



Finsbury Growth & Income Trust PLC

Annual Report for the year ended 30 September 2009



LINDSELL TRAIN

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Investment Objective

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

Investment Policy

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

The portfolio is managed by Lindsell Train Limited and will normally comprise approximately 30 investments. Unless driven by market movements, 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. The Company does not and will not invest more than 10% of its gross assets in other listed investment companies (including listed investment trusts).

Further details of the Company's investment policy are set out in the Report of the Directors on page 11. Details of a proposed change to the Company's investment policy are set out in the Chairman's Statement on page 4.

Capital Structure

At 30 September 2009 the Company had 51,271,673 shares of 25p each in issue and 1,525,750 shares were held in treasury (2008: 50,950,673 and treasury 1,846,750). During the year 1,330,000 shares were reissued out of treasury and 1,009,000 shares were repurchased to be held in treasury. Following the year-end and up to 17 December 2009, the latest practicable date before the printing of this report, 680,000 shares were reissued out of treasury and 1,069,360 shares were repurchased to be held in treasury. As at 17 December 2009, the Company had 50,882,313 shares in issue (excluding those shares held in treasury).

Gearing

As at 30 September 2009 the Company had a committed one year revolving credit facility of £15 million with ING Bank N.V. and, as at that date, a total of £13.5 million was drawn down under this facility. However, this facility expired on 9 October 2009 and was replaced with a secured one year multicurrency revolving credit facility of £15 million with Scotiabank Europe PLC. As at 17 December 2009 a total of £14,450,000 was drawn down from this facility.

Annual General Meeting

The Annual General Meeting of the Company will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS at 12 noon on Wednesday, 27 January 2010.



The Association of
Investment Companies

A member of the Association of Investment Companies

Performance Summary

	30 Sep 2009	30 Sep 2008	% Change
Share price	231.0p	202.0p	+14.4
Net asset value per share (including income)	249.0p	215.5p	+15.5
Net asset value per share (excluding income)	243.9p	215.5p	+13.2
Dividends per share (see note 7)	9.5p	9.5p	–
Discount of share price to net asset value per share (excluding income)	5.3%	6.3%	
Gearing (borrowings as a percentage of shareholders' funds)	10.6%	11.8%	
Share price total return*	+22.9%	–33.1%	
Net asset value per share total return*	+24.0%	–31.4%	
FTSE All-Share Index (total return) (company benchmark)	+10.8%	–22.3%	
Total expense ratio (excluding the recovery of VAT)†	0.9%	1.0%	

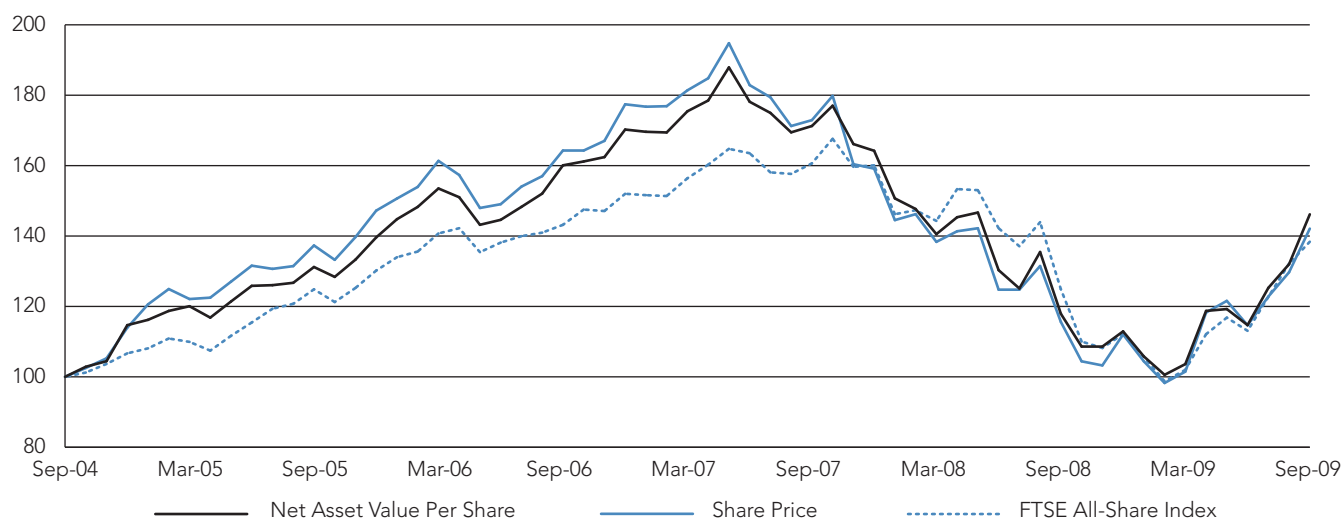
5 Year Performance Summary

	30 Sep 2005	30 Sep 2006	30 Sep 2007	30 Sep 2008	30 Sep 2009
Share price	260.3p	300.3p	307.5p	202.0p	231.0p
Share price total return*	+37.2%	+19.6%	+5.3%	–33.1%	+22.9%
Net asset value per share (including income)	257.8p	302.6p	315.4p	215.5p	249.0p
Net asset value per share (excluding income)	253.8p	298.4p	310.6p	215.5p	243.9p
Net asset value per share total return*	+31.5%	+21.2%	+6.9%	–31.4%	+24.0%
FTSE All-Share index total return	+24.9%	+14.7%	+12.2%	–22.3%	+10.8%
Premium/(discount) of share price to net asset value per share (excluding income)	2.6%	0.6%	(1.0)%	(6.3)%	(5.3)%
Gearing (borrowings as a percentage of shareholders' funds)	15.6%	13.4%	15.0%	11.8%	10.6%
Ordinary dividends per share	8.0p	8.4p	9.0p	9.5p	9.5p
Special dividends per share	–	2.3p	–	–	–

*Source: Morningstar. Includes the 2008 second interim dividend which had an ex-dividend date of 1 October 2008.

†TER is calculated based on the average net asset value for the year ended 30 September.

Five Year Total Return Performance to 30 September 2009



Source: Morningstar and Frostrow Capital LLP
Rebased to 100 at 30 September 2004

The Board



Anthony Townsend (Chairman)

Anthony Townsend, (61), rejoined the Board in February 2005 and succeeded Michael Reeve as Chairman in January 2008. He has spent over 40 years working in the City and was Chairman of the Association of Investment Companies from 2001 to 2003. He is Chairman of British & American Investment Trust PLC, F&C Global Smaller Companies PLC and iimia Investment Trust plc. He is also a Director of Baronsmead VCT 3 plc and of Finsbury Worldwide Pharmaceutical Trust PLC. Anthony is Chairman of the Management Engagement Committee.

John Allard

John Allard, (63), has served on the Board since 2000. He was an Investment Manager with M&G for over 20 years, specialising in equity income funds. John has been a Director of various investment trust companies since 1981.

Neil Collins

Neil Collins, (62), joined the Board in 2008. He has spent most of his career in financial journalism and was City Editor of The Daily Telegraph for nearly 20 years until he retired from the position in 2005. Prior to that he had been City Editor of the London Evening Standard and The Sunday Times. A former columnist for the London Evening Standard, he is a commentator for Reuters, and a Director of Templeton Emerging Markets Investment Trust PLC.

David Hunt, FCA

David Hunt, (62), joined the Board in 2006. A Chartered Accountant, he is employed by Smith & Williamson Limited as a Director of the Assurance and Business Services Division and has over 25 years' experience advising quoted companies. David is Chairman of the Audit Committee.

Vanessa Renwick

Vanessa Renwick, (48), has served on the Board since 2000. Vanessa has over 20 years' experience in the investment funds industry, having worked for Laing & Cruickshank and UBS Warburg. Vanessa has particular expertise in corporate finance and marketing.

Giles Warman

Giles Warman, (61), has served on the Board since 1989. Giles is a Director of European Assets Trust NV and was formerly employed by Numis Securities Limited. Prior to this he was a partner at Sheppards & Chase and a Director of Charterhouse Tilney. He has over 40 years' experience in the investment industry.

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

Chairman's Statement

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about any aspect of the proposal described in this document or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other appropriate independent adviser.

If you have sold or otherwise transferred all your ordinary shares of 25p each in Finsbury Growth & Income Trust PLC (the "Company"), please forward this document to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.



Performance

After a challenging first half of the year to 31 March 2009, markets rallied strongly in the second half and I am delighted to be able to report that overall the Company's net asset value total return for the year was 24%. The share price total return was slightly less at 22.9%. These results compare to the total return from our benchmark index, the FTSE All-Share index, of 10.8%. Overall the more buoyant market conditions have provided a welcome contrast to those experienced in 2008.

The Company's strong outperformance when compared to the benchmark index is particularly pleasing and was derived principally from good returns from our major holdings in A.G. Barr, Cadbury, Fidelity, Unilever and Pearson.

Share Capital

The Company has continued to be active in issuing shares from treasury at a discount of less than 5% and 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 1,009,000 shares were repurchased for treasury during the year in accordance with the Company's stated policy and 1,330,000 shares were reissued during the year at a price representing a narrower discount to net asset value per share than that at which they had been bought into treasury. Following the year end, a further 680,000 shares have been issued from treasury and 1,069,360 shares have been repurchased to be held in treasury, leaving a balance of 1,915,110 shares held in treasury at the date of this report.

The Board attaches considerable importance to its discount control mechanism which is actively used. The average month-end discount of share price to the ex-income net asset value per share during the year was 4%.

Return and Dividend

The Income Statement shows a total return per share of 43.1p consisting of a revenue return per share of 9.1p and a capital return per share of 34.0p.

Your Board has declared two interim dividends for the year totalling 9.5p per share (year ended 30 September 2008: 9.5p). The total cost of the two dividends attributable to the year was £4.826m which compares to a net revenue available for distribution for the year of £4.639m and therefore £187,000 of brought forward reserves have been applied in paying the total dividend for the year. Following payment of the second interim dividend on 6 November 2009 the Company has £2.164m of retained distributable reserves which is equivalent to approximately 4.2p per share.

The Board is very conscious of the importance of income to our shareholders, but also considers it vital not to compromise the investment strategy of the Company. The EU has barred Lloyds Banking Group from paying preference share dividends before 2012, a ruling that will have an impact on the Company's income. The result will be an income shortfall from the current rate of dividend payment which may exceed the availability of the Company's distributable reserves. However, the extent and duration of the shortfall is not possible to ascertain today. The Board will review the position at the time of the interim dividend declaration in March 2010.

