FINSBURY GROWTH & INCOME TRUST PLC

# FINSBURY GROWTH & INCOME TRUST PLC

**Annual Report for the year ended 30 September 2020**

LINDSELL TRAIN

Frostrow CAPITAL

# FINSBURY GROWTH & INCOME TRUST PLC


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# FINSBURY GROWTH & INCOME TRUST PLC
# COMPANY SUMMARY

## THE COMPANY

The Company is an investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies ("AIC").

## OBJECTIVES AND PERFORMANCE MEASUREMENT

The Company aims to achieve capital and income growth and to provide Shareholders with a total return in excess of that of the FTSE All-Share Index (the Company's benchmark).

The Company's net assets as at 30 September 2020 were £1,842.5 million (2019: £1,878.8 million) and the market capitalisation was £1,829.1 million (2019: £1,891.6 million).

## MANAGEMENT

The Company is an Alternative Investment Fund ("AIF") under the European Union Alternative Investment Fund Managers' Directive ("AIFMD").

As an externally managed investment trust the Company has no executive directors, employees or internal operations. The Company delegates its day-to-day management to third parties. The principal service providers to the Company are Frostrow Capital LLP ("Frostrow") which acts as AIFM, company secretary and administrator; and Lindsell Train Limited ("Lindsell Train" or "Portfolio Manager") which acts as Portfolio Manager.

Further details of the terms of these appointments are provided on pages 8, 22 and 23 and full disclosures required under the AIFMD can be found on the home page of the Company's website: (www.finsburygt.com).

## DIVIDENDS

An unchanged first interim dividend of 8.0p per share was paid on 15 May 2020 to shareholders registered at the close of business on 3 April 2020. The associated ex-dividend date was 2 April 2020.

An unchanged second interim dividend of 8.6p per share was paid on 13 November 2020 to shareholders registered at close of business on 9 October 2020. The associated ex-dividend date was 8 October 2020.

The total dividend paid for the year was therefore unchanged at 16.6p per share.

## ISA STATUS

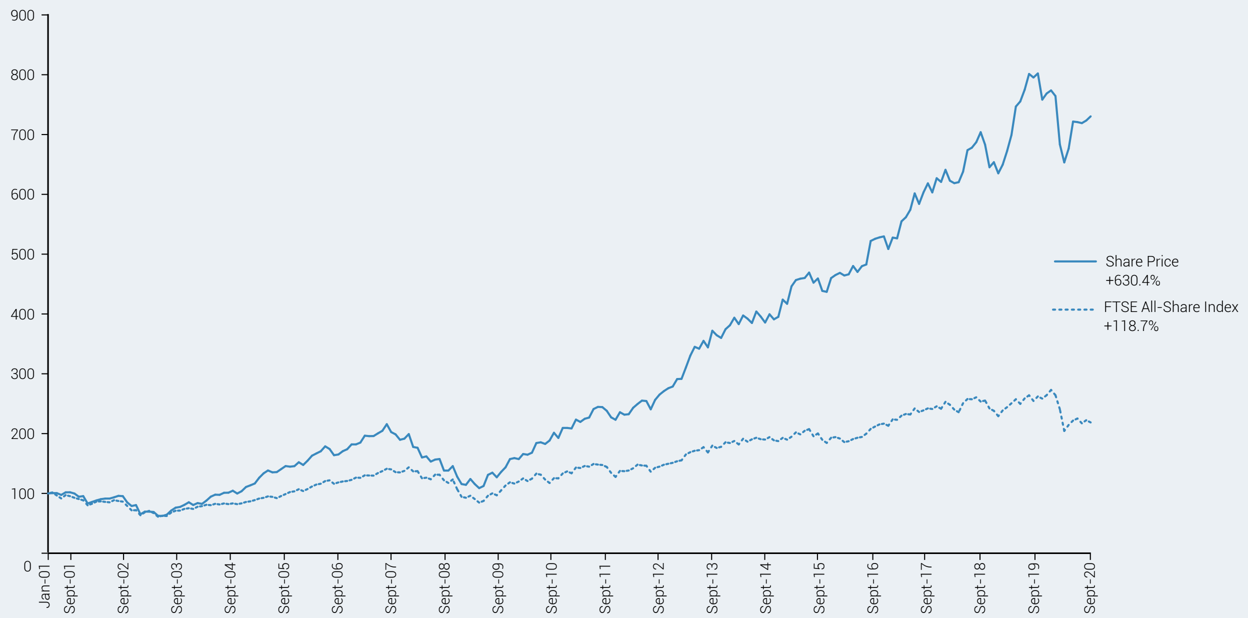
The Company's shares are eligible for Individual Savings Accounts ('ISAs') and for Junior ISAs.

## STRATEGIC REPORT
# COMPANY PERFORMANCE

The Company was incorporated in Scotland on 15 January 1926. Lindsell Train was appointed in December 2000. The total return of the Company's net asset value per share over the ten years to 30 September 2020 has been 247.4%, equivalent to a compound annual return of 13.3%*. This compares to a total return of 63.9%* from the Company's benchmark, equivalent to a compound annual return of 5.1%*.

*Source: Morningstar, FTSE International Limited ("FTSE")©FTSE 2020

### TOTAL SHARE PRICE RETURN PERFORMANCE SINCE THE DATE OF APPOINTMENT OF LINDSELL TRAIN AS PORTFOLIO MANAGER TO 30 SEPTEMBER 2020




Source: Morningstar
Rebased to 100 as at 1 January 2001

### FIVE YEAR PERFORMANCE SUMMARY

| | 30 SEP 2016 | 30 SEP 2017 | 30 SEP 2018 | 30 SEP 2019 | 30 SEP 2020 |
|---|---|---|---|---|---|
| Share price | 658.0p | 736.5p | 818.0p | 942.0p | 840.0p |
| Share price total return*, ^ | +20.8% | +14.2% | +13.2% | +17.4% | -9.0% |
| Net asset value per share + | 657.7p | 732.8p | 812.8p | 935.6p | 846.2p |
| Net asset value per share total return*, ^ | +20.6% | +13.7% | +13.1% | +17.4% | -7.7% |
| FTSE All-Share Index total return**,# | +16.8% | +11.9% | +5.9% | +2.7% | -16.6% |
| Revenue return per share + | 15.2p | 15.8p | 16.5p | 18.3p | 16.5p |
| Dividends per share | 13.1p | 14.2p | 15.3p | 16.6p | 16.6p |

* Source: Morningstar
** Source: FTSE International Limited ("FTSE")©FTSE, 2020
# See glossary of terms and alternative performance measures on pages 80 and 81
^ Alternative Performance Measure ("APM") (see glossary on pages 80 and 81)
\+ UK GAAP Measure

## FINANCIAL HIGHLIGHTS FOR THE YEAR

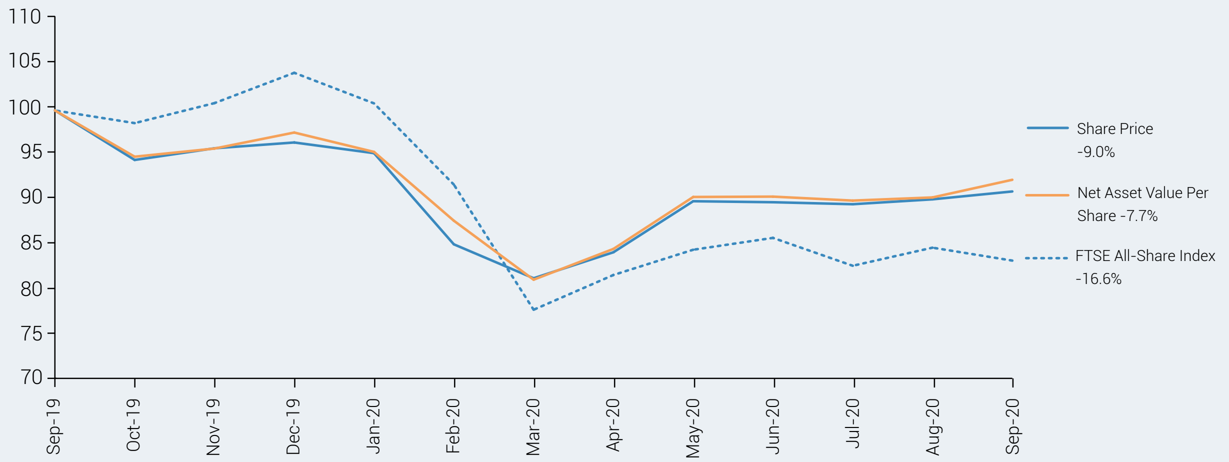
| | AS AT 30 SEPTEMBER 2020 | AS AT 30 SEPTEMBER 2019 | CHANGE |
|---|---|---|---|
| Share price | 840.0p | 942.0p | (10.8%) |
| Net asset value per share† | 846.2p | 935.6p | (9.6%) |
| (Discount)/premium of share price to net asset value per share^ | (0.7%) | 0.7% | |
| Gearing^ | 0.5% | 0.5% | |
| Shareholders' funds† | £1,842.5m | £1,878.8m | (1.9%) |
| Number of shares in issue | 217,751,303 | 200,811,712 | +8.4% |

^ Alternative Performance Measure (see glossary on pages 80 and 81)
† UK GAAP Measure

| | YEAR ENDED 30 SEPTEMBER 2020 | YEAR ENDED 30 SEPTEMBER 2019 | CHANGE |
|---|---|---|---|
| Share price total return[1, ^] | -9.0% | +17.4% | |
| Net asset value per share total return[1, ^] | -7.7% | +17.4% | |
| FTSE All-Share Index total return (Company benchmark)[1, 2] | -16.6% | +2.7% | |
| Ongoing charges^ | 0.64% | 0.66% | |
| Revenue return per share† | 16.5p | 18.3p | (9.8%) |
| Dividends per share: | | | |
| First interim dividend | 8.0p | 8.0p | |
| Second interim dividend | 8.6p | 8.6p | |
| Total dividends per share for the year | 16.6p | 16.6p | |

^ Alternative Performance Measure (see glossary on pages 80 and 81)
† UK GAAP Measure
[1] Source – Morningstar
[2] Source – FTSE International Limited ("FTSE")©FTSE 2020*

## ONE YEAR TOTAL RETURN PERFORMANCE




Source: Morningstar
Rebased to 100 as at 30 September 2019

## STRATEGIC REPORT
# CHAIRMAN'S STATEMENT

**ANTHONY TOWNSEND**
***Chairman***

Dear Shareholders,

The year ended 30 September 2020 was dominated by the spread of Covid-19. This global pandemic continues to create uncertain times for many and I hope that all Shareholders and their families are managing through these difficult times.

## PERFORMANCE

It is disappointing to report that your Company's net asset value per share total return for the year was a negative one at -7.7% (2019: +17.4%) and the share price total return was also negative at -9.0% (2019: +17.4%). However, against the wider market, both measures have again significantly outperformed the Company's benchmark, the FTSE All-Share Index which, measured on a total return basis, was down 16.6% over the same period (2019: +2.7%) demonstrating the resilience of the companies in our portfolio. As I reported at the half year, the negative return over the period as a whole reflects continuing uncertainty in the market about the impact of the COVID-19 global health crisis and the unfinished Brexit negotiations.

It is however pleasing to note that as we approach the 20th anniversary of the appointment of Lindsell Train Limited ("LTL") as Portfolio Manager, the long term strategy continues to deliver excellent returns with £1,000 invested in the Company from the appointment of LTL to 30 September 2020 now being worth £6,283. This compares to a return of £2,187 delivered by the Company's benchmark over the same period.

## PROPOSED AMENDMENTS TO THE COMPANY'S INVESTMENT POLICY

Following a review of the Company's investment policy the Directors are proposing to amend the Company's existing investment policy to include a restriction that the Company will not invest more than 15% of the Company's net assets, at the time of acquisition, in the securities of any one issuer. The Company has always adhered to an internal limit on exposure to any one issuer and it was felt appropriate that this should be reflected in the investment policy. Nonetheless the proposed change is considered a material change to the Company's investment policy and in accordance with the Listing Rules the Company is required to seek shareholder approval for the change. In compliance with the Listing Rules, the proposed changes to the investment policy have been considered and approved by the Financial Conduct Authority.

The amended investment policy will apply, subject to shareholder approval, with effect from the conclusion of the Company's Annual General Meeting ("AGM") on 17 February 2021. Full details of the proposed amendments are set out in the Strategic Report on page 13 and the appendix on page 84 of this Annual Report. The Board unanimously recommends that shareholders vote in favour of this resolution.

## SHARE CAPITAL

Demand for the Company's shares led to the issue of a total of 16,939,591 new shares during the year, ensuring that the share price premium was effectively managed throughout the year. The net proceeds received by the Company from the issue of these new shares amounted to £139.3 million and were invested in line with the Company's investment objective. Since the financial year end, to 15 December 2020, the Company has issued a further 4,515,000 new shares.

The Company's share issuance authority will be proposed as usual for renewal at the Company's Annual General Meeting to be held in February 2021.

During the year to 30 September 2020 the Company bought back 505,409 shares into treasury at an average share price discount to net asset value per share of 6.7% (2019: nil). These shares were subsequently reissued from treasury at a price representing a premium to net asset value per share of 0.7%. As at 30 September 2020 there were no shares held in treasury. Shareholder authority to renew the authority to buy-back ordinary shares will be sought at the AGM.

## RETURN AND DIVIDEND

The Income Statement shows a total loss of 67.1 pence per share (2019: gain 143.8 pence) consisting of a revenue return per share of 16.5 pence (2019: 18.3 pence) and a capital loss per share of 83.6 pence (2019: gain 125.5 pence). The Company's net revenue return during the year was down 9.8% from last year (on a per share basis) but despite this your Board has declared two unchanged interim dividends for the year totalling 16.6 pence per share and remains confident of the Company's long-term prospects.

This is the first time for many years that the total dividend for the year has not increased and the Board is of course disappointed about this at a time when income is important to many shareholders. However, 2020 has been a year when many businesses have been adversely affected by the COVID-19 pandemic and a number of companies within your Company's investment portfolio have been forced to reduce their own dividend payments leading to a fall in the Company's own income per share. In order to maintain the total dividend for the year at 16.6 pence we have chosen to use a modest amount from our retained revenues which ensures that the Board can comply with its long-term objective of at least maintaining the total dividend each year.

In light of the continued strong demand for the Company's shares, and in order to facilitate dividend payments on a timely and cost effective basis, your Board continues to elect to distribute the Company's income to Shareholders by means of two interim dividends rather than wait several months to secure shareholder approval to pay a final dividend at the AGM. This dividend policy will be proposed for approval at the forthcoming AGM.

## GEARING

As at the date of this report, the Company was in the second year of its three-year secured fixed term loan from Scotiabank Europe plc, which consists of a committed revolving credit facility of £50 million together with an additional (accordion) £50 million facility. As at 30 September 2020 a total of £36.7 million has been drawn down under this facility (2019: £36.7 million).

## BOARD COMPOSITION

This year saw the implementation of our significant board refreshment programme announced last year. Sandra Kelly joined us as a Director on 9 October 2019, Neil Collins retired at our AGM on 28 February 2020 and David Hunt retired on 12 May 2020, when Sandra succeeded him as Chair of our Audit Committee.

On 14 October 2020, we were delighted to welcome James Ashton to the Board. We are very pleased to have appointed a director with such expertise and knowledge of the markets in which the Company invests. A resolution proposing his election together with resolutions for those Directors standing for re-election will be put to Shareholders at the forthcoming AGM.

Finally, as announced in last year's Annual Report, I will be retiring as a Director at the conclusion of the 2021 AGM and will therefore not be standing for re-election. As we reported in the Company's Half Year Report, Simon Hayes will succeed me as Chairman of the Board. Sandra Kelly will be appointed as the Senior Independent Director at the conclusion of the 2021 AGM.

It has been an honour and a privilege to Chair this Company since January 2008 and watch it grow from net tangible assets of £145 million to £1.8 billion over those years. I have had the good fortune to work with many very capable and likeable fellow Directors and to be assisted by the first-class teams at Lindsell Train and Frostrow. I hope I will be indulged if I single out Nick Train and Alastair Smith, the respective principals of those two organisations, for special thanks for all the help and support they have given me personally over the years.

I shall miss all my Finsbury colleagues greatly and will also miss the opportunity to say farewell to Shareholders in person at the forthcoming AGM because of the Covid-19 regulations, as explained further below.

## OUTLOOK

Despite the continued uncertainty, in particular in the UK surrounding Brexit and the continued effects of the pandemic, the Company has again outperformed its benchmark. Through these difficult times your Board continues to support fully the Portfolio Manager's strategy of investing in high quality companies that own both durable and cash generative brands. We believe firmly that this strategy will continue to deliver strong investment returns to Shareholders over the longer term.

## ANNUAL GENERAL MEETING ("AGM")

The AGM is scheduled to be held on 17 February 2021. A notice of the AGM will be provided to all Shareholders and will be available on the Company's website. This will include details of how the AGM will be held this year.

The health and welfare of our Shareholders, service providers and wider stakeholders is our primary concern. The restrictions put in place by the UK Government, in respect of social distancing, movement of individuals and of course gatherings of individuals from outside of the same household, remain in flux.

For this reason, following the passing of the Corporate Insolvency and Governance Act 2020 which provides temporary provisions to companies to use alternative methods to fulfil statutory requirements, we have decided to hold a virtual AGM. We really appreciate open interaction with shareholders and also believe engagement with shareholders

## STRATEGIC REPORT
# CHAIRMAN'S STATEMENT

is paramount to the essence of the Company. We do think that a virtual AGM is another way of engaging with shareholders and will be interested to see how it works. We will therefore endeavour to facilitate Shareholder engagement in an electronic way.

Whilst we appreciate this is not ideal, and may be awkward for some, we also think it may be easier for others, and a better alternative, now that it is available, to closed door AGMs. We feel this is the best and safest option available to us in current circumstances.

**Anthony Townsend**
Chairman

16 December 2020

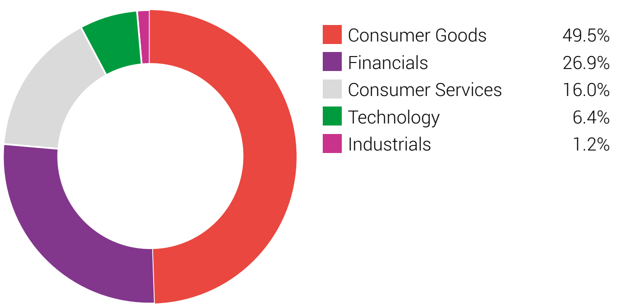
## STRATEGIC REPORT
# INVESTMENT PORTFOLIO
### Investments as at 30 September 2020

| INVESTMENTS | FAIR VALUE 2019 £'000 | PURCHASES £'000 | SALES £'000 | CAPITAL APPRECIATION/ (DEPRECIATION) £'000 | FAIR VALUE 2020 £'000 | % OF INVESTMENTS |
|---|---|---|---|---|---|---|
| London Stock Exchange | 198,047 | – | (23,432) | 42,310 | 216,925 | 11.7 |
| Unilever | 181,987 | 20,747 | – | (2,405) | 200,329 | 10.8 |
| Diageo | 181,749 | 31,735 | – | (37,855) | 175,629 | 9.5 |
| Mondelez International [1] | 165,852 | 8,022 | – | (1,143) | 172,731 | 9.3 |
| RELX | 188,930 | 3,600 | – | (20,342) | 172,188 | 9.3 |
| Schroders + | 140,554 | 3,704 | – | (18,592) | 125,666 | 6.8 |
| Burberry Group | 155,837 | 9,523 | – | (44,334) | 121,026 | 6.5 |
| Hargreaves Lansdown# | 144,979 | 9,293 | – | (35,707) | 118,565 | 6.4 |
| Sage Group | 111,356 | 1,955 | – | 4,975 | 118,286 | 6.4 |
| Remy Cointreau [2] | 66,110 | 6,542 | – | 23,672 | 96,324 | 5.2 |
| Heineken [3] | 101,428 | 13,332 | – | (26,883) | 87,877 | 4.7 |
| Daily Mail & General Trust (non-voting) | 48,209 | – | – | (11,443) | 36,766 | 2.0 |
| Fever-Tree | – | 17,704 | – | 14,511 | 32,215 | 1.7 |
| Pearson | 34,525 | – | – | (8,812) | 25,713 | 1.4 |
| Manchester United [1] | 27,898 | 2,220 | – | (4,745) | 25,373 | 1.4 |
| Experian Group | – | 22,672 | – | 537 | 23,209 | 1.3 |
| Euromoney Institutional Investor | 41,436 | – | (257) | (18,887) | 22,292 | 1.2 |
| A.G. Barr | 25,490 | 429 | – | (4,102) | 21,817 | 1.2 |
| Rathbone Brothers | 29,393 | 1,286 | – | (9,338) | 21,341 | 1.2 |
| The Lindsell Train Investment Trust plc | 13,500 | – | – | (2,200) | 11,300 | 0.6 |
| PZ Cussons | 3,982 | 3,292 | – | 1,334 | 8,608 | 0.5 |
| Young & Co's Brewery (non-voting) | 11,550 | – | – | (5,565) | 5,985 | 0.3 |
| Frostrow Capital LLP [4] ** | 2,140 | 150 | – | 1,660 | 3,950 | 0.2 |
| Fuller Smith & Turner *** | 8,400 | (875) | – | (3,745) | 3,780 | 0.2 |
| Celtic * | 5,482 | 7 | – | (1,796) | 3,693 | 0.2 |
| | **1,888,834** | **155,338** | **(23,689)** | **(168,895)** | **1,851,588** | **100.0** |

+ Includes Schroders (non-voting) shares, fair value £8,315,000 (2019: £10,081,000)
* Includes Celtic 6% cumulative convertible preference shares, fair value £246,000 (2019:£290,000)
** Includes Frostrow Capital LLP AIFM Investment, fair value £750,000 (2019: £600,000)
*** A capital return of £875,000 was received during the year
# Reflects £623,000 return of capital receivable as at 30 September 2020

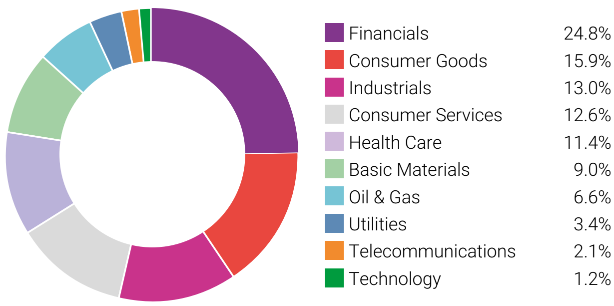
1 Listed in the United States
2 Listed in France
3 Listed in Netherlands
4 Unquoted

## PORTFOLIO SECTOR WEIGHTINGS 2020




Source: Frostrow Capital LLP

## FTSE ALL SHARE SECTOR WEIGHTINGS* 2020




*Source: FTSE International Limited ("FTSE") © FTSE 2020

## STRATEGIC REPORT
# INVESTMENT IN OUR KEY SERVICE PROVIDERS

## CORPORATE INVESTMENTS

Investment trusts have a somewhat unusual structure compared to most limited companies in the corporate world. They frequently have an entirely non-executive board of directors and contract out the management services they need to one or more third party service providers.

