSE All-Share at 3.5% per annum. But however else we have achieved that return, we certainly have not done so by trading. Our turnover runs at around 6% per annum on average or looked at another way, it would take 16 years at this rate for us to turn the whole portfolio over once; an average holding period of 16 years for each position. That is, by industry standards, an extraordinarily low level of turnover and is enough, we think, to demonstrate that you don't have to deal like a dervish to generate competitive performance.

In addition, although I was too polite to say it to his face, what I could have said to this first client is something on the following lines. "Sir, you are making a text book error. You persist in thinking about the stock market as though it were a thing that actually exists, as though it were an homogenous entity that shows a propensity to go up and down in lockstep. Of course, such an entity does not exist. Rather, what we are presented with is not a stock market, but a market of stocks. What you call the "market" is actually made up of hundreds of individual companies, each with its own strengths and weaknesses and, critically, each with its own destiny. Forget this chimera of the stock market and ignore the frankly useless predictions that "experts" make about where the market may be in three or 36 months time. Instead concentrate on individual companies and, most important, remember that no one is requiring you to invest in every company. Why not just invest in good companies; they will tend to do better than mediocre ones over time?"

Anyway, this is the way that Lindsell Train looks at the investment challenge. We do more or less ignore the stock market, but we are very, very focussed on the companies to which we've allocated your capital and we've tried to ensure that we are only invested in what we analyse to be good, or preferably great ones.

So, we note that over the last decade there has been plenty to worry about as regards economics, politics and all the rest, and yet all those worries haven't prevented **Unilever, Pearson** or the **London Stock Exchange,** to pick just three "great" businesses from your portfolio, from turning out to be fine investments, if one has been prepared to hold them patiently and put up with the bumps along the way.

This is not to say that such bumps don't present opportunities. Last summer we were thrilled to be offered the chance to accumulate shares for the Company in what we regard as one

Investment Manager's Review

Continued

of the world's great companies; **Heineken**, after a sharp drop in its price. Indeed, we continue to add; now a c. 8% holding. Heineken's stock had been clattered because of concerns that its business on continental Europe would be impaired by the Euro debt crisis. In fact, from that low last August, the shares have risen c. 40%. Now, this is not because those fears about Europe turned out to be unfounded. Heineken's sales have indeed been hit by the crisis. Instead, it is because investors have been reassured by the resilience of profits, even through a difficult period for beer volumes and, more importantly, enthused by Heineken's unfolding strategy to build its sales in Emerging Markets. The high calibre of Heineken's franchise has, to date, turned out to be more important for investors than the immediate troubled economic climate.

Heineken is a good example of the effect – trust the company, not the market – that we are trying to capture for the Company's shareholders, but even we acknowledge that, in the long run, the health and vigour of global capitalism is important for every investment strategy, including ours. Given a choice, we would far prefer the UK stock market to be going up, rather than turning its wheels, because a buoyant stock market would imply an innovative, entrepreneurial and value-creating corporate sector and an even better business environment for our holdings.

Our preference for bull markets bring me to that second assertion: the prediction by a cautious prospective client that he was in no hurry to buy the Company's shares "because equity markets are likely to remain sluggish for at least the next ten years."

Well, who is to say that he's wrong? As I suggested above, we know that all stock market prognostications, including our own, are two-a-penny. However, and with every caveat, we present here three grounds for questioning his pessimism.

1. We might hope that this forecast for sluggish equity markets is, in fact, less of a forecast and rather more of an accurate description of past conditions. Or, put another way, I'd be more impressed if this prediction had been made back in 1999, at the peak of the last equity bull market. 13 years of more or less desperate markets later, it would've been an inspired call. Today it smacks of forecasting more rain because it rained yesterday. We know that a lot of investors – both private individuals and the big institutions – are disenchanted with equities. We see them throwing in the towel and embracing bonds or "alternatives". We can't say for sure that they're wrong, but we might question whether, 13 years from the last peak, they're a little late in abandoning equities.

2. Our client is cautious because everywhere he looks he sees debt and deficits – the heavy burden of public and private debt depressing government and consumer spending, stretching out into the future. We see it too, but we always remember what the late, great investor Sir John Templeton had to say on the subject: "Government deficits always end in inflation". And it is undeniable today that central banks around the world are engaging in ever more spirited legerdemains to create new money. It is easy to see why such lax monetary policies might turn out to be very malign indeed for those assets investors regard as safe today, such as bonds and cash. Meanwhile, good equities, with their inbuilt inflation protection, might turn out surprisingly "unsluggish", even if only in nominal terms.

3. But our most potent riposte to today's prevailing caution about equities is this question: "If things are so terrible in 2012, how come Global Equity markets are up 12% year-to-date?" And the fact is, by late October 2012; Germany is up 22%, Hong Kong 18%, and the S&P 500 index 14%. Meanwhile, even after a recent setback, the world's biggest company by market capitalisation is up over 50% – Apple. Could this actually be a bull market, one that backward-looking, depressed investors are missing? We are not so daft as to proclaim it. But we expect that any genuine bull market will be driven by the same sorts of factors that have helped those leading equity markets do surprisingly well in 2012 namely Emerging Markets and technology. Certainly, those same factors are already helping the Company. **Diageo**, the biggest holding in your portfolio is up 24% so far this year and we're sure it's because the company has been able to announce some smart acquisitions, in Brazil, India and Turkey, which meaningfully increase its exposure to Emerging Markets. Or, **Daily Mail** is up 18%, as the spread of tablet devices and smart phones means that more and more people in more and more countries are entertaining themselves with MailOnline; the site turning profitable for the first time in July 2012.

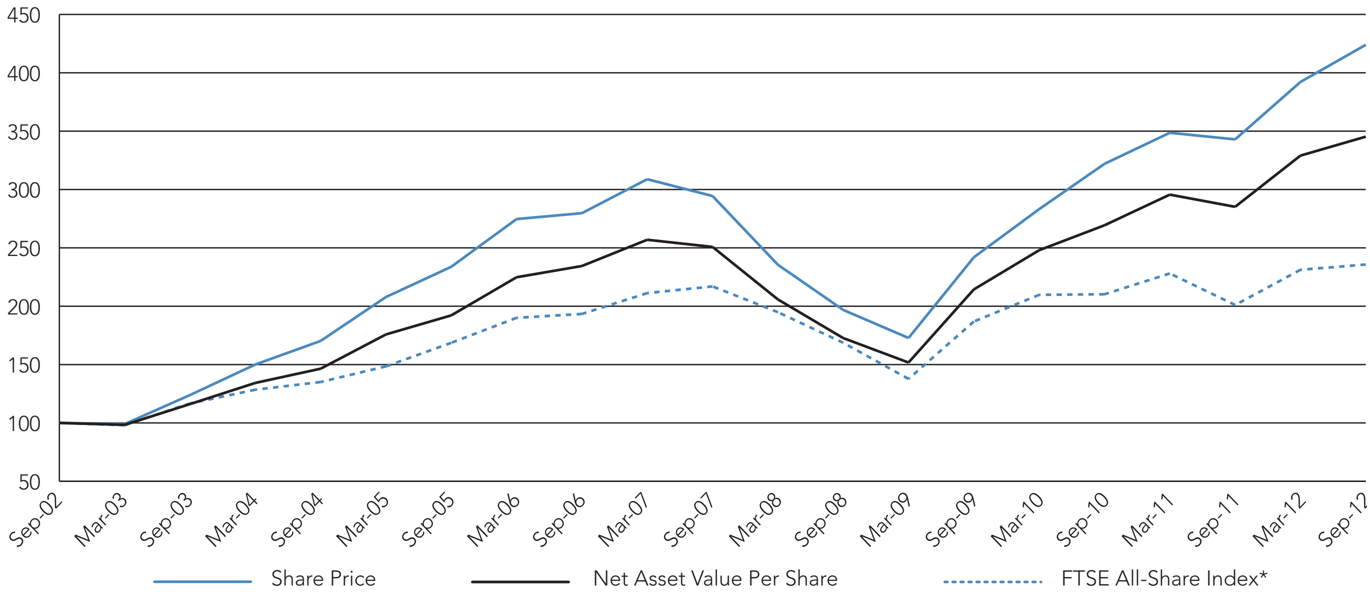
There's plenty to be cheerful about, if you're looking for it.

Nick Train
Director
Lindsell Train Limited
Investment Manager

11 December 2012

Performance

Ten Year Total Return Performance to 30 September 2012



Source: Morningstar and FTSE International Limited ("FTSE")©FTSE 2012*
Rebased to 100 at 30 September 2002
*See glossary on page 56

Five Year Performance Summary	30 Sep 2008	30 Sep 2009	30 Sep 2010	30 Sep 2011	30 Sep 2012
Share price	202.0p	231.0p	297.8p	308.1p	376.0p
Share price total return*	–33.1%	+22.9%	+33.1%	+6.5%	+23.6%
Net asset value per share (including income)	215.5p	249.0p	301.4p	310.3p	370.7p
Net asset value per share (excluding income)	215.5p	243.9p	297.0p	305.5p	365.1p
Net asset value per share (total return)*	–31.4%	+24.0%	+25.6%	+5.8%	+21.1%
FTSE All-Share Index (total return)**	–22.3%	+10.8%	+12.5%	–4.4%	+17.3%
(Discount)/premium of share price to net asset value per share (excluding income)	(6.3)%	(5.3)%	0.3%	0.9%	3.0%
Revenue return per share (see note 7 on page 42)	10.1p	9.1p	8.5p	9.7p	10.8p
Dividends per share (see note 8 on page 42)	9.5p	9.5p	8.8p	9.2p	9.8p
Ongoing charges†	1.0%	0.9%	1.0%	1.0%	0.9%

*Source: Morningstar
**†Source: FTSE International Limited ("FTSE")©FTSE 2012
†See glossary on page 56