Borrowings

Subsequent to the year end the Company arranged a new secured fixed term committed multicurrency revolving credit facility of £15m with Scotiabank Europe PLC which is at an interest rate linked to the London Inter-Bank Offered Rate. A total of £14.45m is currently drawn down from this new facility.

Chairman's Statement

Continued

Proposed Change to Investment Policy

The Company's current investment policy is to invest principally in the securities of UK quoted securities. However, outside the control of our Investment Manager we already have two investments, namely Thomson Reuters and Dr Pepper Snapple, equating to approximately 5% of the portfolio, that do not fulfil this criteria. Under the Listing Rules the Company is required to seek the approval of shareholders for any material change in its investment policy and I set out below further information about the proposed change. An ordinary resolution to approve the change will be proposed at the Company's Annual General Meeting to be held at 12 noon on Wednesday, 27 January 2010 at The City of London Club, 19 Old Broad Street, London EC2N 1DS.

Our Investment Manager believes that it would be beneficial to shareholders if the restriction of investing principally in the UK were amended such that up to a maximum of 20% of the Company's portfolio can be invested in quoted companies worldwide. This would enable the Company to retain its membership of the UK Growth & Income Sector as administered by the Association of Investment Companies.

The Board strongly supports the investment philosophy and approach of our Investment Manager, Lindsell Train Limited, and is of the view that, particularly in the current difficult market conditions, the Company is more likely to be able to achieve capital and income growth and to provide shareholders with a total return in excess of that of the FTSE All-Share Index if this proposed amendment to the Company's investment policy were made.

Full details of the Company's current investment policy are set out on page 11.

VAT

As shareholders will be aware from my previous statements, VAT is no longer charged on investment management fees following the ruling by the European Court of Justice in October 2007. All past VAT payments due for reclaim by the Company have now been received.

Alternative Investment Fund Manager ('AIFM') Directive

The AIFM Directive is draft legislation currently being considered in Europe which will regulate 'alternative investment funds'. As currently drafted it will adversely affect all investment trusts, including this Company. The Board therefore actively supports the initiatives being taken by the Association of Investment Companies to ensure that the Directive is tailored to accommodate the investment company structure. The Board will keep shareholders informed of major developments concerning the Directive as they arise.

Outlook

Whilst the recovery in markets generally during 2009 has been welcome, the outlook remains difficult to gauge, both from a capital and an income return perspective. The UK economy continues to have an uncertain feel about it and unemployment is expected to continue to rise in the short term. An increase in inflation in the short term has also been predicted by the Bank of England. The current financial year will see a general election in the UK, however it is difficult to see that whoever wins will be able to make meaningful changes in the short term and the prospect of significant public spending cuts and tax rises is virtually certain.

Despite this unpromising outlook, your Board remains strongly supportive of our Investment Manager's strategy of investing for the long term in durable cash generative franchises with sustainable dividend growth rates. We continue to believe that this strategy will deliver superior investment returns to shareholders.

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

Anthony Townsend
Chairman

17 December 2009

Investment Manager's Review



The last twelve months have, of course, been a most disagreeable white-knuckle ride, with every chance that further nauseating loop-de-loops await.

We look back and wonder two things. What lessons have we learned? And, perhaps more important, which of the investment rules or guidelines, that had served us well for the previous seven years of our responsibility for your Company's portfolio, stood up to the intense examination of the bear market and remain valid?

As to lessons learned – one springs, most painfully, to mind. We will never again invest in the shares of any bank without paying closer attention to how it funds its business. I'm afraid that like the boards of several institutions we were complacent in assuming major banks would always be able to refinance their short term liabilities. As this report is written our only remaining exposure to the banking sector is via Lloyds preference shares, a position held for many years. These have proven a poor allocation of your capital. What we regarded as one of the least risky assets in the portfolio has turned out to be one of the worst performers and this disappointment has been compounded by the recent announcement of a two year suspension of their dividends, required by the EU (we sold the Lloyds ordinary shares after the period end, on learning of this dividend hiatus). In our judgement these preference shares are cheap today, assuming Lloyds is a healing institution, but this situation must be watched closely.

Turning to our guiding principles, we have growing concerns about one long term touchstone. We had always believed in the efficacy of investing in shares offering above average dividend yields. This may still be a winning strategy in the very long term, but there is something bothersome to us about the outlook for UK dividends. It is not only that they are being cut at a quicker rate, reportedly, than before the First World War; it is their unusual distribution. Nearly half the total dividends by value currently paid by London-listed companies derive from just six giant companies – BHP, BP, Glaxo, HSBC, Shell and Vodafone. And of these six, five pay their dividends in dollars, not sterling – Vodafone the exception. Investing for

dividend yield today, therefore, not only requires one to concentrate on a limited number of companies, for which you may or may not have any great enthusiasm (and we own none of the six currently), it also involves involuntary currency risk. As to that risk, the fact is we agree with a comment we heard recently – that picking developed world currencies now is like being asked to choose between horses in a glue factory – they are all knackered. And perhaps sterling is even more so than any other, in which case receiving one's dividends in US dollars will be a boon. But nothing beats matching one's long term liabilities to the currency that will be required to pay for them and all your Company's constituents pay sterling dividends, with the exception of Thomson Reuters and Dr Pepper Snapple.

These concerns mean that although dividends still very much matter in our thinking, we place higher value today on the sustainability of a given company's dividend, or even better, on the sustainability of its dividend growth rate, than on the starting level of dividend yield. For instance, software company Fidessa is a key holding for your Company – not least because of its 64% capital gain over the last year. Fidessa has a wonderful dividend record, having increased its annual payments from 3.4p in 1999 to 27p this year, including a 33% hike in its recent interim coupon. Today Fidessa's shares offer a starting dividend yield of just 2% – some 35% less than that of the FTSE All-Share itself, although still usefully higher than the current rate of UK retail price inflation. Nonetheless, we think it would be a mistake to exchange Fidessa's shares for others with a higher starting yield, but without the same security and growth potential. The reason can be seen here – the current value of the investment in Fidessa is more than double the book cost – meaning that the "dividend yield to book cost", or today's dividend as a percentage of the average purchase price, is over 4%. That 4%, which should go higher, as Fidessa increases future dividends, is one measure of the success of a "growth and income" investment. And, more generally, we think some of the best dividend prospects in the portfolio are found with companies more traditionally regarded as "growth" plays, rather than "income" stocks – for

Investment Manager's Review

Continued

instance, London Stock Exchange, Pearson, Reed Elsevier, Sage, Schrodgers and Thomson Reuters.

We retain greater confidence in the following tried and tested investment rules. Last year's bouleversements confirmed for us the validity of one of the most forthright and challenging propositions about investment we know – from fabled US investor Peter Lynch.

"No one can predict the economy, interest rates or the stock market. Dismiss all such forecasts."

What we find valuable here is not so much the assertion that the so-called experts – including us – have no real idea what will happen next (sometimes their predictions are true, sometimes untrue and only hindsight enables you to establish which is which) and in any case contradict each other, it is the insistence that investors take decisions or build portfolios on something more tangible than guesses about an unknowable future.

Something more tangible, for instance, is a disciplined contrarian approach. Perhaps Warren Buffett puts it best, in his typically homely way.

"Whether we're talking socks or stocks, I like buying quality merchandise when it is marked down."

Having hoarded cash for years, Buffett committed billions to the equity markets last Autumn when others were selling in despair. While few executed with such aplomb, we at least held our nerve and increased your Company's borrowings and gearing as markets approached their lows – magnifying the benefits of the subsequent recovery for shareholders. Today, borrowings stand at £14.45m, for gearing of 11.4%. In addition, we followed Buffett's quip and invested sartorially with the one new holding we initiated for your Company last year. This was Burberry. In mid-2007 Burberry shares peaked at £7.20. We had followed the company for years, but owned none, unable to make sense of the valuation at those prices. By October 2008, though, they had halved, to £3.60. At this point we started buying – tentatively. One month later the shares halved again, hitting a multi-year low of £1.60. We carried on buying, admittedly flinching slightly as we did so. A year on, the shares are back at £5.65! Burberry – which does carry a line of natty check socks – is definitely "quality merchandise". And even if its share price behaves like an elevator with a lunatic at the controls, you should always look for opportunities to pick up quality at bargain prices.

Finally, it has been a great relief to us that our favourite investment rule, the one rule that has never yet failed us, has

held fast. This was taught me by a former boss and I share it willingly here. The rule says that – "if a company makes products that taste good, buy the shares". Good tasting products tend to attract loyal customers and loyal customers make for both decent and reliable profitability and, critically, for long run inflation-proofing – rare and valuable characteristics.

The portfolio is full of companies whose products taste good – such as A.G. Barr, Diageo, Dr Pepper, Fullers, Marstons, Unilever and Youngs – and, by and large, their shares held up well during recent traumas and have made rewarding longer term investments. Most topically, your Company has a substantial investment in Cadbury, currently caught up in a bid tussle. We note that Cadbury shares had outperformed the FTSE All-Share Index over 1, 3, 10 and 20 years even before Kraft's approach – a satisfactory showing, for what was regarded as a dull, but worthy company and testament to the power of investing, over the long term, in companies whose products "taste good". We expect Kraft will have to pay up to win control of this exceptional corporate asset. We certainly have no intention of accepting anything like its sighting shot.

Nick Train, Lindsell Train Limited

Investment Manager

17 December 2009

Contribution to Net Asset Value

For the year ended 30 September 2009

Investment	Contribution for the year to 30 September 2009 £'000	Contribution per share (pence)*
Equities		
Barr (A.G.)	5,714	11.3
Cadbury	4,037	8.0
Fidessa	3,244	6.4
Unilever	2,531	5.0
Pearson	2,409	4.7
Thomson Reuters	1,814	3.6
Burberry	1,432	2.8
Sage	1,415	2.8
Fuller Smith & Turner	965	1.9
Diageo	752	1.5
Euromoney Institutional Investor	719	1.4
Dr Pepper Snapple	714	1.4
Schroders	617	1.2
Young & Co's Brewery	222	0.4
Lindsell Train Investment Trust	207	0.4
London Stock Exchange	58	0.1
Marston's	35	0.1
Hargreaves Lansdown	(29)	(0.1)
Daily Mail and General Trust	(71)	(0.1)
Celtic	(76)	(0.1)
Halma	(84)	(0.2)
Rathbone Brothers	(179)	(0.4)
Royal Dutch Shell	(211)	(0.4)
Reed Elsevier	(650)	(1.3)
Lloyds Banking Group	(3,010)	(5.9)
	22,575	44.5
Preference shares (franked income)		
Lloyds Banking Group 9.25% non-cum preference (formerly HBOS 9.25%)	814	1.6
Lloyds Banking Group 9.75% non-cum preference (formerly HBOS 9.75%)	93	0.2
Celtic 6% Cum Preference	(1)	0.0
NatWest 9% preference	(386)	(0.8)
	520	1.0
Unquoted		
Frostrow Capital LLP	245	0.5
Bank interest & money market interest	5	0.0
Contribution for the year	23,345	46.0
Expenses and finance charges	(1,480)	(2.9)
Total contribution for the year	21,865	43.1

*based on the Company's weighted average number of shares in issue during the year, being 50,737,975.