In the Company's case it employs Lindsell Train to provide portfolio management and Frostrow to act as AIFM and provide corporate administration, secretarial services, investor relations and marketing. These two firms are by far the Company's most important service providers. Nick Train, one of the directors of Lindsell Train, heads the fund management team looking after the portfolio and Alastair Smith, Managing Partner of Frostrow, heads the team that oversees the range of services listed above. These two men do therefore effectively provide the senior executive management of the Company; they are an essential part of its successful operations. When the Company first started working with them, the Board felt it was of great importance to take a meaningful participation in each of their businesses. This was done not just to align the Company's commercial interests with theirs but to bind them in to the future prosperity of the Company.

When the Board approached Lindsell Train in 2000 to discuss with them taking on the investment mandate for the Company, they were in the process of establishing The Lindsell Train Investment Trust plc ("LTIT") which was to take a 25% interest in Lindsell Train. The balance of Lindsell Train is held by the founding directors Michael Lindsell and Nick Train together with some of their key colleagues. The option of taking a stake directly in Lindsell Train was not open to the Company, but taking a significant shareholding in their new investment trust was. The Company invested £1,000,000 in January 2001 into LTIT. At 30 September 2020, that holding was worth £11,300,000 (2019: £13,500,000), due in no small part to LTIT's very valuable holding in Lindsell Train.

When Alastair Smith established Frostrow in 2007, the Board was able to negotiate with him that the Company took a 10% direct participation in Frostrow at a cost of £150,000, of which £75,000 has been repaid. The Company has also received very tax-efficient profit distributions totalling £3,014,000 from Frostrow since inception. It is of course an unlisted investment, but using well established industry norms, the Company has valued that holding at £3,950,000 (2019: £2,140,000) at 30 September 2020.

That valuation includes £750,000 (2019: £600,000) of regulatory capital that the Board agreed to have made available to Frostrow when the firm became AIFM to the Company in 2014 in addition to existing services provided. This capital contribution is made alongside other Frostrow partners to ensure the firm complies with regulatory capital requirements under the AIFM Directive. The capital is made available in return for a priority profit share of 9%, in line with the long-term annualised total rate of return delivered by Lindsell Train to the Company since 2001. The Board reviews this arrangement and rate offered on a regular basis. Subsequent to 30 September 2020 the Board agreed to make an additional £250,000 available if, or as, it is required to ensure Frostrow complies with the AIFM Directive as the firm continues to grow.

By any measure these investments in Lindsell Train and Frostrow have been hugely successful but that should not obscure the great strategic importance of them. The success of the Company is very largely due to the skill and commitment both these organisations bring to us, something the Board values even more highly than the investment return we have made on the holdings.

It is very pleasing to the Board that this is a two-way street. Shareholders will see from page 50 that as at 30 September 2020, Nick Train holds 3,106,710 shares in the Company (2019: 2,665,336) and Alastair Smith 76,058 shares (2019: 74,827). The Board has consent from Nick Train to disclose that his holding represents the whole of his personal investment in Lindsell Train's UK equity strategy and is a significant portion of his total assets.

## STRATEGIC REPORT
# CONTRIBUTIONS TO TOTAL RETURN
### for the year ended 30 September 2020

| INVESTMENTS | TOTAL RETURN £'000 | CONTRIBUTION PER SHARE (PENCE)* |
|---|---|---|
| **Equities** | | |
| London Stock Exchange | 44,294 | 21.0 |
| Remy Cointreau | 24,201 | 11.5 |
| Fever-Tree | 14,724 | 7.0 |
| Sage Group | 7,753 | 3.7 |
| Unilever | 3,407 | 1.6 |
| Mondelez International | 1,843 | 0.9 |
| PZ Cussons | 1,417 | 0.7 |
| Experian | 536 | 0.3 |
| Celtic | (1,753) | (0.8) |
| Lindsell Train Investment Trust | (1,760) | (0.8) |
| Fuller Smith & Turner | (3,690) | (1.8) |
| A.G Barr | (3,926) | (1.9) |
| Manchester United | (4,440) | (2.1) |
| Young & Co's Brewery (non-voting) | (5,454) | (2.6) |
| Pearson | (7,898) | (3.7) |
| Rathbone Brothers | (8,368) | (4.0) |
| Daily Mail & General Trust (non-voting) | (10,078) | (4.8) |
| Schroders ** | (13,150) | (6.3) |
| RELX | (15,806) | (7.5) |
| Euromoney Institutional Investor | (18,262) | (8.7) |
| Heineken | (25,812) | (12.2) |
| Hargreaves Lansdown | (32,208) | (15.3) |
| Diageo | (33,452) | (15.9) |
| Burberry Group | (43,508) | (20.6) |
| | (131,390) | (62.3) |
| **Preference Shares** | | |
| Celtic 6% (cumulative convertible preference shares) | (36) | 0.0 |
| | (36) | (0.0) |
| **Unquoted** | | |
| Frostrow Capital LLP | 2,168 | 1.0 |
| **Total Contributions to Total Return** | (129,258) | (61.3) |
| **Expenses and Finance Charges** | (12,151) | (5.8) |
| **Return on Ordinary Activities after Taxation** | (141,409) | (67.1) |

* Based on 210,795,674 shares, being the weighted average number of shares in issue during the year ended 30 September 2020

** Includes Schroders non-voting shares

# STRATEGIC REPORT
# PORTFOLIO MANAGER'S REVIEW

**NICK TRAIN**
**LINDSELL TRAIN LIMITED**
***Portfolio Manager***

December 2020 will mark the 20th anniversary of Lindsell Train's (LT) responsibility for the investment affairs of your company. This is a big milestone for me personally and now I look forward to continuing the relationship for at least the next two decades – or, more accurately and humbly, for as long as we retain the confidence of your Board. FGT is by far the biggest external client we have at LT and also the largest stock market investment held by me and my family. The extraordinary events of 2020 have demonstrated none of us can legislate for the future; but it remains true that I and my colleagues could not be any more motivated to preserve and grow the real value of your company than we are today. It is disappointing that the NAV has fallen over the year to end September – as a result of the above-mentioned extraordinary events – but sticking with my 20 year time horizon for your company I have taken advantage of the fall and bought more shares.

The investment approach we apply to FGT remains unchanged, as do the underlying investment ideas that determine the choice of individual securities and the overall shape of the portfolio. I am going to remind you of the three rules of thumb we use in selecting the companies we commit your capital to. I do so because these rules of thumb have by and large led us to making successful investments over time and, even through the pandemic, we see no reason to believe they have lost their efficacy.

## If a company's products taste good, buy the shares

The performance over the years of the holdings in AG Barr, Diageo, Heineken, Mondelez, Remy Cointreau and Unilever confirm the validity of this simple but powerful proposition. Indeed, Mondelez' Oreos, Unilever's Hellmann's and Magnum and Remy cognac have all done particularly well during the pandemic (and boosted the shares of their owners) as consumers have turned to home cooking and consoling treats. Accordingly we are always alert to opportunities to add beloved or trusted consumer brands to the portfolio and over the last 18 months have initiated holdings in Fever-Tree, whose products definitely taste good and in PZ Cussons ("PZC") whose products definitely don't. Nonetheless, the general principle still holds for PZC. The same affection that drinkers have for Tanqueray, or chocaholics for Cadbury, is shown in the trust and reliance consumers have placed in PZC's biggest brand, Carex – the UK's #1 hand sanitiser – with spectacular growth this year.

## The world will never be bored of being informed or entertained

Owners or creators of must-have business information, like major FGT holdings London Stock Exchange ("LSE") or RELX, have been reliable profit-makers and stock market winners for decades. It seems to us that the value of the information they offer is only going to increase as a result of their application of digital analytics to ever increasing reams of data. And this should drive future share price gains. We have added another new holding in 2020 that brings FGT even more participation in this theme – Experian, the credit-rating agency. Experian is one of the UK's very few multi-billion pound and global companies that does clever things with data – and its clients are increasingly reliant on it. The new holding has in part been funded by a reduction in the investment in the LSE, which had grown to a position size of over 12% of your portfolio. This prudential reduction should not be construed as a loss of enthusiasm on our part for the LSE. As to entertainment, I admit it has proven harder for us to find successful exemplars in the UK. I do look at the incredible share price gains of Games Workshop and kick myself – because we don't own it; and that despite one of my younger colleagues recommending it a few years ago. Sometimes it is the errors of omission – what you didn't do but should've – that are most galling. Anyway, we still look for its sort of "sticky content" that can fix attention, preferably of millions of people. So, although its share price is signalling scepticism today, I believe our investment in Manchester United gives access to a unique entertainment asset and one that looks undervalued, we think, compared to transactions for sports franchises around the world.

## The pros are always too cautious about the stock market

And this caution creates opportunities for those who take a more constructive view. Now, I grant you, this third idea has proven harder to justify in 2020 – at least from the perspective of an investor in the moribund UK stock market. Perhaps it has been right to be cautious about the short-term outlook for the FTSE All-Share Index. Nonetheless, to demonstrate what we mean, consider that as I write this – with the virus still rampaging – the S&P 500 Index in the US is up 14% in 2020 and NASDAQ up 40%. Those gains may seem inevitable in hindsight, but few professionals would have predicted them, we submit, if apprised of what was actually about to befall the world. No - we still act on the assumption that it is a winning investment strategy to take a steadfastly optimistic view about the prospects for equity markets – including that of the UK. This means that we hold as little cash as possible and don't try to time the market. (We are though somewhat allergic to borrowing against stock market assets – hence the persistently low levels of borrowing your company runs.) It also means we are drawn to invest in companies that generally do well when stock markets do well, hence our longstanding holdings in Hargreaves Lansdown, LSE, Rathbones and Schroders. Several of these look notably undervalued to us as 2020 has gone on.

In addition to these three strategic ideas, we continue to invest in a truly strategic way. In other words, portfolio turnover remains exceptionally low by comparison to many. Turnover last year was only 1.3%. Low levels of portfolio activity keep transaction costs low, by definition and this is an important benefit. But the even more important reason why we so rarely sell is because we want to maximise the chances that our investments turn out not just successful, but spectacularly so. I know what follows is anecdotal and historic – but consider these more or less random picks from FGT's portfolio (and to be clear, I have chosen the start dates either because they are as far back as Bloomberg data goes, or from the initial stock market listing of each company). Since 1988 Unilever's share price is up 17x, Diageo's 16x and Daily Mail 8x. The FTSE All Share has little more than trebled over the same period. Now, to demonstrate I'm not just cherry-picking winners here, let me acknowledge that our longstanding and patience-testing holding Pearson is only up 70% since 1988 – not great over 32 years. But moving on – since it listed in 1991 Sage is up 138x, Schroders 15x and Euromoney 10x. Since 2001 the LSE is up 22x and since 2014 Fever-Tree 12.5x. Of course we have other holdings where we can't point to such long term gains, yet; and, of course, I am not claiming that we have captured all the gains I highlight above – we weren't appointed until late 2000. But the point is, evidently, that over time shares of successful companies can go up a lot. Probably go up a lot more than investors who are just focussed on the next quarter or even twelve months might believe. The best way to ensure you have a chance of enjoying such returns is to deliberately only invest in what you believe to be exceptional companies and then to sell or top-slice as rarely as possible. This is the effect we are trying to capture.

It has been easy for investors to get discouraged in 2020 and, to repeat, particularly if you are an investor in the UK stock market, like FGT. Despite the unhelpful macro backdrop, we monitor many encouraging developments for the businesses of many of FGT's portfolio holdings. We are sure these positive developments are by no means fully reflected, if at all, in share prices. Let me list several such developments – again somewhat at random – if only to illustrate the sort of incremental data or commentary we look for to validate our policy of taking very long term views on the investments.

**Mondelez** – CEO says market shares are "clearly increasing, more so than at any other time in the company's history."

**RELX** – Submissions to its subscription scientific journals are up 25% year on year. Open access submissions have more than doubled.

**Unilever** – In Q3 2020 its e-commerce sales were up 76% and now comprise 10% of group sales.

**Daily Mail** – at its last valuation DMGT's holding in used-car website Cazoo was worth c£400m and this just one of several valuable subsidiaries and investments. DMGT's entire market capitalisation at end September 2020 is only £1.5bn.

**Hargreaves Lansdown** – in its financial year 2019 trades placed by mobile devices on HL's platform were 1.7m. In 2020 they grew to 4.2m.

**Sage** – 25% of all the UK's VAT returns are made over Sage Business Cloud.

**Diageo** – US consumers spent 38% more on drink-at-home spirits in 2020 than last year, in what seems like a permanent switch away from watery beer to premium spirits. Meanwhile, Fever-Tree's US off-trade sales were up 72% over the last six months.

## STRATEGIC REPORT
# PORTFOLIO MANAGER'S REVIEW

**Schroders** – its 30% owned joint venture in China with Bank of Communications saw assets grow to £65bn, up 25% from last year. These assets are not included in Schroders' published reports, but the stake could be worth a sizable proportion of Schroders' depressed market value.

**LSE** – FGT's biggest holding - announced the conditional sale of its Italian Stock Market subsidiary for €4.3bn. It was bought in 2007 for €1.6bn. Nice work.

During a bull market these kinds of developments might've driven share prices higher. In 2020 they're dismissed or ignored. Peter Lynch – the great Fidelity investor – said:

*"Often, there is no correlation between the success of a company's operations and the success of its stock over a few months or even a few years. In the long term there is a 100% correlation between the success of a company and the success of its stock. It pays to be patient and to own successful companies."*

As we all battle through the challenges thrown at investors in 2020 let's not forget Peter Lynch's advice.

**Nick Train**
Director
Lindsell Train Limited
Portfolio Manager

16 December 2020

# STRATEGIC REPORT
# BUSINESS REVIEW

## BUSINESS REVIEW

The Strategic Report, set out on pages 2 to 28 provides a review of the Company's policies and business model, together with an analysis of its performance during the financial year and its future developments.

It also considers the principal risks and uncertainties facing the Company. The Strategic Report has been prepared to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

Further information on how the Directors have discharged their duty under Section 172 of the Companies Act 2006 can be found on pages 25 to 28.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

As an externally managed investment trust the Company has no executive directors, employees or internal operations. The Company delegates its day-to-day management to third parties. The principal service providers to the Company are Frostrow which acts as AIFM, company secretary and administrator; and Lindsell Train which acts as Portfolio Manager. The Bank of New York Mellon (International) Limited is the Company's Depositary.

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 as well as the review of investment performance and policy. It also has responsibility for all strategic issues, the dividend policy, the share issuance and buy-back policy, gearing, share price and discount/premium monitoring and corporate governance matters.

## STRATEGY FOR THE YEAR ENDED 30 SEPTEMBER 2020 AND STRATEGIC REVIEW

Throughout the period under review, the Company continued to operate as an approved Investment Trust, following its investment objective to achieve capital and income growth and to provide shareholders with a total return in excess of that of the FTSE All-Share Index.

During the year, the Board and Frostrow, the Alternative Investment Fund Manager ("AIFM") and the Portfolio Manager undertook all strategic and administrative activities.

## PROPOSED AMENDMENTS TO THE COMPANY'S INVESTMENT POLICY

As noted in the Chairman's Statement on page 4, a proposal is being put forward at the Company's Annual General Meeting to seek approval from shareholders to make amendments to the investment policy of the Company. The principal change is to include a restriction that the Company will not invest more than 15% of the Company's net assets, at the time of acquisition, in the securities of any one issue. The Company has also made a number of non-material amendments to the Company's investment policy since it was last approved by shareholders in January 2010, which have been notified to shareholders in previous annual reports. The amended investment policy, showing both the proposed material change and the previously implemented non-material changes, is set out in the appendix on page 84. The amended investment policy if approved, shall come into effect from the conclusion of the Company's Annual General Meeting on 17 February 2021. If shareholders do not approve the investment policy resolution then the single issuer limit will not be introduced but the previously implemented non-material changes shall still stand.

### Investment Policy (if approved by shareholders)

The Company's investment policy is to invest principally in the securities of companies either listed in the UK or otherwise incorporated, domiciled or having significant business operations within the UK, whilst up to a maximum of 20% of the Company's portfolio, at the time of acquisition, can be invested in companies not meeting this criteria.

## STRATEGIC REPORT
# BUSINESS REVIEW

The portfolio will normally comprise up to 30 investments. This level of concentration may lead to an investment return which is materially different from the Company's benchmark index and may be considered to carry above average risk.

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 will not invest more than 15% of the Company's net assets, at the time of acquisition, in the securities of any single issuer. For the purposes of this limit only, net assets shall exclude the value of the Company's investment in Frostrow Capital LLP.

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

The Company has the ability to invest 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 Portfolio Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities or to maintain liquidity.

The Company's gearing policy is that gearing will not exceed 25% of the Company's net assets.

No investment will be made in any company or fund managed by the Portfolio Manager without the prior approval of the Board.

In accordance with the Listing Rules of the Financial Conduct Authority ("FCA"), the Company can only make a material change to its investment policies with the approval of its shareholders.

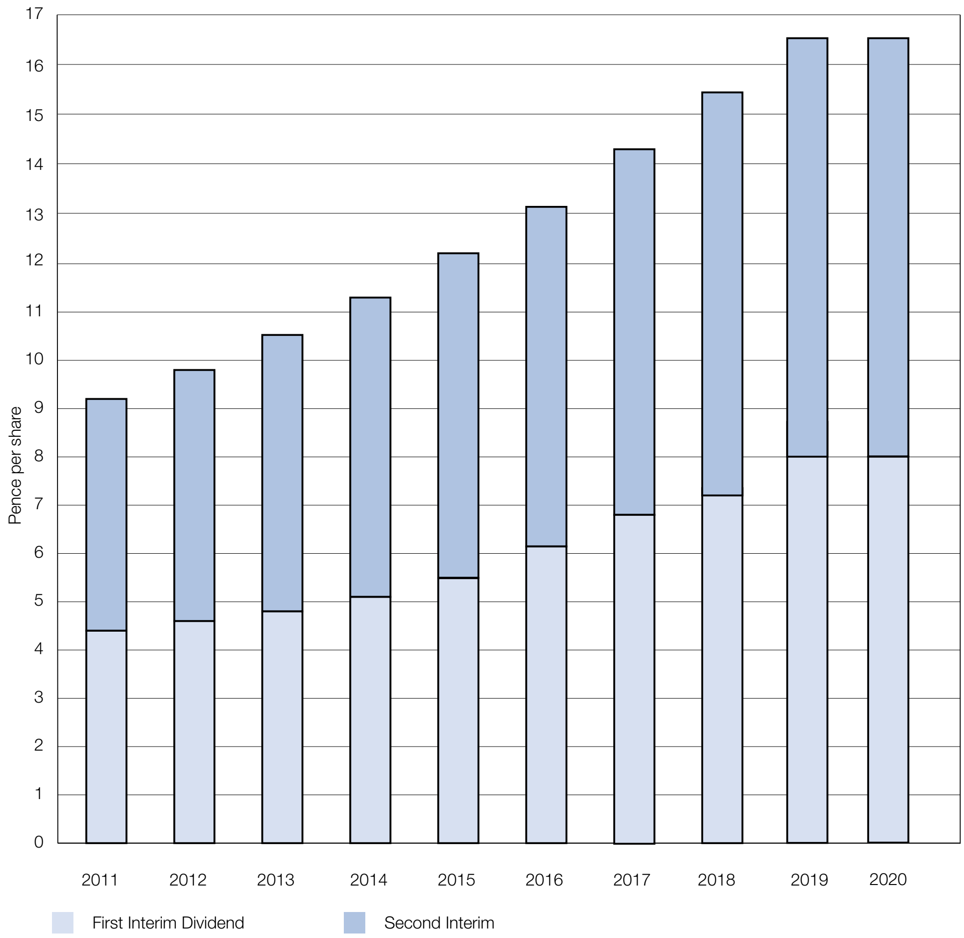
## DIVIDEND POLICY

The Company's aim is to increase or at least maintain the total dividend each year. A first interim dividend is typically paid in May and a second interim in November in lieu of a final dividend.

The level of dividend growth is dependent upon the growth and performance of the companies within the Investment Portfolio. The decision as to the level of dividend paid takes into account the income forecasts maintained by the Company's AIFM and Portfolio Manager as well as the level of revenue reserves. These forecasts consider dividends earned from the portfolio together with predicted future earnings and are regularly reviewed by the Board.

All dividends have been distributed from current year income and revenue reserves.

## TEN YEAR DIVIDEND RECORD




Source: Frostrow Capital LLP

## PRINCIPAL RISKS, EMERGING RISKS AND RISK MANAGEMENT

The Board considers that the risks detailed within this report are the principal risks currently facing the Company in that these are the risks that could affect the ability of the Company to deliver its strategy.

The Board is responsible for the ongoing identification, evaluation and management of the principal risks faced by the Company and has established a process for the regular review of these risks and their mitigation. This process accords with the UK Corporate Governance Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. Further details of the risk management processes that are in place can be found in the Corporate Governance Statement on page 37.

During the year the Committee has undertaken a full review of the scoring methodology applied to the Company's risk register, resulting in a new approach being implemented. This approach was then applied to the existing risks causing some inherent risks to be scored more highly than previously, whilst others had their risk level reduced. It also resulted in new emerging risks being identified.

The Committee also considered the controls in place to mitigate the inherent risks and whether additional controls or actions were required to bring the residual risk down to an acceptable level. The Committee were satisfied with the controls that are in place.