Investments

as at 30 September 2012

Rank (2012)	Rank (2011)	Description	Fair Value 2011 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Fair Value 2012 £'000	% of investments
1	1	Diageo	21,397	128	–	8,821	30,346	11.4
2	2	Unilever	19,428	3,124	–	2,366	24,918	9.3
3	24	Heineken Holdings (A Shares)**	1,888	17,120	–	2,110	21,118	7.9
4	4	Pearson	14,618	4,414	–	987	20,019	7.5
5	3	A. G. Barr	17,233	–	–	2,175	19,408	7.3
6	9	Schroders	7,613	3,457	–	1,741	12,811	4.8
7	6	Sage Group	9,466	1,028	–	2,205	12,699	4.8
8	7	Rathbone Brothers	9,373	52	–	2,583	12,008	4.5
9	5	Fidessa	10,597	1,561	–	(772)	11,386	4.3
10	10	Reed Elsevier	7,587	1,811	–	1,637	11,035	4.1
11	16	Daily Mail & General Trust (A Shares)	5,425	2,432	–	2,090	9,947	3.7
12	20	Hargreaves Lansdown	3,765	3,215	–	2,574	9,554	3.6
13	14	London Stock Exchange	5,612	2,863	–	865	9,340	3.5
14	8	Kraft Foods^#	7,845	–	–	1,476	9,321	3.5
15	11	Greene King	6,135	203	–	2,363	8,701	3.2
16	13	Marston's	5,776	–	–	1,355	7,131	2.7
17	15	Euromoney Institutional Investor	5,587	–	–	1,406	6,993	2.6
18	17	Dr Pepper Snapple^	5,394	–	–	578	5,972	2.2
19	12	Burberry Group	5,977	414	–	(890)	5,501	2.1
20	19	Young & Co's Brewery (non-voting)	4,191	816	–	102	5,109	1.9
21	18	Fuller Smith & Turner	4,585	–	–	455	5,040	1.9
22	21	Thomson Reuters~	3,438	1,205	–	62	4,705	1.8
23	22	The Lindsell Train Investment Trust	2,130	–	–	640	2,770	1.0
24	25	Celtic	585	5	–	(31)	559	0.2
25	26	Frostrow Capital LLP+	470	–	–	–	470	0.2
26	27	Celtic 6% (cum preference)*	60	–	–	(6)	54	–
–	23	Lloyds Banking Group 9.25% (non cum preference)*	2,072	–	(2,855)	783	–	–
–	–	Royal Dutch Shell (class action proceeds)***	–	–	(10)	10	–	–
		Total investments	**188,247**	**43,848**	**(2,865)**	**37,685**	**266,915**	**100.0**

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

* Non-equity – Preference Shares
^ Listed in the United States
~ Listed in Canada
\+ Unquoted partnership interest
** Listed in the Netherlands
\# Demerger effective 2 October 2012, Kraft Food's name changed to Mondelez International Inc and the Company received one new share in Kraft Foods Group for every three shares held.
*** The Company disposed of this holding in April 2009.

REVIEWS

Contribution to Total Return

For the year ended 30 September 2012

Investment	Total Return £'000	Contribution per share (pence)*
Equities		
Diageo	9,578	15.3
Unilever	3,142	5.0
Rathbone Brothers	2,997	4.8
Hargreaves Lansdown	2,908	4.6
Greene King	2,720	4.3
Sage Group	2,608	4.2
A.G Barr	2,579	4.1
Heineken Holdings (A Shares)	2,493	4.0
Daily Mail & General Trust (A Shares)	2,369	3.8
Schroders	2,021	3.2
Reed Elsevier	1,986	3.2
Marston's	1,722	2.7
Kraft Foods	1,703	2.7
Pearson	1,649	2.6
Euromoney Institutional Investor	1,584	2.5
London Stock Exchange	1,095	1.7
Dr Pepper Snapple	735	1.2
The Lindsell Train Investment Trust	682	1.1
Fuller Smith & Turner	543	0.9
Young & Co's Brewery (non-voting)	217	0.3
Thomson Reuters	192	0.3
Royal Dutch Shell (class action proceeds)**	10	–
Celtic	(31)	–
Fidessa	(138)	(0.2)
Burberry Group	(763)	(1.2)
	44,601	**71.1**
Preference Shares (franked income)		
Lloyds Banking Group 9.25% (non-cum preference)	880	1.4
Celtic 6% (cum preference)	–	–
	880	**1.4**
Unquoted		
Frostrow Capital LLP	149	0.2
Total contribution after the deduction of withholding taxation	**45,630**	**72.7**
Other deductions including fees & finance charges	(2,438)	(3.9)
Total contribution for the year	**43,192**	**68.8**

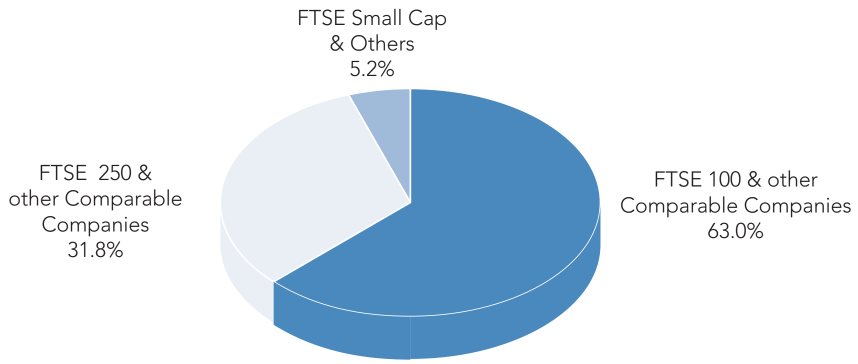
* Based on 62,788,996 shares, being the weighted average number of shares in issue during the year ended 30 September 2012.

** The Company disposed of this holding in April 2009.

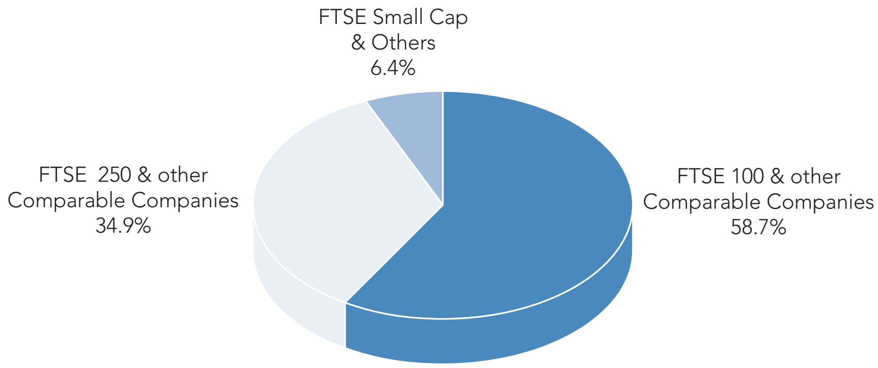
Portfolio Distribution

as at 30 September

2012



2011



Analysis of the Portfolio

as at 30 September 2012

	£'000	%
Listed on a recognised stock exchange	266,391	99.8
Total listed equities	**266,391**	**99.8**
Frostrow Capital LLP	470	0.2
Total unquoted investments	**470**	**0.2**
Celtic 6% (cum preference)	54	–
Total listed preference shares	**54**	**–**
Total investments	**266,915**	**100.0**

Investment by sector

as at 30 September 2012

Investments	Market Value £'000	% of Portfolio
Beverages		**28.8**
Diageo	30,346	
Heineken Holdings (A Shares) **	21,118	
A. G. Barr	19,408	
Dr. Pepper Snapple ^	5,972	
Food Producers		**12.8**
Unilever	24,918	
Kraft Foods ^ #	9,321	
Personal Goods		**2.1**
Burberry Group	5,501	
Media		**19.7**
Pearson	20,019	
Reed Elsevier	11,035	
Daily Mail & General Trust (A Shares)	9,947	
Euromoney Institutional Investor	6,993	
Thomson Reuters ~	4,705	
Travel & Leisure		**10.0**
Greene King	8,701	
Marston's	7,131	
Young & Co's Brewery (non-voting)	5,109	
Fuller Smith & Turner	5,040	
Celtic	559	
Celtic 6% (cum preference)*	54	
Financial Services		**17.6**
Schroders	12,811	
Rathbone Brothers	12,008	
Hargreaves Lansdown	9,554	
London Stock Exchange	9,340	
The Lindsell Train Investment Trust	2,770	
Frostrow Capital LLP +	470	
Software & Computer Services		**9.0**
Sage Group	12,699	
Fidessa	11,386	
Total Portfolio	**266,915**	**100.0**

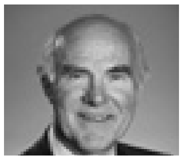
* Non- equity- Preference Shares
^ Listed in the United States
~ Listed in Canada
+ Unquoted partnership interest
** Listed in the Netherlands
# Demerger effective 2 October 2012, Kraft Food's name changed to Mondelez International Inc and the Company received one new share in Kraft Foods Group for every three shares held.

Board of Directors

All members of the Board are non-executive. None of the Directors has any other connections with the Investment Manager or is employed by any of the companies in which the Company holds an investment.

	 **Anthony Townsend** Non-Executive Chairman	 **John Allard** Non-Executive Director	 **Neil Collins** Non-Executive Director
Background and experience	Anthony Townsend, (64), rejoined the Board in February 2005 and became Chairman in January 2008. He has spent over 40 years working in the City and was Chairman of the Association of Investment Companies from 2001 to 2003.	John Allard, (66), has served on the Board since 2000. He was an Investment Manager with M&G for over 20 years, specialising in equity income funds. John has been a Director of various investment trust companies since 1981.	Neil Collins, (65), joined the Board in 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. A former columnist for the London Evening Standard and commentator for Reuters, Neil currently writes a column for the Financial Times on Saturdays.
Date of appointment	1 February 2005 Appointed as Chairman on 30 January 2008	11 October 2000	30 January 2008
External appointments	• Baronsmead VCT 3 plc (Chairman) • British & American Investment Trust PLC (Chairman) • F&C Global Smaller Companies PLC (Chairman) • Miton Worldwide Growth Investment Trust PLC (Chairman) • Worldwide Healthcare Trust PLC		• Templeton Emerging Markets Investment Trust PLC
Committee membership	• Audit Committee • Chairman of the Management Engagement Committee	• Audit Committee • Management Engagement Committee	• Audit Committee • Management Engagement Committee

Board of Directors

	David Hunt, FCA	Vanessa Renwick	Giles Warman
	 Non-Executive Director	 Non-Executive Director	 Non-Executive Director
Background and experience	David Hunt, (65), joined the Board in 2006. A Chartered Accountant, he was formerly a Director in the Assurance and Business Services division of Smith & Williamson Limited. Prior to that he was a partner at both Binder Hamlyn and Andersen. David has over 30 years' experience advising quoted companies. He is the Senior Independent Director.	Vanessa Renwick, (51), has served on the Board 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, (64), has served on the Board since 1988. Giles was formerly employed by Numis Securities Limited, prior to this he was a partner at Sheppards & Chase and a Director of Charterhouse Tilney. He has over 40 years' experience in the investment industry.
Date of appointment	6 July 2006	11 October 2000	29 December 1988
External appointments	• Church of England Pensions Board (member of the Audit Committee)		• European Assets Trust NV
Committee membership	• Chairman of the Audit Committee • Management Engagement Committee	• Audit Committee • Management Engagement Committee	• Audit Committee • Management Engagement Committee

Report of the Directors incorporating the Business Review

The Directors present their report and the financial statements for the year ended 30 September 2012.

Introduction

The Report of the Directors includes the Business Review and Corporate Governance Statement. The Business Review contains a review of the Company's business, the principal risks and uncertainties it faces and an analysis of its performance during the financial year and the position at the year end and the future business plans of the Company. To aid understanding of these areas the Board has included an analysis using appropriate Key Performance Indicators. The Business Review, prepared in accordance with the requirements of Section 417 of the Companies Act 2006, should be read in conjunction with the Chairman's Statement on pages 3 and 4, the Investment Manager's Review on pages 5 and 6 and the analyses on pages 7 to 11.

