# Finsbury Growth & Income Trust PLC

Interim Report for the six months to 31 March 2010

Frostrow CAPITAL

LINDSELL TRAIN

# Company Summary

## Key Statistics

| | As at 31 March 2010 | As at 30 September 2009 | % Change |
|---|---|---|---|
| Share price | 265.8p | 231.0p | +15.1 |
| Net asset value per share (including income) | 281.9p | 249.0p | +13.2 |
| Net asset value per share (excluding income) | 277.5p | 243.9p | +13.8 |
| Discount of share price to net asset value per share (excluding income) | 4.2% | 5.3% | n/a |
| Shareholders' funds | £143.3m | £127.7m | +12.2 |
| Market capitalisation | £135.1m | £118.4m | +14.1 |

| | Six months to 31 March 2010 | One year to 30 September 2009 |
|---|---|---|
| Share price (total return)# | +17.1% | +22.9% |
| Net asset value per share (total return)# | +15.6% | +24.0% |
| FTSE All-Share Index (total return) | +12.2% | +10.8% |

#Source – Morningstar

| Dividends | Year ending 30 September 2010 | Year ended 30 September 2009 |
|---|---|---|
| First interim dividend | 4.4p per share | 4.4p per share |
| Second interim dividend | *4.4p per share | 5.1p per share |

* Second interim dividend is expected to be 4.4p per share for the year ending 30 September 2010 and will be paid on 1 November 2010.

aic The Association of Investment Companies A member of the Association of Investment Companies

## 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.

## Investment Policy

The Company invests principally in the securities of UK listed companies, although up to a maximum of 20% of the Company's portfolio can be invested in quoted companies worldwide. Where possible, a minimum position size of 1% of the Company's gross assets is held unless the holding concerned is being built or disposed of.

The portfolio is managed by Lindsell Train Limited and will normally comprise approximately thirty investments. Unless driven by market movements, FTSE 100 companies, including preference shares issued by such companies, will normally represent between 50% and 100% of the portfolio; at least 70% of the portfolio will normally be invested in companies within the FTSE 350.

## Benchmark

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

## First Interim Dividend

A first interim dividend of 4.4p per share (2009: 4.4p) was paid on 1 April 2010 to shareholders registered at the close of business on 5 March 2010. The associated ex-dividend date was 3 March 2010.

## Second Interim Dividend

A second interim dividend is expected to be 4.4p per share (2009: 5.1p) and will be paid on 1 November 2010 for the year to 30 September 2010, to shareholders registered on the close of business on 1 October 2010. The associated ex-dividend date will be 29 September 2010.

## Capital Structure

At 31 March 2010 the Company had 50,855,811 shares of 25p each in issue excluding 1,941,612 shares repurchased by the Company and held as treasury shares (31 March 2009: 50,254,173 (treasury shares: 2,543,250)). During the six months under review 2,270,862 shares were repurchased to be held in treasury and 1,855,000 shares were reissued out of treasury. Since the end of the half-year a further 186,399 shares have been repurchased and are being held in treasury. Also, a total of 850,000 shares have been reissued out of treasury. As at 17 May 2010, the Company had 51,519,412 shares in issue (excluding 1,278,011 shares held in treasury).

## Gearing

As at 31 March 2010 the Company had a secured multicurrency revolving credit facility of £15 million provided by Scotiabank Europe PLC. As at this date a total of £14.45 million had been drawn down.

# Chairman's Statement

## Performance

I am pleased to report that for the six months under review the Company continued its strong run of performance with a net asset value per share total return of 15.6% and a share price total return of 17.1%. These results compare favourably with the Company's benchmark, the FTSE All-Share Index, measured on a total return basis, which provided a return of 12.2% during the same period.

## Investment Policy

As I explained in my last statement, our investment manager, Lindsell Train Limited, believes that it will be beneficial to shareholders to have the ability to allocate up to 20% of the investment portfolio into quoted companies worldwide. A resolution to amend the Company's investment policy was proposed at the Annual General Meeting held in January of this year and I am delighted to confirm that the change was approved by shareholders. The Company currently has three investments listed outside the UK which account for approximately 12% of the investment portfolio.

## Share Capital and Discount Control

The Company has continued to be active in buying back shares for treasury where they were offered at a discount greater than 5% to the net asset value per share. A total of 2,270,862 shares were repurchased for treasury during the half-year in accordance with the Company's stated policy and 1,855,000 shares were reissued from treasury at a price representing a narrower discount to net asset value per share than that at which they had been bought into treasury, i.e. nearly 82 per cent of what was bought in. Following the half-year end a further 186,399 shares have been repurchased to be held as treasury shares and a total of 850,000 shares have been reissued out of treasury. As at the date of this report, a total of 1,278,011 shares remain in treasury.