## STRATEGIC REPORT
# BUSINESS REVIEW

## THE COMPANY'S APPROACH TO RISK MANAGEMENT

| Principal Risks and Uncertainties | Key Mitigations |
|---|---|
| **Corporate Strategy**<br>The Board may be unable to maintain its dividend policy. | The Board reviews income forecasts and levels of available revenue reserves produced by the AIFM at every Board meeting. The Company's Articles of Association permit the payment of dividends out of capital. |
| The Company's share price total return may differ materially from the NAV per share total return. | As described on page 78, the Board operates a discount control mechanism which is intended to protect against the share price widening beyond a 5% discount to NAV per share. There is also a share issuance programme which acts as a premium control mechanism. |
| **Investment Strategy and Activity**<br>The investment strategy adopted by the Portfolio Manager including the high degree of concentration of the investment portfolio, may lead to an investment return that is materially lower than the Company's benchmark index, thereby failing to achieve the Company's investment objective. | The Board discusses with the Portfolio Manager the structure of the portfolio, including asset allocation and portfolio concentration.<br>The Board reviews the performance of the portfolio against the benchmark and the Company's peer group at every meeting. |
| The departure of a key individual at the Portfolio Manager may affect the Company's performance. | The Board keeps the portfolio management arrangements under continual review. In turn, the Portfolio Manager reports on developments at Lindsell Train, including succession and business continuity plans. The Board meets regularly with other members of the wider team employed by the Portfolio Manager. |
| A global event such as COVID-19 affects the portfolio companies so that they are no longer appropriate to achieve the Company's investment objective. | The Board reviews the performance of the portfolio against the benchmark and the Company's peer group at every meeting.<br>Over the course of the COVID -19 pandemic the Board has held extra review meetings by video conference, initially weekly and more recently monthly. |
| The investment approach is not aligned with shareholder expectations in relation to Environmental, Social and Governance ("ESG") matters. | The Board conducts an annual review of the Portfolio Manager's ESG policy to ensure that the Company's Portfolio manager's ESG policy is consistent with that expected by the Board. The Board also conducts an annual review of other service providers' policies in relation to internal controls and governance matters notably modern slavery, GDPR, cyber security and policies. The Board reviews media coverage of the Company as well as the Portfolio Manager's investment approach to raise the awareness of engagement with portfolio companies and the factors that are considered when making investments. |

| Principal Risks and Uncertainties | Key Mitigations |
|---|---|
| **Shareholder Relations and Governance**<br><br>The investment objective of existing shareholders no longer coincides with the investment objective of the Company. | At each meeting the Board reviews movements in the Company's shareholder register. In addition, there are regular interactions and engagement with shareholders (including at the AGM). Regular feedback from shareholders is received from the Company's broker. |
| Errors or irregularities in published information could lead to censure and/or result in reputational damage to the Company. | The Board reviews all information supplied to shareholders and the AIFM's marketing activity at each meeting and periodically reviews the Company's website. The AIFM's daily controls ensure accurate publication of information. |
| **Operational**<br><br>The Company's service providers perform poorly, fail to meet their contractual obligations or fail to provide sufficient or accurate information to the Board for decision-making. | All major service agreements are in line with best practice and the Board annually reviews performance against these terms taking any action as needed. The Board has reviewed new working practices adopted at key services providers as a consequence of the COVID-19 pandemic to ensure no disruption to or erosion of service levels.<br><br>The AIFM reports by exception on the performance of other outsourced service providers and reviews contracts to ensure they remain reasonable and competitive, undertaking tender processes when appropriate. |
| The Company's service providers are unable to meet their contractual obligations as a result of a global event such as a terrorist attacks or pandemic. | Both the AIFM's and the Portfolio Manager's compliance officers report to the Audit Committee at every meeting and their internal control report, together with the internal control report of the Custodian, are reviewed annually. These reviews include consideration of their business continuity plans and the associated cyber security risks. |
| Adverse reputational impact of one or more of the Company's key service providers which, by association, causes the Company reputational damage. | The Board receives regular press news updates from the AIFM of all references to the Company and its service providers and are well connected in the investment market so as to keep appraised of views of others in the sector in particular in relation to ESG matters.<br><br>In addition, the Chairman and the Senior Independent Director meet with key shareholders to ascertain views and the Board undertakes annual review of service provision of the service providers. |

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| Principal Risks and Uncertainties | Key Mitigations |
|---|---|
| **Financial**<br><br>Fraud (including unauthorised payments and cyber fraud) occurs leading to a loss. | The AIFM and Portfolio Manager have in place robust compliance monitoring programmes.<br><br>The Board regularly receives monthly compliance reviews and quarterly expenses analysis.<br><br>An annual statement is obtained by the Audit Committee from all service providers giving representations that there have been no instances of fraud or bribery. |
| The Company is exposed to market price risk. | The Directors acknowledge that market risk is inherent in the investment process. The Portfolio Manager maintains a diversified portfolio which is concentrated in a few key sectors. The Board has imposed guidelines within its investment policy to limit exposure to individual holdings and limits the level of gearing.<br><br>The AIFM reports to the Board with respect to compliance with investment guidelines on a monthly basis. The Portfolio Manager provides the Board with regular updates on market movements. No investment is made in derivative instruments and no currency hedging is undertaken.<br><br>Further information on financial instruments and risk can be found in note 17 to the Financial Statements beginning on page 65. |
| The Company is exposed to credit risk | The Portfolio Manager is responsible for undertaking reviews of the creditworthiness of the counterparties that it uses and the Board receives regular updates on the identity and credit rating of such counterparties.<br><br>All business with respect to portfolio activity is conducted through selected brokers on a delivery versus payment basis thereby minimising exposure to broking counterparties.<br><br>Board approval is required for gearing and the Board monitors the credit rating of loan providers.<br><br>Further information on financial instruments and risk can be found in note 17 to the Financial Statements beginning on page 65. |
| **Accounting, Legal and Regulatory**<br><br>The regulatory environment in which the Company operates changes, affecting the Company's modus operandi. | The Board monitors regulatory change with the assistance of its AIFM, Portfolio Manager and external professional advisers to ensure that the Board is aware of any likely changes in the regulatory environment and will be able to adapt as required.<br><br>The Directors attend AIC Roundtables and conferences to keep up to date on regulatory changes and receive industry updates from the AIFM. |

| Principal Risks and Uncertainties | Key Mitigations |
|---|---|
| The Company and/or the Directors fail(s) to comply with legal requirements in relation to FCA dealing rules/handbook procedures, the AIFMD, the Listing Rules, the Companies Act 2006, relevant accounting standards, the Bribery Act 2010, the Criminal Finances Act 2017, GDPR, tax regulations or any other applicable regulations. | The Board monitors regulatory change with the assistance of its AIFM, Portfolio Manager and external professional advisers to ensure compliance with applicable laws and regulations including the Companies Act 2006, the AIFM Rules, the Corporation Tax Act 2010 ('Section 1158'), the Market Abuse Regulation ('MAR'), the Disclosure Guidance and Transparency Rules ("DGTRs") and the UKLA Listing Rules.<br>The Board reviews compliance reports and internal control reports provided by its service providers, as well as the Company's Financial Statements and revenue forecasts.<br>The Depositary reports twice yearly to the Audit Committee, confirming that the Company, acting through the AIFM, has been managed in accordance with the AIFMD, the FUND sourcebook, the Articles (in relation to the calculation of the NAV per share) and with investment restrictions and leverage limits. The Depositary Report can be found in the Shareholder information section of the Company's website (www.finsburygt.com).<br>The Directors attend AIC Roundtables and conferences to keep up to date on regulatory changes and receive industry updates from the AIFM.<br>The AIFM presents a quarterly report on changes in the regulatory environment, including AIC updates, and how changes have been addressed. |
| Poor adherence to corporate governance best practice or errors or irregularities in published information could lead to censure and/or result in reputational damage to the Company. | The Board reviews all information supplied to shareholders and the AIFM's marketing activity at each meeting and periodically reviews the Company's website. Details of the Company's compliance with corporate governance best practice, including information on relationship with shareholders, are set out in the Corporate Governance Report on pages 38 and 39. |

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### Emerging Risks

The Company has carried out a detailed assessment of the Company's emerging and principal risks. The International Risk Governance Council definition of an 'emerging' risk is one that is new, or is a familiar risk in a new or unfamiliar context or under new context conditions (re-emerging). Failure to identify emerging risks may cause reactive actions rather than being proactive and, in worse case, could cause the Company to become unviable or otherwise fail or force the Company to change its structure, objective or strategy.

The Audit Committee reviews a risk map at its half-yearly meetings. Emerging risks are discussed in detail as part of this process and also throughout the year to try to ensure that emerging (as well as known) risks are identified and, so far as practicable, mitigated.

The experience and knowledge of the Directors is useful in these discussions, as are update papers and advice received from the Board's key service providers such as the Portfolio Manager, the AIFM and the Company's Brokers. In addition, the Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and/or regulatory issues and advising on compliance obligations.

### Brexit

The Board has considered whether the UK's exit from the EU ("Brexit") poses a unique threat to the Company. At the date of this report, the UK remains within a "transition period" while it negotiates new arrangements with the EU. There is, therefore, still considerable uncertainty about the effects of Brexit.

Due to the nature of the investee companies the effects of Brexit are likely to be limited.

Furthermore, whilst the Company's current Shareholders are predominantly UK based holders, sharp or unexpected changes in investor sentiment, or tax or regulatory changes, arising from Brexit could lead to short term selling pressure on the Company's shares which potentially could lead to a share price discount.

Overall, however, the Board believes that over the longer term, Brexit is unlikely to affect the Company's business model or whether the shares trade at a premium or discount to the net asset value per share. The Board will continue to monitor developments as they occur.

## PERFORMANCE AND PROSPECTS

As set out in the Chairman's Statement on page 4, considering the opportunities and challenges faced during the year, relative to the wider market, the Board is satisfied with the Company's performance relative to the benchmark and other Key Performance Indicators ("KPI's").

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.

With respect to the Company's prospects, the Board believes that it is possible to achieve strong performance through investing principally in UK equities without trading portfolio securities on a short term basis.

This is demonstrated by the Company's performance over the last ten years with a net asset total return^ of 247.4% compared to a total return from the Company's benchmark index of 63.9%.

## KEY PERFORMANCE INDICATORS ("KPI's")

The Board reviews the performance of the portfolio in detail and hears the views of the Portfolio Manager at each meeting. Information on the Company's performance is provided in the Chairman's Statement (beginning on page 4) and the Portfolio Manager's Review (beginning on page 10). This performance is assessed against the following KPI's which are unchanged from last year:

### Net asset value total return^

The Directors regard the Company's net asset value total return to be a key indicator of performance.

This reflects net asset value growth of the Company including the impact of reinvested dividends.

During the year under review the Company's net asset value per share total return was -7.7% (2019: +17.4%).

### Share price total return^

The Directors also regard the Company's share price total return to be a key indicator of performance.

This reflects share price value growth of the Company including the impact of reinvested dividends.

During the year under review the Company's share price total return was -9.0% (2019: +17.4%).

## Benchmark and peer group performance

The Company's benchmark is the FTSE All-Share Index (total return) which delivered a return of -16.6% (2019: +2.7%) over the year. This compares to the Company's share price total return of -9.0% (2019: +17.4%).

^ Alternative Performance Measure ("APM") (see glossary on pages 80 and 81)

The Board also monitors the Company's net asset value per share return against its AIC peer group^. As at 30 September 2020 the Company's ranking against its peer group of UK growth and income sector investment trusts was:

| Period | Rank out of 25 |
|---|---|
| 1 yr | 5 |
| 3 yr | 2 |
| 5 yr | 1 |
| 10 yr | 1 |

## Revenue return per share+

The Directors regard the Company's revenue return per share to be an important indicator of performance.

The revenue return per share for the year was 16.5 pence per share (2019: 18.3 pence per share). The Company's revenue return per share during the year was down 9.8%.

## Share price discount/premium to net asset value per share^

The Board reviews the level of discount/premium to net asset value per share at every Board meeting and consideration is given to ways in which the share price performance may be enhanced, including the effectiveness of marketing and share issuance and buy-backs, where appropriate. Details of how the Company's discount/premium control mechanism works can be found in the Trust characteristics section on the Company's website (www.finsburygt.com).

Demand for the Company's shares led to the issue of a total of 16,939,591 new shares during the year (2019: 27,120,000) at a premium to the higher of the prevailing cum or ex income net asset value per share at the time of issue. At 30 September 2020 the Company's share price stood at a 0.7% discount to the Company's net asset value per share (2019: 0.7% premium).

In addition, the Company also bought back 505,409 shares into Treasury during the year (2019: nil). These shares were subsequently reissued to satisfy on going demand.

^ Alternative Performance Measure (see glossary on pages 80 and 81)
+ UK GAAP Measure
* Source: Morningstar

## ALTERNATIVE PERFORMANCE MEASURES

The Financial Statements (on pages 54 to 70) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on pages 20 and 21 and explained in greater detail in the Strategic Report under the heading 'Key Performance Indicators' on page 20. Please also see the glossary on pages 80 and 81.

## FUTURE DEVELOPMENTS

The Board's primary focus is on the Portfolio Manager's investment approach and performance. The subject is thoroughly discussed at every Board meeting.

In addition, the AIFM updates the Board on company communications, promotions and investor feedback, as well as wider investment company issues.

An outline of performance, investment activity and strategy, and market background during the year, as well as the outlook, is provided in the Chairman's Statement on pages 4 and 5 and the Portfolio Manager's Review on pages 10 and 11.

It is expected that the Company's strategy will remain unchanged in the coming year.

## LONG TERM VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks stated on pages 15 to 19 and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years. The Board has chosen a five year horizon in view of the long term nature and outlook adopted by the Portfolio Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due:

- The portfolio is principally comprised of investments traded on major international stock exchanges. Based on historic analysis 96.7% of the current portfolio could be liquidated within 30 trading days with 68.0% in seven days and there

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is no expectation that the nature of the investments held within the portfolio will be materially different in future;

- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees, only its non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities.

The Audit Committee, as well as considering the potential impact of its principal risks on pages 15 to 19 and various severe but plausible downside scenarios, has also considered the following assumptions in considering the Company's longer-term viability:

- There will continue to be demand for investment trusts;
- The Board and the Portfolio Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years;
- The Company invests principally in the securities of UK listed companies to which investors will wish to continue to have exposure;
- The Company will maintain its bank loan facility;
- Regulation will not increase to a level that makes running the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

COVID-19 was also factored into the key assumptions made by assessing its impact on the Company's key risks and whether the key risks had increased in their potential to affect the normal, favourable and stressed market conditions. As part of this review the Board considered the impact of a significant and prolonged decline in the Company's performance and prospects. This included a range of plausible downside scenarios such as reviewing the effects of substantial falls in investment values and the impact of the Company's ongoing charges ratio, which were the subject of stress testing.

## MANAGEMENT ARRANGEMENTS

### Alternative Investment Fund Manager ("AIFM")

Frostrow under the terms of its AIFM agreement with the Company provides, *inter alia*, the following services:

- oversight of the portfolio management function delegated to Lindsell Train;
- promotion of the Company;
- investment portfolio administration and valuation;
- risk management services;
- share price discount and premium management;
- administrative and company secretarial services;
- advice and guidance in respect of corporate governance requirements;
- maintenance of the Company's accounting records;
- maintenance of the Company's website;
- preparation and publication of annual, half year reports and monthly fact sheets; and
- ensuring compliance with applicable legal and regulatory requirements.

The AIFM Agreement may be terminated by either party on giving notice of not less than 12 months.

### Portfolio Manager

Under the Portfolio Management Agreement Lindsell Train, as delegate of the AIFM, is responsible for the management of the Company's portfolio of investments under an agreement between it, the Company and Frostrow (the "Portfolio Management Agreement").

Under the terms of its Portfolio Management Agreement, Lindsell Train provides, *inter alia*, the following services:

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

The Portfolio Management Agreement may be terminated by either party on giving notice of not less than 12 months.

### Annual Fees

| That part of Market Capitalisation | AIFM | Portfolio Manager |
|---|---|---|
| ≤ £1 Bn | 0.15% | 0.45% |
| > £1 Bn - £2 Bn | 0.135% | 0.405% |
| £2 Bn + | 0.12% | 0.36% |

### Performance Fees

The Company does not pay performance fees.

## AIFM AND PORTFOLIO MANAGER EVALUATION AND RE-APPOINTMENT

The performance of Frostrow as AIFM and Lindsell Train as Portfolio Manager is continuously monitored by the Board with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by the AIFM and the Portfolio 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.

Following a review at a Board meeting in September 2020 the Board believes that the continuing appointment of Frostrow and Lindsell Train, under the terms described above, is in the best interests of the Company's shareholders. In coming to this decision it took into consideration the following additional reasons:

- the quality and depth of experience of the management, company secretarial, administrative and marketing team that the AIFM brought to the management of the Company; and
- the quality and depth of experience that the Portfolio Manager brought 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.

### Depositary

The Bank of New York Mellon (International) Limited (the "Depositary") acts as the Company's depositary in accordance with the AIFMD on the terms and subject to the conditions of the depositary agreement between the Company, Frostrow and the Depositary (the "Depositary Agreement"). Under the terms of the Depositary Agreement the Company pays the Depositary a fee of 0.009% of net assets.

The Depositary provides the following services:

- responsibility for the safe keeping of custodial assets of the Company;
- verification and maintenance of a record of all other assets of the Company and for the collection of income that arises from those assets;
- taking reasonable care to ensure that the Company is managed in accordance with the AIFMD, the FUND Sourcebook and the Company's instrument of incorporation, in relation to the calculation of the net asset value per share and the application of income of the Company; and
- monitoring the Company's compliance with investment restrictions and leverage limits set by the Board and the AIFM.

In accordance with the AIFM Rules the Depositary acts as global custodian and may delegate safekeeping to one or more global sub-custodians. The Depositary has delegated safekeeping of the assets of the Company to The Bank of New York Mellon SA/NV and/or The Bank of New York Mellon (The Global Sub-custodians). As at the date of this report, the applicable active sub-custodians appointed by the Depositary who might be relevant for the purposes of holding the Company's investments are:

| COUNTRY | NAME OF SUB-CUSTODIAN | REGULATOR |
|---|---|---|
| The Netherlands | The Bank of New York Mellon SA/NV | Financial Services and Markets Authority, Belgium |
| United States of America | The Bank of New York Mellon, New York | US Securities and Exchange Commission |
| France | The Bank of New York Mellon SA/NV | The Autorité des Marchés Financiers |
| The United Kingdom | Depositary and Clearing Centre (DCC) Deutsche Bank AG, London Branch | The Financial Conduct Authority |
| | The Bank of New York Mellon, New York | US Securities and Exchange Commission |

The Global Sub-Custodian's safekeeping fees are charged according to the jurisdiction in which the holdings are based. The majority of the Company's assets attracted a fee of 0.0033% of their market value. Variable transaction fees were also chargeable.

## STRATEGIC REPORT
# BUSINESS REVIEW

The Depositary Agreement may be terminated by either party on giving notice of not less than 90 days.

## COMPANY PROMOTION

The Company has appointed Frostrow to promote the Company's shares to professional investors in the UK and Ireland. As investment company specialists, the Frostrow team provides a continuous, pro-active marketing, distribution and investor relations service that aims to promote the Company by encouraging demand for the shares.

Frostrow actively engages with professional investors, typically discretionary wealth managers, some institutions and a range of execution-only platforms. Regular engagement helps to attract new investors and retain existing shareholders, and over time results in a stable share register made up of diverse, long-term holders.

Frostrow arranges and manages a continuous programme of one-to-one meetings with professional investors around the UK. These include regular meetings with 'gate keepers', the senior points of contact responsible for their respective organisations' research output and recommended lists. The programme of regular meetings also includes autonomous decision makers within large multi-office groups, as well as small independent organisations. Some of these meetings involve Lindsell Train, but most of the meetings do not, which means the Company is being actively promoted while Lindsell Train focuses on managing the portfolio. Over the course of the COVID-19 pandemic, many of these meetings have been through video conference.

The Company also benefits from involvement in the regular professional investor seminars run by Frostrow in major centres notably London and Edinburgh, or webinars which are focused on buyers of investment companies.

The creation and dissemination of information on the Company is also overseen by Frostrow. Frostrow produces all key corporate documents, monthly factsheets, Annual Reports and manages the Company's website (www.finsburygt.com) and social media profile. All Company information and invitations to investor events, including updates from Lindsell Train on the portfolio and market developments, are regularly emailed to a growing database, overseen by Frostrow, consisting of professional investors across the UK and Ireland.

Frostrow maintains close contact with all the relevant investment trust broker analysts, particularly those from Winterflood, the Company's corporate broker, but also others who publish and distribute research on the Company to their respective professional investor clients. Frostrow also engages Edison, a paid-for research provider, whose notes on the Company are freely available online to both professional and private investors.

The Company continues to benefit from regular press coverage, with articles appearing in respected publications that are widely read by both professional and self-directed private investors. The latter typically buy their shares via retail platforms, which account for a significant proportion of the Company's share register. Over the years, Nick Train's regular engagement with the press has resulted in a significant awareness of the Company's investment proposition. This interaction with the press has been managed for many years by Quill Communications, who work closely with Frostrow to ensure regular press attendance at seminars and the Company's AGM.

## DIVERSITY

The Board supports the principle of boardroom diversity, of which gender is one important aspect.

The Company's policy is that the Board should be comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense. The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective at promoting the long-term sustainable success of the Company and generating value for all shareholders by ensuring there is a breadth of perspectives among the Directors and the challenge needed to support good decision making.

To this end achieving a diversity of perspectives and backgrounds on the Board will be a key consideration in any Director search process. The gender balance of three men and three women exceeds the original recommendation of Lord Davies' report on Women on Boards. The Board is aware that new gender representation objectives have been set for FTSE 350 companies and that targets concerning ethnic diversity have been recommended for FTSE 250 companies. The Review set a target for each FTSE 100 Board to have at least one director of colour by 2021 and for each FTSE 250 Board to have the same by 2024.

## ENGAGING WITH THE COMPANY'S STAKEHOLDERS

The following 'Section 172' disclosure, required by the Companies Act 2006 and the AIC Code, as explained on pages 25 to 28, describes how the Directors have had regard to the views of the Company's stakeholders in their decision-making.

| Who?<br>STAKEHOLDER GROUP | Why?<br>THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS | How?<br>HOW THE BOARD, THE AIFM AND THE PORTFOLIO MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS |
|---|---|---|
| **Investors** | Clear communication of the Company's strategy and the performance against the Company's objective can help the share price trade at a narrower discount or a wider premium to its net asset value which benefits shareholders.<br><br>New shares are issued to meet demand without net asset value per share dilution to existing shareholders. Increasing the size of the Company can benefit liquidity as well as spread costs. In an effort to try to eliminate discount volatility, that Directors introduced a discount control mechanism ("DCM") in 2004. Under the DCM, the Company will normally buy in shares being offered on the stock market whenever the discount reaches a level of 5% or more and then either hold those shares in "treasury" or cancel them. Any shares held in treasury can later be sold back to the market if conditions permit. | Frostrow as AIFM, the Portfolio Manager and the Company's broker, on behalf of the Board, complete a programme of investor relations throughout the year. In addition, the Chairman and the Senior Independent Director have continued to engage regularly with the Company's larger shareholders.<br><br>An analysis of the Company's shareholder register is provided to the Directors at each Board meeting along with marketing reports from Frostrow. The Board reviews and considers the marketing plans on a regular basis. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues.<br><br>Key mechanisms of engagement include:<br>• The Annual General Meeting<br>• The Company's website which hosts reports, video interviews with the portfolio manager and monthly factsheets<br>• One-on-one investor meetings<br>• Should any significant votes be cast against a resolution, proposed at the Annual General Meeting the Board will engage with Shareholders.<br>• The Board will explain in its announcement of the results of the AGM the actions it intends to take to consult Shareholders in order to understand the reasons behind the votes against.<br>• Following the consultation, an update will be published no later than six months after the AGM and the Annual Report will detail the impact the Shareholder feedback has had on any decisions the Board has taken and any actions or resolutions proposed. |
| **Portfolio Manager** | Engagement with the Company's Portfolio Manager is necessary to evaluate their performance against the Company's stated strategy and to understand any risks or opportunities this may present. The Board ensures that the Portfolio Manager's environmental, social and governance ("ESG") approach is in line with standards elsewhere and is in line with the Board's expectations.<br><br>Engagement also helps ensure that Portfolio Management costs are closely monitored and remain competitive. | The Board meet regularly with the Company's Portfolio Manager throughout the year both formally at the quarterly Board meetings and informally as needed for example during the COVID-19 pandemic where weekly meetings were held at the start of the pandemic when markets were particularly volatile, reducing in frequency to monthly as markets became more stable. The Board also receives monthly performance and compliance reporting.<br><br>The Portfolio Manager's attendance at each Board meeting provides the opportunity for the Portfolio Manager and Board to further reinforce their mutual understanding of what is expected from both parties. |
| **Service Providers** | The Company contracts with third parties for other services including: depositary, investment accounting & administration as well as company secretarial and registrars. The Company ensures that the third parties to whom the services have been outsourced complete their roles in line with their service level agreements thereby supporting the Company in its success and ensuring compliance with its obligations. | The Board and Frostrow engage regularly with other service providers both in one-to-one meetings and via regular written reporting. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately. |