Business and Status of the Company

The Company is registered as a public limited company and is an investment company within the terms of Section 833 of the Companies Act 2006. Its shares are listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange. The Company has received approval from HM Revenue & Customs as an authorised investment trust under Section 1158 of the Corporation Tax Act 2010 ("CTA 2010"), for the year ended 30 September 2011 and all previous periods. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. In the opinion of the Directors, the Company continues to direct its affairs so as to enable it to continue to qualify for such approval.

Subsequent to 30 September 2012, the upfront application for approval as an investment trust, for the period which commenced on 1 October 2012, was made. Approval was received from HM Revenue & Customs in November 2012.

The Company's shares are eligible for inclusion in the following: Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs.

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 principally in the securities of UK quoted companies, although up to a maximum of 20% of the Company's portfolio, at the time of acquisition, can be invested in quoted companies worldwide. 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 portfolio is managed by Lindsell Train Limited ("Lindsell Train" or the "Investment Manager") and will normally comprise approximately 30 investments. Unless driven by market movements, securities in FTSE 100 companies, and comparable companies listed on an overseas stock exchange will normally represent between 50% and 100% of the portfolio; securities in FTSE 350 companies and comparable companies listed on overseas stock exchanges will normally represent at least 70% of the portfolio.

The Company does not and will not invest more than 15%, in aggregate, of the value of the gross assets of the Company in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.

Further, the Company does not and will not invest more than 10%, in aggregate, of the value of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15% of their gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.

No investment will be made in any company or fund where Lindsell Train acts as the investment manager without the prior approval of the Board.

The Board has set a gearing level of between 5% and 25% of the Company's net assets. Any gearing ratio outside these limits will be subject to Board approval.

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 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 listed businesses that appear undervalued.

Report of the Directors

Continued

Results and Dividends

The results attributable to shareholders for the year are shown on page 34. The dividends for the year to 30 September 2012 were:

	2012 £'000	2011 £'000
First Interim dividend paid of 4.6p per share (2011: 4.4p)	2,899	2,353
Second Interim dividend paid of 5.2p per share (2011: 4.8p)	3,579	2,740
Total	6,478	5,093

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 portfolio in the most beneficial way to achieve the highest returns for shareholders. The Company's net asset value per share total return for the year was 21.1%. The Company's benchmark, the FTSE All-Share Index (measured on a total return basis) rose by 17.3% during the same period. The Company's share price total return for the year was 23.6%. The Contribution to Net Asset Value table for the year under review, is detailed on page 9.

The Board recognises that income return is also important to shareholders. Due to an increase in the Company's net revenue this year, the Company paid an increased second interim dividend of 5.2p per share (2011: 4.8p per share), making total dividends for the year of 9.8p per share compared to a total of 9.2p per share for the previous year.

The Board continually reviews overall performance. The Company's net asset value per share is announced daily via a regulatory news service and is available online (see page 58 of this annual report for details).

Monitoring Performance – Key Performance Indicators ("KPIs")

At each Board meeting, the Board considers a number of performance measures to assess the Company's success in achieving its investment objective. The key KPI's are as follows:

- Net asset value per share total return (see pages 2 and 7)
- Share price total return (see pages 7 and 32)
- Revenue return per share (see pages 34 and 42)
- Share price premium/(discount) to net asset value per share analysis (see page 7)
- Benchmark performance (see pages 7 and 32)

As indicated, Lindsell Train has been appointed by the Board as Investment Manager and Frostrow Capital LLP ("Frostrow" or the "Manager") has been appointed as the Company's Manager, Company Secretary and Administrator. 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 approaches adopted, are as follows (further information on the Company's risk management strategy can be seen in note 16 beginning on page 45).

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.

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 operates an active

Report of the Directors

Continued

discount control mechanism with the aim of limiting the discount of the share price to the ex-income net asset value per share to a maximum of 5%. In the event of shares being re-purchased by the Company, such shares may be held in treasury for reissue into the market when demand arises. Shareholders should note that it remains possible for the share price discount to the ex-income net asset value per share to be greater than 5% on any one day and this 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.

Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential gain or 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 portfolio in order to review the risk associated with particular instruments, as well as receiving a report from the Investment Manager on the portfolio and its performance. 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 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 portfolio is monitored closely by the Investment Manager.

Currency Risk

Movements in exchange rates could adversely affect the Company's financial performance. Currently four of the Company's investments are not denominated in sterling. The return to shareholders will be affected by changes in the value of sterling to those foreign currencies in which certain investments are held (see note 16 on pages 46 and 47).

The Board has made clear the Company's position with regard to currency fluctuations, which is that it does not currently hedge against currency exposure.

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 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.

Operational and Regulatory Risk

Failure to qualify as an Investment Trust under the terms of Section 1158 of the CTA 2010 may lead to the Company being subject to corporation tax on its capital profits. A breach of the Listing Rules of the Financial Services Authority ("FSA") may result in censure by the FSA and/or the Company's suspension from listing. 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. An independent custodian has been appointed by the Company to safeguard the assets of the Company.

The Manager and the Investment Manager review the level of compliance with Section 1158 of the CTA 2010 and other financial regulatory requirements on a continuous 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

Report of the Directors
Continued

Board ensures that satisfactory assurances are received from its various service providers. In addition, each of the third party providers provides a copy of its report on internal controls (SAS 70, AAF or equivalent) to the Board each year. The Manager's and the Investment Manager's Compliance Officers also 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 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 within the Investment Manager who works with the designated portfolio manager who could take over if necessary.

Fixed Asset Investments
The fair value of the Company's investments at 30 September 2012 was £266,915,000 (2011: £188,247,000) showing a gain since acquisition of £100,286,000 (2011: gain £60,810,000). Taking these investments at this valuation, the net assets attributable to each share at 30 September 2012 amounted to 370.7p (2011: 310.3p).

Issue of Shares
At the Annual General Meeting held on Wednesday, 18 January 2012, authority to allot up to 5,916,216 shares on a non pre-emptive basis was granted.

All of the shares available under the allotment authority granted at the Annual General Meeting held in January 2012 have been issued and the Company held a General Meeting on Friday, 11 May 2012 where shareholder authority was obtained to issue a further 6,507,838 shares on a non-pre-emptive basis at prices not less than the prevailing cum income net asset value per share. The authority granted in May 2012 has been almost fully utilised and the company will hold a General Meeting on Friday, 28 December 2012 in order to obtain Shareholder approval to issue a further 7,080,388 shares on a non-pre-emptive basis at prices not less than the prevailing cum income net asset value per share. A prospectus has also been published in order to obtain admission to the Official List maintained by the UK Listing Authority of any shares issued pursuant to the authority obtained.

During the year, 11,330,958 new shares were issued during the year by the Company at a minimum of a 0.5% premium to the estimated cum income net asset value per share at the time of issue. Since the year-end and to the date of this report, a further 2,735,000 new shares were issued under the same issuance criteria.

Repurchase of 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 the ex-income 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 (at a discount less than 5% to the ex income net asset value per share) when demand is present, are in the best interests of the Company and shareholders. During the year no shares were repurchased by the Company, and no shares were reissued out of treasury. As at 11 December 2012 no shares were held in treasury.

The reissue of shares at a discount to the Company's prevailing ex income net asset value per share would have a dilutive effect on the net asset value per share.

Current and Future Developments
A review of the Company's year, its performance since the year-end and the outlook for the Company can be found in the Chairman's Statement on pages 3 and 4 and in the Investment Manager's Review on pages 5 and 6. 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.

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

Lindsell Train was appointed Investment Manager to the Company in December 2000. Lindsell Train has given Mr Nick Train responsibility for managing the Company's 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.

The Board looks to the Investment Manager to deliver investment performance.

Report of the Directors

Continued

The Investment Manager continues to manage the 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.

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

Frostrow is responsible for providing company secretarial, administrative, accounting and marketing services. Details of the appointment of each party are given below.

Investment Management Agreement: Under the terms of the Investment Management Agreement, Lindsell Train provides 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;
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company; and
- marketing.

Management, Secretarial Services and Administrative Agreement: Management, Secretarial, Administrative and other services are provided to the Company by Frostrow.

Under the terms of the Management, Secretarial Services and Administrative Agreement Frostrow 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, Company Secretarial and Administration Agreement with Frostrow is 12 months and may be terminated by either party.

Frostrow, under the terms of the Management, Secretarial Services and Administrative Agreement provides *inter alia* the following services:

- marketing and shareholder services;
- company secretarial and administrative services;
- advice and guidance in respect of corporate governance requirements;
- performance measurement reports;
- maintenance of adequate accounting records and management information;
- 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.

Performance Fee:

In the year under review, no performance fee was accrued or paid (30 September 2011: Nil).

Dependent on the level of performance achieved, Lindsell Train and Frostrow 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 adjusted market capitalisation per share, but only after attainment of an absolute return hurdle, which is the sum of the increase in the Retail Price Index ("RPI") in the year, plus a fixed return of 6%. The performance fee is calculated annually and is based on 15% of the outperformance per share over the absolute return hurdle. Lindsell Train receives 85% and Frostrow receives 15% of the performance fee. During the year the RPI rose by 2.65%, therefore the performance fee hurdle, as at 30 September 2012, was 551.70p per share, being 8.65% above the hurdle at 30 September 2011. The Company's adjusted market capitalisation per share as at 30 September 2012 was 375.91p. The total fixed, periodic and performance fees payable in any one year to Lindsell Train and Frostrow 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.

Holding in The Lindsell Train Investment Trust plc and Partnership Interest in Frostrow Capital LLP

In 2001 the Company acquired a holding, equivalent to 5% of its issued share capital, in The Lindsell Train Investment

Report of the Directors

Continued

Trust plc, which is managed by Lindsell Train, the Company's Investment Manager. The Lindsell Train Investment Trust plc owns 25% of Lindsell Train and so the Company has an indirect interest of 1.25% in Lindsell Train.

The Company also acquired a 10% interest in Frostrow at a cost of £150,000 in 2007, of which £75,000 was repaid to the Company by Frostrow in 2008. The valuation of the Company's investment in The Lindsell Train Investment Trust plc and Frostrow at the year end can be found on page 8.

Investment Manager, Manager Evaluation and Re-Appointment

The review of the performance of Lindsell Train as Investment Manager and Frostrow as Manager 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 Investment Manager and the Manager and receives regular reports and views from them. The Board also receives comprehensive 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 Investment Manager and the Manager, under the terms described on the previous page, is in the best 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 allocated by the Investment Manager to the management of the portfolio, the Clarity and rigour of the investment process, the level of past performance of the portfolio in absolute terms and also by reference to the benchmark index; and

– the quality and depth of experience of the management, company secretarial, administrative and marketing team that the Manager allocates to the management of the Company.

