



FINSBURY GROWTH TRUST PLC

Amgen	41	2440	-2	253	255 1/2	28	3.2	8.1	Ferrari	4	85 1/2	---	930	---	15
Amgen	41	131 1/2	---	162	89	348	4.7	8.1	Ferrari	4	9 1/2	---	9 1/2	---	15
Amgen	41	109 1/2	---	1351	1004 1/2	---	1.2	16.1	Fifth Season	40	38	---	77 1/2	---	31
Amgen	41	192 1/2	---	199 1/2	199 1/2	---	0.9	---	First Mile	2	---	---	23	---	14
Amgen	41	41 1/2	---	53	34 1/2	---	6	5.5	Fluor	---	79 1/2	---	820	---	81
Amgen	41	29 1/2	---	72 1/2	36 1/2	---	2	15.3	Fluor	---	187 1/2	---	275 1/2	---	183
Amgen	41	185 1/2	---	195 1/2	120 1/2	---	3,129	5.1	Fluor	---	68 1/2	---	78 1/2	---	58
Amgen	41	195 1/2	---	149 1/2	92	---	260	6.9	Fluor	---	33 1/2	---	57 1/2	---	36
Amgen	41	60 1/2	---	139 1/2	81 1/2	---	1,030	4.1	Fluor	---	189	---	120 1/2	---	80 1/2
Amgen	41	35 1/2	---	75 1/2	34 1/2	---	---	19.9	Fluor	---	13	---	22 1/2	---	12 1/2
Amgen	41	199	---	250 1/2	159 1/2	---	6	1.4	Fluor	---	27 1/2	---	43 1/2	---	20 1/2
Amgen	41	11 1/2	---	20 1/2	7 1/2	---	49	---	Fluor	---	325 1/2	---	567 1/2	---	323
Amgen	41	70	---	30	98	---	---	0.7	Fluor	---	60	---	74 1/2	---	60 1/2
Amgen	41	165 1/2	---	141	103	---	257	4.5	Fluor	---	26 1/2	---	27 1/2	---	19 1/2
Amgen	41	118 1/2	---	154 1/2	169 1/2	---	1,116	5.3	Fluor	---	28 1/2	---	57 1/2	---	34 1/2
Amgen	41	75 1/2	---	85	75 1/2	---	---	7.1	Fluor	---	20 1/2	---	300	---	19
Amgen	41	32 1/2	---	28	15	---	12	---	Fluor	---	20 1/2	---	300	---	19
Amgen	41	5	---	5 1/2	5 1/2	---	---	---	Fluor	---	20 1/2	---	300	---	19
Amgen	41	143 1/2	---	145 1/2	162 1/2	---	37	2.1	Fluor	---	135	---	135	---	135
Amgen	41	7 1/2	---	48	6 1/2	---	---	3.9	Fluor	---	15 1/2	---	21 1/2	---	14 1/2
Amgen	41	81 1/2	---	85 1/2	62 1/2	---	32	2.5	Fluor	---	15 1/2	---	28 1/2	---	19 1/2
Amgen	41	41	---	21 1/2	12 1/2	---	---	5.9	Fluor	---	181	---	270	---	181
Amgen	41	23 1/2	---	89 1/2	60 1/2	---	4	3.3	Fluor	---	61 1/2	---	86 1/2	---	41 1/2
Amgen	41	133	---	167 1/2	94	---	308	4.0	Fluor	---	63 1/2	---	79 1/2	---	5 1/2
Amgen	41	21 1/2	---	30 1/2	22 1/2	---	125	9.9	Fluor	---	134 1/2	---	150	---	8 1/2
Amgen	41	290	---	326	216 1/2	---	---	16.7	Fluor	---	256 1/2	---	316 1/2	---	205 1/2
Amgen	41	118 1/2	---	137 1/2	83	---	0	5.9	Fluor	---	113 1/2	---	170	---	96 1/2
Amgen	41	65 1/2	---	75	60	---	4	3.1	Fluor	---	74	---	43 1/2	---	12 1/2
Amgen	41	143 1/2	---	157 1/2	113 1/2	---	---	2.0	Fluor	---	96	---	180	---	4 1/2
Amgen	41	236	---	584 1/2	329	---	7,509	4.0	Fluor	---	87	---	132 1/2	---	82 1/2
Amgen	41	49 1/2	---	84 1/2	31 1/2	---	---	3.8	Fluor	---	241	---	432	---	207 1/2
Amgen	41	220	---	229	153	---	---	5.0	Fluor	---	30 1/2	---	171 1/2	---	100 1/2
Amgen	41	170 1/2	---	247 1/2	166 1/2	---	---	3.5	Fluor	---	34 1/2	---	182	---	5 1/2
Amgen	41	219 1/2	---	321	126 1/2	---	854	4.1	Fluor	---	226 1/2	---	252 1/2	---	172 1/2
Amgen	41	43	---	197	61 1/2	---	334	7.0	Fluor	---	64 1/2	---	77 1/2	---	48
Amgen	41	175 1/2	---	281	175	---	62	8.6	Fluor	---	338 1/2	---	528	---	296 1/2
Amgen	41	54 1/2	---	143	86 1/2	---	---	7.1	Fluor	---	32 1/2	---	184	---	4 1/2
Amgen	41	36 1/2	---	72 1/2	33 1/2	---	---	9.1	Fluor	---	14	---	42	---	11 1/2
Amgen	41	208	---	225	148	---	1	6.1	Fluor	---	63 1/2	---	154	---	60 1/2
Amgen	41	428	---	456 1/2	362 1/2	---	---	3.3	Fluor	---	348 1/2	---	488	---	288
Amgen	41	180 1/2	---	238 1/2	134 1/2	---	---	2.4	Fluor	---	---	---	165	---	83 1/2
Amgen	41	192 1/2	---	287 1/2	190	---	52	4.2	Fluor	---	8.9	---	179	---	6 1/2
Amgen	41	269 1/2	---	328	223	---	9	4.8	Fluor	---	---	---	176 1/2	---	81 1/2
Amgen	41	177 1/2	---	289	145	---	---	1.0	Fluor	---	10.2	---	64 1/2	---	61 1/2
Amgen	41	336 1/2	---	336 1/2	173 1/2	---	443	3.5	Fluor	---	12.8	---	110 1/2	---	61 1/2
Amgen	41	113 1/2	---	129	84 1/2	---	---	5.6	Fluor	---	---	---	285	---	140
Amgen	41	242 1/2	---	263 1/2	181 1/2	---	---	5.2	Fluor	---	---	---	27 1/2	---	13 1/2
Amgen	41	287	---	315	207 1/2	---	1,090	3.1	Fluor	---	7.7	---	286 1/2	---	182
Amgen	41	96	---	264	60	---	23	14.4	Fluor	---	---	---	16 1/2	---	17 1/2
Amgen	41	246	---	264 1/2	157	---	9	3.4	Fluor	---	11.4	---	613	---	472 1/2
Amgen	41	161 1/2	---	188	138 1/2	---	---	4.0	Fluor	---	---	---	286	---	15 1/2
Amgen	41	176	---	246 1/2	161 1/2	---	431	5.3	Fluor	---	4.6	---	60 1/2	---	52 1/2