Investments

as at 30 September 2009

Investment	Sector	Fair value £'000	% of investments
Barr (A.G.)	Beverages	14,418	10.4
Diageo	Beverages	14,133	10.2
Unilever	Food Producers	14,071	10.1
Cadbury	Food Producers	13,301	9.6
Pearson	Media	9,128	6.6
Fidessa	Software & Computer Services	7,809	5.6
Sage	Software & Computer Services	7,277	5.2
Lloyds Banking Group (non cum preference)#*	Banks	6,077	4.4
Marston's	Travel & Leisure	6,076	4.4
Rathbone Brothers	General Financials	5,941	4.3
Top 10 investments		98,231	70.8
Reed Elsevier	Media	5,723	4.1
Schroders	General Financials	5,427	3.9
Dr Pepper Snapple^	Beverages	4,560	3.3
Thomson Reuters~	Media	4,118	3.0
Fuller Smith & Turner	Travel & Leisure	3,591	2.6
Euromoney Institutional Investor	Media	3,391	2.5
Lloyds Banking Group	Banks	3,064	2.2
Young & Co's Brewery	Travel & Leisure	3,038	2.2
London Stock Exchange	General Financials	2,683	1.9
Burberry Group	Personal Goods	2,528	1.8
Top 20 investments		136,354	98.3
Lindsell Train Investment Trust	General Financials	1,540	1.1
Celtic	Travel & Leisure	609	0.4
Frostrow Capital+	General Financials	250	0.2
Celtic 6% (cum preference)*	Travel & Leisure	46	–
Total investments		138,799	100.0

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

Comprises a holding in Lloyds Banking Group 9.25% non cum preference equating to 3.6% of investments and in Lloyds Banking Group 9.75% non cum preference equating to 0.8% of investments.

* Non-equity – Preference Shares.

^ Listed in the United States. The holding arose following the demerger from Cadbury Schweppes in 2008.

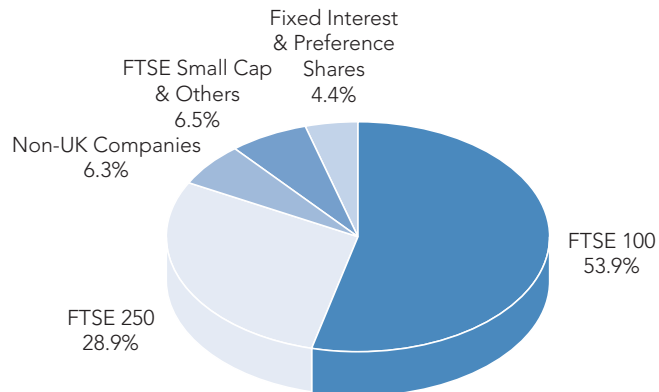
~ Listed in Canada – following the delisting from the London Stock Exchange.

+ Unquoted partnership interest.

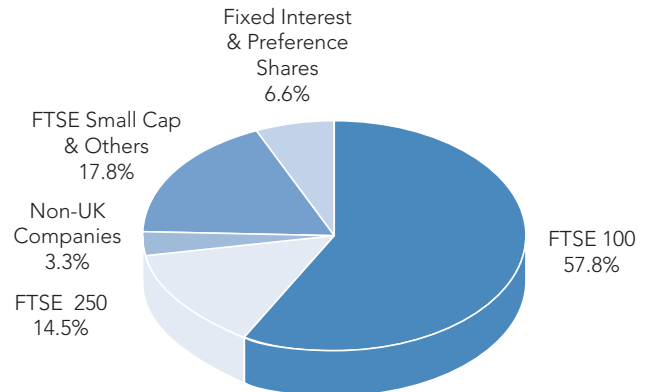
Portfolio Distribution

as at 30 September

2009



2008



Analysis of Portfolio

as at 30 September 2009

	£'000	%
Listed on a recognised stock exchange	132,426	95.4
Total listed equities	132,426	95.4
Frostrow Capital LLP	250	0.2
Total unquoted investments	250	0.2
Lloyds Banking Group 9.25% non cum preference	4,985	3.6
Lloyds Banking Group 9.75% non cum preference	1,092	0.8
Celtic 6.0% cum preference	46	0.0
Total preference shares	6,123	4.4
Total investments	138,799	100.0

Sector Analysis of Portfolio

as at 30 September 2009

Comparison of sector weightings with the FTSE All-Share Index

Sector	Finsbury Growth & Income %	FTSE All-Share Index %	Finsbury Growth & Income (Under)/over weight %
Oil & Gas	–	18.2	(18.2)
Oil & Gas Producers	–	17.7	(17.7)
Oil Equipment, Services & Distribution	–	0.5	(0.5)
Basic Materials	–	10.2	(10.2)
Chemicals	–	0.3	(0.3)
Forestry & Paper	–	0.1	(0.1)
Industrial Metals	–	0.1	(0.1)
Mining	–	9.7	(9.7)
Industrials	–	6.9	(6.9)
Construction & Materials	–	0.2	(0.2)
Aerospace & Defence	–	1.9	(1.9)
General Industrials	–	0.6	(0.6)
Electronic & Electrical Equipment	–	0.3	(0.3)
Industrial Engineering & Transportation	–	0.7	(0.7)
Support services	–	3.2	(3.2)
Consumer Goods	45.4	11.6	33.8
Automobile & parts	–	0.1	(0.1)
Beverages	23.9	2.8	21.1
Food Producers	19.7	2.7	17.0
Household Goods	–	1.9	(1.9)
Personal Goods	1.8	0.3	1.5
Tobacco	–	3.8	(3.8)
Health Care	–	7.9	(7.9)
Health Care Equipment & Services	–	0.4	(0.4)
Pharmaceuticals & Biotechnology	–	7.5	(7.5)
Consumer Services	25.8	9.6	16.2
Food & Drug Retailers	–	3.0	(3.0)
General Retailers	–	1.7	(1.7)
Media	16.2	2.4	13.8
Travel & Leisure	9.6	2.5	7.1
Telecommunications	–	6.0	(6.0)
Fixed Line Telecommunications	–	1.0	(1.0)
Mobile Communications	–	5.0	(5.0)
Utilities	–	3.4	(3.4)
Electricity	–	1.1	(1.1)
Gas, Water & Multiutilities	–	2.3	(2.3)
Financials	13.6	24.7	(11.1)
Banks	2.2	14.4	(12.2)
Nonlife Insurance	–	1.0	(1.0)
Life Insurance	–	3.0	(3.0)
Real Estate	–	1.6	(1.6)
General Financials	11.4	2.0	9.4
Equity Investment Instruments	–	2.7	(2.7)
Technology	10.8	1.5	9.3
Software & Computer Services	10.8	1.2	9.6
Technology Hardware & Equipment	–	0.3	(0.3)
Total excluding Preference Shares	95.6	100.0	(4.4)
Preference shares	4.4	–	4.4
Total including Preference Shares	100.0	100.0	–

Report of the Directors Incorporating the Business Review

The Directors present their report and the financial statements for the year ended 30 September 2009.

Business Review

Financial reporting requirements direct that the Company is required to provide a Business Review within the Report of the Directors. The Business Review must contain a review of the Company's business, the principal risks and uncertainties it faces and an analysis of its performance during the financial period and the position at the period end. To aid understanding of these areas the Board is required to include analysis using appropriate Key Performance Indicators. The Business Review should be read in conjunction with the Chairman's Statement on pages 3 and 4, the Investment Manager's Review on pages 5 and 6 and the analyses on pages 7 to 10.

Status of the Company

During the year under review the Company has continued to conduct its affairs so as to qualify as an investment company, as defined under Section 833 of the Companies Act 2006, and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust has been received for all years up to and including the year ended 30 September 2008. This is however subject to review should there be any enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HM Revenue & Customs approval as an investment trust.

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

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

Investment Objective

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

Investment Policy

The Company invests principally in the securities of UK quoted companies. 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 (the "Investment Manager") and will normally comprise approximately 30 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.

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

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

The Board has set a maximum level of gearing of 25% of the Company's net assets.

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

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

Report of the Directors

Continued

Results and Dividends

The results attributable to shareholders for the year are shown on page 32. The dividends for the year to 30 September were:

	2009 £'000	2008 £'000
First Interim paid of 4.4p per share (2008: 4.4p)	2,211	2,318
Second Interim paid of 5.1p per share (2008: 5.1p)	2,615	2,598
Total	4,826	4,916

Performance and Performance Measurement

While the Board monitors the net asset value as the primary financial measurement it is aware that share price performance and income return are the most important factors to the Company's shareholders. Net asset value and share price performance are of course closely linked and it is the responsibility of the Investment Manager to seek the best investments and to manage the portfolio in the most beneficial way to achieve the highest returns for shareholders. The Company's net asset value per share total return for the year was 24%. The Company's benchmark, the FTSE All-Share Index (measured on a total return basis) rose by 10.8% during the same period. The Company's share price total return for the year was 22.9%. For the year under review, the Contribution to Net Asset Value table is detailed on page 7.

The Board recognises that income return is also important to shareholders and the Board therefore endeavours to maintain a progressive dividend policy. The Company has paid dividends totalling 9.5p per share for the year ended 30 September 2009, this figure being unchanged from the previous year.

The Board reviews overall performance on a continuous basis. The Company's net asset value per share is announced daily via a regulatory news service and is available online (see page 54 of this annual report for details).