The Board attaches considerable importance to its discount control mechanism which, as shareholders can see, we use actively and have done so consistently over the last five years. The average month-end discount of share price to the ex-income net asset value per share during the half year was 4.6%, comfortably within the Company's target of 5% and we believe our ability to meet the market's demand for liquidity in this way is very beneficial for all investors: not just those wishing to sell, but those continuing to hold and those wishing to buy.

## Return and Dividend

The Company's income statement shows the following results for the period under review, for the comparable period last year and for the Company's last full financial year:

| Six months ended 31 March 2010 | | | Six months ended 31 March 2009 | | | Year ended 30 September 2009 | | |
|---|---|---|---|---|---|---|---|---|
| Revenue | Capital | Total | Revenue | Capital | Total | Revenue | Capital | Total |
| 4.1p | 33.7p | 37.8p | 3.0p | (29.7)p | (26.7)p | 9.1p | 34.0p | 43.1p |

I mentioned in my statement for the full year to 30 September 2009 that the Company's income for the current financial year may fall when compared to income received in prior years and that there may be insufficient income to maintain the Company's historic rate of dividend. During the period your Board reviewed the Company's expected income for the current financial year to 30 September 2010 and on 19 February 2010 announced a first interim dividend of 4.4p per share, unchanged from the corresponding first interim dividend for the previous year. In addition, your Board decided that it would be helpful to shareholders to receive greater clarity on the Company's dividends for the full year to 30 September 2010 and so on the same date we announced that the second interim dividend for the current year was expected to be 4.4p per share, making a total expected dividend distribution for the full year to 30 September 2010 of 8.8p per share. This compares to 9.5p per share for 2009.

# Chairman's Statement
Continued

The Board estimates that this new level of distribution is sustainable, but should the companies in our portfolio become more cautious when deciding their own dividends, the Company would have to re-evaluate the level of dividend payments we make to our shareholders, such re-evaluation to reflect the actual level of income received together with the balance of revenue reserves retained by the Company from previous years and available for distribution.

It is of course to the Board's sincere regret that the dividend for the full year to 30 September 2010 will be lower than the prior year by some 7%. The principal reason behind the fall in the Company's income this year is the significant reduction in the level of income from our Lloyds preference shares. I reiterate however that the lower level of dividend for the current financial year does not alter the Board's long term objective of a progressive dividend policy. In addition, it is worth highlighting that even at this revised level of distribution the yield on the Company's shares is approximately 3.3% which compares to the current FTSE All-Share yield of 3.1%.

The ex-dividend date for the second interim dividend will be 29 September 2010 with an associated record date of 1 October 2010 and payment date of 1 November 2010.

## Borrowing Facility
Your Company has a fixed term committed secured revolving credit facility of £15m which is subject to a variable rate of interest. As at 31 March 2010 a total of £14.45m was drawn down under this facility. Subsequent to the period end £3.75m was repaid with £10.70m being drawn down at the date of this report. We believe that the availability of a meaningful gearing facility of this kind is very desirable for a closed end investment company such as ours.

## Alternative Investment Fund Manager ('AIFM') Directive
Our trade association, the Association of Investment Companies continues to work towards ensuring that the AIFM Directive, the draft legislation being considered in Europe which will regulate 'alternative investment funds' including investment trusts, is drafted to accommodate the UK investment company structure, something the initial draft very definitely did not. The Association appears to be making good progress with this and your Board will continue to keep shareholders informed of major developments concerning the Directive as they arise.

## Outlook
Overall, 2009 was an exceptional year in terms of a recovery in the fortunes of global stock markets, assisted by a range of stimulus measures from central governments. The UK economy has now edged out of recession and current estimates indicate modest growth in GDP during 2010 and 2011. The outlook for inflation, which has increased somewhat in recent months, is for it to fall back towards the Bank of England's target over the next year and interest rates, at least in the short term, are expected to remain at their current low levels. However, the government is going to have a very tough job on its hands in getting our economy back into balance and there may be considerable shocks still to come.

Your Board considers that the portfolio is well positioned to take advantage of an economic upturn and remains strongly supportive of the Investment Manager's strategy of investing for the long term in well run, cash generative franchises. We believe that this strategy is the best one to deliver strong investment returns to shareholders.

**Anthony Townsend**
Chairman

17 May 2010

# Investment Manager's Review

Of course we are pleased that your net asset value continued to make decent absolute and relative progress over the period. Mind you, that pleasure is vitiated by the knowledge that we and other UK investors will never again be able to invest directly into Cadbury; that company succumbing to Kraft at a fair, but not exceptional price.

Of interest, we think, is the fact that the portfolio performed competitively, despite having little or no exposure to the cyclical commodity and "recovery" sectors, which are current market favourites. We have found our returns elsewhere, specifically the gains delivered by what we consider to be true "growth" companies – those whose earnings have advanced despite the recession, thus demonstrating secular, or non-cyclical growth. In particular Technology and Media shares did well, led by Fidessa, Pearson and Sage. We hope these companies and their peers are only at the beginning of a sustained period of reward, based on superior business performance. In addition, we must acknowledge and give thanks for the contribution to our return from A.G. Barr, the largest holding in your Company now. The steady growth of its key brands – IRN-BRU and Rubicon – has attracted new and deserved investor interest.