# STRATEGIC REPORT
# BUSINESS REVIEW

| Who? STAKEHOLDER GROUP | Why? THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS | How? HOW THE BOARD, THE AIFM AND THE PORTFOLIO MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS |
|---|---|---|
| **Service Providers (continued)** | The Covid-19 pandemic has meant that it was vital to make certain there were adequate procedures in place at the Company's key service providers to ensure safety of their employees and the continued high quality service to the Company. | The Board together with Frostrow have maintained regular contact with the Company's key service providers during the pandemic, as well as carrying out a review of the service providers' business continuity plans and additional cyber security provisions.<br>It is the Board's belief that Frostrow and Lindsell Train are the most important service providers with relation to the success of the Company. It was therefore felt it was of great importance that the Company took a meaningful participation in each of their businesses. Further details can be found on page 8. |
| **Portfolio companies** | Gaining a deeper understanding of the portfolio companies and their strategies as well as incorporating consideration of ESG factors into the investment process assists in understanding and mitigating risks of an investment as well as identifying future potential opportunities. | The Board encourages the Company's Portfolio Manager to engage with companies and in doing so expects ESG issues to be a key consideration.<br>The Board receives an update on Lindsell Train's engagement activities within a dedicated quarterly ESG report. |
| **The Company's lender** | Investment trusts have the ability to borrow with a view to enhancing long term returns to shareholders. Engagement with the Company's lender ensures that it fully understands the nature of the Company's business, the strategy adopted by the Portfolio Manager and the extent to which the Company complies with its loan covenants. | Regular reporting to the lender with respect to adherence with loan covenants and ad hoc meetings with the AIFM. |

| What? WHAT WERE THE KEY TOPICS OF ENGAGEMENT? | Outcomes and actions WHAT ACTIONS WERE TAKEN, INCLUDING PRINCIPAL DECISIONS? |
|---|---|
| **Key topics of engagement with investors** | |
| • Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio. | • The Portfolio Manager, Frostrow and the broker meet regularly with shareholders and potential investors to discuss the Company's strategy, performance and portfolio. The Chairman and Senior Independent Director meet with key shareholders from time to time. |
| • Board Composition | • The Board has in place a Board refreshment programme. Neil Collins and David Hunt retired during the year and Sandra Kelly joined the Board in October 2019. Anthony Townsend will retire at the forthcoming AGM to be held in February 2021 where Simon Hayes will succeed him as Chairman of the Board, and Sandra Kelly will become the Senior Independent Director.<br>• Since the year end James Ashton joined the Board on 14 October 2020. |
| **Key topics of engagement with the external Portfolio Manager an ongoing basis are portfolio composition, performance, outlook and business updates.** | |
| • The impact of Brexit upon their business and the portfolio. | • No specific action required. |
| • The impact of COVID-19 upon their business and how components in the portfolio have sought to take advantage of the pandemic, in particular through increased digitalisation. | • The Board has received regular updates from the Portfolio Manager throughout the COVID-19 pandemic and its impact on investment decision making. In addition, the impact of new working practices adopted by the Portfolio Manager as a consequence of the pandemic have been reviewed by the Board. |
| • The integration of ESG into the Portfolio Managers investment processes. | • The Portfolio Manager reports regularly any ESG issues in the portfolio companies to the Board. |
| **Other Service Providers** | |
| • The Directors have frequent engagement with the Company's other service providers through the annual cycle of reporting and due diligence meetings or site visits by Frostrow. This engagement is completed with the aim of maintaining an effective working relationship and oversight of the services provided. | • No specific action required as the reviews of the Company's service providers, have been positive and the Directors believe their continued appointment is in the best interests of the Company. |
| • Continued compliance with covenants set out within the loan agreement between the Company and the lender. | • No specific action was required due to compliance with loan covenants throughout the year. |

# COMMITTED TO RESPONSIBLE INVESTING

## Responsible ownership

It is the Board's view that, in order to achieve long-term success, companies need to maintain high standards of corporate governance and corporate responsibility. Therefore the Company expects the companies in which it is invested to comply with best practice in corporate governance matters, or to provide adequate explanation of any areas in which they fail to comply, whilst recognising that a different approach may be justified in special circumstances. In respect of UK companies, current best practice in corporate governance matters is set out in the Corporate Governance Code.

The Company also monitors the Environmental, Social and Governance ("ESG") policies of the Portfolio Manager, given the likely influence of such factors on the long-term growth prospects of the companies in which they invest on the Company's behalf. Whilst the Company's Portfolio Manager is appraised of the Company's approach to the stewardship of its assets and the importance of sound corporate governance, they use their discretion according to their knowledge of the relevant circumstances. The Portfolio Manager reports its compliance with the UK Stewardship Code, or equivalent legislation, to the Audit Committee each year.

The Portfolio Manager's commitment to responsible investing is set out below which is in line with the direction from the Board:

*Lindsell Train's primary aim is to protect the real value of its clients' capital over the long term. This is consistent with one of its key business principles, which calls them to invest its clients' capital as they do their own. To achieve this aim, Lindsell Train invests in what they have determined to be "exceptional" companies - that is durable, cash generative businesses that achieve higher than average returns on capital - with the expectation of holding them for the very long term. It has historically found that such companies more often than not exhibit characteristics associated with good corporate governance and responsible business practices. Indeed, they believe that companies that observe high standards should increase their chances of survivability.*

*To that end Lindsell Train's analysis and company engagement strategy seeks to incorporate all factors that it believes will affect the company's ability to deliver long term sustainable value to shareholders. Such factors include, but are not limited to corporate strategy, operating performance, competitive positioning, governance, environmental factors (including climate change), social factors, remuneration, reputation and litigation risks, deployment of capital, regulation and any other risks or issues facing the business. Thus, whilst not a separate function, its evaluation of ESG factors is a natural part of its investment process and engaging with and monitoring investee companies is an integral element of its investment strategy.*

*As a product of its investment approach, Lindsell Train do not invest in capital intensive industries (energy, commodities or mining) or any companies involved in the extraction and production of coal, oil or natural gas. It also avoids industries that it judges to be sufficiently detrimental to society that they may be exposed to burdensome regulation or litigation that could impinge on financial returns (e.g. tobacco, gambling or arms manufacturers). Finally, a fortuitous outcome of Lindsell Train's investment process is that a number of holdings in its portfolios play an important positive social role, for example through providing access to education or encouraging saving for the future.*

*From a corporate responsibility perspective, Lindsell Train are in the process of updating their UK Stewardship Code statement in response to the recently published 2020 Code. They engaged with the UK Financial Reporting Council as part of the 2019 Consultation and it is very much their intention that they will remain a signatory of the Code going forward.*

*Additionally, Lindsell Train became a signatory to the UN Principles for Responsible Investment in November 2019.*

*Earlier this year, Lindsell Train appointed Glass Lewis to assist the administration of its proxy voting process. It is their intention that proxy voting reports will be made publicly available on the Lindsell Train website in due course, in line with the expectations of the UK Stewardship Code 2020 and Shareholder Rights Directive II. Lindsell Train does not however outsource the proxy voting decisions, as this forms an important part of its investment process and proactive company engagement strategy. The Portfolio Manager maintains final decision making responsibility, which is based on its detailed knowledge of the companies in which it invests.*

## STRATEGIC REPORT
# BUSINESS REVIEW

## INTEGRITY AND BUSINESS ETHICS

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery, tax evasion and corruption. As such, policies and procedures are in place to prevent bribery and corruption. In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

As an investment trust with limited internal resource, the Company has little impact on the environment. The Company believes that high standards of ESG make good business sense and have the potential to protect and enhance investment returns. Consequently, the Portfolio Manager's investment criteria ensure that ESG and ethical issues are taken into account and best practice is encouraged. The Board's expectations are that its principal service providers have appropriate governance policies in place.

**Anthony Townsend**
Chairman

16 December 2020

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GOVERNANCE

# BOARD OF DIRECTORS

The Board of Directors supervises the management of Finsbury Growth & Income Trust PLC and looks after the interests of Shareholders. The re-election of Directors is sought annually at the Annual General Meeting.

All members of the Board are non-executive. None of the Directors, with the exception of Lorna Tilbian who is a non-executive director of Euromoney Institutional Investor PLC, has any other connection with the Portfolio Manager or is employed by any of the companies in which the Company holds an investment or any of the Company's service providers.

*information as at 30 September 2020

## ANTHONY TOWNSEND

*CHAIRMAN*

(Age 72)

Anthony Townsend rejoined the Board on 1 February 2005 and became Chairman on 30 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, British & American Investment Trust PLC until December 2017, Miton Global Opportunities plc until October 2018 and BMO Smaller Companies until July 2020. He is Chairman of Gresham House plc and a non-executive director of Baronsmead Second Venture Trust plc.

| | |
|---|---|
| *Shares held: | 206,534 |
| *Annual Remuneration: | £37,500 |

## JAMES ASHTON

(Age 45)

James Ashton joined the board after the year end in October 2020. He is a financial journalist and consultant, formerly City Editor and Executive Editor of the Evening Standard and the Independent titles. Prior to that he was City Editor of the Sunday Times. James is the author of two business books, a senior adviser to Portland Communications and chairman of the literacy charity Oscar's Book Prize.

| | |
|---|---|
| *Shares held: | N/A |
| *Annual Remuneration: | N/A for the year ended 30 September 2020 |

## KATE CORNISH-BOWDEN

(Age 54)

Kate Cornish-Bowden has served on the Board since 26 October 2017. Kate worked for 12 years as a fund manager for Morgan Stanley Asset Management, where she was managing director and head of the global equity team. Prior to joining Morgan Stanley she worked as a research analyst at M&G. Kate was formerly a non-executive director and chair of the audit committee at Calculus VCT plc. Kate is a non-executive director and chair of the audit committee at CC Japan Income & Growth Trust plc, non-executive director and Senior Independent Director at Schroder Oriental Income Fund Limited and non-executive director at International Biotechnology Trust plc.

| | |
|---|---|
| *Shares held: | 7,061 |
| *Annual Remuneration: | £24,500 |

## SIMON HAYES

*SENIOR INDEPENDENT DIRECTOR*
*(With effect from 12 May 2020)*
(Age 50)

Simon Hayes has served on the Board since 29 June 2015. Simon is the Chairman of Peel Hunt LLP. He joined Peel Hunt in 1993 and was appointed Head of Corporate Finance in 2003, Chief Executive in 2006 and Chairman in 2016. Simon will become the Chairman of the Company at the conclusion of the 2021 AGM.

| | |
|---|---|
| *Shares held: | 66,488 |
| *Annual Remuneration: | £24,500 |

## LORNA TILBIAN

(Age 63)

Lorna Tilbian has served on the Board since 26 October 2017. Lorna was formerly an executive-director of Numis Corporation PLC, a non-executive director of M&C Saatchi PLC, a director of WestLB Panmure Limited and S G Warburg Securities. She is a non-executive director of Jupiter UK Growth Investment Trust PLC, ProVen VCT plc, Euromoney Institutional Investor PLC and Rightmove PLC.

| | |
|---|---|
| *Shares held: | nil |
| *Annual Remuneration: | £24,500 |

## SANDRA KELLY, ACA

*CHAIR OF THE AUDIT COMMITTEE*
*(With effect from 12 May 2020)*
(Age 60)

Sandra Kelly joined the Board on 9 October 2019. A Chartered Accountant, she was formerly Finance Director of the Canal & River Trust. Prior to that she spent eight years as Finance Director at NHBC (National House-Building Council). She is a Trustee of the Land Trust Board and Chair and Governor of Headington School in Oxford. She previously held senior finance positions in the commercial sector, most notably for BMW GB. Sandra will become the Senior Independent Director at the conclusion of the 2021 AGM.

| | |
|---|---|
| *Shares held: | 4,645 |
| *Annual Remuneration: | £30,000 |

GOVERNANCE

# REPORT OF THE DIRECTORS

The Directors present their annual report on the affairs of the Company, together with the audited Financial Statements and the Independent Auditors' Report for the year ended 30 September 2020.

In accordance with the requirement for the Directors to prepare a Strategic Report and an enhanced Directors' Remuneration Report for the year ended 30 September 2020, the following information is set out in the Strategic Report: a review of the business of the Company including details about its objective, strategy and business model, future developments, details of the principal risks and uncertainties associated with the Company's activities (including the Company's financial risk management objectives and policies), information regarding community, social, employee, human rights and environmental issues and the Company's policy regarding Board diversity.

Information about Directors' interests in the Company's ordinary shares is included within the Annual Report in the Remuneration section of the Directors' Remuneration Report.

The Corporate Governance Statement forms part of this Directors' Report.

## BUSINESS AND STATUS OF THE COMPANY

The Company is registered as a public limited company in Scotland (Registered Number SC013958) and is an investment company within the terms of Section 833 of the Companies Act 2006. Its shares are listed on the premium segment of The Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange which is a regulated market as defined in Section 1173 of the Companies Act 2006.

The Company has received approval from HM Revenue & Customs as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company continues to conduct its affairs so as to qualify for such approval.

## RESULTS AND DIVIDENDS

The Return on Ordinary Shares after taxation is shown on page 54. Details of the Company's dividend record can be found on page 15.

## DIRECTORS

The current Directors of the Company are listed on pages 30 and 31. With the exception of James Ashton they all served as Directors throughout the year to 30 September 2020.

James Ashton has served as a Director since 14 October 2020.

Neil Collins served as a Director until his retirement on 27 February 2020 and David Hunt served as a Director until his retirement on 12 May 2020.

No other person was a Director during any part of the year or up to the approval of this Report.

### Directors' Conflicts of Interest

Directors report on actual or potential conflicts of interest at each Board meeting. Any Director with a potential conflict would be excluded from any related discussion.

### Directors' & Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Company during the year. It is intended that this policy will continue for the year ending 30 September 2021 and subsequent years.

### Directors' Indemnity

The Company provides, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them and also liabilities owed to third parties, in either case arising out of their positions as Directors. This was in place throughout the financial year under review and up to the approval of this report.

A copy of each deed of indemnity is available for inspection at the Company Secretary's offices during normal business hours and will be available at the Annual General Meeting.

### Directors' Fees

Reports on Directors' Remuneration and also the Directors' Remuneration Policy are set out on pages 47 to 51.

### Appointment and Replacement of Directors

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than three.

### Directors' (and Other Senior Individuals) Interests

The beneficial interests in the Company of the Directors, of Nick Train, the individual with responsibility for managing the Company's portfolio at Lindsell Train, and of Alastair Smith, Managing Partner at Frostrow, and of the persons closely associated with them, are set out on page 50 of this Annual report.

## CAPITAL STRUCTURE

The Company's capital structure is composed solely of Ordinary Shares. Details are given in note 13 to the Financial Statements on page 64.

Details of the voting rights in the Company's shares at the date of this Annual Report are given in note 9 to the Notice of the Annual General Meeting.

Details of the substantial shareholders in the Company are listed below.

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 within the Notice of the Annual General Meeting.

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.

## SHARE CAPITAL

At the Annual General Meeting held on 28 February 2020, authority to allot up to 20,837,671 shares on a non pre-emptive basis at prices not less than the higher of the prevailing cum or ex income net asset value per share at the time of issuance was granted.

Additionally, in order to continue issuing shares and remain in compliance with the Prospectus Rules Regulation, the Company issued a Prospectus in July 2019 relating to a placing programme of up to 60 million shares. Specifically in connection with this, the Company also obtained at the General meeting shareholder authority to issue 60 million shares on a non-pre-emptive basis at prices not less than the prevailing cum income or ex income net asset value per share. This authority expired at the closing of the placing programme on 6 August 2020.

Under the Prospectus Rules Regulation, a company is required to issue a prospectus once it issues over 20% of its share capital in any 12 month period. As the Company has currently issued under 20% of its share capital since the placing programme expired a prospectus is not required at this time.

Further details of the resolutions concerning issuance authorities can be found in the Notice of Meeting.

The Company also bought back 505,409 shares into Treasury during the year (2019: nil). These shares were subsequently reissued by the end of the year to satisfy on going demand.

During the year, 16,939,591 new shares were issued by the Company at a premium to the higher of the prevailing cum or ex income net asset value per share at the time of issue.

Since the year-end and to 15 December 2020 a further 4,515,000 new shares have been issued under the same issuance criteria.

## SUBSTANTIAL SHARE INTERESTS

The Company was aware of the following substantial registered interests in the voting rights of the Company as at 30 September 2020 and 30 November 2020, being the latest practicable date before publication of the annual report:

| | 30 NOVEMBER 2020 | | 30 SEPTEMBER 2020 | |
|---|---|---|---|---|
| | NUMBER OF SHARES | % OF CAPITAL | NUMBER OF SHARES | % OF CAPITAL |
| Hargreaves Lansdown, stockbrokers | 27,024,074 | 12.21 | 26,554,817 | 12.20 |
| Brewin Dolphin, stockbrokers | 20,061,621 | 9.06 | 20,152,204 | 9.25 |
| interactive investor | 18,209,820 | 8.22 | 18,003,717 | 8.27 |
| AJ Bell, stockbrokers | 14,307,275 | 6.46 | 14,012,010 | 6.43 |
| Rathbones | 11,581,092 | 5.23 | 11,561,809 | 5.31 |
| Investec Wealth & Investment | 10,752,116 | 4.86 | 10,572,549 | 4.86 |
| Charles Stanley | 6,863,135 | 3.10 | 6,789,860 | 3.12 |
| Smith & Williamson Wealth Management | 6,754,615 | 3.05 | 6,770,192 | 3.11 |

At 30 September 2020 the Company had 217,751,303 shares in issue. As at 30 November 2020 the Company had 221,486,303 shares in issue.

GOVERNANCE

# 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, or to the Company directly.

## LOAN FACILITY

At 30 September 2020 the Company was entering the second year of its three-year secured fixed term committed revolving credit facility of £50 million (with an additional £50 million facility available if required) with Scotiabank Europe PLC. As at 30 September 2020 a total of £36.7 million was drawn down from this facility (2019: £36.7 million) which equates to gearing of 0.5%, after taking into account net current assets including cash.^

^ Alternative Performance Measure (see glossary on pages 80 and 81)

## GLOBAL GREENHOUSE GAS EMISSIONS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. It has no GHG emissions to report from its operations nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within the Company's underlying investment portfolio. Consequently  the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

## MODERN SLAVERY ACT 2015

As an investment vehicle, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any anti-slavery or human trafficking statement under the Modern Slavery Act 2015.

The Board has received assurances from the Company's key service providers that they comply with their Modern Slavery obligations and have statements on their websites to that effect.

## POLITICAL DONATIONS

The Company does not make political donations.

## LISTING RULE 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information, more applicable for traditional trading companies, in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

## SECURITIES FINANCIAL TRANSACTIONS REGULATION ('SFTR') DISCLOSURE (UNAUDITED)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 30 September 2020.

## ALTERNATIVE PERFORMANCE MEASURES

The Company uses a variety of performance measures when monitoring the performance of the Company. These measures are considered to be alternative performance measures under the European Securities and Markets Authority ('ESMA') guidelines and are described further in the Glossary and Alternative Performance Measures on pages 80 and 81 .

## STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as the Directors are aware, there is no relevant information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware. The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information (as defined) and to establish that the Auditors are aware of such information.

The above confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## GOING CONCERN

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints, on the Company's NAV, cash flows and expenses.

Based on the information available to the Directors at the date of this report, including the results of these stress tests, the conclusions drawn in the Viability Statement in the Strategic Report on page 21 and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

In reaching these conclusions and those in the Longer-Term Viability Statement, the stress testing conducted also featured consideration of the effects of COVID-19.

## ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 17 February 2021 and full details of the meeting arrangements and the business to be transacted will be sent under separate cover to Shareholders.

Due to the health and well-being restrictions in place in connection with COVID-19 the Board has decided to hold the meeting in a virtual capacity this year. See the Chairman's statement for further details.

The full text of the resolutions to be proposed at the AGM and an explanation of each resolution are contained in the separate Notice of Meeting. The Directors recommend that you cast your proxy votes vote in favour of all resolutions proposed, as they will in respect of their own holdings

## AUTHORITY TO PURCHASE OWN SHARES

It is intended that a special resolution will be proposed to grant the Board authority to purchase its own shares, so as to permit the purchase of up to 33,317,718 of the Company's ordinary shares (or such other number of shares as is equal to 14.99% of the total number of ordinary shares in issue at the date of the passing of the resolution) subject to the constraints set out in the special resolution. The Directors would intend to use this authority to purchase shares only if this would result in an increase in net asset value per share and would be in the best interests of shareholders generally. Ordinary shares which are purchased under this authority may be held in treasury or cancelled.

### Rationale and justification

The Company has adopted a discount protection mechanism whereby the Company will buy back shares as described above when the share price discount to net asset value per share exceeds 5%. This policy also includes issuance of new shares at a small premium to net asset value per share on a regular basis acting as a premium management tool. A detailed description of this policy can be found on the Company's website at (www.finsburygt.com).

During the year, 505,409 shares were bought back into treasury within this policy at an average share price discount of 6.7% and were subsequently re-issued from treasury at a price representing a premium to net asset value per share of 0.7% (year ended 30 September 2019: Nil).

The Directors believe that the benefits to shareholders of this policy are:

- The volatility of the Company's share price discount is minimised;
- The absolute level of the Company's share price discount is minimised;
- It is accretive to net asset value per share to the benefit of on-going shareholders;
- The Company's long-term prospects are preserved in that shareholders with a longer term investment horizon are attracted to the shareholder register; and
- The true value of the investment portfolio is captured as long-term returns are not affected by extraneous factors.

The Directors believe that granting the Board authority to purchase shares, as detailed above, is in the best interests of shareholders as a whole and therefore recommend shareholders to vote in favour of this resolution.

GOVERNANCE

# REPORT OF THE DIRECTORS

## VOTING RIGHTS

As permitted by applicable law, some of these rights are varied in respect of the upcoming Annual General Meeting of the Company due to the present circumstances regarding the Coronavirus pandemic. Subject to any rights or restrictions attached to any shares, on a show of hands, every member who is present in person has one vote and every proxy present who has been duly appointed has one vote. However, if the proxy has been duly appointed by more than one member entitled to vote on the resolution, and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he or she has one vote for and one vote against the resolution. Every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation. On a poll, every member present in person or by duly appointed proxy or corporate representative has one vote for every share of which they are the holder or in respect of which their appointment as proxy or corporate representative has been made.

A member, proxy or corporate representative entitled to more than one vote need not, if they vote, use all their votes or cast all the votes they use the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members. A member is entitled to appoint another person as his proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company.

The appointment of a proxy shall be deemed also to confer authority to demand or join in demanding a poll. Delivery of an appointment of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it. A proxy need not be a member. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by them.

## OTHER STATUTORY INFORMATION

The following information is disclosed in accordance with the Companies Act 2006:

- The rules on the appointment and replacement of directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006.
- Subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special powers given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all the powers exercisable by the Directors. The Directors' powers to issue and buy back shares, in force at the end of the year, are recorded in the Directors' Report.

There are no agreements:

i. to which the Company is a party that might affect its control following a takeover bid; and/or

ii. between the Company and its Directors concerning compensation for loss of office.

By order of the Board

**Frostrow Capital LLP**
Company Secretary

16 December 2020

GOVERNANCE

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "UK 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 will provide the best information to shareholders and the Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the UK Listing Rules.

## STATEMENT OF COMPLIANCE

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

The UK Code includes certain provisions relating to:

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

For the reasons set out in the AIC Code, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Therefore the Company has not reported further in respect of these provisions.

## BOARD LEADERSHIP AND PURPOSE

Responsibility for effective governance and for the overall management of the Company's affairs lies with the Board. The governance framework of the Company reflects the fact that as an investment company it outsources company secretarial, administration, marketing, portfolio and risk management services to Frostrow. Portfolio management is then delegated to Lindsell Train Limited ("Portfolio Manager") by Frostrow.