Key Performance Indicators ("KPIs")

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

- Net asset value per share total return (see page 1)
- Share price total return (see pages 1 and 29)
- Income (see pages 1 and 12)
- Stock contribution analysis (see page 7)
- Share price premium/(discount) to net asset value per share analysis (see page 1)

- Total expense ratio (see page 1)
- Benchmark and peer group performance (see pages 1, 11, 12 and 29)
- Issue and repurchase of Company's shares (see inside front cover and page 14)

As indicated, Lindsell Train Limited has been appointed by the Board to manage the Company's portfolio and Frostrow Capital LLP (the "Manager") has been appointed as the Company's Manager, Administrator and Company Secretary. Each provider is responsible to the Board which is ultimately responsible to the shareholders for performing against *inter alia* the above KPIs within the terms of their respective agreements by utilising the capabilities of the experienced professionals within each firm.

Principal Risks and their Mitigation

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

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

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

Report of the Directors

Continued

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

The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing. The Board operates an active discount control mechanism with the aim of limiting the discount of the share price to the net asset value per share to 5%. In the event of shares being re-purchased by the Company, such shares may be held in treasury for reissue into the market when demand arises. Shareholders should note that it remains possible for the share price discount to net asset value per share to be greater than 5% on any one day. This was the case as at 30 September 2009 and is due to the fact that the share price continues to be influenced by overall supply and demand for the Company's shares in the secondary market. The average month-end discount of share price to the ex-income net asset value per share during the year was 4%, a level that has been broadly maintained since the year end.

Market Price Risk

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

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

Liquidity Risk

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

Interest Rate Risk

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

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

Credit Risk

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

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

The Manager provides a shareholder analysis to every Board meeting. The Board, in conjunction with the Manager and Investment Manager and where appropriate the Corporate Stockbroker, considers the potential consequences of activist holdings and any action which may be required to mitigate negative activity. In addition, the Board operates a discount control mechanism, as detailed above, in order that the discount of share price to net asset value per share remains as narrow as is practicable, thus reducing the attractiveness of the Company to such potential shareholders.

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

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

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

A breach of s842 could lead to the Company being subject to capital gains tax on the sale of its investments, whilst serious breach of other regulatory rules may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other

Report of the Directors

Continued

control failures, either by the Manager, the Investment Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

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

Investment Management Key Person Risk

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

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

Fixed Asset Investments

The fair value of the Company's investments, at 30 September 2009 was £138,799,000 (2008: £121,586,000) showing a profit since acquisition of £22,160,000 (2008: loss £1,632,000). Taking these investments at this valuation, the net assets attributable to each share at 30 September 2009 amounted to 249.0p (2008: 215.5p).

Issue and Repurchase of Shares

At the Annual General Meeting held on 23 January 2009, authority to allot shares on a non pre-emptive basis was granted for 5,081,867 shares.

The Board continues to believe the use of a discount management policy, to buy back shares if offered at a discount greater than 5% to the net asset value per share, and the use of the treasury share facility, whereby shares repurchased by the Company are held in treasury for reissue into the market (at a discount less than 5% to the net asset value per share) when demand is present, are in the best interests of the Company and shareholders. During the year a total of 1,009,000 shares were repurchased by the Company

and held in treasury. From 1 October 2009 to 17 December 2009, the latest practicable date before the printing of this Annual Report, a further 1,069,360 shares have been purchased and held as treasury shares.

During the year a total of 1,330,000 shares were reissued out of treasury at a price representing a narrower discount to net asset value per share than that at which they had been bought into treasury. Following the year-end and up until 17 December 2009, a further 680,000 shares were reissued out of treasury also at a price representing a narrower discount to net asset value per share than that at which they had been bought into treasury. As at 17 December 2009 a total of 1,915,110 shares are held in treasury.

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

Prospects

A review of the Company's year and of its performance since the year end can be found in the Chairman's Statement on pages 3 and 4 and in the Investment Manager's Review on pages 5 and 6. The Board concentrates its attention on the Company's investment performance and the Investment Manager's investment approach and on factors that may have an effect on this approach. Marketing reports are given to the Board at each Board meeting, which include how the Company is being promoted and details of communications with existing and potential shareholders. The Board is regularly updated on wider investment trust industry issues and discussions are held concerning the Company's development and strategy.

Management

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

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

Report of the Directors

Continued

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

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

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

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

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

Management, Administrative and Secretarial Services

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

Under the terms of the Management, Administrative and Secretarial Services Agreement the Manager receives a periodic fee at a rate of 0.15% per annum of the Company's market capitalisation plus a fixed fee of £70,000 per annum calculated monthly and payable monthly in arrears.

The notice period on the Management, Administration and Company Secretarial Agreement with the Manager is

12 months and may be terminated by either party.

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

- marketing and shareholder services;
- administrative services to such extent and from such dates as the Board may determine;
- advice and guidance in respect of corporate governance requirements;
- performance measurement reports;
- maintenance of adequate accounting records and management information;
- preparation and despatch of the audited annual financial statements, the unaudited interim report and the interim management statements; and
- attending to general tax affairs where necessary.

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

Partnership Interest in Frostrow Capital LLP

The Company acquired a 10% interest in the Manager at a cost of £150,000 on 5 September 2007. On 30 October 2008, £75,000 of the amount paid was repaid to the Company by Frostrow Capital LLP. Also during the year £70,000 was received in respect of the profit share due from this limited liability partnership interest. The valuation of the Company's interest in the Manager at the year end can be found on page 8. As part of the acquisition, the Company also committed to provide the Manager with a £250,000 three year

Report of the Directors

Continued

credit facility at an interest rate to be agreed. At the Company's year-end, and up to the date of this Annual Report, the facility was not utilised by the Manager.

Investment Manager, Manager and Evaluation and Re-Appointment

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

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

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

Information on Share Capital Rights

- The Company's capital structure and voting rights are summarised on the inside front cover and page 17.
- Details of the substantial shareholders in the Company are listed on page 17.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are detailed on pages 23 and 24.
- The giving of powers to issue or buy back the Company's shares requires a special resolution to be passed by

shareholders. The Board's current powers to buy back shares are stated on page 14.

- 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 partly to that might affect its control following a successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Going Concern

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

Creditors' Payment Policy

Terms of payment are negotiated with service providers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. As at 30 September 2009, the Company did not have any trade creditors (2008: nil).

Social, Economic and Environmental Matters

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

Charitable and Political Donations

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

Report of the Directors

Continued

Directors

The Directors of the Company, all of whom served throughout the year are shown below. Further information on the Directors can be found on page 2.

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

Directors' Interests

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

	Number of shares held	
	30 September 2009	30 September 2008
Anthony Townsend	95,940	95,940
John Allard*	15,758	9,884
Neil Collins	3,746	3,746
David Hunt	15,000	6,500
Vanessa Renwick	12,580	12,580
Giles Warman	73,000	73,000

* On 6 October 2009, Mr John Allard purchased a further 189 shares as a result of an automatic re-investment of a dividend.

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

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

Directors' Fees

A report on Directors' Remuneration is set out on pages 28 and 29.

Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 30 September 2009. It is intended that this policy will continue for the year ended 30 September 2010 and subsequent years.

Voting Rights

One vote is attached to each share in issue. Own shares held in treasury do not carry voting rights. The total voting rights of the Company at the year end were 51,271,673 shares. The total voting rights of the Company as at the date of this report are 50,882,313 shares. There are no restrictions on the transfer of the Company's shares or special rights attached to these shares regarding control.

Substantial Share Interests

As at 30 November 2009 the Company was aware of the following substantial interests in the voting rights of the Company:

Fund manager	Registered holder	Number of shares	% of shares
Alliance Trust Savings	Alliance Trust Savings Nominees	6,055,087	11.90
Brewin Dolphin	Various Brewin Nominee Managed Accounts	5,814,691	11.43
Rathbone	Various Rathbone Nominee Managed Accounts	4,394,163	8.64
Rensburg Sheppards Investment Management	Ferlim Nominees, Rensburg Client Nominees	4,343,343	8.54
JP Morgan Asset Management	Chase Nominees, Bank of New York Nominees	3,077,063	6.05
Speirs & Jeffery Fund Management	Various Speirs & Jeffery Nominee Accounts	2,225,535	4.37
Legal & General Investment Management	Various Nominee Accounts	2,086,655	4.10
Charles Stanley	Rock Nominees	1,682,712	3.31
Henderson Global Investors	Various Nominee Accounts	1,538,879	3.02

Report of the Directors

Continued

Directors' Indemnities

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

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

Auditors

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

Audit Information

So far as the Directors are aware, there is no relevant information of which the Auditors are unaware. The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of such information.

Corporate Governance

A formal statement on Corporate Governance is set out on pages 23 to 27 and forms part of the Report of the Directors.

Beneficial Owners of Shares – Information Rights

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

Notice Period for General Meetings

At last year's Annual General Meeting, new articles of association were adopted which included a provision allowing general meetings of the Company to be called on a minimum notice period provided for in the Companies Act 2006. For meetings other than annual general meetings this is a period of 14 clear days.

The provisions in the Companies Act 2006 relating to meetings were amended with effect from 3 August 2009 as a result of the implementation of the EU Shareholder Rights Directive (2007/36/EC) in the UK.

One of the amendments made was, to increase the minimum notice period for listed company General Meetings to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for Annual General Meetings), provided that two conditions are met:

- i) that the Company offers facilities for shareholders to vote by electronic means; and
- ii) that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than Annual General Meetings) from 21 clear days to 14 clear days.

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

The Board is therefore proposing Resolution 14 as a special resolution to approve 14 clear days as the minimum period of notice for all General Meetings of the Company other than Annual General Meetings. The notice period for Annual General Meetings will remain 21 clear days.

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

Proposed Change to Investment Policy

The Company's current investment policy is to invest principally in the securities of UK quoted securities. However, outside the control of the Investment Manager the Company already has two investments, namely Thomson Reuters and Dr Pepper Snapple, equating to approximately 5% of the portfolio, that do not fulfil this criteria. Under the Listing Rules the Company is required to seek the approval of shareholders for any material change in its investment policy. Therefore an ordinary resolution to approve the following change to its investment policy will be proposed at the Company's forthcoming Annual General Meeting.

Report of the Directors

Continued

The Company's Investment Manager believes that it would be beneficial to shareholders if the restriction of investing principally in the UK were amended such that up to a maximum of 20% of the Company's portfolio can be invested in quoted companies worldwide. This would enable the Company to retain its membership of the UK Growth & Income Sector as administered by the Association of Investment Companies.

The Board strongly supports the investment philosophy and approach of our Investment Manager Lindsell Train Limited and is of the view that, particularly in the current difficult market conditions, the Company is more likely to be able to achieve capital and income growth and to provide shareholders with a total return in excess of that of the FTSE All-Share Index if this proposed amendment to the Company's investment policy were made.