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 liquid 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 2012, the Company did not have any trade creditors (2011: Nil).

Social, Economic and Environmental Matters

The Company invests principally in the securities of UK quoted companies, although up to a maximum of 20% of the Company's portfolio, at the time of acquisition, can be invested in quoted companies worldwide. The Board recognises that this should be achieved by investing in an environmentally responsible and ethical way. The Directors, through the Company's Investment Manager, encourage companies in which investments are made to adhere to best practice with regard to Corporate Governance. They believe that this can best be achieved through dialogue with company management to persuade them, where necessary, to improve their policies in this area. However, 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 high standards of corporate governance and considerable regard both for the welfare of their employees and on environmental matters in relation to areas where their operations are located.

The Company itself owns no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint.

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.

Directors

The Directors of the Company, all of whom served throughout the year, are shown below. Further information on the Directors can be found on pages 12 and 13.

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

Report of the Directors

Continued

Directors' Interests

The beneficial interests in the Company of the Directors and also of Mr Nick Train, the individual with responsibility for managing the Company's portfolio at Lindsell Train and Mr Alastair Smith, Managing Partner at Frostrow Capital, and their families were as set out below:

	Number of shares held 30 September 2012	30 September 2011
Anthony Townsend	127,968	120,638
John Allard	19,604	17,094
Neil Collins	21,986	12,986
David Hunt	23,500	20,500
Vanessa Renwick	18,514	18,514
Giles Warman	78,540	78,540
Alastair Smith	43,621	30,251
Nick Train	153,486	133,179

Mr Allard purchased a further 636 of the Company's shares between 30 September 2012 and the date of this report.

Mr Smith purchased a further 3,000 of the Company's shares between 30 September 2012 and the date of this report.

Mr Train purchased a further 7,000 of the Company's shares between 30 September 2012 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 31 and 32.

Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 30 September 2012. It is intended that this policy will continue for the year ended 30 September 2013 and subsequent years.

Directors' Indemnities

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the offices of Frostrow Capital LLP during normal business hours and will be available for inspection at the Annual General Meeting.

Capital Structure

The following information is disclosed in accordance with Part 6 of Schedule 7 of The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008:

- The Company's capital structure and voting rights are summarised on page 1;
- Details of the substantial shareholders in the Company are listed on page 21;
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association;
- The giving of powers to issue or buy back the Company's shares requires the relevant resolution to be passed by shareholders. Proposals for the renewal of the Board's current powers to issue and buy back shares are detailed on pages 22 and 23;
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid; and
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Report of the Directors

Continued

Substantial Share Interests

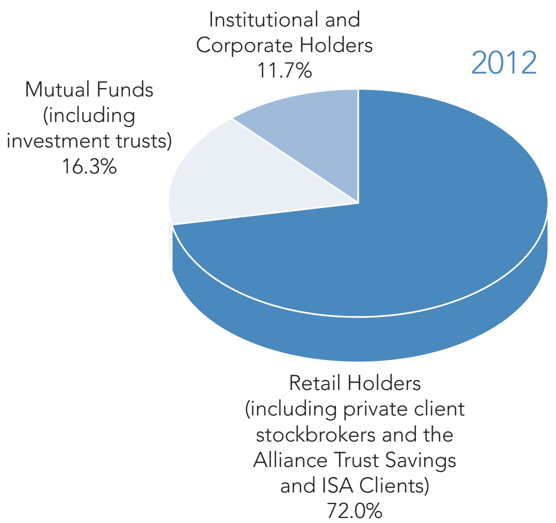
The Company was aware of the following substantial interests in the voting rights of the Company:

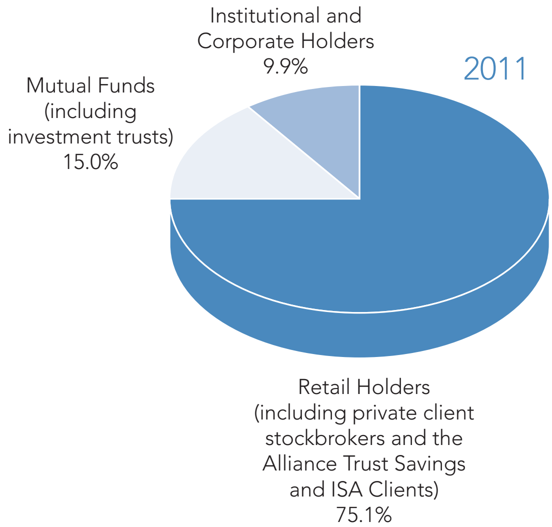
		30 September 2012		30 November 2012	
Number of Fund manager	Registered holder	Number of shares	% of shares	Number of shares	% of shares
Brewin Dolphin	Various Brewin Nominee Managed Accounts	11,262,641	16.53	11,776,732	16.75
Alliance Trust Savings	Alliance Trust Savings Nominees	6,947,452	10.20	7,290,446	10.37
Rathbone	Various Rathbone Nominee Managed Accounts	4,969,998	7.29	5,053,694	7.19
Investec Wealth & Investment	Various Nominee Accounts	4,191,366	6.15	4,255,485	6.05
Henderson Global Investors	Various Nominee Accounts	3,421,550	5.02	2,906,155	4.13
JP Morgan Asset Management	Chase Nominees	2,847,041	4.18	3,102,567	4.41
Scottish Widows	Various Nominee Accounts	2,691,517	3.95	2,698,178	3.84
Charles Stanley	Rock Nominees	2,602,327	3.82	2,677,972	3.81

As at 30 September 2012 the Company had 68,568,381 shares in issue. As at 30 November 2012 the Company had 70,578,381 shares in issue.

Shareholder Analysis

% of Shares held on 30 September





Auditor

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

Audit Information

So far as the Directors are aware, there is no relevant information of which the Auditors are unaware. The Directors 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.

Corporate Governance

A formal statement on Corporate Governance is set out on pages 25 to 30 and forms part of the Report of the Directors.

Beneficial Owners of Shares – Information Rights

The 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.

Directors' Remuneration

The Directors Remuneration Report on pages 31 and 32 details the fees paid to the Company's Directors for the years to 30 September 2011 and 30 September 2012.

The Bribery Act 2010

The Board of Finsbury Growth & Income Trust PLC has adopted a zero tolerance approach to instances of bribery and

Report of the Directors

Continued

corruption. Accordingly it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's anti Bribery and Corruption policy can be found on its website at www.finsburygt.com.

Notice Period for General Meetings

At last year's Annual General Meeting, a special resolution was passed allowing general meetings of the Company to be called on a minimum notice period provided for in the Companies Act 2006. For meetings other than Annual General Meetings this is a period of 14 clear days.

The Board believes that it should continue to have the flexibility to convene general meetings of the Company (other than annual general meetings) on 14 clear days' notice.

The Board is therefore proposing Resolution No. 14 as a special resolution to approve 14 clear days as the minimum period of notice for all General Meetings of the Company other than Annual General Meetings. The notice period for Annual General Meetings will remain 21 clear days.

The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this resolution.

Annual General Meeting

The formal notice of Annual General Meeting is set out on pages 51 to 55 of this Annual Report. Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

Issue of Shares

Ordinary Resolution No. 10 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,782,584 (equivalent to 7,130,338 shares, or 10% of the Company's existing issued share capital on 11 December 2012, 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 551 of the Companies Act 2006 (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. 11 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 11 December 2012 (reduced by any treasury shares sold by the Company pursuant to Resolution No. 12, as described below), as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 10. 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 Section 724 of the Companies Act 2006 ('s724') 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. It is a requirement of s724 that such sale 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. 11, Resolution No. 12, if passed, will give the Directors authority to sell shares held in treasury on a non pre-emptive basis. 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. Any re-sale of treasury shares would only take place at a narrower discount to the ex-income 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 ex-income net asset value per share, and this is reflected in the text of Resolution No. 12. 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 11 December 2012 (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution No. 11, 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.

Report of the Directors

Continued

The Directors intend to use the authority given by Resolutions Nos. 10, 11 and 12 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.

Share Repurchases

At the Annual General Meeting held on Wednesday, 18 January 2012, 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. 13 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 11 December 2012, being the nearest practicable date prior to the signing of this Report, (amounting to 10,688,376 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.

General Meetings

Special Resolution No. 14 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice.

Amendment to Articles of Association

It is proposed to make certain changes to the Company's Articles of Association in order to (i) take advantage of HM Government's reform of the tax and company law rules affecting investment trusts by removing the prohibition on distributing capital profits, which the Company is no longer required to include; (ii) reflect the increase in the maximum aggregate limit of directors' fees from £150,000 to £200,000 (exclusive of any applicable VAT), approved at the Annual General Meeting held on 18 January 2012; (iii) remove the upper limit of the Company's share capital, which is no longer required pursuant to the Companies Act 2006; and (iv) make other technical amendments so that the Articles of Association conform to the Companies Act 2006 and other legislation applicable to companies and current best practices in its current form. Accordingly, Special Resolution No. 15 will be put to the Annual General Meeting to be held on 30 January 2013. Details of the changes are set out on page 50 of this Annual Report.

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 as the Directors intend to do in respect of their own beneficial holdings totalling 290,748 shares.

By order of the Board

Frostrow Capital LLP
Company Secretary

11 December 2012

Statement of 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 UK accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping adequate 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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) and via the website of the Manager (website address: 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, whose details can be found on pages 12 and 13, 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 return for the year ended 30 September 2012, 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 4.1.11R of the FSA's Disclosure and Transparency Rules.

On behalf of the Board

Anthony Townsend
Chairman

11 December 2012

Corporate Governance

This Corporate Governance Statement forms part of the Report of the Directors.

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"), both of which can be found on the AIC website www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code published in May 2010 (the "UK Governance Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC code, and by reference to the AIC Guide (which incorporates the UK Governance Code), will provide better information to shareholders. A copy of the UK Governance Code can be found at www.frc.org.uk. The Board has noted the recommendations of the UK Corporate Governance Code published in October 2012 (applicable for financial years beginning after 1 October 2012) and will duly report on these recommendations in the Company's 2013 Annual Report.

The Board considers that it has managed its affairs throughout the year ended 30 September 2012 in compliance with the recommendations of the AIC Code and the relevant provisions of the UK Governance Code, except as set out below:

- 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 the Company, being an externally managed investment trust. 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 who is responsible for its leadership and for ensuring its effectiveness in all aspects of its role, currently consists of six non-executive Directors. The Directors' biographical details, set out on pages 12 and 13, demonstrate a breadth of investment, commercial and professional experience. David Hunt has been designated as the Senior Independent Director, who can act as a sounding board for the Chairman and also acts as an intermediary for the other Directors when necessary. The Directors review their independence annually.