We also note that the two other major holdings in the portfolio - Diageo and Unilever – had a relatively quiet last quarter. Combined this pair accounted for 22.3% of the Company's net assets as at 31 March 2010, so their performance really matters! Thankfully, the business progress for both is satisfactory, confirmed by their nicely increasing dividends. The reliability of their profits and the opportunities both enjoy in the Emerging Markets mean that these two are likely to generate wonderful returns for your Company over time, we are sure.

At the Annual General Meeting earlier this year shareholders approved a resolution to allow us, Lindsell Train Limited (LTL), to invest up to 20% of your Company's portfolio outside the FTSE All-Share Index, its benchmark – specifically to invest overseas. We are grateful for this permission and believe you made the "right" decision. Nonetheless it was not a request we tabled lightly and we are conscious of the risks that can attend any such straying away from benchmark. At the very least, for instance, we would sympathise with the righteous anger of any shareholder who discovered that his "UK" investment had done poorly because of possible problems with the future performance of non-UK securities.

Nonetheless, there are three reasons why we asked for the authority – all of which are of broader interest, because they reveal something of the way the UK stock market has changed in recent years.

First, we needed shareholders to approbate what was already a *fait accompli*; because your Company already has investments in non-UK companies, though made inadvertently. They came about like this. As cross-border takeovers have become increasingly common – part of the trend toward "globalisation" – it has become correspondingly common for UK investors to find themselves inheriting shares issued by international companies to pay for UK acquisitions. Sometimes these shares are attractive and it seems irrational to sell them simply because they are not "British". For instance and most pertinent for the portfolio, the major holding in Cadbury was about to turn into a mixture of cash and Kraft shares. While Kraft is, in our opinion, not such a compelling investment as was Cadbury, it is nevertheless a solid business, now with improved growth prospects. Should we be required to sell Kraft, simply because it doesn't have a listing on the London market? Well, thanks to the recent vote, now we don't have to and can consider it on its merits.

By the way, we expect many more such dilemmas for investors – in other words lots more takeovers – as regional companies around the world look to fashion themselves into truly global enterprises.

# Investment Manager's Review
Continued

Second, there is another way in which our request to invest more overseas reflects a *fait accompli*. This is the extraordinary extent to which the FTSE All-Share Index has already become an international index, almost without investors knowing. Consider the following. The top ten companies in the All-Share currently amount to 44% of the value of the whole market. For these ten the average proportion of their annual sales generated in the UK is 7%. Or contrariwise, 93% of the business of 44% of the FTSE All-Share's constituents takes place outside their home market. Indeed, we have seen it estimated that 65% of all the revenues of UK quoted companies arise overseas.

Now, the UK has always been an outward looking economy – and this is a very good thing – but there is a further twist in this globalisation of the Index, a twist relating to dividends. Today, 45% by value of all the dividends paid by UK companies to UK investors are paid in US dollars, not in pounds sterling, led by the big drug, mining and oil companies. This is perhaps the biggest shift in the constitution of the UK stock market in my near 30 year career.

This really is a big deal, because it is a widely acknowledged rule that mismatches between assets and liabilities are best avoided. If you have long term sterling liabilities, it is prudent to hold sterling assets to pay for them. Well, many UK investors – perhaps saving for their retirements in a "UK Equity Income Fund" – are inadvertently, possibly unknowingly, exposed to such a mismatch and taking a currency bet. Because the dividend flows they receive from the UK's largest companies are not paid in the currency they will need to actually pay their pensions.

I don't mean to be alarmist – quite possibly this bet will pay off – sterling looks pretty good toast in comparison to most other currencies. But all of us are being forced to consider what is really meant when we say we invest in UK companies – and, frankly, it means less and less.

The final reason is one specific to LTL's investment approach. We are committed investors in consumer brands and similar franchises – believing that investing in great brands, like Burberry, makes sense for the long term. We note, with some disquiet, that the UK stock market has never been as richly stocked with world class branded goods companies as some others and that with the loss to takeover in recent years of such companies as Allied Domecq, Scottish & Newcastle and now Cadbury there are even fewer of them. For instance, the consultancy Interbrand produces an annual survey of what, on its analysis, are the 100 most valuable brands on the planet. The 2009 survey arrived at the depressing conclusion that the UK is home to only four of these top 100 brands, compared to 51 in the US or 11 in Germany. At a time when the London stock market is increasingly dominated by more or less speculative mining and oil exploration companies, whose profits depend on something as unpredictable as a commodity price or striking it rich, we think investors should be loathe to lose access to assets as predictable and durable as Crunchie or Halls cough drops.

What's done is done, but we now, thankfully, have the ability to identify and invest in Cadbury-type companies outside the UK, hoping to capture similar benefits for your Company. In fact we have not yet made any such investments (and when we do we will be sure to broadcast it widely in our regular communications with you).