Full details of the Company's current investment policy are set out on page 11. The proposed revised investment policy is set out below.

Investment Objective

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

Investment Policy

The Company invests principally in the securities of UK quoted companies, although up to a maximum of 20% of the Company's portfolio 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 (the "Investment Manager") and will normally comprise approximately 30 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.

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

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

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

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

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

Shareholder Analysis

as at 30 September

	2009 Number of shares	2009 % of issued share capital	2008 Number of shares	2008 % of issued share capital
Nominee Companies*	44,193,098	86.19	45,465,771	89.23
Private Individuals	3,125,495	6.10	3,221,564	6.32
Other Institutions, Investment Funds, Pension Funds and Companies	2,725,518	5.32	1,116,218	2.19
Banks and Bank Nominees	1,227,562	2.39	1,147,120	2.26
Total shares in issue (excluding treasury shares)	51,271,673	100.00	50,950,673	100.00
* Includes Alliance Trust Savings and ISA Clients	6,011,268	11.39	5,620,104	11.03

Report of the Directors

Continued

Annual General Meeting

The formal notice of Annual General Meeting is set out on pages 47 to 51 of this Annual Report. Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

Share Repurchases

At the Annual General Meeting held on 23 January 2009, shareholders approved the renewal of the authority permitting the Company to repurchase its own shares.

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

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

Special Resolution No. 12 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 17 December 2009, being the nearest practicable date prior to the signing of this Report, (amounting to 7,627,259 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Issue of Shares

Ordinary Resolution No. 9 in the Notice of Annual General

Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,272,058 (equivalent to 5,088,231 shares, or 10% of the Company's existing issued share capital on 17 December 2009, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 10 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 17 December 2009 (reduced by any treasury shares sold by the Company pursuant to Resolution No. 11, as described below), as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 9. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) (the "Treasury Share Regulations") the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. The Treasury Share Regulations require such sale to be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued share capital on a non pre-emptive basis pursuant to Resolution No. 10, Resolution No. 11, if passed, will give the Directors authority to sell shares held in treasury on a non pre-emptive basis. Under the Treasury Share Regulations, the holding of treasury shares was previously restricted to 10% of the Company's issued share capital, no dividends may be paid on any shares held in treasury and no voting rights will attach to such shares. However, the Companies (Share Capital and Acquisition by Company of its Own Shares) Regulations 2009 has removed the 10% restriction; it has also extended the maximum period for which authorisation can be given for a

Report of the Directors

Continued

company to purchase its own shares from 18 months to five years. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. It is the intention of the Board that any re-sale of treasury shares would only take place at a narrower discount to the net asset value per share than that at which they had been bought into treasury, and in any event at a discount no greater than 5% to the prevailing net asset value per share, and this is reflected in the text of Resolution No. 11. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The number of treasury shares which may be sold pursuant to this authority is limited to 10% of the Company's existing share capital on 17 December 2009 (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution No. 10, as described above). This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier.

The Directors intend to use the authority given by Resolutions Nos. 9 and 10 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Electronic Communications

Included with notice of the Annual General Meeting is a letter to shareholders asking for their individual consent to receive documents, notices and information either electronically or via the Company's website. Ordinary Resolution 13 also requests the consent of shareholders to send or supply documents by electronic means.

Ordinary Resolution 13 and your individual consent will give the Company more flexibility to supply notices, documents or information in electronic form and by means of a website pursuant to the FSA's Disclosure Rules and Transparency Rules. The Company's articles were updated at last year's annual general meeting to enable the Company to send all documents and notices electronically rather than just notices of meetings, proxies, and copies of annual reports and accounts and summary financial statements and to permit the Company to send documents by means of a website and to ensure the Articles of Association are consistent with the provisions of the Companies Act 2006.

Shareholders should note that even if Ordinary Resolution 13 is passed no action will be taken and no documents will be sent electronically until the consent of shareholders in general meeting has been obtained and until the Company receives individual consent to electronic communication. However, provided that Ordinary Resolution 13 is passed at the Annual General Meeting and provided we have not received a response from you by 28 January 2010, the Companies Act 2006 allows us to assume that you have agreed that the documents and information referred to in the consent letter can be sent to you by posting them on the Company's website.

A shareholder may, if he or she wishes, continue to receive all company communications in hard copy form. Moreover, a shareholder may, in relation to a particular communication, request a hard copy form of that communication or, at any time, revoke his or her general agreement to be provided documentation in electronic form or by means of a website by delivering written notice or such revocation to the Company.

General Meetings

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

Change to the Company's Investment Policy

Ordinary Resolution No. 15 seeks shareholder approval for the Company to make an amendment to its investment policy.

Recommendation

The Board considers that the resolutions relating to the above items of special business, including the proposed change in investment policy described in the Chairman's Statement on page 4 and also in the Report of the Directors on pages 18 and 19 are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting as the Directors intended to do in respect of their own beneficial holdings totalling 216,213 shares.

By order of the Board

Frostrow Capital LLP
Company Secretary

17 December 2009

Statement of Directors' Responsibilities

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The Directors confirm that to the best of their knowledge the financial statements, within the Annual Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the year ended 30 September 2009, and that the Chairman's Statement, Investment Manager's Review and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FSA's Disclosure and Transparency Rules.

On behalf of the Board

Anthony Townsend
Chairman

17 December 2009

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance (the "Combined Code") issued in June 2008. The Association of Investment Companies has published its own Code on Corporate Governance ("the AIC Code"), revised in March 2009, which forms a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggests alternative approaches to those set out in the Combined Code that may be preferable.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code throughout the year ended 30 September 2009 and up to the date of this report as set out below.

The Combined Code includes provisions relating to:

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

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

Internal Audit

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

Board Independence, Composition and Tenure

The Board, chaired by Anthony Townsend, currently consists of six non-executive Directors. The Directors' biographical details, set out on page 2, demonstrate a breadth of

investment, commercial and professional experience. John Allard, Vanessa Renwick (who both joined the Board in 2000) and Giles Warman (who became a Director in 1989) have all served in excess of nine years on the Board since their first election. Nonetheless, the Board considers them to be independent in character and judgement and does not consider that the criterion of length of service should necessarily preclude them from being so considered. This position accords with the recommendation of the AIC Code that a director may be viewed as being independent notwithstanding service that could be considerably more than nine years.

Anthony Townsend, who rejoined the Board in 2005, David Hunt, appointed a Director in 2006 and Neil Collins who became a Director in 2008, are all also considered by the Board to be independent.

Under the Company's Articles of Association, Messrs Townsend and Hunt retire by rotation. John Allard, Vanessa Renwick and Giles Warman, all having served on the Board for more than nine years from the date of their first election, also retire at the Annual General Meeting. All of the above mentioned Directors, being eligible, offer themselves for re-election.

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

None of the Directors has a service contract with the Company. New Directors are appointed with the expectation that they will serve for a minimum period of three years. Directors' appointments are reviewed formally every three years by the Board. Any Director may resign in writing to the Board at any time. The Company's Articles of Association provide that one-third of the Directors must retire by rotation and may offer themselves of re-election at each Annual General Meeting. The terms of the Directors' appointments also provide that a Director shall retire and be subject to election at the first Annual General Meeting after appointment and re-election at least every three years thereafter. Directors who have served more than nine years on the Board and those who are not deemed to be independent are required to seek re-election annually. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the offices of the Company's Manager and will be available at the Annual General Meeting. When a new Director is appointed

Corporate Governance

Continued

to the Board, he/she is provided with all relevant information regarding the Company and his/her duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Manager and Investment Manager in order to learn more about their processes and procedures. The Board also receives regular briefings from, amongst others, the Auditors and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

The Board's Responsibilities

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

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

Performance Evaluation

The Board carries out an annual evaluation of its performance.

Conflict of Interest

On 1 October 2008 it became a statutory requirement that a Director must avoid a situation in which he has, or can have, a

direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a "situational conflict"). The Company's Articles of Association were amended at the last Annual General Meeting to give the Directors authority to approve such situations, where appropriate.

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

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

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

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

Committees of the Board

During the year the Board delegated certain responsibilities and functions to committees. In line with the AIC Code, the Board has disbanded the Nominations and Remuneration Committees in favour of the full Board adopting the responsibilities of such committees under the Chairmanship of the Chairman of the Company, Anthony Townsend. The Audit and Management Engagement Committees continue in operation and copies of the full Terms of Reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary, will be available at the Annual General Meeting and can be found on the Company's website on www.finsburygt.com and on the website of the

Corporate Governance

Continued

Manager at www.frostrow.com. The Audit Committee is chaired by David Hunt. All Directors of the Company, including the Chairman of the Company, are members of this Committee to enable them to be kept fully informed of any issues that may arise. The Directors believe that Mr Hunt, a Chartered Accountant, has relevant financial knowledge and experience to enable him to chair this Committee effectively. The Management Engagement Committee is chaired by the Chairman of the Company, Anthony Townsend. Again, all Directors of the Company are members of this Committee to enable them to be kept fully informed of any issues that may arise.

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

Audit Committee

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

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

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

Management Engagement Committee

The Management Engagement Committee meets at least once per year. The Management Engagement Committee is responsible for the regular review of the terms of the management and investment management agreements with, and the performance of, the Manager and Investment Manager. The Committee last met in September 2009, at which time it was agreed that no amendments to the agreements were required. The agreements shall continue to be reviewed on a periodic basis as necessary.

Meeting Attendance

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

Type and number of meetings held in the year to 30 September 2009	Board (5)	Audit Committee (2)	Management Engagement Committee (1)
Anthony Townsend	5	2	1
John Allard	5	2	1
Neil Collins	5	2	1
David Hunt	5	2	1
Vanessa Renwick	5	2	1
Giles Warman	4	2	1

Other ad hoc meetings of the Board and Committees are held in connection with specific events as and when necessary. All of the Directors attended the Annual General Meeting held on 23 January 2009.

Corporate Governance

Continued

Internal Controls

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

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

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

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

The Company has appointed agents to provide administrative services to the Company. The Company has obtained from its various service providers assurances and information relating to their internal systems and controls to enable the Board to make an appropriate risk and control assessment, including the following:

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

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

- investment management is provided by Lindsell Train Limited. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meeting;
- administration, company secretarial and marketing duties for the Company are performed by Frostrow Capital LLP;

- custody of assets is undertaken by The Bank of New York Mellon;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Investment Manager and the Manager in detail on a regular basis.