The Company's Articles of Association provide that a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting and that all Directors are required to submit themselves for re-election at least once every three years. While the Company is not a FTSE 350 company the Board has implemented the provisions of the UK Governance Code whereby all Directors of the Company stand for re-election on an annual basis.

John Allard, Vanessa Renwick (who both joined the Board in 2000) and Giles Warman (who became a Director in 1988) have all served in excess of nine years on the Board. Nonetheless, the Board considers them to be independent in character and judgement and does not consider that the criterion of length of service should necessarily preclude them from being so considered. Anthony Townsend, who rejoined the Board in 2005, David Hunt, appointed a Director in 2006 and Neil Collins who became a Director in 2008, are all also considered by the Board to be independent. 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. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgement and that there are no other relationships or circumstances which are likely to affect their judgement. The Board has considered the position of Mr Townsend, Mrs Renwick and Messrs Allard, Collins, Hunt and Warman as part of the evaluation process, and believes that it would be in the Company's best interests to propose them for 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

Corporate Governance

Continued

serve for a minimum period of three years and 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 Chairman also regularly reviews the training and development needs of each Director. Directors' appointments are reviewed formally every three years by the Board. Any Director may resign in writing to the Board at any time.

The Board also receives regular briefings from, amongst others, the Auditors and the Company Secretary regarding any proposed developments or changes in laws and regulatory requirements 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 and the review of investment performance and investment policy which is set out on page 14 of this annual report. 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

Since the year-end the performance of the Board, committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Chairman. This involved the circulation of a Board effectiveness checklist, tailored to suit the nature of the Company, followed by discussions between the Chairman and each of the Directors. The performance of the Chairman was evaluated by the other Directors under the leadership of David Hunt.

Conflicts of Interest

It is a statutory requirement that a Director must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a "situational conflict").

It is the responsibility of each individual Director to avoid an unauthorised conflict situation arising. He or she must request authorisation from the Board as soon as he or she becomes aware of the possibility of a situational conflict arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether they should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from performing his or her duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgment and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and 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 are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at quarterly Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

Corporate Governance

Continued

Committees of the Board

During the year the Board delegated certain responsibilities and functions to committees. In line with the AIC Code, the Nominations and Remuneration function is carried out by the full Board under the Chairmanship of the Chairman of the Company, 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 and via the website of the Manager at www.frostrow.com. The Audit Committee is chaired by David Hunt. All Directors of the Company, including the Chairman of the Company, are members of this Committee to enable them to be kept fully informed of any issues that may arise. The Directors believe that Mr Hunt, a Chartered Accountant, has relevant financial knowledge and experience to enable him to chair this Committee effectively. The Management Engagement Committee is chaired by the Chairman of the Company, Anthony Townsend. Again, all Directors of the Company are members of this Committee to enable them to be kept fully informed of any issues that may arise.

The table below 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.

Audit Committee

The Company's Audit Committee meets at least twice per year. The Audit Committee is responsible for the review of the Annual Report and the Half Year 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 Auditor also attends the Audit Committee at the Audit Committee's request and reports on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. The Committee meets with the external Auditor, without representatives of the Manager and the Investment Manager being present, at least once a year.

Management Engagement Committee

The Management Engagement Committee meets at least once per year. 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 also the Company's other service providers. The Committee last met in September 2012, 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.

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

Type and number of meetings held in the year to 30 September 2012	Board (5)	Audit Committee (3)	Management Engagement Committee (1)
Anthony Townsend	5	3	1
John Allard	5	3	1
Neil Collins	4	3	–
David Hunt	4	2	–
Vanessa Renwick	5	3	1
Giles Warman	5	3	1

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 18 January 2012.

Corporate Governance

Continued

Board Diversity

The Company welcomes the objectives of the Davies Report to improve the performance of corporate boards by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Company recognises the benefits of diversity on the Board, including gender, and takes this into account in its Board appointments. The Company is committed to ensuring that any director search process actively seeks persons with the right qualifications so that appointments can be made, on the basis of merit, against objective criteria from a diverse selection of candidates. To this end the Board will continue to dedicate time to consider diversity during any director search process.

Internal Controls

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming a reality; and
- the Company's ability to reduce the incidence and impact of risk on its performance.

Against this background, the Board has split the review of risk and associated controls into five sections reflecting the nature of the risks being addressed. These sections are as follows:

- corporate strategy;
- investment activity;
- published information, compliance with laws and regulations;
- service providers; and
- financial activity.

The Company, which has outsourced all its activities, has obtained assurances and information from its various service providers relating to their internal systems and controls to enable the Board to make an appropriate risk and control assessment, including the following:

- details of the control environment in operation;
- identification and evaluation of risks and control objectives;
- review of communication methods and procedures; and
- assessment of the control procedures.

The key procedures which have been established to provide internal financial controls are as follows:

- investment management is provided by Lindsell Train. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings;
- company secretarial, administration and marketing duties for the Company are performed by Frostrow;
- custody of assets is undertaken by The Bank of New York Mellon;
- the duties of Investment Manager, Manager and the Custodian are segregated. The procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Investment Manager and the Manager in detail on a regular basis.

All of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board or on its behalf by Frostrow.

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the system of risk management and internal financial control during the year, through the procedures set out above.

Relations with Shareholders

Accordingly, 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. Accordingly, steps have been taken to ensure that the Board develops an understanding of the views of the major shareholders about the Company. 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.

Corporate Governance

Continued

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 pages 29 and 30.

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 Half Year Reports, the Interim Management Statements and a monthly fact sheet are available to all shareholders. The Board considers the format of the Annual and Half Year 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.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or any other member of the Board may do so by writing to the Company Secretary, at the address set out on page 58 or by emailing to info@frostrow.com.

Proxy Voting and Stewardship

The Financial Reporting Council ('FRC') published the revised UK Stewardship Code (the 'Code') for institutional shareholders on 1 October 2012. The purpose of the Code is to improve the quality of engagement between institutional investors and companies to help enhance long-term returns to shareholders and assist institutional investors with the exercise of their governance responsibilities. The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for monitoring the activities of portfolio companies to the Investment Manager. The Board has reviewed and accepts the Investment Manager's Corporate Governance Principles, which may be found on their website, at www.lindselltrain.com. These Principles set out the Investment Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Investment Manager has invested or is considering investing. The Board has also reviewed the Investment Manager's Disclosure Response to the UK Stewardship Code, which also appears on the Investment Manager's website given above.

The Investment Manager is responsible for reviewing, on a regular basis, the publications produced by the portfolio companies and also for attending company meetings. The Investment Manager, in the absence of explicit instruction from the Board is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Investment Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Investment Manager regular reports on the exercise by the Investment Manager of the Company's voting rights and discusses with the Investment Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

Accountability and Audit

The Directors' statement of responsibilities in respect of the financial statements is set out on page 24. The report of the Company's auditor is set out on page 33. The Board has delegated contractually to external agencies, including the Manager and the Investment Manager, the management of the 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

Corporate Governance
Continued

– 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.

By order of the Board

Frostrow Capital LLP
Company Secretary

11 December 2012

Directors' Remuneration Report

for the year ended 30 September 2012

The Board has prepared this report, in accordance with the requirements of Schedule 8 to The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. 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 33.

Policy on Directors' Fees

The Company follows the recommendations of the AIC Code that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent. The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, and is determined with reference to comparable organisations and appointments. There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for non-executive Directors. It is intended that this policy will continue for the year ending 30 September 2013 and for subsequent financial years.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount currently being £200,000 per annum, 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 to re-election annually thereafter. 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

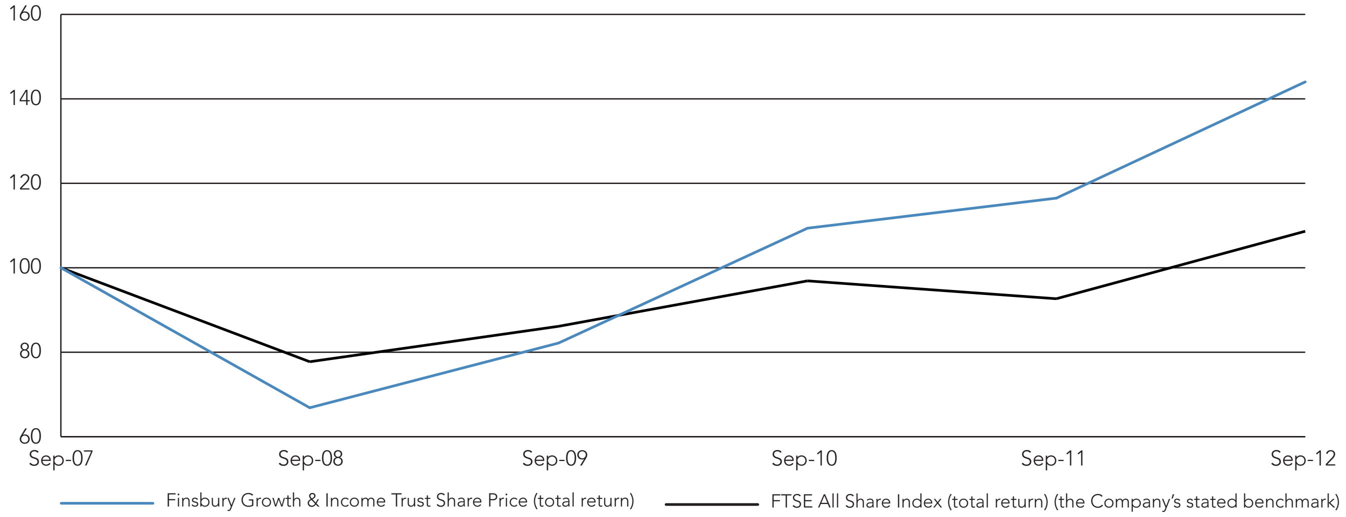
The law requires a line graph be included in the Directors' Remuneration Report showing total shareholder return for each of the financial years in the relevant period. The graph set out below compares, on a cumulative basis, the total return (assuming all dividends are reinvested) to shareholders compared 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 (total return) (the Company's stated benchmark) is calculated.

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.