Whatever, we hope shareholders will see it as a logical response to the way that the world and the world's stock markets are changing.

**Nick Train, Lindsell Train Limited**
Investment Manager

17 May 2010

# Portfolio

as at 31 March 2010

| Investment | Sector | Fair Value £'000 | % of Investments |
|---|---|---:|---:|
| Barr (A.G.) | Beverages | 16,839 | 11.4 |
| Diageo | Beverages | 16,276 | 11.0 |
| Unilever | Food Producers | 15,661 | 10.6 |
| Pearson | Media | 12,249 | 8.3 |
| Fidessa | Software & Computer Services | 8,744 | 5.9 |
| Sage | Software & Computer Services | 7,873 | 5.3 |
| Kraft Foods^ | Food Producers | 7,255 | 4.9 |
| Reed Elsevier | Media | 7,111 | 4.8 |
| Schroders | General Financials | 6,994 | 4.7 |
| Rathbone Brothers | General Financials | 6,460 | 4.4 |
| **Top 10 investments** | | **105,462** | **71.3** |
| Marston's | Travel & Leisure | 5,714 | 3.9 |
| Dr Pepper Snapple^ | Beverages | 5,024 | 3.4 |
| Euromoney Institutional Investor | Media | 4,747 | 3.2 |
| Thomson Reuters~ | Media | 4,721 | 3.2 |
| Lloyds Banking Group 9.25% (non cum preference)* | Banks | 4,070 | 2.8 |
| Fuller Smith & Turner | Travel & Leisure | 3,906 | 2.6 |
| Burberry Group | Personal Goods | 3,582 | 2.4 |
| Young & Co's Brewery | Travel & Leisure | 2,998 | 2.0 |
| London Stock Exchange | General Financials | 2,475 | 1.7 |
| Hargreaves Lansdown | General Financials | 2,353 | 1.6 |
| **Top 20 investments** | | **145,052** | **98.1** |
| Lindsell Train Investment Trust | General Financials | 1,780 | 1.2 |
| Celtic | Travel & Leisure | 700 | 0.5 |
| Frostrow Capital+ | General Financials | 250 | 0.2 |
| Celtic 6% (cum preference)* | Travel & Leisure | 44 | 0.0 |
| | | **147,826** | **100.0** |

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

^ Listed in the United States.

~ Listed in Canada.

* Non-equity – Preference Shares.

+ Unquoted partnership interest.

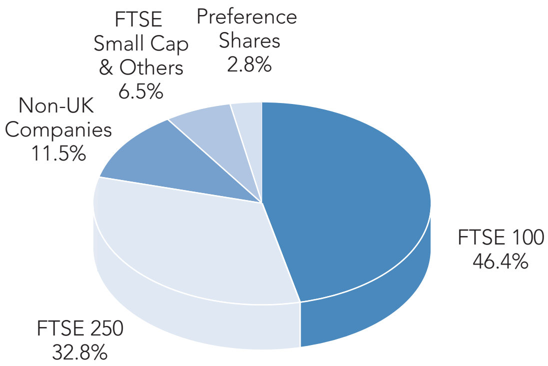
# Comparison of Sector Weightings with the FTSE All-Share Index

as at 31 March 2010

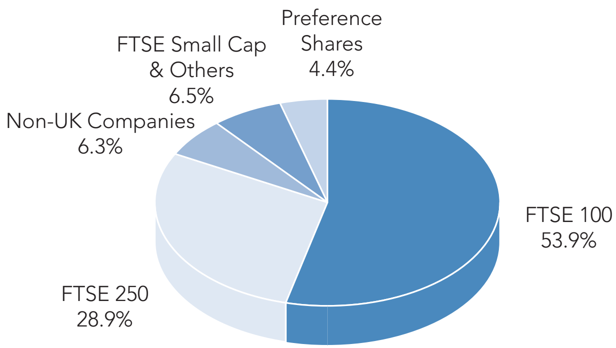
| Sector | Finsbury Growth & Income % | FTSE All-Share Index % | Finsbury Growth & Income (under)/overweight % |
|---|---|---|---|
| Oil & Gas | – | 17.9 | (17.9) |
| Basic Materials | – | 12.7 | (12.7) |
| Industrials | – | 7.2 | (7.2) |
| Consumer Goods | 43.7 | 11.3 | 32.4 |
| Health Care | – | 7.4 | (7.4) |
| Consumer Services | 28.5 | 9.9 | 18.6 |
| Telecommunications | – | 5.8 | (5.8) |
| Utilities | – | 3.3 | (3.3) |
| Financials (excluding preference shares) | 13.8 | 22.9 | (9.1) |
| Technology | 11.2 | 1.6 | 9.6 |
| **Total excluding preference shares** | **97.2** | **100.0** | **(2.8)** |
| Preference shares | 2.8 | – | 2.8 |
| **Total** | **100.0** | **100.0** | **–** |