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

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

Relations with Shareholders

The Board reviews the shareholder register at each Board meeting. The Company has regular contact with its institutional shareholders particularly through the Manager. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting under the Chairmanship of the Chairman of the Board. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and are also published on the Company's website at www.finsburygt.com. Representatives from the Investment Manager attend the Annual General Meeting and give a presentation on investment matters to those present. The Company has adopted a nominee share code which is set out on page 27.

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

The Annual and Interim Reports, the Interim Management Statements and a monthly fact sheet are available to all shareholders. The Board considers the format of the Annual and Interim Reports so as to ensure they are useful to all shareholders and others taking an interest in the Company. In

Corporate Governance

Continued

accordance with best practice, the Annual Report, including the Notice of the Annual General Meeting, is sent to shareholders at least 20 working days before the Meeting. Separate resolutions are proposed for substantive issues.

Exercise of Voting Powers

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

Accountability and Audit

The Directors' statement of responsibilities in respect of the financial statements is set out on page 22. The report of the Company's auditor is set out on pages 30 and 31. The Board has delegated contractually to external agencies, including the Manager and the Investment Manager, the management of the portfolio, custodial services (which includes the safeguarding of the Company's assets), the day to day marketing, accounting administration, company secretarial requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including

the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

Nominee Share Code

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

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

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

Directors' Remuneration Report

for the year ended 30 September 2009

The Board has prepared this report, in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 30 and 31.

Policy on Directors' Fees

The Board's policy is that the remuneration of Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (Ordinary shares), and have a similar investment objective. It is intended that this policy will continue for the year ending 30 September 2010 and subsequent years.

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

Directors' Service Contracts

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

Your Company's Performance

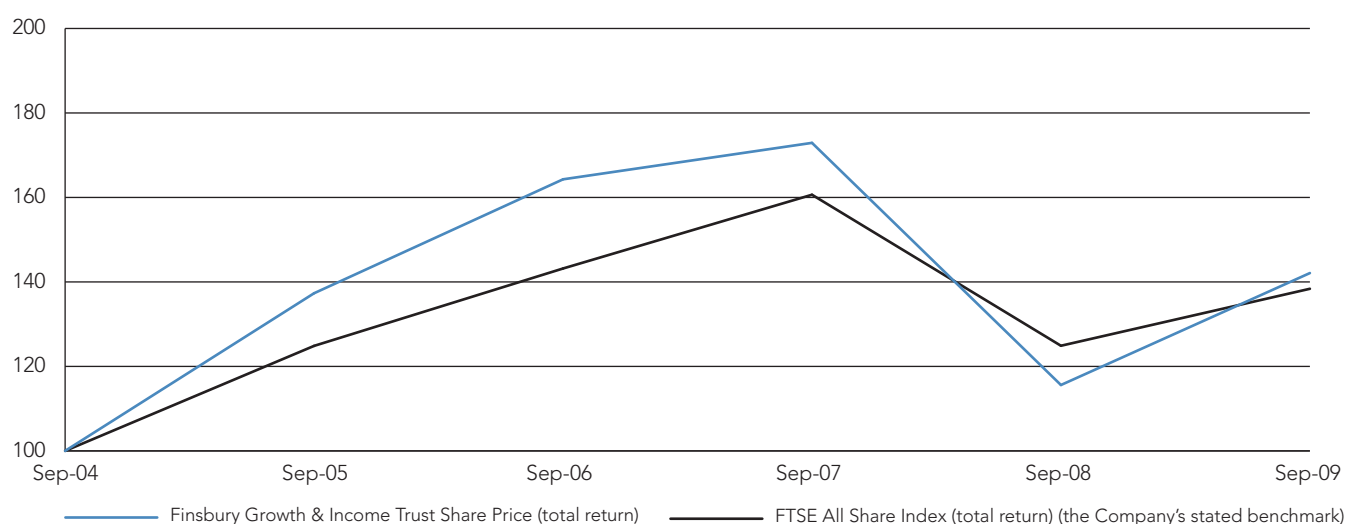
The law requires a line graph be included in the Directors' Remuneration Report showing total shareholder return for each of the financial years in the relevant period. The graph set out below compares, on a cumulative basis, the total return (assuming all dividends are reinvested) to shareholders compared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

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

Directors' Remuneration Report

for the year ended 30 September 2009

Total Shareholder Return for the Five Years to 30 September 2009



Directors' Emoluments for the Year (audited)

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

	Fees~ 2010 (with effect from 1 October 2009)	Fees 2009	Fees 2008
Anthony Townsend (Chairman)#	£27,500	£27,500	£23,800
John Allard	£18,000	£16,000	£16,000
Neil Collins^	£18,000	£16,000	£12,600
David Hunt*	£21,000	£19,000	£19,000
Michael Reeve**	—	—	£9,100
Vanessa Renwick	£18,000	£16,000	£16,000
Giles Warman	£18,000	£16,000	£16,000

Anthony Townsend was appointed Chairman on 30 January 2008.

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

* Chairman of the Audit Committee.

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

~ These fees were agreed at a Board meeting held on 24 September 2009.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 17 December 2009 and signed on its behalf by

Anthony Townsend
Chairman

Independent auditor's report to the members of Finsbury Growth & Income Trust PLC

We have audited the financial statements of Finsbury Growth and Income Trust PLC for the year ended 30 September 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cashflow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2009 and of its return for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Independent auditor's report to the members of Finsbury Growth & Income Trust PLC

Continued

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 16, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Julian Bartlett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

17 December 2009

Income Statement

for the year ended 30 September 2009

	Notes	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Gains/(losses) on investments designated at fair value through profit or loss	9	–	17,942	17,942	–	(51,522)	(51,522)
Exchange difference		–	2	2	–	–	–
Income	2	5,401	–	5,401	6,363	–	6,363
Investment management, management and performance fees	3	(226)	(460)	(686)	(300)	(609)	(909)
Recovery of VAT on investment management fee previously paid	15	50	101	151	–	–	–
Other expenses	4	(410)	–	(410)	(434)	–	(434)
Return/(loss) on ordinary activities before finance charges and taxation		4,815	17,585	22,400	5,629	(52,131)	(46,502)
Finance charges	5	(176)	(359)	(535)	(346)	(702)	(1,048)
Return/(loss) on ordinary activities before taxation		4,639	17,226	21,865	5,283	(52,833)	(47,550)
Taxation on ordinary activities	6	–	–	–	–	–	–
Return/(loss) on ordinary activities after taxation		4,639	17,226	21,865	5,283	(52,833)	(47,550)
Return/(loss) per share	8	9.1p	34.0p	43.1p	10.1p	(101.2)p	(91.1)p

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

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

All items in the above statement derive from continuing operations.

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

The notes on pages 36 to 46 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2009

	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 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
Year ended 30 September 2009	13,199	35,914	12,424	3,453	57,890	4,779	127,659
At 30 September 2007	13,162	35,482	12,424	3,453	97,023	4,511	166,055
Net (loss)/return on ordinary activities	–	–	–	–	(52,833)	5,283	(47,550)
Second interim dividend (4.8p per share) for the year ended 30 September 2007	–	–	–	–	–	(2,527)	(2,527)
First interim dividend (4.4p per share) for the year ended 30 September 2008	–	–	–	–	–	(2,318)	(2,318)
Shares issued net of issue expenses	37	432	–	–	–	–	469
Repurchase of shares into treasury	–	–	–	–	(6,081)	–	(6,081)
Sale of shares from treasury	–	–	–	–	1,736	–	1,736
Year ended 30 September 2008	13,199	35,914	12,424	3,453	39,845	4,949	109,784

The notes on pages 36 to 46 form part of these financial statements.

Balance Sheet

as at 30 September 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	138,799	121,586
Current assets			
Debtors	10	1,022	1,159
Cash at bank		1,531	204
		2,553	1,363
Current liabilities			
Creditors	11	(193)	(165)
Bank loans	11	(13,500)	(13,000)
		(13,693)	(13,165)
Net current liabilities		(11,140)	(11,802)
Total net assets		127,659	109,784
Capital and reserves			
Called-up share capital	12	13,199	13,199
Share premium account		35,914	35,914
Capital redemption reserve		3,453	3,453
Special reserve		12,424	12,424
Capital reserve	13	57,890	39,845
Revenue reserve		4,779	4,949
Equity shareholders' funds		127,659	109,784
Net asset value per share	14	249.0p	215.5p

The accounts on pages 32 to 46 were approved by the Board of Directors on 17 December 2009, and were signed on its behalf by:

Anthony Townsend
Chairman

The notes on pages 36 to 46 form part of these financial statements.

Cash Flow Statement

for the year ended 30 September 2009

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	18	4,573	5,548
Net cash outflow from servicing of finance		(487)	(1,185)
Financial investment			
Purchase of investments		(7,017)	(5,886)
Sale of investments		7,746	21,791
Net cash inflow from financial investment		729	15,905
Equity dividends paid		(4,809)	(4,845)
Net cash inflow before financing		6	15,423
Financing			
Shares issued net of issue expenses		–	469
Repurchase of shares into treasury		(1,856)	(6,081)
Sale of shares from treasury		2,675	1,736
Drawdown/(repayment) of loans		500	(11,850)
Net cash inflow/(outflow) from financing		1,319	(15,726)
Increase/(decrease) in cash	19	1,325	(303)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash resulting from cashflows	19	1,325	(303)
(Increase)/decrease in debt	19	(500)	11,850
Exchange movements		2	–
Movement in net debt	19	827	11,547
Net debt at 1 October 2008	19	(12,796)	(24,343)
Net debt at 30 September 2009	19	(11,969)	(12,796)

The notes on pages 36 to 46 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments and in accordance with UK Generally Accepted Accounting Practice (GAAP) and the Statement of Recommended Practice (SORP) for "Financial Statements of Investment Trust Companies" issued by the Association of Investment Companies dated January 2009.

(b) Investments

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

Unquoted investments are valued by the Directors using primary valuation techniques, in accordance with IPEVCA guidelines.

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

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

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

Transaction costs on the acquisition and sale of investments totalled £36,000 and £13,000 respectively (2008: £50,000 and £33,000) and are included within the gains/(losses) on investments within the Income Statement.

(c) Dividend Payments

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

(d) Investment Income

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

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

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

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

(e) Expenditure and Finance Charges

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

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

Notes to the Financial Statements

Continued

1. Accounting Policies *Continued*

(f) Taxation

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

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

(g) Capital Reserve

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

- Gains and losses on the disposal of investments;
- Exchange differences of a capital nature;
- Expenses, together with the related taxation effect, in accordance with the above policies; and
- Increase and decrease in the valuation of investments held at the year end.