## ROLE OF THE BOARD

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

## COMPANY'S PURPOSE, VALUES AND STRATEGY

The Board assesses the basis on which the Company generates and preserves value over the long term. The Strategic Report describes how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. The Company's investment objective and investment policy are set out on pages 13 and 14. The Board's key responsibilities are to set the strategy, values and standards; to provide leadership within a controls framework which enable risks to be assessed and managed; to challenge constructively and scrutinise performance of all outsourced activities; and to review regularly the contracts, performance and remuneration of the Company's principal service providers and Portfolio Manager.

## CULTURE

The Board seeks to establish and maintain a corporate culture characterised by fairness in its treatment of the Company's service providers, whose efforts are collectively directed towards delivering returns to shareholders in line with the Company's purpose and objectives. It is the Board's belief that this contributes to the greater success of the Company, as well as being an appropriate way to conduct relations between parties engaged in a common purpose.

## BOARD COMMITTEES

The Directors have decided that, given the size of the Board, it is unnecessary to form separate remuneration and nomination Committees; the duties that would ordinarily fall to those Committees are carried out by the Board as a whole.

## THE AUDIT COMMITTEE

The Audit Committee's key responsibilities are to monitor the integrity of the annual report and Financial Statements; to oversee the risk and control environment and financial reporting; and to review the performance of the Company's external auditor.

GOVERNANCE

# CORPORATE GOVERNANCE

All Independent non-executive Directors are members of the Committee.

Copies of the full terms of reference, which clearly define the responsibilities of the Audit Committee, can be obtained from the Company Secretary. They will be available for inspection at the Annual General Meeting or at the offices of the Company Secretary, and can be found in the Corporate Information section on the Company's website (www.finsburygt.com).

## BOARD MEETINGS

Representatives of the Portfolio Manager, AIFM and Company Secretary are expected to be present at all meetings. The primary focus at Board meetings is a review of investment performance and associated matters. The Chairman seeks to encourage open debate within the Board and a supportive and co-operative relationship with the Company's AIFM, Portfolio Manager, advisers and other service providers. The table below sets out the number of formal Board and Committee meetings held during the year ended 30 September 2020 and the number of meetings attended by each Director. In addition to the scheduled Board and Committee meetings, Directors attend ad-hoc meetings to consider matters such as the approval of regulatory announcements, management accounts and interim dividends.

During the start of the pandemic Directors attended weekly portfolio update briefings with representatives of the Portfolio Manager and AIFM. These updates reduced in frequency to fortnightly and then monthly as the volatility of the markets decreased.

| TOTAL NUMBER OF MEETINGS | BOARD 5 | AUDIT COMMITTEE 3 |
|---|---|---|
| Anthony Townsend | 5 | 3 |
| James Ashton^ | N/A | N/A |
| Neil Collins* | 2 | 1 |
| Kate Cornish-Bowden | 5 | 3 |
| Simon Hayes | 5 | 3 |
| David Hunt** | 3 | 2 |
| Sandra Kelly | 5 | 3 |
| Lorna Tilbian | 5 | 3 |

*Mr Neil Collins retired from the Board on 27 February 2020.
**Mr David Hunt retired from the Board on 12 May 2020.
^Mr Ashton was appointed to the Board on 14 October 2020.
All of the Directors, with the exception of James Ashton attended the Annual General Meeting in February 2020.

## SHAREHOLDER ENGAGEMENT

Information on the Board's engagement with Shareholders and stakeholders and how it contributes to strategic decision making is discussed within the s172 statement found on pages 25 to 26.

## NOMINEE SHARE CODE

Where the Company's shares are held via a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's Annual General Meeting and vote via proxy.

## STAKEHOLDERS

The new AIC Code requires directors to explain their statutory duties as stated in sections 171–177 of the Companies Act 2006. Under section 172, directors have a duty to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to the consequences of any decisions in the long term, as well as having regard to the Company's stakeholders amongst other considerations.

The Board's report on its compliance with Section 172 of the Companies Act 2006 is contained within the Strategic Report on pages 25 and 26.

As an externally managed investment company, the Company does not have employees. Its main stakeholders therefore comprise its shareholders and a small number of service providers. These service providers are external firms engaged by the Board to provide various services including AIFM, portfolio management, secretarial, depositary, custodial and banking services. The principal relationships are with the AIFM and the Portfolio Manager as described on pages 22 and 23.

The Board scrutinises the performance of the AIFM and Portfolio Manager at each meeting and reviews the contractual relationships with them both at least annually. Further information on the AIFM and Portfolio Manager fees are contained within the Strategic Report on page 23 and note 3 on page 60.

## RELATIONSHIP WITH OTHER SERVICE PROVIDERS

The Board has delegated a wide range of activities to external agents, in addition to the Portfolio Manager.

These services include investment administration, management and financial accounting, Company Secretarial and certain other administrative 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.

Further information on the service providers is contained within the Strategic Report on pages 8, 22, 23 and 24.

The Board and AIFM are responsible for monitoring and evaluating the performance of the Company's service providers.

## SIGNIFICANT HOLDINGS AND VOTING RIGHTS

Details of the substantial interests in the Company's Shares, the voting rights of the shares and the Directors' authorities to issue and repurchase the Company's shares, are set out in the Directors' Report.

## STEWARDSHIP AND THE EXERCISE OF VOTING POWERS

The Portfolio Manager's commitment to responsible investing is set out on page 27.

The Board has delegated authority to the Portfolio Manager to vote the shares owned by the Company.

## DIVISION OF RESPONSIBILITIES

### Responsibilities of the Chairman

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the company. The Chairman is responsible for:

- ensuring that the Board is effective in its task of setting and implementing the Company's direction and strategy, taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making
- taking a leading role in determining the Board's composition and structure, overseeing the induction of new Directors and the development of the Board as a whole, leading the annual board evaluation process and assessing the contribution of individual Directors
- supporting and also challenging the AIFM and the Portfolio Manager (and other suppliers where necessary) ensuring effective communications with shareholders and, where appropriate, stakeholders
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views

## DIRECTORS' INTERESTS

The beneficial interests of the Directors in the Company are set out on page 50.

## DIRECTORS' INDEPENDENCE

The Board consists of six non-executive Directors, each of whom is independent of Frostrow and Lindsell Train. No member of the Board has been an employee of the Company, Frostrow, Lindsell Train or any of its service providers. Accordingly, the Board considers that all the Directors are independent and there are no relationships or circumstances which are likely to affect or could appear to affect their judgement.

The Chairman is entitled to a seat on the board of the Company's AIFM by virtue of the Company's minority partnership interest in Frostrow. It is a non-executive position and therefore the Board does not believe that this compromises his independence from the Company.

## DIRECTORS' OTHER COMMITMENTS

During the year, none of the Directors took on an increase in total commitments. Each of the Directors assessed the overall time commitment of their external appointments and it was concluded that they have sufficient time to discharge their duties.

## BOARD EVALUATION

During the year the performance of the Board and its committees was evaluated through a formal assessment process led by the Chairman. The performance of the Chairman was evaluated by the other Directors under the leadership of Simon Hayes.

GOVERNANCE

# CORPORATE GOVERNANCE

The Chairman is satisfied that the structure and operation of the Board continues to be effective and relevant and that there is a satisfactory mix of skills, experience, length of service and knowledge of the Company. The Board has considered the position of all of the Directors, and believes that it would be in the Company's best interests to propose them for re-election save for the Chairman who will be retiring from the Board at the conclusion of the 2021 Annual General Meeting.

## MATTERS RESERVED FOR DECISION BY THE BOARD

The Board has adopted a schedule of matters reserved for its decision. This includes, *inter alia*, the following:

- Requirements under the Companies Act 2006, including approval of the half yearly and annual financial statements, recommendation of any dividend, the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks.
- Matters relating to certain Stock Exchange requirements and announcements, the Company's internal controls, and the Company's corporate governance structure, policy and procedures.
- Decisions relating to the strategic objectives and overall management of the Company, including the appointment or removal of the AIFM and other service providers, and review of the Investment Policy.
- Matters relating to the Board and Board committees, including the terms of reference and membership of the committees, the appointment of Directors (including the Chairman) and the determination of Directors' remuneration. Day-to-day operational and portfolio management is delegated to Frostrow and Lindsell Train respectively.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Frostrow or Lindsell Train act as spokesmen. The Board is kept informed of relevant promotional material that is issued by Frostrow.

## COMPOSITION, SUCCESSION AND EVALUATION

The Board regularly considers its structure and recognises the need for progressive refreshment and ensures there is a formal rigorous and transparent procedure for the appointment of new Directors.

The Board has adopted a Board and Audit Committee Composition and Succession Plan (the "Plan"). The purpose of the Plan is to ensure that the Board is comprised of members who collectively:

i. display the necessary balance of professional skills, experience, length of service and industry/Company knowledge; and

ii. are fit and proper to direct the Company's business with prudence and integrity; and provide policy guidance on the structure, size and composition of the Board (and its Committee) and the identification and selection of suitable candidates for appointment to the Board (and its Committee).

This Plan is reviewed by the Board annually and at such other times as circumstances may require.

## POLICY ON DIRECTOR TENURE

The Board does not believe that long-serving directors should be prevented from forming part of an independent majority. It does not consider that a director's tenure necessarily reduces their ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors will be appointed with the expectation that they will serve for a minimum of three years, subject to shareholder approval.

## APPOINTMENTS TO THE BOARD

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association and the aforementioned succession planning policy. Where the Board appoints a new Director during the year or after the year end and before the notice of annual general meeting is published, that Director will stand for election by shareholders at the next Annual General Meeting. Subject to there being no conflict of interest, all Directors are entitled to vote on candidates for the appointment of new Directors and on the recommendation for shareholders' approval for the Directors seeking re-election at the Annual General Meeting. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

Subject to there being no conflict of interest, all Directors are independent and are entitled to vote on candidates for the appointment of new Directors and on the recommendation for shareholders' approval for the Directors seeking re-election at the Annual General Meeting. The Chairman will not chair the meeting when the Board is dealing with the appointment of his successor.

## INDUCTION / DEVELOPMENT

New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. New Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board committee, the Company's corporate governance practices and procedures and the latest financial information. Directors are encouraged to participate in training courses where appropriate.

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

The Company has also arranged Directors' and Officers' Liability Insurance which provides cover for legal expenses under certain circumstances. This was in force for the entire period under review and up to the date of this report.

## DIVERSITY POLICY

See page 24 for a description of the Company's diversity policy.

## CONFLICTS OF INTEREST

In line with the Companies Act 2006, the Board has the power to sanction any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and external appointments is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. Should a conflict arise, the Board has the authority to request that the director concerned abstains from any relevant discussion or vote where a perceived conflict may arise. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts or potential conflicts arise.

## EXERCISE OF VOTING POWERS

The Board has delegated authority to Lindsell Train (as Portfolio Manager) to cast its vote in relation to the shares owned by the Company that are held on its behalf by its Custodian.

Please refer to page 27 for further information.

## ANTI-BRIBERY AND CORRUPTION POLICY

The Board has adopted a zero-tolerance approach to instances of bribery and 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 from 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 in the Board and Policies section of the Company's website (www.finsburygt.com). The policy is reviewed regularly by the Audit Committee.

## PREVENTION OF THE FACILITATION OF TAX EVASION

In response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found in the Board and Policies section of the Company's website (www.finsburygt.com). The policy is reviewed annually by the Audit Committee.

GOVERNANCE

# CORPORATE GOVERNANCE

## INDEPENDENT PROFESSIONAL ADVICE

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

## RISK AND INTERNAL CONTROL

The Statement of Directors' Responsibilities on page 52 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 43, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 16 to 20.

## ANNUAL GENERAL MEETING

**THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.**

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 11 Authority to allot shares

Resolution 12 Authority to disapply pre-emption rights

Resolution 13 Authority to sell shares held in Treasury on a non pre-emptive basis

Resolution 14 Authority to repurchase shares (please refer to page 35 for further information)

Resolution 15 Authority to hold General Meetings (other than the Annual General Meeting) on at least 14 clear days' notice.

Resolution 16 Authority to approve an amended investment policy.

The full text of the resolutions to be proposed at the AGM are contained in the separate Notice of Meeting being sent to Shareholders with this Report and will be available in the Corporate Information section of the Company's website (www.finsburygt.com).

By order of the Board

**Frostrow Capital LLP**
Company Secretary

16 December 2020

GOVERNANCE

# AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee's Report for the year ended 30 September 2020.

## ROLE AND COMPOSITION

The Audit Committee (the "Committee") comprises all the Directors of the Company.

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles, risk management and to assess the effectiveness of the audit. The Committee's role and responsibilities are set out in full in its terms of reference which are available in the Corporate Information section of the Company's website (www.finsburygt.com). A summary of the Committee's main responsibilities and how it has fulfilled them is set out below.

The Committee, as a whole, has competence relevant to the investment trust sector with Committee members having a range of financial and investment experience. The requirement for at least one member of the Committee to have recent and relevant experience is satisfied by myself being a chartered accountant.

The Committee met three times during the financial year. Meeting attendance is shown on page 38.

## RESPONSIBILITIES

As Chair of the Committee I can confirm that the Committee's main responsibilities during the year were:

1. **To review the Company's half year and annual financial statements** together with announcements and other filings relating to the financial performance of the Company and issuance of the Company's shares. In particular, the Committee considered whether the Financial Statements were fair, balanced and understandable, allowing shareholders to assess the Company's strategy, investment policy, business model, financial performance and financial position at each period end.
2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee reviewed the appropriateness of the Company's anti-bribery and corruption policy. During the year the Committee also reviewed the internal controls in place at the Company's AIFM, its Portfolio Manager, its Registrar and its Depositary and undertook a full review of the Company's risk register. Further details can be found on page 42.
3. **To ensure Compliance with Section 1158 of the Corporation Tax Act 2010.** The Committee obtained confirmation that the Company continues to meet the regulatory requirements.
4. **To recommend the appointment of external Auditors** and agree the scope of their work and their remuneration, reviewing their independence and the effectiveness of the audit process.
5. **To consider any non-audit work to be carried out by the Auditors.** The Committee reviews the need for non-audit services in accordance with the Company's non-audit services policy.

## SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE DURING THE YEAR

### AUDIT REGULATION

In the year since the publication of the 2019 Annual Report, the UK audit sector has been subject to a number of reviews, such as those conducted by the Competition and Markets Authority ('CMA') into the Statutory Audit Market and the Kingman Review of the FRC which have resulted in a number of recommendations for the Department of Business, Enterprise, Industry and Skills to consider. These reviews have also coincided with the FRC's own consultation proposing important changes to the UK's Ethical and Auditing Standards (last updated in 2016) which led to the publication of revised Standards in December 2019, effective from 15 March 2020.

The Committee updated the non-audit services policy taking into consideration these ethical standards.

### COVID-19

The COVID-19 pandemic commenced in the weeks immediately prior to the Company's half year end and the Committee gave in-depth consideration to its potential effects on the Company. Thankfully, the Company's performance has remained robust, the long term effect of the pandemic on the global economy will become clearer in time and the Committee will continue to monitor how COVID-19 (which is captured in our Risk Register) develops, with its effects anticipated to appear in our assessment of global geopolitical risk or the ability to achieve the Investment Objective.

GOVERNANCE

# AUDIT COMMITTEE REPORT

In mitigating the business risks caused by the pandemic, the Committee has been reviewing the operational resilience of its various service providers, who have continued to demonstrate their ability to provide services to the expected level, whilst doing so remotely.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Directors have identified (Strategic Report pages 16 to 20) six main areas of risk: Corporate Strategy, Investment Strategy and Activity, Shareholder Relations and Corporate Governance, Operational, Financial, Accounting and Legal and Regulatory. They have set out the actions taken to evaluate and manage these risks. The Committee reviews the various actions taken and satisfies itself that they are sufficient: in particular the Committee reviews the Company's schedule of key risks at each meeting and requires amendments to both risks and mitigating actions if necessary.

During the year the Audit Committee, undertook a review of the Company's risk management methodology and details of this review can be found in the Strategic Report on page 15.

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, investment management, accounting, company secretarial and custodial services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis by the AIFM, the Portfolio Manager and the Depositary. Each maintains its own systems and the Committee receives regular reports from them. The Committee is satisfied that appropriate systems have been in place for the year under review.

## BREXIT

During the year the Committee considered whether Brexit poses potential risks to the Company. It does not consider that Brexit has affected the risk profile of the Company but will continue to monitor developments and reassess the Company's risks accordingly.

## MEETINGS AND BUSINESS

Representatives of Frostrow acting as AIFM attended each of the Committee's meetings and reported as to the proper conduct of business in accordance with the regulatory environment in which the Company and the AIFM operate. The Committee also met the Auditors twice during the year and once, following completion of the audit, without representatives of the AIFM being present.

The following matters were dealt with at these meetings:

**December 2019:**

- Consideration and review of the annual results and the Auditors' report to the Committee
- Approval of the annual report and Financial Statements
- Review of the Depositary's Report for the year ended 30 September 2019
- Review of the compliance reports of the AIFM and Portfolio Manager
- Evaluation of Committee effectiveness.

**May 2020:**

- Consideration and review of the half year report and Financial Statements
- Approval of the half year report
- Review of the Committee's Terms of Reference
- Review of the Depositary's Report for the six months ended 31 March 2020
- Review of the compliance reports of the AIFM and Portfolio Manager
- Review of the Company's risk management process
- Review of the relevant internal controls of its key service providers
- Approval of the Auditors' engagement letter and review of their plan for the 2020 audit
- Review of the valuation of Frostrow

**September 2020**

- Review of the Committee's Terms of Reference
- Review of the Company's key risks
- Review of the Company's policies in respect of non-audit services, whistle blowing, anti-slavery, prevention of the facilitation of tax evasion and anti-bribery and corruption, together with the procedures for the detection of fraud and cyber security and the measures for these put in place by its key service providers
- Review of third party suppliers internal controls and policies in relation to cyber risk, GDPR, whistleblowing and modern slavery
- Review of the valuation of Frostrow
- Review whether the audit should be put out to tender

## ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and the Financial Statements as a whole, are the responsibility of the Board. The Directors' Responsibility Statement is contained on pages 52 and 53. The Board looks to the Committee to advise them in relation to the Financial Statements both as regards their form and content, and on any specific areas requiring judgement.

Although the Committee did not identify any significant issues as part of its review of the Annual Report and Financial Statements, it paid particular attention to:

### Accounting Policies

The accounting policies, as set out on pages 58 and 59, have been applied throughout the year. In light of there being no unusual transactions during the year or other possible reasons, the Committee found no reasons to change any of the policies.

### Existence of investments

During the year the Committee met with representatives of the Depositary who provided reassurance concerning the safekeeping of the company's investments.

### Valuation of Investments

The Committee reviewed the robustness of the AIFM's processes in place for recording investment transactions as well as ensuring the valuation of investments is in accordance with the adopted accounting policies.

### Recognition of Revenue from Investments

The Committee received assurance that all dividends receivable, including special dividends, had been accounted for appropriately.

### Interest in unquoted investment

The Committee reviewed the valuation methodology of the Company's partnership interest in Frostrow Capital LLP. The valuation based upon multiple of earnings, was accepted. Previously valuations were based upon the average of a discounted multiple of revenue and a price earnings multiple.

### Going Concern

Having considered the Company's financial position, the Committee satisfied itself that it is appropriate for the Board to present the Financial Statements on the going concern basis.

### Long Term Viability

The Committee satisfied itself that it is appropriate for the Board to make the statement on page 21 that they have a reasonable expectation that the Company will be able to continue its operations over the next five years.

### Internal audit

Since the company delegates its day to day operations to third parties and has no employees, the Committee again determined that there is no requirement for such a function.

## EXTERNAL AUDITORS

### Meetings:

This year the nature and scope of the 2020 audit together with PricewaterhouseCoopers LLP's ("PwC") audit plan were reviewed by the Committee on 5 May 2020.

I, together with other Committee members, met with the Engagement Leader, Jeremy Jensen and the Audit Manager on 27 November 2020 to discuss the audit and the draft 2020 Annual Report and Financial Statements. The Committee then met them again on 8 December 2020 to review the outcome of the audit.

Details of the fees paid to the Auditors for audit services are set out in note 4 to the Financial Statements on page 60.

GOVERNANCE
# AUDIT COMMITTEE REPORT

**Independence and Effectiveness:**
In order to fulfil the Committee's responsibility regarding the independence of the Auditors, the Committee reviewed:

- the senior audit personnel in the audit plan,
- the Auditors' arrangements concerning potential conflicts of interest,
- the statement by the Auditors that they remain independent within the meaning of the regulations and their professional standards, and
- the extent of any non-audit services in line with the Company's policy.

In order to consider the effectiveness of the audit process, the Committee reviewed:

- the Auditors' fulfilment of the agreed audit plan,
- the report arising from the audit itself, and
- feedback from the AIFM on the conduct of the audit.

The Committee satisfied itself concerning the Auditors' independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

The Committee monitors the level of non-audit work carried out by the Auditors and seeks assurances from the Auditors that they maintain suitable policies and processes ensuring independence, and monitor compliance with the relevant regulatory requirements on an annual basis. No non-audit work was carried out by the Auditors during the year.

During the year the Company revised its policy in respect of any Non-Audit Services provided by the Auditors, taking into consideration the Financial Reporting Council's revised Ethical Standard 2019.

The Company does not allow any non-audit services permitted under the 70% fee cap set out in the FRC's 2019 ethical standard.

## Auditor Tendering

The Committee reviews the re-appointment of the Auditors every year and the need to put the audit out to tender. Based on existing legislation, another tender process will be conducted no later than in 2023. The Company is therefore in compliance with the provisions of "The Statutory Audit Services for Large Companies Market Investigation" (Mandatory use of responsibilities) Order 2014 as issued by the Competition & Markets Authority.

PwC have been the Company's Auditors since June 2014, which was the last occasion an audit tender was held and this appointment has been renewed at each subsequent AGM.

The Audit Committee, following a review, remains satisfied with the effectiveness and independence of PwC. It has not, therefore, considered it necessary to require the audit to be put out to tender. When necessary the Audit Committee discusses engagement and partner rotation with PwC. There are no contractual or similar obligations restricting the Company's choice of auditors.

## Independent Auditors Re-appointment

Having indicated their willingness to continue to act as Auditors to the Company for the forthcoming year a resolution re-appointing PwC LLP as Auditors will be proposed at the forthcoming Annual General Meeting.

## Performance Evaluation

The Committee undertook an evaluation of its performance during December 2020.

As part of its evaluation the Committee reviewed the following:

- Its role
- Membership, Independence, Objectivity and Understanding
- Skills
- Scope of Work
- Communications

The Committee confirmed that it had conducted its affairs in accordance with its terms of reference and were satisfied that the Committee had been effective.

**Sandra Kelly, ACA**
Chair of the Audit Committee

16 December 2020

## GOVERNANCE

# DIRECTORS' REMUNERATION REPORT

## STATEMENT BY THE CHAIRMAN OF THE BOARD

On behalf of the Board, I am pleased to present the Directors' Remuneration Report to shareholders.

This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The Directors' Remuneration Policy Report, which is separate to this report, can be found on page 51.

The law requires the Company's Auditors to audit certain disclosures within this report. Where disclosures have been audited, they are indicated as such and the Auditors' opinion is included in their report to members on pages 71 to 77.

Due to the Company's size and to avoid the need to establish a separate Remuneration Committee, the Company's remuneration function is carried out by the full Board under my Chairmanship. The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

At the most recent review, held in September 2020, it was agreed that the Directors' fees with effect from 1 October 2020, would be as follows:

The Chairman £40,000.
The Chair of the Audit Committee £32,000.
Other Directors £26,000.

All levels of remuneration reflect both the time commitment and responsibility of the role.

No advice from remuneration consultants was received during the year under review.