# Portfolio Distribution

as at 31 March 2010

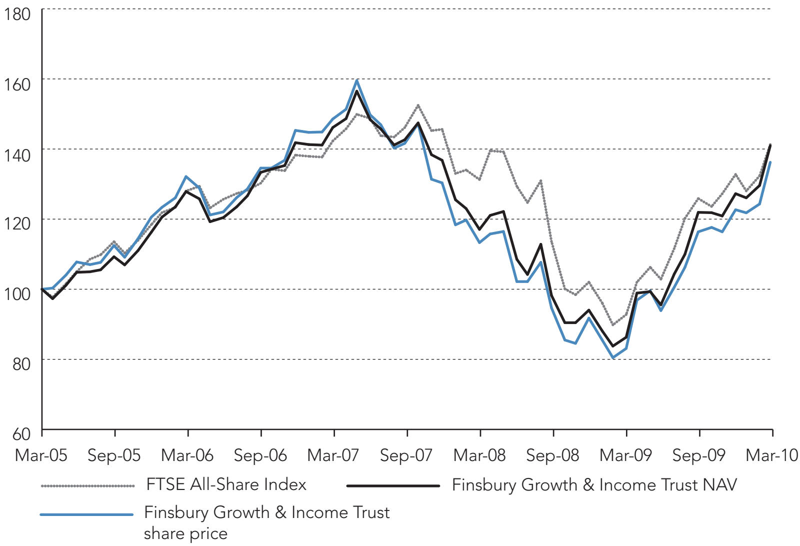



as at 30 September 2009



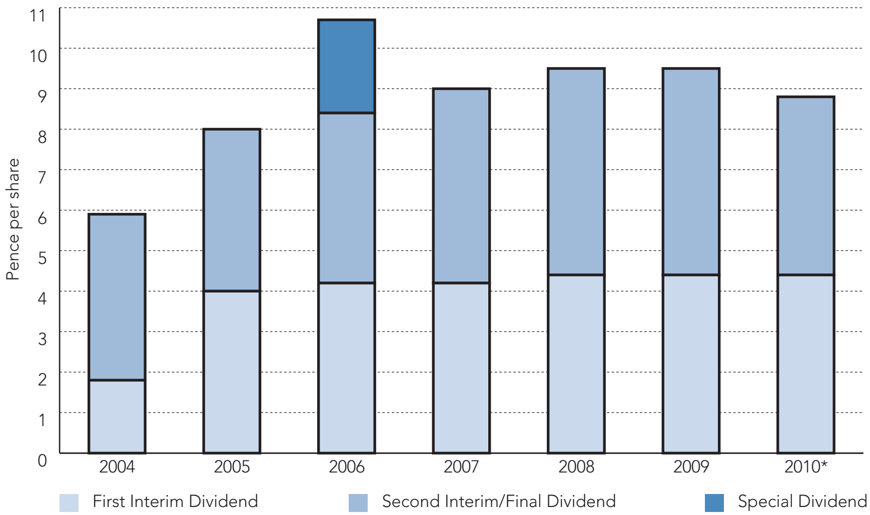
# Performance

## Five year total return performance to 31 March 2010




Rebased to 100 at 31 March 2005
Source: Morningstar

## Dividend record




* Includes expected second interim dividend of 4.4p per share.

Source: Frostrow Capital LLP

# Income Statement

For the six months ended 31 March 2010

| | (Unaudited) Six months ended 31 March 2010 | | | (Unaudited) Six months ended 31 March 2009 | | | (Audited) Year ended 30 September 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains/(losses) on investments held at fair value through profit or loss | – | 17,609 | 17,609 | – | (14,571) | (14,571) | – | 17,942 | 17,942 |
| Exchange difference | – | (3) | (3) | – | 2 | 2 | – | 2 | 2 |
| Income (note 2) | 2,570 | – | 2,570 | 1,959 | – | 1,959 | 5,401 | – | 5,401 |
| Investment management and management fees (note 3) | (140) | (285) | (425) | (107) | (217) | (324) | (226) | (460) | (686) |
| Recovery of VAT on investment management fee previously paid | 11 | 23 | 34 | – | – | – | 50 | 101 | 151 |
| Other expenses | (278) | (87) | (365) | (212) | – | (212) | (410) | – | (410) |
| **Return/(loss) on ordinary activities before finance charges and taxation** | 2,163 | 17,257 | 19,420 | 1,640 | (14,786) | (13,146) | 4,815 | 17,585 | 22,400 |
| Finance charges | (69) | (140) | (209) | (123) | (250) | (373) | (176) | (359) | (535) |
| **Return/(loss) on ordinary activities before taxation** | 2,094 | 17,117 | 19,211 | 1,517 | (15,036) | (13,519) | 4,639 | 17,226 | 21,865 |
| Taxation on ordinary activities | (35) | – | (35) | – | – | – | – | – | – |
| **Return/(loss) on ordinary activities after taxation** | 2,059 | 17,117 | 19,176 | 1,517 | (15,036) | (13,519) | 4,639 | 17,226 | 21,865 |
| **Return/(loss) per share (note 4)** | 4.1p | 33.7p | 37.8p | 3.0p | (29.7)p | (26.7)p | 9.1p | 34.0p | 43.1p |

The "Total" column of this statement represents the Income Statement of the Company. The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

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.