Following guidance in the revised SORP, the capital reserve realised and the capital reserve unrealised are now presented as one reserve on the face of the Balance Sheet. Supplemental information on the make-up of the capital reserve is shown in note 13.

(h) Cash at bank

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

2. Income

	2009 £'000	2008 £'000
<i>Income from investments</i>		
Franked investment income		
– dividends	5,326	6,237
Unfranked investment income		
– limited liability partnership profit-share	70	11
– fixed interest	–	65
– money market dividend	5	44
	5,401	6,357
<i>Other income</i>		
Bank interest	–	6
Total income	5,401	6,363

Notes to the Financial Statements

Continued

3. Investment Management, Management and Performance Fees

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Investment management fee	144	293	437	199	402	601
Management fee	71	145	216	86	176	262
VAT on management fees	11	22	33	15	31	46
Total fees	226	460	686	300	609	909

4. Other Expenses

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Directors' fees	111	–	111	112	–	112
Fees payable to the Company's auditor – statutory annual audit	20	–	20	20	–	20
Fees payable to the Company's auditor – all other services	3	–	3	2	–	2
Printing	33	–	33	24	–	24
ISA & savings scheme costs	14	–	14	60	–	60
Bank and custody fees	19	–	19	18	–	18
Marketing costs	43	–	43	39	–	39
Legal and professional fees	10	–	10	–	–	–
Other expenses	157	–	157	159	–	159
Total expenses	410	–	410	434	–	434

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

Details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 28 and 29.

5. Finance Charges

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
On bank loans wholly repayable within five years	176	359	535	346	702	1,048

Notes to the Financial Statements

Continued

6. Taxation on Ordinary Activities

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
(a) Analysis of charge for the year						
Corporation tax at 28% (2008: 28%)	–	–	–	–	–	–
	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
(b) Factors affecting tax charge for year						
Return/(loss) on ordinary activities before taxation	4,639	17,226	21,865	5,283	(52,833)	(47,550)
Return/(loss) on ordinary activities multiplied by Corporation tax of 28% (2008: 28%)	1,299	4,823	6,122	1,479	(14,793)	(13,314)
Effects of:						
Franked investment income not subject to corporation tax	(1,491)	–	(1,491)	(1,746)	–	(1,746)
Excess expenses unutilised	189	–	189	251	–	251
Amounts charged to capital	–	201	201	–	367	367
Expenses not deductible for tax purposes	3	–	3	16	–	16
Capital (return)/loss not subject to tax*	–	(5,024)	(5,024)	–	14,426	14,426
Current tax charge for the year (note 6(a))	–	–	–	–	–	–

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

(c) Provision for deferred taxation

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

The Company has not recognised a deferred tax asset of £8,962,000 (2008: £8,572,000) arising as a result of excess management expenses and it is not anticipated that this asset will be utilised in the foreseeable future.

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

Notes to the Financial Statements

Continued

7. Dividends

	Ex-Div Date	Register Date	Payment Date	2009 £'000	2008 £'000
2009:					
First interim dividend of 4.4p per share (2008: 4.4p)	1 April 2009	3 April 2009	6 May 2009	2,211	2,318
2009:					
Second interim dividend of 5.1p per share (2008: 5.1p)	30 September 2009	2 October 2009	6 November 2009	2,615	2,598

The second interim dividend of 5.1p (2008: 5.1p) has not been included as a liability in these financial statements as it is only recognised in the financial year in which it is paid.

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

	2009 £'000
Revenue available for distribution by way of dividend for the year	4,639
2009: First interim dividend of 4.4p per share paid on 6 May 2009	(2,211)
2009: Second interim dividend of 5.1p paid on 6 November 2009	(2,615)
	(187)

8. Return/(loss) per Share

	Revenue 2009	Capital 2009	Total 2009	Revenue 2008	Capital 2008	Total 2008
Return/(loss) per Share	9.1p	34.0p	43.1p	10.1p	(101.2)p	(91.1)p

The total return per share is based on the total return attributable to equity shareholders of £21,865,000 (2008: loss £47,550,000), and on 50,737,975 (2008: 52,206,113) shares, being the weighted average number of shares in issue during the year.

Revenue return per share is based on the net revenue on ordinary activities after taxation of £4,639,000 (2008: profit £5,283,000).

Capital profit per share is based on the net capital profit for the year of £17,226,000 (2008: loss £52,833,000).

Notes to the Financial Statements

Continued

9. Investments

Analysis of portfolio movements

	2009 £'000	2008 £'000
Opening book cost	123,218	135,819
Opening investment holding (losses)/gains	(1,632)	53,223
Valuation at 30 September 2008	121,586	189,042
Movements in the year:		
Purchases at cost	7,017	5,857
Sales		
– proceeds	(7,746)	(21,791)
(Loss)/profit on sales	(5,850)	3,333
Net movement in investment holdings gains	23,792	(54,855)
Valuation at 30 September 2009	138,799	121,586
Closing book cost	116,639	123,218
Investment holding gains/(losses) at 30 September 2009	22,160	(1,632)
Valuation at 30 September 2009	138,799	121,586

Investment holding gains/(losses)

	2009 £'000	2008 £'000
(Losses)/gains based on historical cost	(5,850)	3,333
Amounts recognised as investment holding gains in previous year	3,270	(10,760)
Loss based on carrying values at previous year's balance sheet date	(2,580)	(7,427)
Net movement in investment holding gains/(losses) in the year	20,522	(44,095)
Gains/(loss) on investments during the year	17,942	(51,522)

10. Debtors

	2009 £'000	2008 £'000
Prepayments and accrued income	902	1,159
VAT recoverable on investment management fees previously paid	120	–
	1,022	1,159

11. Creditors

Amounts falling due within one year

	2009 £'000	2008 £'000
Bank loans with ING Bank N.V.*	13,500	13,000
Other creditors and accruals	193	165
	13,693	13,165

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

Notes to the Financial Statements

Continued

12. Share Capital

	2009 £'000	2008 £'000
Authorised:		
Shares of 25p	25,000	25,000
Allotted, called up and fully paid:		
52,797,423 [#] (2008: 52,797,423) shares of 25p each	13,199	13,199

[#] In the year to 30 September 2009 1,330,000 shares were re-issued out of treasury and 1,009,000 shares were repurchased to be held in treasury. In the period 1 October 2009 to 17 December 2009 a further 680,000 shares were re-issued out of treasury, and 1,069,360 have been repurchased to be held in treasury.

At the year end the Company held 1,525,750 (2008: 1,846,750) shares in treasury.

13. Capital Reserve

	Other Capital Reserve £'000	Capital Reserve Investment Holding Gains £'000	Total £'000
At 1 October 2008	41,477	(1,632)	39,845
Transfer on disposal of investments	(3,270)	3,270	–
Net (losses)/gains on investments	(2,580)	20,522	17,942
Expenses charged to capital	(718)	–	(718)
Foreign currency exchange difference	2	–	2
Repurchase of shares into treasury	(1,856)	–	(1,856)
Sale of shares from treasury	2,675	–	2,675
At 30 September 2009	35,730	22,160	57,890

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

14. Net Asset Value per Share

Net asset value per share is based on net assets of £127,659,000 (2008: £109,784,000) and on 51,271,673 (excluding treasury shares) (2008: 50,950,673) shares in issue at the year end. As at 30 September 2009 the Company held 1,525,750 shares in treasury (2008: 1,846,750).

15. Contingent Asset

On 31 October 2007 the Association of Investment Companies announced that HM Revenue and Customs had confirmed to the Investment Management Association that investment trust management fees should no longer attract Value Added Tax (VAT). As a result, during the year the Company's previous Manager, Close Investments Limited ("Close"), submitted a claim to HM Revenue and Customs for the repayment of £154,000, which equates to 0.3p per share. This amount is in respect of VAT previously paid by the Company to Close. In view of the fact that at the Company's year end, the absolute amount was still subject to challenge by HMRC, only £120,000 of this amount was recognised during the year, leaving a contingent asset of £34,000 as at 30 September 2009. Subsequent to the year end the amount of £154,000 has now been received in full. Also, during the year an amount of £31,000 in respect of VAT paid to Lindsell Train during the three month period ended 30 September 2007 was received.

Notes to the Financial Statements

Continued

16. Related Parties

Details of the relationship between the Company and Lindsell Train Limited are disclosed in the Report of the Directors on pages 14 and 15. During the year ended 30 September 2009, Lindsell Train Limited received £437,000 (2008: £601,000) in respect of Investment Management fees, of which £43,000 (2008: £42,000) was outstanding at the year end.

The Company has an investment in The Lindsell Train Investment Trust Plc with a book cost of £1,000,000 (2008: £1,000,000) and a fair value of £1,540,000 (2008: £1,370,000) as at 30 September 2009. The Lindsell Train Investment Trust Plc is managed by the Company's Investment Manager.

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 11. In pursuit of its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the revenue profits available for distribution.

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

The principal risks inherent in managing the Company's financial instruments are market risk, liquidity risk and credit risk. These risks and the Directors' approach to the management of them are set out in the Report of Directors on pages 12 to 14.

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 sector. Consequently market price risk is one of the most significant risks to which the Company is exposed.

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

At 30 September 2009, the fair value of the Company's assets exposed to market price risk was £138,799,000 (2008: £121,586,000) (see page 8). The Board meets on at least a quarterly basis during the year and at each meeting they consider the asset allocation and concentration of the portfolio in order to minimise the risk associated with particular instruments. The Investment Manager has the responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

If the fair value of the Company's investments at the balance sheet date increased or decreased by 10%, while all other variables remained constant, the capital return and net assets attributable to shareholders for the year ended 30 September 2009 would have increased or decreased by £13,880,000 or 27.1p per share (2008: £12,159,000 or 23.9p per share).

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

Interest rate risk

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

Interest rate movement may affect:

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

Notes to the Financial Statements

Continued

17. Risk Management *Continued*

The Company's main exposure to interest rate risk during the year ended 30 September 2009 was through its credit facility with ING Bank N.V. Borrowings varied throughout the year as part of the Board's endorsed policy. Borrowings at the year end amounted to £13,500,000 (2008: £13,000,000).

During the year, the Company's unsecured revolving credit facility comprised a £15,000,000 364 day revolving credit facility. At 30 September 2009 a total of £13,500,000 was drawn down from this facility (2008: £13,000,000) at an interest rate of 2.14%.