### Directors' Fees

The Directors are remunerated exclusively by fixed fees in cash and do not receive bonus payments, pension contributions or other benefits from the Company. Directors are not offered options to acquire shares in the Company.

All Directors are entitled to the reimbursement of reasonable out of pocket expenses incurred by them in order to perform their duties as directors of the Company.

As noted in the Strategic Report, all of the Directors are non-executive and therefore there is no Chief Executive Officer ("CEO"). The Company does not have any employees. There is therefore no CEO or employee information to disclose.

No payments were made to former Directors of the Company other than disclosed in the table below:

### Single total figure of remuneration for the year ended 30 September (audited)

| | DATE OF APPOINTMENT TO THE BOARD | FEES 2020 | TAXABLE† BENEFITS 2020 | TOTAL FEES 2020 | FEES 2019 | TAXABLE† BENEFITS 2019 | TOTAL FEES 2019 |
|---|---|---|---|---|---|---|---|
| Anthony Townsend[1] | 1 February 2005 | £37,500 | – | £37,500 | £37,500 | – | £37,500 |
| Neil Collins[2] | 30 January 2008 | £10,208 | – | £10,208 | £24,500 | – | £24,500 |
| Kate Cornish-Bowden | 26 October 2017 | £24,500 | – | £24,500 | £24,500 | – | £24,500 |
| Simon Hayes[3] | 29 June 2015 | £24,500 | – | £24,500 | £24,500 | – | £24,500 |
| David Hunt[4] | 6 July 2006 | £20,000 | £499 | £20,499 | £30,000 | – | £30,000 |
| Sandra Kelly[5] | 9 October 2019 | £26,127 | – | £26,127 | – | – | – |
| Lorna Tilbian | 26 October 2017 | £24,500 | – | £24,500 | £24,500 | – | £24,500 |
| | | £167,335 | £499 | £167,834 | £165,500 | – | £165,500 |

1 Chairman of the Board
2 Retired from the Board on 28 February 2020.
3 Senior Independent Director with effect from 12 May 2020
4 Chair of the Audit Committee and SID until his retirement from the Board on 12 May 2020
5 Appointed Chair of the Audit Committee on 12 May 2020

† Taxable expenses primarily comprise travel and associated expenses incurred by the Directors in attending Board and Committee meetings in London

Fees have been pro-rated where a change takes place during a financial year.

No fees were paid to third parties in respect of services provided.

GOVERNANCE

# DIRECTORS' REMUNERATION REPORT

The table below contains the annual percentage change in remuneration over the five financial years prior to the current year in respect of each Director.

| Fee Rates: | Year to 30 Sept 2016 | Year to 30 Sept 2017 | Year to 30 Sept 2018 | Year to 30 Sept 2019 | Year to 30 Sept 2020 |
|---|---|---|---|---|---|
| Chairman | £33,000<br>0.0% | £34,500<br>+4.5% | £34,500<br>0.0% | £37,500<br>+8.7% | £37,500<br>0.0% |
| Chair of the Audit Committee | £25,250<br>0.0% | £27,250<br>+7.9% | £27,250<br>0.0% | £30,000<br>+10.1% | £30,000<br>0.0% |
| Directors' fees | £22,000<br>0.0% | £23,000<br>+4.5% | £23,000<br>0.0% | £24,500<br>+6.5% | £24,500<br>0.0% |
| Additional fees | – | – | – | – | – |

At the last AGM held in February 2020 the results in respect of the resolutions to approve the Directors' Remuneration Report were as follows:

## DIRECTORS' REMUNERATION REPORT

| | VOTES CAST FOR | VOTES CAST AGAINST | VOTES WITHHELD* |
|---|---|---|---|
| Votes cast | 65,220,388 | 102,043 | 78,300 |
| % of votes cast | (99.84%) | (0.16%) | |

Shareholder approval of the Directors' Remuneration Report was last sought at the AGM held in February 2020 and will be sought again at AGM to be held in February 2021.

## DIRECTORS' REMUNERATION POLICY

| | VOTES CAST FOR | VOTES CAST AGAINST | VOTES WITHHELD* |
|---|---|---|---|
| Votes cast | 65,195,445 | 107,706 | 97,580 |
| % of votes cast | (99.84) | (0.16) | |

* Votes withheld are not votes by law and are therefore not counted in the calculation of votes for or against a resolution

Shareholder approval of the Directors' Remuneration Policy was last sought at the AGM held in February 2020 and will be sought again at the AGM to be held in February 2023.

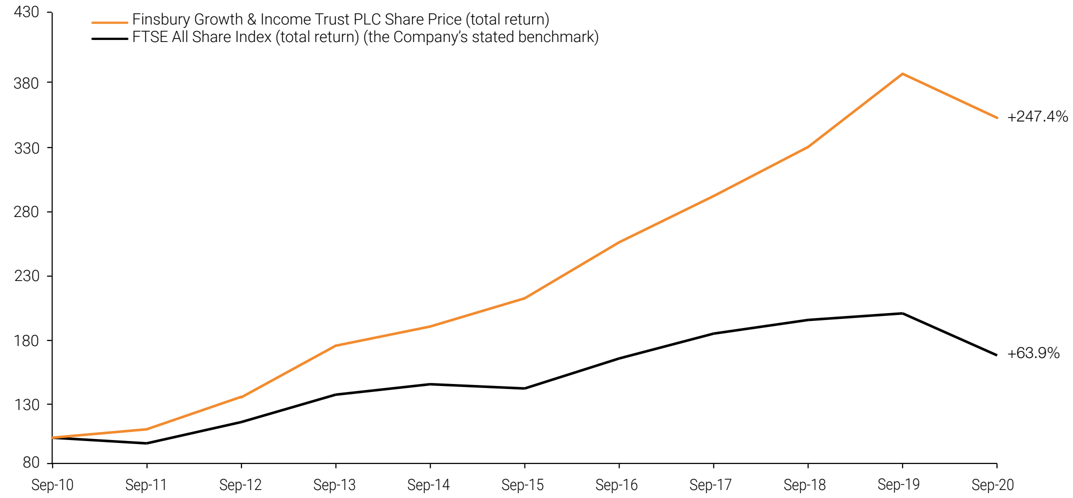
### Loss of office

Directors do not have service contracts with the Company but are engaged under letters of appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

### Share Price Return

The chart overleaf illustrates the shareholder return for the ten years to 30 September 2020 for a holding in the Company's shares as compared to the FTSE All-Share Index, which the Board has adopted as the measure for both the Company's performance and that of the Portfolio Manager.

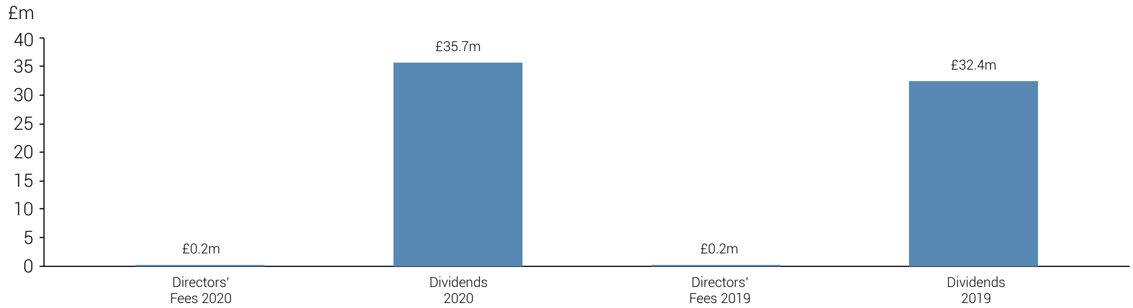
## TEN YEARS TOTAL SHAREHOLDER RETURN TO 30 SEPTEMBER 2020




Source: Morningstar
Rebased to 100 at September 2010

## RELATIVE COST OF DIRECTORS' REMUNERATION

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution for the financial years ending 2019 and 2020.




Source: Frostrow Capital LLP

GOVERNANCE

# DIRECTORS' REMUNERATION REPORT

### Directors' Interests in Ordinary Shares

The Directors' interests in the share capital of the Company are shown in the table below:

| | NUMBER OF ORDINARY SHARES OF 25p HELD | | | |
|---|---|---|---|---|
| | (AUDITED) 30 SEPTEMBER 2020 SHARES HELD | VALUATION* 30 SEPTEMBER 2020 £'000 | (AUDITED) 30 SEPTEMBER 2019 SHARES HELD | VALUATION* 30 SEPTEMBER 2019 £'000 |
| Anthony Townsend (Chairman) | 206,534 | 1,735 | 191,034 | 1,800 |
| Neil Collins[1] | N/A | N/A | 83,484 | 786 |
| Kate Cornish-Bowden | 7,061 | 59 | 7,061 | 67 |
| Simon Hayes | 66,488 | 558 | 35,496 | 334 |
| David Hunt[2] | N/A | N/A | 35,000 | 330 |
| Sandra Kelly | 4,645 | 39 | 2,397 | 23 |
| Lorna Tilbian | – | – | – | – |
| Total | 284,728 | 2,391 | 354,472 | 3,340 |

1 Neil Collins retired from the Board on 28 February 2020.
2 David Hunt retired from the Board on 12 May 2020.
* The Company's share price as at 30 September 2020 was 840.0p (2019: 942.0p)

None of the Directors was granted or exercised rights over shares during the year. None of the Directors has any contract (including service contracts) with the Company. There are no provisions included within the Company's Articles of Association which require Directors to hold shares in the Company.

### Managers' Interests in Ordinary Shares

Managers' interests in the share capital of the Company are shown in the table below:

| | NUMBER OF ORDINARY SHARES OF 25p HELD | | | |
|---|---|---|---|---|
| | 30 SEPTEMBER 2020 SHARES HELD | VALUATION* 30 SEPTEMBER 2020 £'000 | 30 SEPTEMBER 2019 SHARES HELD | VALUATION* 30 SEPTEMBER 2019 £'000 |
| Alastair Smith | 76,058 | 639 | 74,827 | 705 |
| Nick Train | 3,106,710 | 26,096 | 2,665,336 | 25,107 |

* The Company's share price as at 30 September 2020 was 840.0p (2019: 942.0p)

## Annual Statement

On behalf of the Board I confirm that the Remuneration Policy, set out on page 51 and this Remuneration Report summarise, as applicable, for the year ended 30 September 2020:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions were taken.

**Anthony Townsend**
Chairman
16 December 2020

## GOVERNANCE
# DIRECTORS' REMUNERATION POLICY

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. This policy is reviewed annually and it is intended that it will continue for the year ending 30 September 2021 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 limit 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 are entitled to claim reasonable expenses from the Company in relation to the performance of their duties. The current and projected Directors' fees for 2021 are shown in the following table. The Company does not have any employees.

### Directors' Fees Current and Projected

| | DATE OF APPOINTMENT TO THE BOARD | PROJECTED FEES YEAR ENDING 30 SEPTEMBER 2021 | CURRENT FEES YEAR ENDED 30 SEPTEMBER 2020 |
|---|---|---|---|
| Anthony Townsend (Chairman) (retires at the 2021 AGM) | 1 February 2005 | £15,333 | £37,500 |
| James Ashton | 14 October 2020 | £25,133 | – |
| Neil Collins[1] | 30 January 2008 | – | £10,208 |
| Kate Cornish-Bowden | 26 October 2017 | £26,000 | £24,500 |
| Simon Hayes (Senior Independent Director and future Chairman) | 29 June 2015 | £34,431 | £24,500 |
| David Hunt (Chair of the Audit Committee and Senior Independent Director)[2] | 6 July 2006 | – | £20,000 |
| Sandra Kelly (Chair of the Audit Committee and future SID) | 9 October 2019 | £32,000 | £26,127 |
| Lorna Tilbian | 26 October 2017 | £26,000 | £24,500 |
| | | £158,897 | £167,335 |

1 Neil Collins retired from the Board on 28 February 2020.
2 David Hunt retired from the Board on 12 May 2020.

The current level of Directors' fees will not be reviewed until at least September 2021. Any new Director being appointed to the Board who has not been appointed as either Chairman of the Board or as the Chair of the Audit Committee will, under the current level of fees, receive £26,000 per annum.

## DIRECTORS' REMUNERATION YEAR ENDED 30 SEPTEMBER 2020

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. The terms and conditions of the Directors' appointments are set out in formal letters of appointment which are available for review on request from the Company Secretary.

## CONSIDERATION OF SHAREHOLDER'S VIEWS

In accordance with best practice recommendations the Board will put the Remuneration Policy to shareholders at the Annual General Meeting at least once every three years. Approval of this policy was last granted by shareholders at the Annual General Meeting held in February 2020.

Any feedback received from Shareholders is considered as part of the Board's annual review of remuneration. In respect of the year under review no feedback has been received from shareholders in relation to remuneration.

GOVERNANCE

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Company financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards have been followed for the financial statements, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 keeping adequate accounting records that are sufficient to show and explain the Company transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## RESPONSIBILITY STATEMENT

The Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the 'Board of Directors' on pages 30 to 31 confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice) United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and applicable law (United Kingdom Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and loss of the company; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board of Directors and signed on its behalf by

**Anthony Townsend**
Chairman

16 December 2020

Note to those who access this document by electronic means:

The annual report for the year ended 30 September 2020 has been approved by the Board of Finsbury Growth & Income Trust PLC. Copies of the annual report are circulated to shareholders and, where possible to potential investors. It is also made available in electronic format for the convenience of readers. Printed copies are available from the Company Secretary's office in London.

## FINANCIAL STATEMENTS

# INCOME STATEMENT

## for the year ended 30 September 2020

| | NOTE | YEAR ENDED 30 SEPTEMBER 2020 REVENUE £'000 | CAPITAL £'000 | TOTAL £'000 | YEAR ENDED 30 SEPTEMBER 2019 REVENUE £'000 | CAPITAL £'000 | TOTAL £'000 |
|---|---|---|---|---|---|---|---|
| (Losses)/gains on investments at fair value through profit or loss | 9 | – | (168,895) | (168,895) | – | 242,306 | 242,306 |
| Currency translations | | – | (57) | (57) | – | (125) | (125) |
| Income | 2 | 40,373 | – | 40,373 | 39,680 | – | 39,680 |
| AIFM and Portfolio management fees | 3 | (3,381) | (6,864) | (10,245) | (3,045) | (6,181) | (9,226) |
| Other expenses | 4 | (1,194) | (19) | (1,213) | (1,199) | – | (1,199) |
| **Return/(loss) on ordinary activities before finance charges and taxation** | | 35,798 | (175,835) | (140,037) | 35,436 | 236,000 | 271,436 |
| Finance charges | 5 | (209) | (427) | (636) | (275) | (557) | (832) |
| **Return/(loss) on ordinary activities before taxation** | | 35,589 | (176,262) | (140,673) | 35,161 | 235,443 | 270,604 |
| Taxation on ordinary activities | 6 | (736) | – | (736) | (847) | – | (847) |
| **(Loss)/return on ordinary activities after taxation** | | 34,853 | (176,262) | (141,409) | 34,314 | 235,443 | 269,757 |
| **(Loss)/return per share – basic and diluted** | 7 | 16.5p | (83.6p) | (67.1p) | 18.3p | 125.5p | 143.8p |

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; therefore no separate statement of Total Comprehensive Income has been presented.

The notes on pages 58 to 70 form part of these Financial Statements.

## FINANCIAL STATEMENTS

# STATEMENT OF CHANGES IN EQUITY

### for the year ended 30 September 2020

| | CALLED UP SHARE CAPITAL £'000 | SHARE PREMIUM ACCOUNT £'000 | CAPITAL REDEMPTION RESERVE £'000 | CAPITAL RESERVE £'000 | REVENUE RESERVE £'000 | TOTAL SHAREHOLDERS' FUNDS £'000 |
|---|---|---|---|---|---|---|
| At 1 October 2019 | 50,203 | 904,320 | 3,453 | 875,981 | 44,803 | 1,878,760 |
| Net (loss)/return from ordinary activities | – | – | – | (176,262) | 34,853 | (141,409) |
| Second interim dividend (8.6p per share) for the year ended 30 September 2019 | – | – | – | – | (17,297) | (17,297) |
| First interim dividend (8.0p per share) for the year ended 30 September 2020 | – | – | – | – | (16,923) | (16,923) |
| Issue of shares | 4,235 | 135,100 | – | – | – | 139,335 |
| Repurchase of Shares into treasury | – | – | – | (3,394) | – | (3,394) |
| Sale of Shares from treasury | – | 90 | – | 3,368 | – | 3,458 |
| **At 30 September 2020** | 54,438 | 1,039,510 | 3,453 | 699,693 | 45,436 | 1,842,530 |

| | CALLED UP SHARE CAPITAL £'000 | SHARE PREMIUM ACCOUNT £'000 | CAPITAL REDEMPTION RESERVE £'000 | CAPITAL RESERVE £'000 | REVENUE RESERVE £'000 | TOTAL SHAREHOLDERS' FUNDS £'000 |
|---|---|---|---|---|---|---|
| At 1 October 2018 | 43,423 | 684,726 | 3,453 | 643,037 | 37,151 | 1,411,790 |
| Net return from ordinary activities | – | – | – | 235,443 | 34,314 | 269,757 |
| Reclassification of the special dividend from Dr Pepper Snapple* | – | – | – | (2,499) | 2,499 | – |
| Second interim dividend (8.1p per share) for the year ended 30 September 2018 | – | – | – | – | (14,077) | (14,077) |
| First interim dividend (8.0p per share) for the year ended 30 September 2019 | – | – | – | – | (15,084) | (15,084) |
| Issue of shares | 6,780 | 219,747 | – | – | – | 226,527 |
| Cost of share issuance | – | (153) | – | – | – | (153) |
| **At 30 September 2019** | 50,203 | 904,320 | 3,453 | 875,981 | 44,803 | 1,878,760 |

During the 2019 financial year, a special dividend paid by Keurig Dr Pepper Snapple in July 2018, was in part, reclassified as a revenue item. This had previously been classified as capital in nature. Further details can be found in the Company's 2019 Annual Report.

The notes on pages 58 to 70 form part of these Financial Statements.

## FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL POSITION

### as at 30 September 2020

| | NOTE | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments held at fair value through profit or loss | 9 | 1,851,588 | 1,888,834 |
| **Current assets** | | | |
| Debtors | 10 | 8,277 | 10,243 |
| Cash and cash equivalents | | 20,440 | 22,379 |
| | | 28,717 | 32,622 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 11 | (1,075) | (5,996) |
| Bank loan | 12 | – | (36,700) |
| | | (1,075) | (42,696) |
| **Net current assets/(liabilities)** | | 27,642 | (10,074) |
| **Total assets less current liabilities** | | 1,879,230 | 1,878,760 |
| **Creditors: amount falling due after more than one year** | | | |
| Bank loan | 12 | (36,700) | – |
| **Net assets** | | 1,842,530 | 1,878,760 |
| **Capital and reserves** | | | |
| Called up share capital | 13 | 54,438 | 50,203 |
| Share premium account | | 1,039,510 | 904,320 |
| Capital redemption reserve | | 3,453 | 3,453 |
| Capital reserve | 14 | 699,693 | 875,981 |
| Revenue reserve | | 45,436 | 44,803 |
| **Total shareholders' funds** | | 1,842,530 | 1,878,760 |
| **Net asset value per share** | 15 | 846.2p | 935.6p |

The Financial Statements on pages 54 to 70 were approved by the Board of Directors on 16 December 2020 and were signed on its behalf by:

**Anthony Townsend**
Chairman

The notes on pages 58 to 70 form part of these Financial Statements.

Company Registration Number SC013958 (Registered in Scotland)

## FINANCIAL STATEMENTS
# STATEMENT OF CASH FLOWS
### for the year ended 30 September 2020

| | NOTE | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities before interest** | 18 | 26,587 | 27,436 |
| Interest paid | | (770) | (822) |
| **Net cash inflow from operating activities** | | 25,817 | 26,614 |
| **Investing activities** | | | |
| Purchase of investments | | (160,703) | (221,806) |
| Sale of investments | | 23,689 | 11,444 |
| **Net cash outflow from investing activities** | | (137,014) | (210,362) |
| **Financing activities** | | | |
| Dividends paid | | (34,220) | (29,161) |
| Shares issued | | 143,471 | 222,391 |
| Repurchase of Shares into treasury | | (3,394) | – |
| Sale of Shares from treasury | | 3,458 | – |
| Cost of share issuance | | – | (153) |
| **Net cash inflow from financing activities** | | 109,315 | 193,077 |
| **(Decrease)/increase in cash and cash equivalents** | | (1,882) | 9,329 |
| Currency translations | | (57) | (125) |
| Cash and cash equivalents at 1 October | | 22,379 | 13,175 |
| Cash and cash equivalents at 30 September | | 20,440 | 22,379 |

The notes on pages 58 to 70 form part of these Financial Statements.

FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

The Company is a public limited company (PLC) incorporated in the United Kingdom, with registered office of 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ.

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 UK Company Law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' and 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 October 2019 and the Companies Act 2006.

The financial statements have been prepared on a going concern basis. The disclosure on going concern on page 35 in the Statement of Directors' Responsibilities forms part of these financial statements.

#### Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Sections 1158 and 1159 of the Corporation Tax Act 2010.

#### Significant judgements and key sources of estimation and uncertainty

There were no significant judgements, estimates and uncertainty reported during the financial year ended 30 September 2020 (2019: none).

### (b) Investments held at fair value through profit or loss

As the Company'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 held at fair value through profit or loss and are initially recognised at fair value. The Company 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 stock exchange on which they are quoted.

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 a capital item.

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/disposal through the gains on investment at fair value through profit or loss. The total of such expenses, showing the total amounts included in disposals and acquisitions are disclosed in note 9 on page 63.

### (c) Income

Dividends receivable from equity shares are recognised in Revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is Capital in nature, in which case it is included in Capital. Overseas dividends are stated gross of any withholding tax.

When the Company has elected to receive scrip dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised in Revenue.

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 depending upon the nature of the receipt. Special dividends of a revenue nature are recognised through the revenue column of the Income Statement. Special Dividends of a capital nature are recognised through the capital column of the Income Statement.

The limited liability partnership (LLP) profit share is recognised in the financial statements when the entitlement to the income is established.

Deposit interest receivable is taken to revenue on an accruals basis.

### (d) Dividends payable

Dividends paid by the Company on its shares are recognised in the Financial Statements in the period in which they become payable and are shown in the Statement of Changes in Equity.

## 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 deducted from 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 portfolio management fee, AIFM fee and finance costs are taken to the Capital reserve and the balance to the Revenue reserve.

### (f) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred taxation is provided on all timing differences that have originated but not been reversed by the Statement of Financial Position date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the reversal of timing differences can be deducted. Any liability to deferred tax is provided for at the rate of tax enacted or substantially enacted.

Any tax relief obtained in respect of AIFM and portfolio management fees, finance costs and other capital expenses charged are allocated to the capital column of the Income Statement.

### (g) Foreign currency

Transactions recorded in overseas currencies during the year are translated into Sterling at the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in overseas currencies at the Statement of Financial Position date are translated into sterling at the exchange rate ruling at that date. Profits or losses on the translation of foreign currency balances, whether realised or unrealised are credited or debited to the Income Statement.

### (h) Cash and Cash Equivalents

Cash and cash equivalents and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value are defined as cash.

### (i) Bank Loan

Bank loans are recognised at cost, being the fair value of the consideration received. Any issue costs are charged in the year in which they are incurred. The amounts falling due for repayment within one year are included under current liabilities in the Statement of Financial Position and amounts falling due after one year are included under "Creditors: amounts falling due after more than one year" in the Statement of Financial Position.