# Reconciliation of Movements in Shareholders' Funds

| (Unaudited)<br>Six months ended 31 March 2010 | Called-up share capital £'000 | Share premium account £'000 | Special reserve £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 30 September 2009 | 13,199 | 35,914 | 12,424 | 3,453 | 57,890 | 4,779 | 127,659 |
| Net return from ordinary activities | – | – | – | – | 17,117 | 2,059 | 19,176 |
| Second interim dividend (5.1p per share) for the year ended 30 September 2009 | – | – | – | – | – | (2,615) | (2,615) |
| Repurchase of shares into treasury | – | – | – | – | (5,435) | – | (5,435) |
| Sale of shares from treasury | – | 420 | – | – | 4,132 | – | 4,552 |
| At 31 March 2010 | 13,199 | 36,334 | 12,424 | 3,453 | 73,704 | 4,223 | 143,337 |
| **(Unaudited)<br>Six months ended 31 March 2009** | | | | | | | |
| At 30 September 2008 | 13,199 | 35,914 | 12,424 | 3,453 | 39,845 | 4,949 | 109,784 |
| Net (loss)/return from ordinary activities | – | – | – | – | (15,036) | 1,517 | (13,519) |
| Second interim dividend (5.1p per share) for the year ended 30 September 2008 | – | – | – | – | – | (2,598) | (2,598) |
| Repurchase of shares into treasury | – | – | – | – | (1,323) | – | (1,323) |
| Sale of shares from treasury | – | – | – | – | 87 | – | 87 |
| At 31 March 2009 | 13,199 | 35,914 | 12,424 | 3,453 | 23,573 | 3,868 | 92,431 |
| **(Audited)<br>Year ended 30 September 2009** | | | | | | | |
| At 30 September 2008 | 13,199 | 35,914 | 12,424 | 3,453 | 39,845 | 4,949 | 109,784 |
| Net return on ordinary activities | – | – | – | – | 17,226 | 4,639 | 21,865 |
| Second interim dividend (5.1p per share) for the year ended 30 September 2008 | – | – | – | – | – | (2,598) | ( 2,598) |
| First interim dividend (4.4p per share) for the year ended 30 September 2009 | – | – | – | – | – | (2,211) | ( 2,211) |
| Repurchase of shares into treasury | – | – | – | – | (1,856) | – | (1,856) |
| Sale of shares from treasury | – | – | – | – | 2,675 | – | 2,675 |
| At 30 September 2009 | 13,199 | 35,914 | 12,424 | 3,453 | 57,890 | 4,779 | 127,659 |

# Balance Sheet

as at 31 March 2010

| | (Unaudited) 31 March 2010 £'000 | (Unaudited) 31 March 2009 £'000 | (Audited) 30 September 2009 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments designated at fair value through profit or loss | 147,826 | 104,898 | 138,799 |
| **Current assets** | | | |
| Debtors | 2,529 | 623 | 1,022 |
| Cash at bank | 7,646 | 293 | 1,531 |
| | 10,175 | 916 | 2,553 |
| **Current liabilities** | | | |
| Creditors | (214) | (383) | (193) |
| Bank loan | (14,450) | (13,000) | (13,500) |
| | (14,664) | (13,383) | (13,693) |
| **Net current liabilities** | **(4,489)** | **(12,467)** | **(11,140)** |
| **Total net assets** | **143,337** | **92,431** | **127,659** |
| **Capital and reserves** | | | |
| Called-up share capital | 13,199 | 13,199 | 13,199 |
| Share premium account | 36,334 | 35,914 | 35,914 |
| Special reserve | 12,424 | 12,424 | 12,424 |
| Capital redemption reserve | 3,453 | 3,453 | 3,453 |
| Capital reserve | 73,704 | 23,573 | 57,890 |
| Revenue reserve | 4,223 | 3,868 | 4,779 |
| **Equity shareholders' funds** | **143,337** | **92,431** | **127,659** |
| **Net asset value per share (note 5)** | **281.9p** | **183.9p** | **249.0p** |