Directors' Remuneration Report

Continued

Five Year Total Shareholder Return to 30 September 2012



Source: Morningstar and FTSE International Limited ("FTSE")©FTSE 2012*
Rebased to 100 at 30 September 2007
*See glossary on page 56

Directors' Emoluments for the Year (audited)

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

	Fees 2012	Fees 2011
Anthony Townsend (Chairman)	£30,000	£27,500
John Allard	£20,000	£18,000
Neil Collins	£20,000	£18,000
David Hunt*	£23,000	£21,000
Vanessa Renwick	£20,000	£18,000
Giles Warman	£20,000	£18,000
	£133,000	£120,500

* Chairman of the Audit Committee and Senior Independent Director

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 11 December 2012 and signed on its behalf by

Anthony Townsend
Chairman

Independent Auditor's Report to the Members of Finsbury Growth & Income Trust PLC

We have audited the financial statements of Finsbury Growth & Income Trust PLC for the year ended 30 September 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors Responsibilities set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

11 December 2012

Income Statement

for the year ended 30 September 2012

	Notes	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
Gains on investments designated at fair value through profit or loss	9	–	37,685	37,685	–	4,344	4,344
Exchange difference		–	(39)	(39)	–	(1)	(1)
Income	2	8,083	–	8,083	6,299	–	6,299
Investment management and management fees	3	(479)	(974)	(1,453)	(390)	(793)	(1,183)
Other expenses	4	(543)	(5)	(548)	(458)	(4)	(462)
Return on ordinary activities before finance charges and taxation		7,061	36,667	43,728	5,451	3,546	8,997
Finance charges	5	(131)	(267)	(398)	(98)	(200)	(298)
Return on ordinary activities before taxation		6,930	36,400	43,330	5,353	3,346	8,699
Taxation on ordinary activities	6	(138)	–	(138)	(100)	–	(100)
Return on ordinary activities after taxation		6,792	36,400	43,192	5,253	3,346	8,599
Return per share	7	10.8p	58.0p	68.8p	9.7p	6.1p	15.8p

The "Total" column of this statement represents the Company's Income Statement.

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 38 to 49 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2012

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2011	14,309	50,253	3,453	12,424	92,285	4,894	177,618
Net return from ordinary activities	–	–	–	–	36,400	6,792	43,192
Second interim dividend (4.8p per share) for the year ended 30 September 2011	–	–	–	–	–	(2,740)	(2,740)
First interim dividend (4.6p per share) for the year ended 30 September 2012	–	–	–	–	–	(2,899)	(2,899)
Issue of shares	2,833	36,321	–	–	–	–	39,154
Cost of share issuance	–	(116)	–	–	–	–	(116)
Year ended 30 September 2012	17,142	86,458	3,453	12,424	128,685	6,047	254,209

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2010	13,237	37,213	3,453	12,424	88,939	4,324	159,590
Net return from ordinary activities	–	–	–	–	3,346	5,253	8,599
Second interim dividend (4.4p per share) for the year ended 30 September 2010	–	–	–	–	–	(2,330)	(2,330)
First interim dividend (4.4p per share) for the year ended 30 September 2011	–	–	–	–	–	(2,353)	(2,353)
Issue of shares	1,072	13,040	–	–	–	–	14,112
Year ended 30 September 2011	14,309	50,253	3,453	12,424	92,285	4,894	177,618

FINANCIAL STATEMENTS

The notes on pages 38 to 49 form part of these financial statements.

Balance Sheet

as at 30 September 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	266,915	188,247
Current assets			
Debtors	10	2,343	1,145
Cash at bank		2,224	2,466
		4,567	3,611
Current liabilities			
Creditors		(2,023)	(690)
Bank loan		(15,250)	(13,550)
	11	(17,273)	(14,240)
Net current liabilities		(12,706)	(10,629)
Total net assets		**254,209**	**177,618**
Capital and reserves			
Share capital	12	17,142	14,309
Share premium account		86,458	50,253
Capital redemption reserve		3,453	3,453
Special reserve		12,424	12,424
Capital reserve	13	128,685	92,285
Revenue reserve		6,047	4,894
Equity shareholders' funds		**254,209**	**177,618**
Net asset value per share	14	**370.7p**	**310.3p**

The financial statements on pages 34 to 49 were approved by the Board of Directors on 11 December 2012, and were signed on its behalf by:

Anthony Townsend
Chairman

The notes on pages 38 to 49 form part of these financial statements.

Cash Flow Statement

for the year ended 30 September 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	17	**5,956**	4,034
Net cash outflow from servicing of finance		**(310)**	(350)
Financial investment			
Purchase of investments		(42,666)	(17,588)
Sale of investments		2,865	2,705
Net cash outflow from financial investment		**(39,801)**	(14,883)
Equity dividends paid		**(5,639)**	(4,683)
Net cash outflow before financing		**(39,794)**	(15,882)
Financing			
Shares issued		38,007	14,112
Drawdown of loans		1,700	2,850
Cost of share issuance		(116)	–
Net cash inflow from financing		**39,591**	16,962
(Decrease)/increase in cash	18	**(203)**	1,080
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash resulting from cashflows		(203)	1,080
Increase in debt		(1,700)	(2,850)
Exchange movements		(39)	(1)
Movement in net debt		(1,942)	(1,771)
Net debt at 1 October 2011		(11,084)	(9,313)
Net debt at 30 September 2012	18	**(13,026)**	(11,084)

FINANCIAL STATEMENTS

The notes on pages 38 to 49 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 and Venture Capital Trusts" issued by the Association of Investment Companies dated January 2009.

(b) Investments

As the entity's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, investments are designated at fair value through profit or loss and are initially recognised at fair value. The entity manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided internally on this basis to the Board. 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, in accordance with IPEVCA guidelines.

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 designated 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 acquisitions are disclosed in note 9 on page 43, as recommended by the SORP.

(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 date.

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.

Notes to the Financial Statements

Continued

1. Accounting Policies Continued

(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 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 Board's expected long term split of returns, in the form of capital gains and income from the Company's portfolio, 67% of the investment management fee, management fee and finance costs are taken to the capital reserve;

(3) performance fees are charged 100% to capital.

(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

The following are charged to the capital column of the Income Statement and transferred to this reserve:

– Gains and losses on the disposal of investments;

– Exchange differences of a capital nature;

– Expenses, together with the related taxation effect, in accordance with the above policies; and

– Increase and decrease in the valuation of investments held at the year end.

(h) Cash at bank

Cash at bank comprises cash in hand and on demand deposits.

2. Income

	2012 £'000	2011 £'000
Income from investments		
Franked investment income		
– dividends	6,901	5,628
Unfranked investment income		
– limited liability partnership profit-share	149	105
– overseas dividends	1,033	566
Total income	8,083	6,299

FINANCIAL STATEMENTS

Notes to the Financial Statements

Continued

3. Investment Management and Management Fees

	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000	Revenue 2011 £'000	Capital 2011 £'000	Total 2011 £'000
Investment management fee	322	656	978	259	527	786
Management fee	131	265	396	110	222	332
VAT on management fees	26	53	79	21	44	65
Total fees	479	974	1,453	390	793	1,183

4. Other Expenses

	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000	Revenue 2011 £'000	Capital 2011 £'000	Total 2011 £'000
Directors' fees	133	–	133	121	–	121
Fees payable to the Company's auditor – statutory annual audit	23	–	23	22	–	22
Fees payable to the Company's auditor – audit related assurance services	4	–	4	3	–	3
Fees payable to the Company's auditor – taxation compliance services	3	–	3	3	–	3
Printing	40	–	40	31	–	31
Bank and custody fees	31	–	31	21	–	21
Marketing costs	65	–	65	45	–	45
Other expenses	244	5	249	212	4	216
Total expenses	543	5	548	458	4	462

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 31 and 32.

5. Finance Charges

	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000	Revenue 2011 £'000	Capital 2011 £'000	Total 2011 £'000
On bank loans wholly repayable within five years	113	229	342	85	173	258
Arrangement fees	8	17	25	13	27	40
Loan facility expenses	10	21	31	–	–	–
	131	267	398	98	200	298

Notes to the Financial Statements

Continued

6. Taxation on Ordinary Activities

	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000	Revenue 2011 £'000	Capital 2011 £'000	Total 2011 £'000
(a) Analysis of charge for the year						
Irrecoverable overseas tax	138	–	138	100	–	100

	Revenue 2012 £'000	Capital 2012 £'000	Total 2012 £'000	Revenue 2011 £'000	Capital 2011 £'000	Total 2011 £'000
(b) Factors affecting tax charge for year						
Return on ordinary activities before taxation	6,930	36,400	43,330	5,353	3,346	8,699
Return on ordinary activities multiplied by corporation tax of 25%^ (2011: 27%)	1,732	9,100	10,832	1,445	903	2,348
Effects of:						
Overseas tax	159	–	159	100	–	100
Overseas tax recoverable	(21)	–	(21)	–	–	–
Franked investment income not subject to corporation tax	(1,725)	–	(1,725)	(1,519)	–	(1,519)
Overseas dividends not taxable	(258)	–	(258)	(153)	–	(153)
Excess expenses unutilised	251	–	251	223	–	223
Amounts charged to capital	–	311	311	–	270	270
Expenses not deductible for tax purposes	–	10	10	4	–	4
Capital return not subject to tax*	–	(9,421)	(9,421)	–	(1,173)	(1,173)
Current tax charge for the year (note 6(a))	138	–	138	100	–	100

^Under the Finance Act 2012, the rate of corporation tax was lowered to 24% from 26%. An average rate of 25% was applicable for the year ended 30 September 2012.
*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.

At 30 September 2012, the Company has not recognised a deferred tax asset of £8,869,000 (2011: £9,228,000) arising principally as a result of excess management and loan expenses. It is not anticipated that this asset will be utilised in the foreseeable 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. Return per Share

	Revenue 2012	Capital 2012	Total 2012	Revenue 2011	Capital 2011	Total 2011
Return per Share	10.8p	58.0p	68.8p	9.7p	6.1p	15.8p

The total return per share is based on the total return attributable to equity shareholders of £43,192,000 (2011: £8,599,000), and on 62,788,996 (2011: 54,352,887) 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 £6,792,000 (2011: £5,253,000).

Capital return per share is based on the net capital profit for the year of £36,400,000 (2011: £3,346,000).

8. Dividends

	Ex-Div Date	Register Date	Payment Date	2012 £'000	2011 £'000
2012:					
First interim dividend of 4.6p per share (2011: 4.4p)	28 March 2012	30 March 2012	4 May 2012	2,899	2,353
Second interim dividend of 5.2p per share (2011: 4.8p)	3 October 2012	5 October 2012	2 November 2012	3,579	2,740

The second interim dividend of 5.2p per share (2011: 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 1158 of the Corporation Tax Act 2010 are set out below:

	2012 £'000
Revenue available for distribution by way of dividend for the year	6,792
2012: First interim dividend of 4.6p per share paid on 4 May 2012	(2,899)
2012: Second interim dividend of 5.2p per share paid on 2 November 2012	(3,579)
Net addition to revenue reserves	314

Notes to the Financial Statements

Continued

9. Investments

Analysis of portfolio movements

	2012 £'000	2011 £'000
Opening book cost	127,437	112,305
Opening investment holding gains	60,810	56,209
Valuation at 30 September 2011	188,247	168,514
Movements in the year:		
Purchases at cost	43,848	18,094
Sales		
– proceeds	(2,865)	(2,705)
– Loss on sales	(1,791)	(257)
Net movement in investment holding gains	39,476	4,601
Valuation at 30 September 2012	266,915	188,247
Closing book cost	166,629	127,437
Investment holding gains at 30 September 2012	100,286	60,810
Valuation at 30 September 2012	266,915	188,247

Investment holding gains

	2012 £'000	2011 £'000
Losses based on historical cost	(1,791)	(257)
Amounts recognised as investment holding losses in previous year	2,583	291
Gain based on carrying values at previous year's balance sheet date	792	34
Net movement in investment holding gains in the year	36,893	4,310
Gains on investments during the year	37,685	4,344

Transaction costs on the acquisition and sale of investments totalled £211,000 and £Nil respectively (2011: £116,000 and £4,000) and are included within the gains/(losses) on investments within the Income Statement.