### (j) Nature and purpose of reserves

#### Capital redemption reserve

This reserve arose when ordinary shares were bought by the Company and subsequently cancelled, at which point the amount equal to the par value of the ordinary share capital was transferred from the ordinary share capital to the Capital Redemption reserve.

#### Capital reserve

This reserve reflects any:

- gains or losses on the disposal of investments;
- exchange differences of a capital nature;
- increases and decreases in the fair value of investments which have been recognised in the capital column of the Income Statement; and
- expenses which are capital in nature as disclosed in note 1(e).

Following amendments to the Company's Articles of Association in 2015, this reserve can be used to distribute certain capital profits by way of dividend.

#### Revenue reserve

This reserve reflects all income and expenditure which are recognised in the revenue column of the income statement and is distributable by way of dividend.

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

## 2. INCOME

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Income from investments** | | |
| UK listed dividends | 34,236 | 32,728 |
| Overseas dividends | 5,629 | 6,500 |
| Limited liability partnership – profit-share and priority profit share on AIFM capital contribution | 508 | 451 |
| Bank interest | – | 1 |
| Total income | 40,373 | 39,680 |

## 3. AIFM AND PORTFOLIO MANAGEMENT FEES

| | REVENUE £'000 | CAPITAL £'000 | 2020 TOTAL £'000 | REVENUE £'000 | CAPITAL £'000 | 2019 TOTAL £'000 |
|---|---|---|---|---|---|---|
| AIFM fee | 845 | 1,716 | 2,561 | 761 | 1,545 | 2,306 |
| Portfolio management fee | 2,536 | 5,148 | 7,684 | 2,284 | 4,636 | 6,920 |
| Total fees | 3,381 | 6,864 | 10,245 | 3,045 | 6,181 | 9,226 |

## 4. OTHER EXPENSES

| | REVENUE £'000 | CAPITAL £'000 | 2020 TOTAL £'000 | REVENUE £'000 | CAPITAL £'000 | 2019 TOTAL £'000 |
|---|---|---|---|---|---|---|
| Directors' fees | 168 | – | 168 | 166 | – | 166 |
| Auditors' fees – | | | | | | |
| statutory annual audit | 48 | – | 48 | 29 | – | 29 |
| Stock listing and FCA fees | 353 | – | 353 | 322 | – | 322 |
| Depositary's fees | 192 | – | 192 | 169 | – | 169 |
| Custody fees | 96 | – | 96 | 91 | – | 91 |
| Registrar's fees | 59 | – | 59 | 72 | – | 72 |
| Promotional costs | 51 | – | 51 | 62 | – | 62 |
| Legal and professional fees* | 16 | 19 | 35 | 9 | – | 9 |
| Printing and postage | 30 | – | 30 | 74 | – | 74 |
| Company broker fees | 27 | – | 27 | 36 | – | 36 |
| Other expenses | 154 | – | 154 | 169 | – | 169 |
| Total expenses | 1,194 | 19 | 1,213 | 1,199 | – | 1,199 |

* During the year the Company incurred additional legal fees totalling £29,000, in relation to the renewal of the Company's loan facility, of which 67% has been charged to capital and 33% charged to revenue. This is in line with the Company's accounting policy.

Further details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 47 to 49.

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

## 5. FINANCE CHARGES

| | REVENUE £'000 | CAPITAL £'000 | 2020 TOTAL £'000 | REVENUE £'000 | CAPITAL £'000 | 2019 TOTAL £'000 |
|---|---|---|---|---|---|---|
| Interest payable on bank loan | 184 | 373 | 557 | 230 | 467 | 697 |
| Arrangement fee | 12 | 26 | 38 | – | – | – |
| Loan facility expenses | 13 | 28 | 41 | 45 | 90 | 135 |
| | 209 | 427 | 636 | 275 | 557 | 832 |

## 6. TAXATION ON ORDINARY ACTIVITIES

### (a) Analysis of charge in the year

| | REVENUE £'000 | CAPITAL £'000 | 2020 TOTAL £'000 | REVENUE £'000 | CAPITAL £'000 | 2019 TOTAL £'000 |
|---|---|---|---|---|---|---|
| UK Corporation tax at 19% (2019: 19%) | – | – | – | – | – | – |
| Overseas withholding tax | 880 | – | 880 | 1,150 | – | 1,150 |
| Recoverable overseas withholding tax | (144) | – | (144) | (303) | – | (303) |
| | 736 | – | 736 | 847 | – | 847 |

### (b) Factors affecting current tax charge for year

The tax assessed for the year is higher (2019: lower) than the standard rate of UK corporation tax of 19% (2019: 19%).

The differences are explained below:

| | REVENUE £'000 | CAPITAL £'000 | 2020 TOTAL £'000 | REVENUE £'000 | CAPITAL £'000 | 2019 TOTAL £'000 |
|---|---|---|---|---|---|---|
| Total return on ordinary activities before taxation | 35,589 | (176,262) | (140,673) | 35,161 | 235,443 | 270,604 |
| Return on ordinary activities multiplied by UK corporation tax of 19% (2019: 19%) | 6,762 | (33,490) | (26,728) | 6,681 | 44,734 | 51,415 |
| Effects of: | | | | | | |
| Overseas taxation | 736 | – | 736 | 847 | – | 847 |
| Franked investment income not subject to corporation tax – UK dividend income | (6,504) | – | (6,504) | (6,218) | – | (6,218) |
| Overseas dividends not taxable | (1,070) | – | (1,070) | (1,236) | – | (1,236) |
| Excess management and loan expenses | 812 | – | 812 | 773 | – | 773 |
| Amounts charged to capital | – | 1,389 | 1,389 | – | 1,280 | 1,280 |
| Non-taxable losses/(gains) on investments* | – | 32,090 | 32,090 | – | (46,038) | (46,038) |
| Currency translations | – | 11 | 11 | – | 24 | 24 |
| Total tax charge for the year (note 6(a)) | 736 | – | 736 | 847 | – | 847 |

*Losses/(gains) on investments are not subject to corporation tax within an investment trust company.

# FINANCIAL STATEMENTS
# NOTES TO THE FINANCIAL STATEMENTS

### 6. TAXATION ON ORDINARY ACTIVITIES CONTINUED

### (c) Provision for deferred taxation

As at 30 September 2020, the Company had unutilised management expenses and other reliefs for taxation purposes of £98,428,000 (2019: £86,943,000). It is unlikely that the Company will generate sufficient taxable income in excess of the available deductible expenses and therefore the Company has not recognised a deferred tax asset of £18,701,000 (2019: £14,780,000) based on the corporation tax rate of 19% (2019: 17%).

Due to the company's status as an investment company and the intention to continue meeting the conditions required to maintain such a status in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

## 7. (LOSS)/RETURN PER SHARE – BASIC AND DILUTED

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| The (loss)/return per share is based on the following figures: | | |
| Revenue return | 34,853 | 34,314 |
| Capital (loss)/return | (176,262) | 235,443 |
| Total (loss)/return | (141,409) | 269,757 |
| | | |
| Weighted average number of shares | | |
| in issue during the year | 210,795,674 | 187,655,152 |
| Revenue return per share | 16.5p | 18.3p |
| Capital (loss)/return per share | (83.6)p | 125.5p |
| Total (loss)/return per share | (67.1)p | 143.8p |

The calculation of the total, revenue and capital (loss)/returns per ordinary share is carried out in accordance with IAS 33, "Earnings per Share (as adopted in the EU)".

As at 30 September 2020 and 2019 there were no dilutive instruments in issue, therefore the basic and diluted (loss)/return per share are the same.

## 8. DIVIDENDS

In accordance with FRS 102 dividends are included in the Financial Statements in the year in which they are paid or approved by shareholders.

| | EX-DIVIDEND DATE | REGISTER DATE | PAYMENT DATE | 2020 £'000 | 2019 £'000 |
|---|---|---|---|---|---|
| First interim dividend of 8.0p per share (2019: 8.0p) | 2 April 2020 | 3 April 2020 | 15 May 2020 | 16,923 | 15,084 |
| Second interim dividend of 8.6p per share (2019: 8.6p) | 8 October 2020 | 9 October 2020 | 13 November 2020 | 18,727 | 17,297 |

The second interim dividend of 8.6p per share (2019: 8.6p) 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.

## 8. DIVIDENDS CONTINUED

The total dividends payable in respect of the financial year which ensures compliance with Section 1158 of the Corporation Tax Act 2010 are set out below:

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Revenue available for distribution by way of dividend for the year | 34,853 | 34,314 |
| Amount transferred to revenue reserves during the year* | – | 2,499 |
| Adjusted revenue available for distribution by way of dividend | 34,853 | 36,813 |
| 2020: First interim dividend of 8.0p per share (2019: 8.0p) paid on 15 May 2020 | (16,923) | (15,084) |
| 2020 Second interim dividend of 8.6p per share (2019: 8.6p) paid on 13 November 2020 | (18,727) | (17,297) |
| Transfer (from)/net additions to revenue reserves | (797) | 4,432 |

* Further details can be found on page 55.

The Company's dividend policy is set out on page 14.

## 9. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

### Analysis of portfolio movements

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Opening book cost | 1,093,373 | 874,556 |
| Opening investment holding gains | 795,461 | 557,116 |
| Valuation at 1 October | 1,888,834 | 1,431,672 |
| Movements in the year: | | |
| Purchases at cost | 155,338 | 226,300 |
| Sales Proceeds | (23,689) | (11,444) |
| (Losses)/gains on investments | (168,895) | 242,306 |
| Valuation at 30 September | 1,851,588 | 1,888,834 |
| Closing book cost | 1,244,210 | 1,093,373 |
| Investment holding gains at 30 September | 607,378 | 795,461 |
| Valuation at 30 September | 1,851,588 | 1,888,834 |

The Company received £23,689,000 (2019: £11,444,000) from investments sold in the year. The book cost of these investments when they were purchased was £4,502,000 (2019: £7,483,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Purchase transaction costs for the year to 30 September 2020 were £512,000 (2019: £1,070,000). These comprise of stamp duty costs of £449,000 (2019: £976,000) and commission of £63,000 (2019: £94,000). Sales transaction costs for the year to 30 September 2020 were £8,000 (2019: £1,000) and comprise commission.

## FINANCIAL STATEMENTS
# NOTES TO THE FINANCIAL STATEMENTS

### 10. DEBTORS

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Amounts due from brokers in respect of shares issued by the Company | – | 4,136 |
| Accrued return of capital | 623 | – |
| Prepayments and accrued income | 7,654 | 6,107 |
| | 8,277 | 10,243 |

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Amounts due to brokers | – | 4,742 |
| Other creditors and accruals | 1,075 | 1,254 |
| | 1,075 | 5,996 |

### 12. BANK LOAN

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Bank loan | 36,700 | 36,700 |

Scotiabank Europe PLC, the provider of the Company's loan facility, has a fixed and floating charge over the assets of the Company as security against any funds drawn down under the loan facility. The multi-currency revolving loan facility of £50 million (with an additional £50 million available if required) was renewed on 4 October 2019 for a further three years, at more favourable terms. This replaced the previous loan facility of £75 million with an additional £25 million option.

The main covenant under the loan facility required that, at each month end, total borrowings should not exceed £100 million and the ratio of Adjusted Total Net Assets to Debt is not to be less than 4:1. There were no breaches of the covenant during the year.

The Board has set a gearing limit which must not exceed 25% of the Company's Net Asset Value. (See the Strategic Report on page 14 and 34 for further details).

### 13. CALLED UP SHARE CAPITAL

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Allotted, issued and fully paid:** | | |
| 217,751,303 (2019: 200,811,712) ordinary shares of 25p each | 54,438 | 50,203 |

During the year 16,939,591 (2019: 27,120,000) new ordinary shares were issued for consideration of £139,335,000 (2019: £226,527,000) being an average price of 822.54p (2019: 835.28p) per share.

In addition, the Company also bought back 505,409 shares into Treasury (2019: nil) for a consideration of £3,394,000 (2019: £nil). These shares were subsequently re-issued during the year at a consideration of £3,458,000 (2019: nil).

At the year end £nil was owed to the Company, (2019: £4,136,000) in relation to shares issued but not yet settled until after that date.

## 14. CAPITAL RESERVE

| | CAPITAL RESERVE REALISED £'000 | CAPITAL RESERVE INVESTMENT HOLDING GAINS UNREALISED £'000 | 2020 TOTAL £'000 | 2019 TOTAL £'000 |
|---|---|---|---|---|
| At 1 October 2019 | 80,520 | 795,461 | 875,981 | 643,037 |
| Net gains/(losses) on investments | 19,188 | (188,083) | (168,895) | 242,306 |
| Reclassification of the special dividend from Dr. Pepper Snapple | – | – | – | (2,499) |
| Sale of shares from treasury | 3,368 | – | 3,368 | – |
| Repurchase of shares into treasury | (3,394) | – | (3,394) | – |
| Expenses charged to capital | (6,883) | – | (6,883) | (6,181) |
| Finance costs charged to capital | (427) | – | (427) | (557) |
| Currency translations | (57) | – | (57) | (125) |
| At 30 September 2020 | 92,315 | 607,378 | 699,693 | 875,981 |

Under the terms of the Company's Articles of Association, certain sums within "Capital Reserve" are available for distribution.

## 15. NET ASSET VALUE PER SHARE

| | 2020 | 2019 |
|---|---|---|
| Net Assets (£'000) | 1,842,530 | 1,878,760 |
| Number of shares in issue | 217,751,303 | 200,811,712 |
| Net asset value per share | 846.2p | 935.6p |

As at 30 September 2020 and 2019 there were no dilutive instruments held, therefore the basic and diluted net asset value per share are the same.

## 16. TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

Details of the relationship between the Company, Frostrow Capital LLP ("Frostrow"), and Lindsell Train Limited ("Lindsell Train") are disclosed on the Company's website (www.finsburygt.com) and also in the Report of the Directors on page 32.

As described on page 8 of this report, the Company has an investment in Frostrow with a book cost of £825,000 (2019: £675,000) and a fair value of £3,950,000 (including the AIFM capital contribution of £750,000 (2019: 600,000)) as at 30 September 2020 (2019: £2,140,000).

As described on page 8 of this report, the Company has an investment in The Lindsell Train Investment Trust plc, which is managed by Lindsell Train, with a book cost of £1,000,000 (2019: £1,000,000) and a fair value of £11,300,000 as at 30 September 2020 (2019: £13,500,000).

Details of the income received and fees payable to the AIFM are disclosed in notes 2 and 3 and details of the remuneration payable to the Portfolio Manager is detailed in note 3 on page 60.

Details of the fees of all Directors can be found in pages 47 to 51 and in note 4 on page 60. Directors' interests in the capital of the Company can be found on page 50. There were no other material transactions during the year with the Directors of the Company.

## 17. RISK MANAGEMENT

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective as stated on page 1. 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 returns available for distribution.

The Company's financial instruments comprise mainly of equity investments, cash balances, borrowings, 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 those where the Directors consider there to be a high inherent risk are set out in the Strategic Report on pages 2 and 28.

## FINANCIAL STATEMENTS
# NOTES TO THE FINANCIAL STATEMENTS

### 17. RISK MANAGEMENT (CONTINUED)

### 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.

At 30 September 2020, the fair value of the Company's assets exposed to market price risk was £1,851,588,000 (2019: £1,888,834,000 see page 7). If the fair value of the Company's investments at the Statement of Financial Position 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 2020 would have increased or decreased by £185,159,000 or 85.0p per share (2019: £188,883,000 or 94.1p per share).

No derivatives or hedging instruments are currently 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 deposits
- the fair value of investments of fixed rate securities

The Company's main exposure to interest rate risk during the year ended 30 September 2020 was through its three year £50,000,000 secured multi-currency committed revolving credit facility (with an additional £50 million facility available if required) with Scotiabank Europe PLC maturing in October 2022. Borrowings at the year-end amounted to £36,700,000 (2019: £36,700,000) at an interest rate of 1.10% (LIBOR plus 0.96% per annum).

If the above level of borrowing was maintained for a year a 1% increase/decrease in LIBOR would decrease/increase the revenue return by £121,000, (2019: £121,000), decrease/increase the capital return by £246,000 (2019: £246,000) and decrease/increase the net assets by £367,000 (2019: £367,000).

The weighted average interest rate, during the year, on borrowings under the above mentioned revolving credit facility was 1.57% (2019: 1.89%).

At 30 September 2020, the Company's financial assets and liabilities exposed to interest rate risk were as follows:

| | 2020 WITHIN ONE YEAR £'000 | 2020 MORE THAN ONE YEAR £'000 | 2019 WITHIN ONE YEAR £'000 | 2019 MORE THAN ONE YEAR £'000 |
|---|---|---|---|---|
| **Exposure to floating rates:** | | | | |
| **Assets** | | | | |
| Cash and cash equivalents | 20,440 | – | 22,379 | – |
| **Liabilities** | | | | |
| Creditors: amount falling due within one year – borrowings on the loan facility | – | – | (36,700) | – |
| Creditors: amount falling due after more than one year | | | | |
| – borrowings under the loan facility | – | (36,700) | – | – |
| **Exposure to fixed rates:** | | | | |
| **Assets** | | | | |
| Investments at fair value through profit or loss# | 996 | – | 890 | – |
| **Liabilities** | – | – | – | – |

# Celtic 6% cumulative convertible preference shares and Frostrow Capital LLP AIFM Investment

## 17. RISK MANAGEMENT (CONTINUED)

### *Currency risk*

The Financial Statements are presented in sterling, which is the functional currency and presentational currency of the Company. At 30 September 2019, the Company's investments, with the exception of four, were priced in sterling. The four exceptions were, Heineken, listed in the Netherlands, Remy Cointreau listed in France, Manchester United and Mondelez International, both of which are listed in the United States and all four represent 20.6% of the portfolio.

The AIFM and the Portfolio 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 Portfolio 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 its receipt and the time that the income is included in the Financial Statements.

### *Foreign currency exposure*

At 30 September 2020 the Company held £198,104,000 (2019: £193,750,000) of investments denominated in U.S. dollars and £184,201,000 (2019: £167,538,000) in Euros.

### *Currency sensitivity*

The following table details the sensitivity of the Company's return after taxation for the year to a 10% increase or decrease in the value of sterling compared to the U.S. dollar and Euros (2019: 10% increase and decrease).

The analysis is based on the Company's foreign currency financial instruments held at each Statement of Financial Position date.

If sterling had weakened against the U.S. dollar and Euros, as stated above, assuming all other variables remain constant, this would have had the following effect:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Impact on revenue return | 175 | 134 |
| Impact on capital return | 42,472 | 40,017 |
| Total return after tax/increase in shareholders' funds | 42,647 | 40,151 |

If sterling had strengthened against the foreign currencies as stated above, assuming all other variables remain constant, this would have had the following effect:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Impact on revenue return | (143) | (109) |
| Impact on capital return | (34,764) | (32,744) |
| Total return after tax/decrease in shareholders' funds | (34,907) | (32,853) |

### *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 disposal 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 which are considered to have a high credit rating.
- 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 AIFM and the Portfolio 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 Aa1 (Moodys) and AA- (S&P).

FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

### 17. RISK MANAGEMENT (CONTINUED)

At 30 September 2020, the exposure to credit risk was £28,963,000 (2019: £32,912,000), comprising:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Fixed assets:** | | |
| Non-equity investments (preference shares) | 246 | 290 |
| **Current assets:** | | |
| Other receivables (amounts due from brokers, dividends and priority profit share receivable) | 8,277 | 10,243 |
| Cash and cash equivalents | 20,440 | 22,379 |
| Total exposure to credit risk | 28,963 | 32,912 |

### *Liquidity risk*

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

Liquidity risk is not considered significant as the majority of the Company's assets are investments in quoted equities. As at 30 September 2020 96.7% of the investment portfolio could be liquidated within 30 days with 68.0% in seven days, based on average trading volumes taken from Bloomberg.

#### Liquidity risk exposure

| Financial liabilities comprise: | 30 SEPTEMBER 2020 £'000 | 30 SEPTEMBER 2019 £'000 |
|---|---|---|
| **Due within one month:** | | |
| Balances due to brokers | – | 4,742 |
| Accruals | 1,075 | 1,254 |
| Bank loan | – | 36,700 |
| **Due after three months and after one year** | | |
| Bank loan | 36,700 | – |

### Fair value of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Statement of Financial Position 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 – quoted prices in active markets.
- Level 2 – prices of recent transactions for identical instruments.
- Level 3 – valuation techniques using observable and unobservable market data.

### 17. RISK MANAGEMENT (CONTINUED)

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

| AS AT 30 SEPTEMBER 2020 | LEVEL 1 £'000 | LEVEL 2 £'000 | LEVEL 3 £'000 | TOTAL £'000 |
|---|---|---|---|---|
| Equity investments | 1,847,392 | – | – | 1,847,392 |
| Limited liability partnership interest (Frostrow) | – | – | 3,200 | 3,200 |
| AIFM Capital contribution (Frostrow) | – | – | 750 | 750 |
| Preference share investments | 246 | – | – | 246 |
| | 1,847,638 | – | 3,950 | 1,851,588 |

| AS AT 30 SEPTEMBER 2019 | LEVEL 1 £'000 | LEVEL 2 £'000 | LEVEL 3 £'000 | TOTAL £'000 |
|---|---|---|---|---|
| Equity investments | 1,886,404 | – | – | 1,886,404 |
| Limited liability partnership interest (Frostrow) | – | – | 1,540 | 1,540 |
| AIFM Capital contribution (Frostrow) | – | – | 600 | 600 |
| Preference share investments | 290 | – | – | 290 |
| | 1,886,694 | – | 2,140 | 1,888,834 |

The unquoted investment in Frostrow, described on page 8 of this report, has been re-valued by the Directors during the year, using two unobservable market data sources, being Frostrow's earnings and an agreed appropriate comparator multiple. In 2019, Frostrow was valued using an average of an adjusted revenue multiplier and an earnings multiplier.

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Opening fair value | 2,140 | 1,885 |
| AIFM Capital Contribution (Frostrow) | 150 | 50 |
| Total gains included in gains on investments in the Income Statement | 1,660 | 205 |
| Closing fair value | 3,950 | 2,140 |

If the earnings used in the valuation were to increase or decrease by 10% while all the other variables remained constant, the return and net costs attributable to shareholders for the year ended 30 September 2020 would have increased/decreased by £320,000 (2019: £154,000, applying the same assumptions as 2020).

## Capital management objectives, policies and procedures

The structure of the Company's capital is described in note 13 on page 64 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 55.

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 and debt.

# FINANCIAL STATEMENTS
# NOTES TO THE FINANCIAL STATEMENTS

### 17. RISK MANAGEMENT (CONTINUED)

The Board, with the assistance of the AIFM and the Portfolio Manager, regularly monitors and reviews the broad structure of the Company's capital. These reviews include:

- the level of gearing, set at a limit in normal market conditions, is not to exceed 25% of the Company's net assets, which takes account of the Company's position and the views of the Board, the AIFM and the Portfolio Manager on the market;
- the extent to which revenue reserves should be retained or utilised; and
- ensuring the Company's ability to continue as a going concern.

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

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.