# Cash Flow Statement
for the six months ended 31 March 2010

| | (Unaudited) 31 March 2010 £'000 | (Unaudited) 31 March 2009 £'000 | (Audited) 30 September 2009 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** (note 7) | **297** | **2,088** | **4,573** |
| **Servicing of finance** | | | |
| Loan interest and arrangement fees paid | **(192)** | **(284)** | **(487)** |
| **Taxation** | **(21)** | **–** | **–** |
| **Financial investment** | | | |
| Purchase of investments | (6,473) | (3,035) | (7,017) |
| Sale of investments | 15,055 | 5,152 | 7,746 |
| **Net cash inflow from financial investment** | **8,582** | **2,117** | **729** |
| **Equity dividends paid** | **(2,615)** | **(2,598)** | **(4,809)** |
| **Net cash inflow before financing** | **6,051** | **1,323** | **6** |
| **Financing** | | | |
| Repurchase of shares into treasury | (5,435) | (1,323) | (1,856) |
| Sale of shares from treasury | 4,552 | 87 | 2,675 |
| Drawdown of loans | 950 | – | 500 |
| **Net cash inflow/(outflow) from financing** | **67** | **(1,236)** | **1,319** |
| **Increase in cash** | **6,118** | **87** | **1,325** |
| **Reconciliation of net cash flow to movement in net debt** | | | |
| Increase in cash resulting from cashflows | 6,118 | 87 | 1,325 |
| Increase in debt | (950) | – | (500) |
| Exchange movements | (3) | 2 | 2 |
| Movement in net debt | 5,165 | 89 | 827 |
| Net debt at start of period/year | (11,969) | (12,796) | (12,796) |
| **Net debt at end of period/year** | **(6,804)** | **(12,707)** | **(11,969)** |

# Notes to the Interim Financial Statements

## 1. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the measurement of investments which are valued at fair value, and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated January 2009 and the Accounting Standard Board's Statement Half Yearly Reports.

The same accounting policies used for the year ended 30 September 2009 have been applied.

## 2. Income

| | (Unaudited) Six months ended 31 March 2010 £'000 | (Unaudited) Six months ended 31 March 2009 £'000 | (Audited) Year ended 30 September 2009 £'000 |
|---|---|---|---|
| Franked investment income | 2,293 | 1,884 | 5,326 |
| Limited Liability Partnership profit-share | 80 | 70 | 70 |
| Overseas dividends | 184 | – | – |
| Money market dividend | – | 5 | 5 |
| Interest from HMRC | 13 | – | – |
| Total | 2,570 | 1,959 | 5,401 |

## 3. Investment management and management fees

| | (Unaudited) Six months ended 31 March 2010 £'000 | (Unaudited) Six months ended 31 March 2009 £'000 | (Audited) Year ended 30 September 2009 £'000 |
|---|---|---|---|
| Investment management fee | 277 | 205 | 437 |
| Management fee | 127 | 103 | 216 |
| VAT thereon* | 21 | 16 | 33 |
| Total | 425 | 324 | 686 |

* VAT on management fee.

# Notes to the Interim Financial Statements
Continued

## 4. Return/(loss) per share
The total return per share is based on the total return attributable to equity shareholders of £19,176,000 (six months ended 31 March 2009: loss of £13,519,000; year ended 30 September 2009: return of £21,865,000) and on 50,760,106 shares (six months ended 31 March 2009: 50,709,699; year ended 30 September 2009: 50,737,975), being the weighted average number of shares in issue.

The revenue return per share is calculated by dividing the net revenue return of £2,059,000 (six months ended 31 March 2009: return of £1,517,000; year ended 30 September 2009: return of £4,639,000) by the weighted average number of shares in issue as above.

The capital return per share is calculated by dividing the net capital return attributable to shareholders of £17,117,000, (six months ended 31 March 2009: loss of £15,036,000; year ended 30 September 2009: return of £17,226,000) by the weighted average number of shares in issue as above.

## 5. Net asset value per share
The net asset value per share is based on net assets attributable to shares of £143,337,000 (31 March 2009: £92,431,000 and 30 September 2009: £127,659,000) and on 50,855,811 shares in issue (31 March 2009: 50,254,173 and 30 September 2009: 51,271,673) (excluding treasury shares).

## 6. Transaction costs
Purchase transaction costs for the six months ended 31 March 2010 were £47,000 (six months ended 31 March 2009: £19,000; year ended 30 September 2009: £36,000).

Sales transaction costs for the six months ended 31 March 2010 were £9,000 (six months ended 31 March 2009: £9,000; year ended 30 September 2009: £13,000).

# Notes to the Interim Financial Statements
Continued

## 7. Reconciliation of net total return/(loss) before finance costs and taxation to net cash inflow from operating activities

| | (Unaudited) Six months ended 31 March 2010 £'000 | (Unaudited) Six months ended 31 March 2009 £'000 | (Audited) Year ended 30 September 2009 £'000 |
|---|---|---|---|
| Total return/(loss) before finance charges and taxation | 19,420 | (13,146) | 22,400 |
| Capital (return)/loss before finance charges and taxation | (17,260) | 14,788 | (17,583) |
| Losses/(gains) on exchange movements | 3 | (2) | (2) |
| Net revenue before finance costs and taxation | 2,163 | 1,640 | 4,815 |
| Decrease in accrued income | 572 | 541 | 271 |
| Increase in other debtors | (2,092) | (5) | (134) |
| Increase/(decrease) in creditors | 3 | 129 | (20) |
| Investment management and management fees charged to capital | (262) | (217) | (359) |
| Other expenses charged to capital | (87) | – | – |
| Net cash inflow from operating activities | 297 | 2,088 | 4,573 |

## 8. 2009 accounts

The figures and financial information for the year to 30 September 2009 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for the year.