10. Debtors

	2012 £'000	2011 £'000
Prepayments and accrued income	724	694
Amount due from broker in respect of shares issued by the Company	1,619	451
	2,343	1,145

11. Creditors

Amounts falling due within one year

	2012 £'000	2011 £'000
Amounts due to brokers	1,688	506
Bank loan with Scotiabank Europe PLC*	15,250	13,550
Other creditors and accruals	335	184
	17,273	14,240

* Further details on the loan facility can be found in note 16.

Notes to the Financial Statements

Continued

12. Share Capital

	2012 £'000	2011 £'000
Authorised:		
Shares of 25p	25,000	25,000
Allotted, issued and fully paid:		
68,568,381 (2011: 57,237,423) shares of 25p each	17,142	14,309

During the year 11,330,958 new shares were issued for consideration of £39,154,000 being an average price of 345.5p per share and at an average premium of 0.5% to the cum income net asset value per share at the time of issue. At the year-end there was a debtor of £1,598,000 (2011: £451,000) in relation to shares issued but not settled until after the year-end. At the year-end the Company held no shares in treasury (2011: Nil).

13. Capital Reserve

	Capital Reserves Realised £'000	Capital Reserve Investment Holding Gains Unrealised £'000	Total £'000
At 1 October 2011	31,475	60,810	92,285
Transfer on disposal of investments	(2,583)	2,583	–
Net gains on investments	792	36,893	37,685
Expenses charged to capital	(1,246)	–	(1,246)
Foreign currency exchange difference	(39)	–	(39)
At 30 September 2012	28,399	100,286	128,685

Under the terms of the Company's Articles of Association, sums within "Capital Reserves" are available for distribution only by way of redemption or purchase of any of the Company's own shares.

14. Net Asset Value per Share

The net asset value per share is based on net assets of £254,209,000 (2011: £177,618,000) and on 68,568,381 (2011: 57,237,423) (excluding treasury shares) shares in issue at the year end. As at 30 September 2012 the Company held no shares in treasury (2011: Nil).

15. Related Parties

Details of the relationship between the Company and Lindsell Train Limited are disclosed in the Report of the Directors on pages 17 to 19. During the year ended 30 September 2012, Lindsell Train Limited received £978,000 (2011: £786,000) in respect of Investment Management fees, of which £95,000 (2011: £66,000) 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 (2011: £1,000,000) and a fair value of £2,770,000 (2011: £2,130,000) as at 30 September 2012. The Lindsell Train Investment Trust plc is managed by the Company's Investment Manager.

Notes to the Financial Statements

Continued

16. Risk Management

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective as stated on page 14. In pursuit of its investment objective, 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 rate 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 the Directors on pages 15 to 17.

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, 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 industry sector in which it operates. Consequently market price risk is one of the most significant risks to which the Company is exposed. Further information regarding market price risk can be found in the Report of the Directors on page 16.

At 30 September 2012, the fair value of the Company's assets exposed to market price risk was £266,915,000 (2011: £188,247,000) (see page 8). 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 2012 would have increased or decreased by £26,692,000 or 38.9p per share (2011: £18,825,000 or 32.9p 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 variable interest securities and cash at bank and on deposit
- the fair value of investments of fixed rate securities

The Company's main exposure to interest rate risk during the year ended 30 September 2012 was through its £25,000,000 secured multicurrency committed revolving credit facility with Scotiabank Europe PLC. Borrowings varied throughout the year as part of the Board's endorsed policy. Borrowings at the year-end amounted to £15,250,000 (2011: £13,550,000) at an interest rate of 2.25% (LIBOR plus 1.35%).

If the above level of borrowing was maintained for a year a 1% increase/decrease in LIBOR would decrease/increase the revenue return by £50,000, would decrease/increase the capital return by £102,000, and would decrease/increase the net assets by £152,000 (2011: decrease/increase the revenue return by £45,000, decrease/increase the capital return by £91,000 and decrease/increase the net assets by £136,000).

The weighted average interest rate, during the year, on borrowings under the above mentioned revolving credit facility provided by Scotiabank Europe PLC was 2.34% (2011: 2.05%).

Notes to the Financial Statements

Continued

16. Risk Management Continued

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

	2012 Within one year £'000	2011 Within one year £'000
Exposure to floating rates:		
Cash at bank	2,224	2,466
Creditors: amount falling due within one year		
– borrowings under the loan facility	15,250	13,550
Exposure to fixed rates:		
Investments designated at fair value through profit or loss#	54	2,132

Comprises holdings Celtic 6% cum preference (2011: Lloyds Banking Group 9.25% non cum preference and Celtic 6% cum preference) as set out on page 8.

Currency risk

The financial statements are presented in sterling, which is the functional currency and presentational currency of the Company. At 30 September 2012, the Company's investments, with the exception of four, were priced in sterling. The four exceptions, Thomson Reuters, listed in Canada, Heineken, listed in the Netherlands, and Dr Pepper Snapple and Kraft Foods, both listed in the United States, represent 15.4% of the portfolio (see page 8).

The Investment Manager and Manager monitor the Company's exposure to foreign currencies on a continuous basis and regularly report to the Board. The Company does not hedge against foreign currency movements, but the Investment Manager takes account of the risk when making investment decisions.

Income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that the income is included in the financial statements and its receipt.

At 30 September 2012 the Company held £15,293,000 (2011: £13,239,000) of investments denominated in U.S. dollars and £4,705,000 (2011: £3,438,000) in Canadian dollars and £21,118,000 (2011: £1,888,000) Euros.

The following table details the sensitivity of the Company's capital or revenue return after taxation for the year to a 5% increase and decrease in sterling against foreign currency (2011: 5% increase and decrease).

The above percentages have been determined based on market volatility in exchange rates over the previous twelve months. The analysis is based on the Company's foreign currency financial instruments held at each year end date.

If sterling had weakened against the foreign currencies, as stated above, this would have had the following effect:

	2012 US$ £'000	2012 Canadian$ £'000	2012 Euro £'000	2011 US$ £'000	2011 Canadian$ £'000	2011 Euro £'000
Increase in revenue return	5	–	1	5	–	–
Increase in capital return	805	237	1,099	697	181	73
Total return after tax/increase in shareholders' funds	810	237	1,100	702	181	73

Notes to the Financial Statements

Continued

16. Risk Management Continued

If sterling had strengthened against the foreign currency as stated overleaf, this would have had the following effect:

	2012 US$ £'000	2012 Canadian$ £'000	2012 Euro £'000	2011 US$ £'000	2011 Canadian$ £'000	2011 Euro £'000
Decrease in revenue return	(4)	–	(1)	(5)	–	–
Decrease in capital return	(728)	(214)	(995)	(630)	(164)	(66)
Total return after tax/decrease in shareholders' funds	(732)	(214)	(996)	(635)	(164)	(66)

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.

– Cash is only held at banks that have been identified by the Board as reputable and of high credit quality. Bank of New York Mellon has a credit rating of Aa3 (Moodys) and A+ (S&P).

Scotiabank Europe PLC, the provider of the Company's loan facility, has established a first fixed and floating charge over the assets of the Company as security against any funds drawn down by the Company under the loan facility.

As at 30 September 2012, the exposure to credit risk was £4,621,000 (2011: £5,743,000), comprising:

	2012 £'000	2011 £'000
Fixed assets:		
Non-equity investments (preference shares)	54	2,132
Current assets:		
Other receivables (amounts due from brokers, dividends and interest receivable)	2,343	1,145
Cash at bank	2,224	2,466
Total exposure to credit risk	4,621	5,743

Liquidity Risk

Liquidity Risk 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, and are significantly in excess of its financial liabilities.

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.

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.

Notes to the Financial Statements

Continued

16. Risk Management Continued

- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The table below sets out fair value measurements of financial instruments as at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 30 September 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	266,391	–	470	266,861
Preference share investments	54	–	–	54
	266,445	–	470	266,915

Financial assets at fair value through profit or loss at 30 September 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	185,645	–	470	186,115
Preference share investments	2,132	–	–	2,132
	187,777	–	470	188,247

The valuation techniques used by the company are explained in the accounting policies note on page 38.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below.

Level 3 Reconciliation of financial assets at fair value through profit or loss at 30 September

	2012 £'000	2011 £'000
Opening fair value	470	340
Total gains or losses included in gains on investments in the Income Statement – on assets held at the end of the year	–	130
Closing fair value	470	470

Capital management objectives, policies and procedures

The structure of the Company's Capital is described in note 12 to the financial statements and details of the Company's reserves are shown in the Reconciliation of Movements in Shareholders' Funds on page 35. Details of the Company's debt, representing 6.0% (2011: 7.6%) of net assets, can be found on the Balance Sheet on page 36 and in note 16.

The Company's capital management objectives are:

- to ensure that it is 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 and Manager, regularly monitors and reviews the broad structure of the Company's capital. These reviews include:

- the level of gearing, set at limits between 5% and 25% of net assets, which takes account of the Company's position and the views of the Board and the Investment Manager on the market; and
- the extent to which revenue reserves should be retained or utilised.

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

Notes to the Financial Statements

Continued

16. Risk Management Continued

The Company is subject to an externally imposed capital requirement:

- 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.

There were no breaches by the Company, during the year, of the financial covenants put in place by Scotiabank Europe PLC in respect of the committed revolving credit facility provided to the Company.

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

17. Reconciliation of Net Return Before Finance Charges and Taxation to Net Cash Inflow from Operating Activities

	2012 £'000	2011 £'000
Total return before finance charges and taxation	43,728	8,997
Less: capital return before finance charges and taxation	(36,667)	(3,546)
Net revenue before finance charges and taxation	7,061	5,451
Increase in accrued income and prepayments	(30)	(83)
Increase in debtors	–	(451)
Increase in creditors	63	12
Taxation – irrecoverable overseas tax paid	(159)	(98)
Investment management and management fees charged to capital	(974)	(793)
Other expenses charged to capital	(5)	(4)
Net cash inflow from operating activities	5,956	4,034

18. Analysis of Changes in Net Debt

	At 1 October 2011 £'000	Cashflow £'000	Exchange Movement £'000	At 30 September 2012 £'000
Cash at bank	2,466	(203)	(39)	2,224
Debt falling due within 1 year	(13,550)	(1,700)	–	(15,250)
Net debt	(11,084)	(1,903)	(39)	(13,026)

19. Substantial Interests

The Company holds interests in 3% or more of any class of capital in the following entities:

Company or Limited Liability Partnership	Shares held	Fair value £'000	% of issued share capital or Limited Liability Partnership interest
A.G. Barr	4,340,802	19,408	3.7
Frostrow Capital LLP (unquoted)	–	470	10.0
The Lindsell Train Investment Trust*	10,000	2,770	5.0
Marston's	6,244,565	7,131	3.7
Young & Co's Brewery	1,001,740	5,109	3.5

*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 Annual General Meeting to be held on Wednesday, 30 January 2013 relate to:

Distribution of Capital Profits

The Company is no longer required to include a prohibition on distributing capital profits in its Articles, following HM Government's reform of the tax and company law rules affecting investment trusts. The Company has amended the current Articles to remove this prohibition.