## 18. NET CASH INFLOW FROM OPERATING ACTIVITIES BEFORE INTEREST

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Total (loss)/return before finance charges and taxation | (140,037) | 271,436 |
| Add/(deduct): capital loss/(gain) before finance charges and taxation | 175,835 | (236,000) |
| Net revenue before finance charges and taxation | 35,798 | 35,436 |
| Increase in accrued income and prepayments | (1,803) | (949) |
| (Decrease)/increase in creditors | (45) | 249 |
| Taxation – overseas withholding tax paid | (480) | (1,119) |
| AIFM, Portfolio management fees and other expenses charged to capital | (6,883) | (6,181) |
| Net cash inflow from operating activities | 26,587 | 27,436 |

## 19. SUBSTANTIAL INTERESTS

At 30 September 2020 the Company held interests in 3% or more of any class of capital in the following entities:

| COMPANY OR LIMITED LIABILITY PARTNERSHIP | SHARES HELD | 2020 FAIR VALUE £'000 | % OF ISSUED SHARE CAPITAL OR LIMITED LIABILITY PARTNERSHIP INTEREST |
|---|---|---|---|
| A. G. Barr | 4,480,000 | 21,817 | 4.0 |
| Celtic | 3,251,399 | 3,693 | 3.4 |
| Frostrow Capital LLP (unquoted)+ | – | 3,950 | 10.0 |
| Manchester United | 2,256,000 | 25,373 | 5.6 |
| Lindsell Train Investment Trust* | 10,000 | 11,300 | 5.0 |
| Young & Co's Brewery (non voting shares) | 1,050,000 | 5,985 | 5.5 |

* Also managed by Lindsell Train Limited who receive a portfolio management fee based on the Company's market capitalisation. The details of the fee arrangements with the Company are detailed on page 23.

+ Includes Frostrow Capital LLP's AIFM investment, which is £750,000.

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

# REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## OPINION

In our opinion, Finsbury Growth & Income Trust PLC's financial statements::

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 30 September 2020; the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

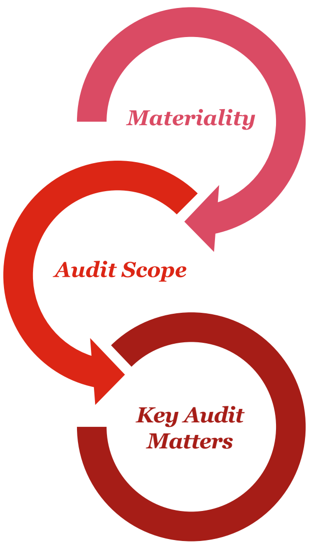
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 October 2019 to 30 September 2020.

## OUR AUDIT APPROACH

### Overview




- Overall materiality: £18.4 million (2019: £18.7 million), based on 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Frostrow Capital LLP as Alternative Investment Fund Manager (the 'AIFM') and Lindsell Train Limited as Portfolio Manager.
- We conducted our audit of the financial statements using information from the AIFM and Maitland Institutional Services with whom the AIFM has engaged to provide certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Income from investments.
- Valuation and existence of quoted investments.
- Consideration of impacts of COVID-19.

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

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team included:

- discussions with the Directors and the AIFM, including consideration of known or suspected instances of non compliance with laws and regulations, or fraud;
- reviewing relevant meeting minutes, including those of the Audit Committee;
- identifying and testing journal entries, in particular any material or revenue impacting manual journal entries posted as part of the financial statements preparation process;
- assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **Income from investments**<br>Refer to page 45 (Audit Committee Report), page 58 (Accounting Policies) and page 60 (Notes to the financial statements).<br>ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective.<br>For the Company we consider that 'income' refers to both revenue and capital (including gains and losses on investments).<br>We focussed this risk on the existence/occurrence of gains/losses on investments as well as the completeness and accuracy of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP"). | We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm that income had been accounted for in accordance with this stated accounting policy.<br>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.<br>We understood and assessed the design and implementation of key controls surrounding income recognition.<br>The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we sample tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses.<br>In addition, we tested a sample of dividend receipts by agreeing the dividend rates from all investments to independent third party sources.<br>To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all listed investments during the year. Our testing did not identify any unrecorded dividends.<br>We tested accuracy and occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. No material misstatements were identified from this testing.<br>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. No material misstatements were identified from this testing. |
| **Valuation and existence of quoted investments**<br>Refer to page 45 (Audit Committee Report), page 58 (Accounting Policies) and page 63 (Notes to the financial statements).<br>The investment portfolio at the year-end principally compromised quoted equity investments valued at £1,847.6m.<br>We focused on the valuation and existence of quoted investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position. | We tested the valuation of all quoted equity investments by agreeing the prices used in the valuation to independent third party sources.<br>We tested the existence of the investment portfolio by agreeing the holdings of all quoted investments to an independently obtained custodian confirmation.<br>No material misstatements were identified from this testing. |

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

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **Consideration of impacts of COVID-19**<br>Refer to the Chairman's Statement on page 4, Principle Risks and Uncertainties section on page 16, the Viability Statement on page 21 and the Going Concern Statement on page 35, which disclose the impact of the COVID-19 pandemic.<br>From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date.<br>The coronavirus impacted global capital markets significantly from March 2020 onwards.<br>The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic. | We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Company by:<br>• evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19; and<br>• evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements.<br>We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report.<br>We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third party service providers.<br>We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit.<br>Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report.<br>Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall materiality** | £18.4 million (2019: £18.7 million). |
| **How we determined it** | 1% of net assets. |
| **Rationale for benchmark applied** | We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £920,000 (2019: £935,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

In accordance with ISAs (UK) we report as follows:

| REPORTING OBLIGATION | OUTCOME |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to.<br>However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. |
| We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

### REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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

### Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. *(CA06)*

### The directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 15 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 21 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. *(Listing Rules)*

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 52, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 43 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

### Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 19 June 2014 to audit the financial statements for the year ended 30 September 2014 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 30 September 2014 to 30 September 2020.

**Jeremy Jensen (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

16 December 2020

## FURTHER INFORMATION

# DISCOUNT CONTROL MECHANISM ("DCM")

Shareholders in the Company will know that the principal difference between investment trusts and the other most common collective investment vehicles, unit trusts and open ended investment companies ("OEICs"), is that

- to participate in unit trusts and OEICs, investors apply to the fund management company for new units or shares. These are normally issued and redeemed at or near to net asset value ("NAV") per share, whereas
- to participate in an investment trust requires the purchase or sale of the shares in that trust through the stock market.

The share price of an investment trust tends to track the NAV per share, but they seldom if ever trade at exactly the NAV per share, or at "par" as it is known. Historically the great majority of investment trusts have traded at a discount to NAV per share, often well into double digits, although there are a select few, usually specialist, investment trusts that trade at a premium.

There are some investors who find the ability to buy stock in investment trusts at a discount attractive, although they are rarely so enthusiastic if they have to sell at a discount. However, your Directors believe that it is in the best interests of all our shareholders (whether buying, holding or selling) that the Company's shares trade at a price as close to NAV per share as practicable.

The level of discount, or premium, at which investment trust shares trade is very substantially affected by the law of supply and demand; put simply a much sought-after share rarely trades at a significant discount and may even trade at a premium, whereas out of favour shares often move to material discounts.

In an effort to try to eliminate discount volatility, your Directors introduced a discount control mechanism ("DCM") in 2004. Under our DCM, we will normally buy in the Company's shares being offered on the stock market whenever the discount reaches a level of 5% or more and then hold those shares in "treasury". Shares held by a company in treasury are, for accounting purposes, effectively eliminated but, legally and for Stock Exchange purposes, they continue to exist, which means they can later be sold back to the market if conditions permit.

In recent years the Company's successful performance has generated substantial investor interest, which in the absence of the other side of our DCM could have led to our shares moving to a significant premium to NAV per share. Your Directors consider that limiting the premium is just as important as limiting the discount; no-one likes to pay over the odds for an investment! The other side of our DCM is therefore that whenever there are unsatisfied buying orders for our shares in the market, we issue new shares at a small premium to NAV per share. This ensures that there is no asset dilution to our existing shareholders, but stops the market price going to a significant and possibly unsustainable premium. We do therefore effectively become a market maker in our own shares and you can see from the chart on the next page how successful that has been.

These two sides of our DCM are widely to be found elsewhere in the investment trust sector, but there is a third aspect to ours that is rare. As explained above, shares held in treasury continue to exist legally and can be re-sold, but in most cases shareholders will only permit that if they are re-sold at NAV per share or higher. For many years we have sought and obtained the authority of our shareholders to re-sell shares held in treasury at a discount to NAV per share, provided that any sale is at a narrower discount to NAV per share than that prevailing when the shares were bought in. The round trip of buying them in and then selling them out again at a finer discount is always asset-accretive to shareholders, but it is the increased liquidity that this arrangement permits that is the real benefit.

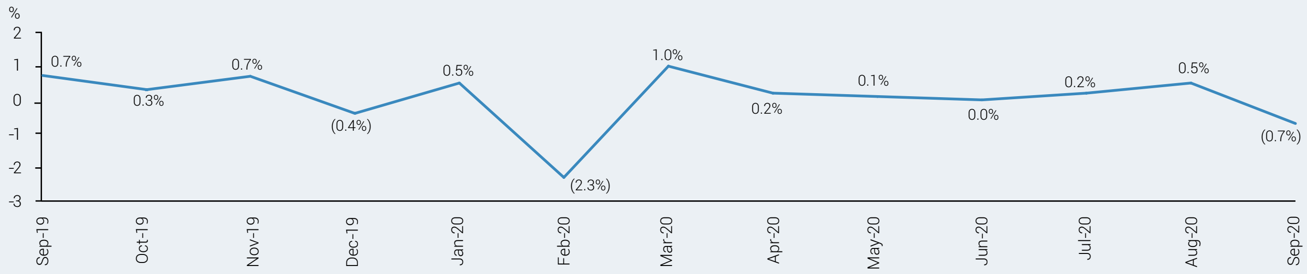
It is Resolutions 11, 12, 13 and 14 in the Notice of Annual General Meeting that enable us to operate what we consider to have been a very effective DCM in recent years and we strongly recommend that shareholders therefore vote in favour of those resolutions in order to continue it.

**Anthony Townsend**
Chairman

16 December 2020

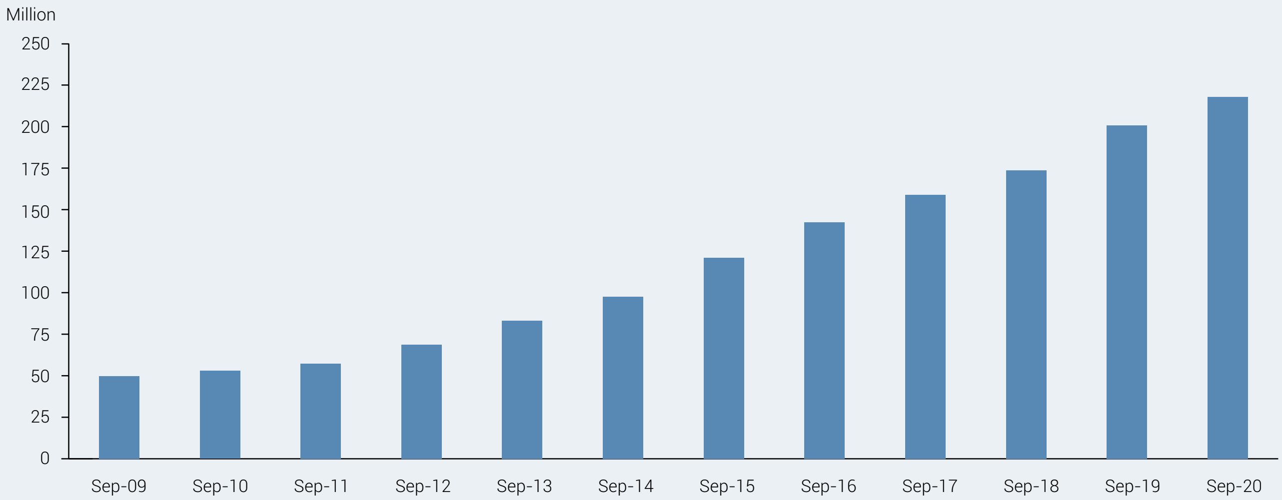
# DISCOUNT CONTROL MECHANISM ("DCM")

## 1 YEAR PREMIUM/(DISCOUNT) OF SHARE PRICE TO NAV PER SHARE TO 30 SEPTEMBER 2020




Source: Frostrow Capital LLP

## 10 YEARS SHARES IN ISSUE EXCLUDING TREASURY SHARES




Source: Frostrow Capital LLP

FURTHER INFORMATION

# GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

## AIC

Association of Investment Companies.

## ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

The Alternative Investment Fund Managers Directive (the "Directive") is a European Union Directive that entered into force on 22 July 2013. The Directive regulates EU fund managers that manage alternative investment funds (this includes investment trusts).

## ALTERNATIVE PERFORMANCE MEASURE (APM)

An Alternative Performance Measure (APM) is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable financial framework. In selecting these Alternative Performance Measures, the Directors considered the key objectives and expectations of typical investors and believe that each APM gives the reader useful and relevant information in judging the Company's performance and in comparing other Investment Companies.

## BENCHMARK RETURN

Total return on the benchmark, assuming that all dividends received were re-invested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

## DISCOUNT OR PREMIUM (APM)

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.

| DISCOUNT OR PREMIUM (APM) | PAGE | 30 SEPTEMBER 2020 | 30 SEPTEMBER 2019 |
|---|---|---|---|
| Share Price (p) | 2/3 | 840.0 | 942.0 |
| Net Asset value per share (p) | 2/3 | 846.2 | 935.6 |
| (Discount)/premium | 3 | (0.7%) | 0.7% |

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## GEARING (APM)

Gearing represents prior charges, adjusted for net current assets expressed as a percentage of net assets.

Prior charges includes all loans and bank overdrafts for investment purposes.

| | PAGE | 30 SEPTEMBER 2020 £'000 | 30 SEPTEMBER 2019 £'000 |
|---|---|---|---|
| Bank Loan (prior charges) | 56 | (36,700) | (36,700) |
| Net Current Assets (excluding bank loan) | 56 | 27,680 | 26,626 |
| Net Debt | | (9,020) | (10,074) |
| Net Assets | 56 | 1,842,530 | 1,878,760 |
| Gearing | 3 | 0.5% | 0.5% |

## LEVERAGE

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is a method which increases the Company's exposure, including the borrowing of cash and the use of derivatives.

Leverage is calculated slightly differently to the AIC method of calculating Gearing in that it is expressed as a ratio between the Company's exposure and its net asset value. It is calculated under the gross and a commitment method. Under the gross method, exposure represents the Company's position after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset. For these purposes the Board has set a maximum leverage of 125% for both methods.

| | GROSS METHOD | COMMITMENT METHOD |
|---|---|---|
| Maximum limit | 125.0% | 125.0% |
| Actual as at 30 September 2020 | 100.5% | 101.6% |

## NET ASSET VALUE (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, less 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 PER SHARE (APM)

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.

| NAV TOTAL RETURN | PAGE | 30 SEPTEMBER 2020 | 30 SEPTEMBER 2019 |
|---|---|---|---|
| Opening NAV per share (p) | 2/3 | 935.6 | 812.8 |
| (Decrease)/increase in NAV | | (89.4) | 122.8 |
| Closing NAV per share (p) | 2/3 | 846.2 | 935.6 |
| (Decrease)/increase in NAV | 3 | (9.6%) | 15.1% |
| Impact of dividends re-invested* | | 1.9% | 2.3% |
| NAV per share total return | 2/3 | (7.7%) | 17.4% |

* Total dividends paid during the year of 16.6p (2019: 16.1p) were re-invested at the cum dividend NAV/share price during the year.
Where the dividend is invested and NAV/share price falls, this will further reduce the return, if it rises, any increase would be greater.
The source is Morningstar who have calculated the return on an industry comparative basis.

## ONGOING CHARGES (APM)

Ongoing charges are calculated by taking the Company's annualised operating expenses expressed as a proportion of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, cost of buying back or issuing ordinary shares and other non-recurring costs.

| | PAGE | 30 SEPTEMBER 2020 £'000 | 30 SEPTEMBER 2019 £'000 |
|---|---|---|---|
| AIFM and Portfolio management fees | 60 | 10,245 | 9,226 |
| Operating Expenses | 60 | 1,213 | 1,199 |
| Total expenses | | 11,458 | 10,425 |
| Average Net Assets during the year | | 1,779,936 | 1,577,172 |
| Ongoing Charges | 3 | 0.64% | 0.66% |

## PEER GROUP

Finsbury Growth & Income Trust PLC is part of the AIC's UK Equity Income Investment Trust Sector. The trusts in this universe are defined as trusts whose investment objective is to achieve a total return for Shareholders through both capital and dividend growth. The members will normally have at least 80% of their assets in UK securities.

## REVENUE RETURN PER SHARE

The revenue return per share is calculated by taking the Return on ordinary activities after taxation and dividing by the weighted average number of shares in issue during the year.

## SHARE PRICE TOTAL RETURN (APM)

The change in capital value of a company's shares over a given period, plus dividends paid to shareholders, expressed as a percentage of the opening value. The assumption is that dividends paid to shareholders are re-invested in the shares at the time the shares are quoted ex dividend.

| SHARE PRICE TOTAL RETURN | PAGE | 30 SEPTEMBER 2020 | 30 SEPTEMBER 2019 |
|---|---|---|---|
| Opening share price share (p) | 2/3 | 942.0 | 818.0 |
| (Decrease)/increase in share price | | (102.0) | 124.0 |
| Closing share price (p) | 2/3 | 840.0 | 942.0 |
| (Decrease)/increase in share price | 3 | (10.8%) | 15.2% |
| Impact of dividends re-invested* | | 1.8% | 2.2% |
| Share price total return | 2/3 | (9.0%) | 17.4% |

* Total dividends paid during the year of 16.6p (2019: 16.1p) were re-invested at the cum dividend NAV/share price during the year.
Where the dividend is invested and NAV/share price falls, this will further reduce the return; if it rises, any increase would be greater.
The source is Morningstar who have calculated the return on an industry comparative basis.

## 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.

FURTHER INFORMATION

# HOW TO INVEST

## RETAIL INVESTORS ADVISED BY IFAS

The Company currently conducts its affairs so that its Shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority (FCA) rules in relations to non-mainstream investment procedures and intends to continue to do so. The Shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## INVESTMENT PLATFORMS

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stockbroker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found on the Company's website (www.finsburygt.com).

## LINK ASSET SERVICES – SHARE DEALING SERVICE

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

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, investor code, full postcode and your date of birth. Your investor code can be found on your share certificate. 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.linksharedeal.com (online dealing) Telephone: 0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00 a.m. – 4.30 p.m., Monday to Friday excluding public holidays in England and Wales).

## 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, in part, by the changing conditions in the relevant stock markets 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 stock market, 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, some of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore 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.

FURTHER INFORMATION

# COMPANY INFORMATION

**Financial Calendar**

| | |
|---|---|
| 30 September | Financial Year End |
| December | Final Results Announced |
| February | Annual General Meeting |
| 31 March | Half Year End |
| May | Half Year Results Announced |
| May and November | Interim Dividends Payable |

**Share Prices**
The Company's ordinary shares are listed on the London Stock Exchange under 'Investment Companies'. The prices are published daily in the Financial Times and online.

**Daily Net Asset Value per share**
The daily net asset value per share of the Company's shares can be obtained on the Company's website (www.finsburygt.com) and is published daily via the London Stock Exchange.

**Registered Office**
50 Lothian Road,
Festival Square,
Edinburgh EH3 9WJ

Incorporated in Scotland with company no. SC013958 and registered as an investment company under Section 833 of the Companies Act 2006.

**AIFM, Company Secretary and Administrator**
Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 020 3008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com
*Authorised and regulated by the Financial Conduct Authority.*

**Portfolio Manager**
Lindsell Train Limited
3rd Floor,
66 Buckingham Gate,
London SW1E 6AU
Telephone: 020 7808 1225
Website: www.lindselltrain.com
*Authorised and regulated by the Financial Conduct Authority.*

**Independent Auditors**
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

**Depositary**
The Bank of New York Mellon (International) Limited
One Canada Square
London E14 5AL

**Global Custodian**
Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

**Registrars**
If you have any queries in relation to your shareholding please contact:
Link Group
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
email: enquiries@linkgroup.co.uk;
telephone +44 (0)371 664 0300.
Website: www.linkgroup.eu

+ Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

**Shareholder Portal**
You can register online to view your holdings using the Share Portal, a service offered by Link Group at www.signalshares.com.

The Share Portal is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access to your shareholding details.

Through the Share Portal you may:

- Cast your proxy vote online;
- View your holding balance and get an indicative valuation;
- View movements on your holding;
- View the dividend payments you have received;
- Update your address;
- Register and change bank mandate instructions so that dividends can be paid directly to your bank account;
- Elect to receive shareholder communications electronically; and
- Access a wide range of shareholder information including the ability to download shareholder forms

**Corporate Broker**
Winterflood Securities Limited
The Atrium Building,
Cannon Bridge,
25 Dowgate Hill,
London EC4R 2GA

**Identification Codes**

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

**Legal Entity Identifier (LEI)**
213800NN4ZKX2LGIGQ40

**Global Intermediary Identification Number (GIIN)**
QH4BH0.99999.SL.826

**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, Link Asset Services, 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.

# FURTHER INFORMATION
# APPENDIX

## PROPOSED CHANGES TO THE INVESTMENT POLICY

The new investment policy for the Company, as proposed in resolution 16 within the notice of Annual General Meeting, is set out below. Changes to the existing policy, both the proposed material change and the previously implemented non-material changes, are marked in black-line.

## INVESTMENT POLICY

The Company's investment policy is to invest principally in the securities of companies either listed in the UK or otherwise incorporated, domiciled or having significant business operations within the UK, whilst ~~quoted companies, although~~ up to a maximum of 20% of the Company's portfolio, at the time of acquisition, can be invested in companies not meeting this criteria. ~~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 will normally comprise up to ~~approximately~~ 30 investments. This level of concentration may lead to an investment return which is materially different from the Company's benchmark index and may be considered to carry above average risk.

Unless driven by market movements, securities in FTSE 100 companies and comparable companies listed on an overseas stock exchange , ~~including preference shares issued by such companies,~~ 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. ~~will normally be invested in companies within the FTSE 350~~.

The Company will not invest more than 15% of the Company's net assets, at the time of acquisition, in the securities of any single issuer. For the purposes of this limit only, net assets shall exclude the value of the Company's investment in Frostrow Capital LLP.

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

The Company has the ability to invest 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 Portfolio Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities or to maintain liquidity.

The Company's gearing policy is that gearing will not exceed 25% of the Company's net assets.

No investment will be made in any company or fund managed by the Portfolio Manager without the prior approval of the Board.

In accordance with the Listing Rules of the Financial Conduct Authority ("FCA"), the Company can only make a material change to its investment policies with the approval of its shareholders.

**UNSOLICITED APPROACHES FOR SHARES: WARNING TO SHAREHOLDERS**

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Link Asset Services, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

Shareholders who suspect they may have been approached by fraudsters should advise the Financial Conduct Authority ('FCA') using the share fraud report form at www.fca.org.uk/scams or call the FCA Customer Helpline on 0800 111 6768. You may also wish to call either the Company Secretary or the Registrar whose contact details can be found on page 83.

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A member of the Association of Investment Companies

**Winner**

- Investment Week, Investment Trust of the Year Awards 2019. Category: UK Income
- Citywire Investment Trust Awards 2019, Category: UK Equity Income
- AJ Bell Fund & Investment Trust Awards 2019, Category: UK Equity - Active
- Money Observer Trust Awards 2019, Category: Best UK Income Trust
- AJ Bell Online Person Wealth Awards 2019, Category: Best Investment Trust for Income

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