Those accounts have been delivered to the Registrar of Companies and included the Report of the Auditors which was unqualified and did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain a statement under section 498 of the Companies Act 2006.

# Interim Management Report

## Principal Risks and Uncertainties

A review of the half year, including reference to the risks and uncertainties that existed during the period, and the outlook for the Company can be found in the Chairman's Statement beginning on page three and in the Investment Manager's Review beginning on page five. The principal risks faced by the Company fall into ten broad categories: market price risk; interest rate risk; portfolio performance; operational and regulatory; credit risk; liquidity; shareholder profile; investment management key person risk; availability of bank finance; inability to maintain a progressive dividend policy. Information on each of these areas, with the exception of the availability of bank finance and the Board's ability to maintain a progressive dividend policy, is given in the Business Review within the Annual Report and Accounts for the year ended 30 September 2009. The risk associated with the availability of bank finance is that the provider may no longer be prepared to lend to the Company. Copies of the monthly loan covenant compliance certificates, provided for the lender, are circulated to the Board and both the Board and the Investment Manager are kept fully informed of any likelihood of the withdrawal of the loan facility so that repayment can be effected in an orderly fashion if necessary. With regard to the Company's dividend policy, the Board regularly reviews the Company's portfolio and also income forecasts prepared by the Manager; regular reports on the Company's income position are also made by the Company's Investment Manager at each Board meeting. The Company also maintains a distributable revenue reserve which can be used to help make up any shortfall in income received by the Company.

In the view of the Board these principal risks and uncertainties are applicable to the remaining six months of the financial year as they were to the six months under review.

## Related Party Transactions

During the first six months of the current financial year no material transactions with related parties have taken place which have affected the financial position or the performance of the Company during the period.

## Directors' Responsibilities

The Directors are responsible for preparing the Interim Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge the condensed set of financial statements, within the Interim Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the half-year ended 31 March 2010 and that the Chairman's Statement, the Investment Manager's Review and the Interim Management Report include a fair review of the information required by 4.1.8R to 4.2.11R of the FSA's Disclosure and Transparency Rules.

The Interim Report has not been reviewed or audited by the Company's auditors.

The Interim Report was approved by the Board on 17 May 2010 and the above responsibility statement was signed on its behalf by:

**Anthony Townsend**
Chairman

# Company Information

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

## Registered Office
50 Lothian Road, Festival Square,
Edinburgh EH3 9BY

## Website
www.finsburygt.com

## Company Registration Number
13958 (Registered in Scotland)

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

## Investment Manager
Lindsell Train Limited
2 Queen Anne's Gate Buildings,
Dartmouth Street, London SW1H 9BP
Telephone: 0207 227 8200
Website: www.lindselltrain.com

*Authorised and regulated by the Financial Services Authority.*

## Manager, Administrator and Company Secretary
Frostrow Capital LLP
25 Southampton Buildings,
London WC2A 1AL
Telephone: 0203 008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com

*Authorised and regulated by the Financial Services Authority.*

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

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

## Registrars
Capita Registrars
Northern House, Woodsome Park,
Fenay Bridge, Huddersfield,
West Yorkshire HD8 0GA
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 208 639 3399
Facsimile: + 44 (0) 1484 600911
E-Mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

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

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

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

## Alliance Trust Savings Limited
PO Box 164,
8 West Marketgait,
Dundee DD1 9YP

Customer Services: 01382 573737*
E-mail: contact@alliancetrust.co.uk

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

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

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

The Company's net asset value per share is announced daily on the TrustNet website at www.trustnet.com.

## Identification Codes

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

# Capita Registrars – Share Dealing Service

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

| Type of trade | Online | Telephone |
|---|---|---|
| Share certificates | 1% of the value of the deal | 1.5% of the value of the deal |
| | (Minimum £20.00, max £75.00) | (Minimum £25.00, max £102.50) |

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

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

For further information on this service please contact:
www.capitadeal.com (online dealing) or 0871 664 0446† (telephone dealing)

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

# Alliance Trust Savings Limited

An investment can be made in the Company through the Savings Scheme, Childrens' First Steps Plan and ISA run by Alliance Trust Savings Limited. You can call them on 01382 573737*, email: contact@alliancetrust.co.uk.

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

## Disability Act

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

This report is printed on Revive 75 Silk. The paper consists of 50% de-inked post consumer waste, 25% pre-consumer waste and 25% virgin wood fibre. The pulp used is a combination of Elemental Chlorine Free (ECF) and Totally Chlorine Free (TCF). The mill is certified to environmental management standard ISO 14001. This product has been awarded the NAPM 75% Recycled Mark. This report has been printed using vegetable based inks.

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