A copy of the current Articles and of the proposed new Articles marked up to show the proposed amendments will be available for inspection at the offices of Frostrow Capital LLP during normal business hours and will be available for inspection at the Annual General Meeting, in each case until conclusion of the meeting.

Directors' Fees

The new Articles have been updated to reflect the increase in the maximum aggregate limit of directors' fees from £150,000 to £200,000 (exclusive of any applicable VAT), approved at the Company's Annual General Meeting held on 18 January 2012.

Authorised Share Capital

The Companies Act 2006 abolished the requirement for companies to have an authorised share capital, with effect from 1 October 2009. The Company is therefore taking the opportunity to remove the upper limit of the Company's share capital included in its current Articles.

Deletion of Provisions Formerly in the Memorandum of Association

Most of the provisions of the memorandum of association of a company incorporated before 1 October 2009 are now deemed to form part of its articles of association. Of these the Company is only required to retain in its articles the statements that the liability of members is limited and that the company's registered office is situated in Scotland. The Company is therefore taking this opportunity to remove from its Articles of Association all those provisions formerly in its Memorandum of Association which it is not required to retain. In particular the clause setting out the objects of the Company is to be removed so that the Company's objects will in future be wholly unrestricted.

Other Changes

Other technical changes have been made so that the Articles of Association conform to the Companies Act 2006 and other legislation applicable to companies and current best practices as currently in force.

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 Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 30 January 2013 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 2012.
2. To re-elect Anthony Townsend as a Director of the Company.
3. To re-elect John Allard as a Director of the Company.
4. To re-elect Neil Collins as a Director of the Company.
5. To re-elect David Hunt as a Director of the Company.
6. To re-elect Vanessa Renwick as a Director of the Company.
7. To re-elect Giles Warman as a Director of the Company.
8. To approve the Directors' Remuneration Report.
9. 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 11, 12, 13, 14 and 15 are proposed as special resolutions:

Authority to Allot Shares

10. THAT in substitution of all existing authorities the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to a maximum aggregate nominal amount of £1,782,584 being 10% of the issued share capital at 11 December 2012 and representing 7,130,338 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 share expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 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

11. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 12 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 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 10 set out in the Notice of Annual General Meeting or otherwise as if Section 561(1) of the Act did not apply to any such allotment:

INVESTOR INFORMATION

Notice of the Annual General Meeting

Continued

(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

(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 £1,782,584, being 10% of the issued share capital of the Company as at 11 December 2012 and representing 7,130,338 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 12 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.

Treasury Shares

12. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 11 set out in the Notice of Annual General Meeting) the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to sell relevant shares (within the meaning of Section 560 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 724 of the Act ("treasury shares")), for cash as if Section 561(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 £1,782,584, being 10% of the issued share capital of the Company as at 11 December 2012 and representing 7,130,338 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 561(1) of the Act did not apply pursuant to the power conferred on the Directors by resolution 11 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

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation) provided that:

    (i) the maximum aggregate number of Shares authorised to be purchased is 10,688,376 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 2014 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.

General Meetings

14. THAT as permitted by the EU Shareholders' Rights Directive (2007/36/EC) any General Meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 clear days in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company, or, if earlier, on the expiry 15 months from the date of the passing of the resolution.

Adoption of New Articles of Association

15. THAT:

    (i) the Articles of Association of the Company be and are hereby amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

    (ii) the Articles of Association set out in the document produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

    Full explanatory notes of principal changes to the Articles of Association are set out on page 50 of this Annual Report.

By order of the Board

Frostrow Capital LLP
Company Secretary

11 December 2012

Registered office
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 12 noon on Monday, 28 January 2013.

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 Monday, 28 January 2013 (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 11 December 2012 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 71,303,381 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 December 2012 are 71,303,381.

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

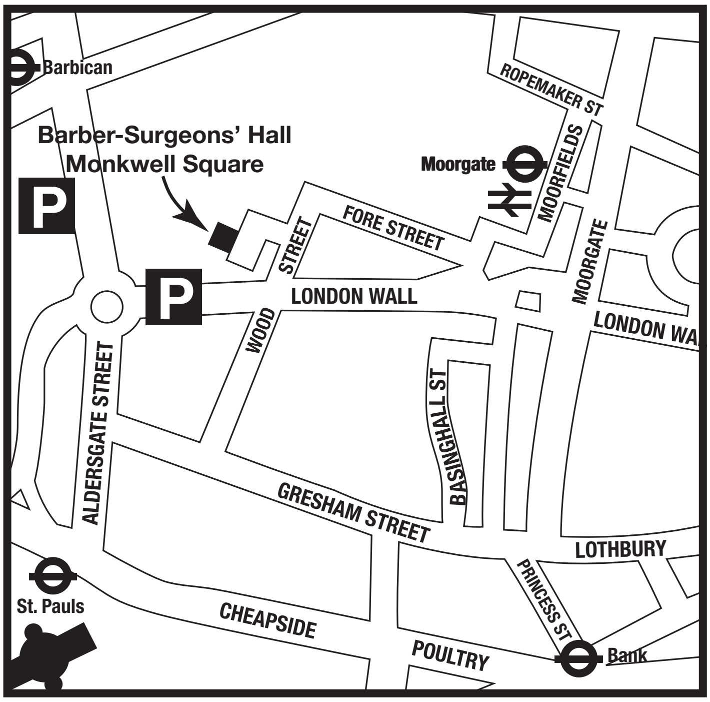
Continued

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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
19. 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.

Location of the Annual General Meeting

to be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 30 January 2013 at 12 noon.



INVESTOR INFORMATION

Glossary of Terms

Discount or Premium
A description of the difference between the share price and 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 the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

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

There are several methods of calculating gearing and the following has been selected:

Total assets, less current liabilities (before deducting any prior charges) minus cash/cash equivalents divided by Shareholders' funds, expressed as a percentage.

Net Asset Value (NAV)
The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

Net Asset Value Total Return
The theoretical total return on an investment over a specified period assuming dividends paid to shareholders were reinvested at net asset value per share at the time the shares were quoted ex-dividend. This is a way of measuring investment management performance of investment trusts which is not affected by movements in discounts or premiums.

Ongoing Charges
Ongoing charges are calculated by taking the Company's annualised expenses, excluding performance fees and exceptional items, and dividing by the average net asset value of the Company over the year.

The publishing of ongoing charges information rather than a total expense ratio (TER) is advocated by the Association of Investment Companies who believe that using a single methodology to calculate ongoing charges will help reduce inconsistencies and allow investors and advisers to compare investment companies more easily with open-ended funds.

Share Price Total Return
The change in capital value of a company's shares over a given period, plus dividends received, expressed as a percentage of the opening value.

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. Such shares are not capable of being voted and carry no rights to dividends.

How to Invest

Alliance Trust Savings Limited

Alliance Trust Savings Limited

The Company's shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) operated by Alliance Trust Savings Limited, which facilitates both regular monthly investments and lump sum investments in the Company's shares. Shareholders who would like information on the savings plans should call Alliance Trust Savings Limited on 01382 573737 or log on to www.alliancetrustsavings.co.uk or email contact@alliancetrust.co.uk. Calls to this number may be recorded for monitoring purposes.

An Individual Savings Account ('ISA') and Junior ISA are tax efficient methods of investment for an individual which give the opportunity to invest in the Company up to £11,280 for an ISA and £3,600 for a Junior ISA in the tax year 2012/2013 and also in subsequent tax years.

The preceding two paragraphs have been issued and approved by Alliance Trust Savings Limited. Alliance Trust Savings Limited of PO Box 164, 8 West Marketgait, Dundee DD1 9YP is registered in Scotland with number SC98767. Alliance Trust Savings Limited provides investment products and services and is authorised and regulated by the Finance Services Authority. It does not provide investment advice.

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 £75.00)	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 (online dealing) or 0871 664 0364† (telephone dealing)

If calling from outside of the UK please dial +44 (0) 203 367 2686

† Calls cost 10p per minute plus network extras and may be recorded for training purposes. Lines are open from 8.00 a.m. to 4.30 p.m. Monday to Friday.

The Share Dealing Service is provided by Capita IRG Trustees Limited which has issued and approved the preceding paragraphs. Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU is registered in England and Wales with number 2729260. Capita IRG Trustees Limited is authorised and regulated by the Financial Services Authority and is also authorised to conduct cross-border business in the EEA under the provisions of the EU Markets in Financial Investments Directive.

Risk Warnings

– Past performance is no guarantee of future performance.

– The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.

– As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.

– Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.

– Investors should note that tax rates and reliefs may change at any time in the future.

– The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

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 9WJ

Website
www.finsburygt.com

Company Registration Number
13958 (Registered in Scotland)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

Investment Manager
Lindsell Train Limited
Cayzer House,
30 Buckingham Gate,
London SW1E 6NN
Telephone: 0207 802 4700
Website: www.lindselltrain.com

Authorised and regulated by the Financial Services Authority.

Manager, Company Secretary and Administrator
Frostrow Capital LLP
25 Southampton Buildings,
London WC2A 1AL
Telephone: 0203 008 4910
E-Mail: info@frostrow.com
Website: 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 monthly fact sheet by e-mail, please contact Frostrow Capital using the above e-mail address.

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

Registrars
Capita Registrars
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Beckenham,
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Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 208 639 3399
Facsimile: + 44 (0) 1484 600911
E-Mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

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

†Calls cost 10p per minute plus network charges and may be recorded for training purposes.Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday.

Custodian and Banker
Bank of New York Mellon
160 Queen Victoria Street,
London EC4V 4LA

Lending Banker
Scotiabank Europe PLC
201 Bishopsgate, 6th Floor
London EC2M 3NS

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

Share Price Listings
The price of your shares can be found in various publications including the Financial Times, The Daily Telegraph, The Times and The Scotsman.
The Company's net asset value per share is announced daily on the TrustNet website at www.trustnet.com.

Identification Codes

Shares:	SEDOL:	0781606
	ISIN:	GB0007816068
	BLOOMBERG:	FGT LN
	EPIC:	FGT

London Stock Exchange
LISTED
PREMIUM

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.

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Finsbury Growth & Income Trust PLC Annual Report for the year ended 30 September 2012

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