If the above level of borrowing was maintained for a year a 1% increase/decrease in LIBOR would decrease/increase the revenue return by £45,000, would decrease/increase the capital return by £90,000, and would decrease/increase the net assets by £135,000 (2008: decrease/increase the revenue return by £43,000, decrease/increase the capital return by £87,000 and decrease/increase the net assets by £130,000).

The weighted average interest rate on borrowings under the committed revolving credit facilities provided by ING Bank N.V was 5.03% (2008: 6.34%).

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

	2009 Within one year £'000	2008 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	1,531	204
Creditors: amount falling due within one year – borrowings on the loan facility	13,500	13,000
Exposure to fixed interest rates:		
Investments designated at fair value through profit or loss	#6,123	7,991
Total exposure to interest rates	21,154	21,195

Comprises holdings in Lloyds Banking Group 9.25% and 9.75% non cum preference and Celtic 6% cum preference as set out on page 8.

Currency risk

The financial statements are presented in sterling, which is the functional currency and presentational currency of the Company. At 30 September 2009, all of the Company's investments, with the exception of two, were priced in sterling. These Canadian and U.S. investments represent only 6.3% of the portfolio (see page 8).

Credit Risk

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

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

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

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

During the year none of the Company's financial assets or liabilities were secured by collateral.

Notes to the Financial Statements

Continued

17. Risk Management *Continued*

As at 30 September 2009, the exposure to credit risk was £8,676,000 (2008: £9,354,000), comprising:

	2009 £'000	2008 £'000
Fixed assets:		
Non-equity investments (preference shares)	6,123	7,991
Current assets:		
Other receivables (amounts due from brokers, dividends and interest receivable)	1,022	1,159
Cash at bank	1,531	204
Total exposure to credit risk	8,676	9,354

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

Liquidity Risk

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

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

Fair value of financial assets and financial liabilities

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

Capital management objectives, policies and procedures

The Company's capital management objectives are:

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

through an appropriate balance of equity capital and debt.

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

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

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

The Company is subject to externally imposed capital requirements;

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

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

Notes to the Financial Statements

Continued

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

	2009 £'000	2008 £'000
Total return/(loss) before finance charges and taxation	22,400	(46,502)
Less: capital (return)/loss before finance charges and taxation	(17,585)	52,131
Net revenue before finance charges and taxation	4,815	5,629
Decrease in accrued income and prepayments	271	346
(Increase)/decrease in debtors	(134)	248
Decrease in creditors	(20)	(66)
Investment management, management and performance fees charged to capital	(359)	(609)
Net cash inflow from operating activities	4,573	5,548

19. Analysis of Changes in Net Debt

	At 1 October 2008 £'000	Cashflow £'000	Exchange Movement £'000	At 30 September 2009 £'000
Cash at bank	204	1,325	2	1,531
Debt falling due within 1 year	(13,000)	(500)	–	(13,500)
Net debt	(12,796)	825	2	(11,969)

20. Substantial Interests

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

Company or Limited Liability Partnership	Shares held	Fair value £'000	% of issued share capital or Limited Liability Partnership interest
Barr (A.G.)	1,780,000	14,418	4.6%
Frostrow Capital LLP (unquoted)	–	250	10.0%
Lindsell Train Investment Trust*	10,000	1,540	5.0%
Marston's	6,244,565	6,076	3.7%

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

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Finsbury Growth & Income Trust PLC will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on Wednesday, 27 January 2010 at 12 noon, for the following purposes:

Ordinary Business

1. To receive and consider the audited accounts and the Report of the Directors for the year ended 30 September 2009.
2. To re-elect John Allard as a Director of the Company.
3. To re-elect David Hunt as a Director of the Company.
4. To re-elect Vanessa Renwick as a Director of the Company.
5. To re-elect Anthony Townsend as a Director of the Company.
6. To re-elect Giles Warman as a Director of the Company.
7. To approve the Directors' Remuneration Report.
8. To reappoint Grant Thornton UK LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider, and if thought fit, pass the following resolutions of which resolutions 10, 11, 12 and 14 are proposed as special resolutions:

Authority to Allot Shares

9. THAT in substitution of all existing authorities the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to a maximum aggregate nominal amount of £1,272,058 being 10% of the issued share capital at 17 December 2009 and representing 5,088,231 shares of 25p each in the Company (or, if changed, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed, by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

10. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 11 set out in the notice convening the Annual General Meeting at which this resolution is proposed ("Notice of Annual General Meeting")) the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 9 set out in the Notice of Annual General Meeting or otherwise as if Section 561(1) of the Act did not apply to any such allotment:
 - (a) pursuant to an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 25p each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

Notice of the Annual General Meeting

Continued

- (b) provided that (otherwise than pursuant to sub-paragraph (a) above) this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £1,272,058, being 10% of the issued share capital of the Company as at 17 December 2009 and representing 5,088,231 Shares or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed, and provided further that (i) the number of equity securities to which this power applies shall be reduced from time to time by the number of treasury shares which are sold pursuant to any power conferred on the Directors by resolution 11 set out in the Notice of Annual General Meeting and (ii) no allotment of equity securities shall be made under this power which would result in Shares being issued at a price which is less than the net asset value per Share as at the latest practicable date before such allotment of equity securities as determined by the Directors in their reasonable discretion,

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

11. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 10 set out in the Notice of Annual General Meeting) the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to sell relevant shares (within the meaning of Section 560 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 724 of the Act ("treasury shares")), for cash as if Section 561(1) of the Act did not apply to any such sale provided that:

- (a) where any treasury shares are sold pursuant to this power at a discount to the then prevailing net asset value of ordinary shares of 25p each in the Company ("Shares"), such discount must be (i) lower than the discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury and (ii) not greater than 5% to the prevailing net asset value per Share at the latest practicable time before such sale (and for this purpose the Directors shall be entitled to determine in their reasonable discretion the discount to their net asset value at which such Shares were acquired by the Company and the net asset value per Share at the latest practicable time before such Shares are sold pursuant to this power); and
- (b) this power shall be limited to the sale of relevant shares having an aggregate nominal value of £1,272,058, being 10% of the issued share capital of the Company as at 17 December 2009 and representing 5,088,231 Shares or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed, and provided further that the number of relevant shares to which power applies shall be reduced from time to time by the number of Shares which are allotted for cash as if Section 561(1) of the Act did not apply pursuant to the power conferred on the Directors by resolution 10 set out in the Notice of Annual General Meeting,

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

Notice of the Annual General Meeting

Continued

Authority to Repurchase Shares

12. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") provided that:
- (i) the maximum aggregate number of Shares authorised to be purchased is 7,627,259 or, if changed, the number representing 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;
 - (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 25 pence;
 - (iii) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange as stipulated in Article 5(1) of Regulation No. 2233/2003 of the European Commission (Commission Regulation of 22 December 2003 implementing the Market Abuse Directive as regards exemption for buyback programmes and stabilisation of financial instruments);
 - (iv) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and
 - (v) the Company may make a contract to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

Electronic Communication

13. THAT the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006 and the articles of association of the Company (as from time to time amended or varied) to send, convey or supply all types of notices, documents or information to the members by means of electronic equipment (such term is defined in the Financial Services Authority's Disclosure and Transparency Rules) for the processing (including, without limitation, by means of digital compression) storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means, including without limitation, by making such notices, documents or information available on a website.

General Meetings

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

Change to Investment Policy

15. THAT the proposed revised investment policy set out on pages 19 and 20 of the Company's annual report and accounts dated 17 December 2009, a copy of which marked "A" and signed for the purpose of identification by the Chairman of the Meeting is produced to the Meeting, be and it is hereby approved and adopted with immediate effect as the Company's investment policy in place of the Company's existing investment policy.

By order of the Board

Frostrow Capital LLP
Company Secretary

17 December 2009

Registered office
50 Lothian Road
Festival Square
Edinburgh
EH3 9BY

Notice of the Annual General Meeting

Continued

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 12 noon on 25 January 2010.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at 5.30 p.m. on 25 January 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 17 December 2009 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 50,882,313 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 December 2009 are 50,882,313.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Notice of the Annual General Meeting

Continued

Notes (continued)

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

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

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

Location of the Annual General Meeting

to be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on Wednesday, 27 January 2010 at 12 noon.



Glossary of Terms

Discount or Premium

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

Gearing

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

Net Asset Value (NAV)

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

Net Asset Value Total Return

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

Total Assets

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

Treasury Shares

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

Total Expense Ratio

The total operating expenses incurred by a company, including any charged to capital, excluding performance fees and exceptional items, as a percentage of average total shareholders' funds.

Alliance Trust Savings Limited

Savings Plan

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

Individual Savings Accounts ("ISA")

ISAs are a tax-efficient method of investment, introduced by the Government. Investors will have the opportunity to invest in the Company up to £7,200 in the tax year 2009/2010 and up to £10,200 in subsequent tax years when they subscribe to a Stocks and Shares ISA. Between 6 October 2009 and 5 April 2010, an additional £3,000 may be invested in an ISA, for the tax year 2009/2010, provided that the ISA holder will be aged 50 years or over not later than 5 April 2010.

Capita Registrars – Share Dealing Service

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

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

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

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

For further information on this service please contact:

www.capitadeal.com (online dealing) or 0871 664 0446† (telephone dealing)

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

Risk Warnings

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

Company Information

Directors

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

Registered Office

50 Lothian Road, Festival Square,
Edinburgh EH3 9BY

Company Registration Number

13958 (Registered in Scotland)

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

Website

www.finsburygt.com

Investment Manager

Lindsell Train Limited
2 Queen Anne's Gate Buildings, Dartmouth Street,
London SW1H 9BP
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: 020 3008 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 fact sheet by e-mail, please contact Frostrow Capital using the above e-mail address.

Auditors

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

Disability Act

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

Registrars

Capita Registrars
Northern House, Woodsome Park,
Fenay Bridge, Huddersfield,
West Yorkshire HD8 0LA
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 (0) 20 8639 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 extras and may be recorded for training purposes. Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday.

Stockbrokers

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

Alliance Trust Savings Limited

PO Box 164,
8 West Marketgait,
Dundee DD1 9YP
Customer Services: 01382 573737*
E-Mail: contact@alliancetrust.co.uk

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

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

Share Price Listings

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

The Company's net asset value per share is announced daily and is available, together with the share price, on the TrustNet website at www.trustnet.com

Identification Codes

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

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