Annual Report

Year Ended 30 September 2001



Investment objective

Finsbury Growth Trust PLC invests in the shares of larger UK companies with the objective of achieving capital growth and providing a total return in excess of that of the FTSE All-Share Index.

Contents

2	Financial Highlights
2	Company Summary
3	Performance Summary
4	Chairman's Statement
6	Review of Investments
10	Investments
11	Analysis of Portfolio
14	Company Information
15	Shareholder Information
16	Shareholder Analysis
17	Report of the Directors
22	Report of the Independent Auditors
23	Consolidated Statement of Total Return
24	Balance Sheet of the Group and Company
25	Consolidated Cash Flow Statement
26	Notes to the Financial Statements
37	Notice of Annual General Meeting
39	Glossary of Terms
40	Investing through Close Finsbury
40	Private Investor Plans



Financial Highlights

	30 September 2001	30 September 2000	% increase/ decrease
Shareholders' Funds	£69.8m	£94.9m	-26.4%*
Net Asset Value per share	179.7p	241.0p	-25.4%
Share Price	162.0p	202.5p	-20.0%
Discount	9.8%	16.0%	—
Market capitalisation	£62.9m	£79.7m	-21.1%
FTSE All-Share Index	2,340.5	3,029.4	-22.7%

*In the year ended 30 September 2001 the Company repurchased 1.3% of the issued ordinary share capital at a cost of £1,048,000.

Company Summary

Dividends

Ordinary Shares	
– interim dividend	1.2p (paid on 30 June 2001)
– final dividend	2.0p (proposed to be paid on 21 December 2001 to shareholders on the Register of Members on 7 December 2001)

Corporate Details

Capital Structure	The Company has 38,856,430 ordinary shares of 25p each in issue.
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Management Details

Investment Manager	AFIM Limited, which is a wholly owned subsidiary of Close Brothers Group PLC.
Investment Adviser	Lindsell Train Limited.
Company Secretary	Close Finsbury Asset Management Limited, which is a wholly owned subsidiary of Close Brothers Group PLC.

Details of the fees paid to the Investment Manager, Investment Adviser and the Company Secretary may be found in the Report of the Directors on page 18.



Performance Summary

Five year performance

	30 September 1996	30 September 1997	30 September 1998	30 September 1999	30 September 2000	30 September 2001
Shareholders' Funds	£76.2m	£95.0m	£86.3m	£99.7m*	£94.9m*	£69.8m*
Net Asset Value per share	165.1p	206.0p	187.2p	218.5p	241.0p	179.7p
Share price	152.5p	185.5p	156.0p	182.5p	202.5p	162.0p
Discount	7.6%	10.0%	16.7%	16.5%	16.0%	9.8%
FTSE All-Share Index	1,945.0	2,455.0	2,344.8	2,826.1	3,029.4	2,340.5

Five year cumulative performance

	30 September 1996	30 September 1997	30 September 1998	30 September 1999	30 September 2000	30 September 2001
Shareholders' Funds	100.0	124.7	113.4	130.8*	124.5*	91.5*
Net Asset Value per share	100.0	124.7	113.4	132.3	146.0	108.9
Share price	100.0	121.6	102.3	119.7	132.8	106.2
FTSE All-Share Index	100.0	126.2	120.6	145.3	155.8	120.3

Figures have been rebased to 100 at 30 September 1996

*In the year ended 30 September 2001 the Company repurchased 1.3% (2000: 13.5%; 1999: 1.1%) of the issued ordinary share capital at a cost of £1,048,000 (2000: £12,097,000; 1999: £895,000).



Chairman's Statement

The year under review has not been a happy one, having witnessed a destruction of shareholder value from which your Company has not escaped. During the year the Net Asset Value per share (NAV) fell by 25.4% and the share price fell by 20.0%. This compares with a decline of 22.7% in the FTSE All Share Index. Whilst any negative return is disappointing the peer group of similar trusts against which the Board monitors performance fared even worse experiencing an average fall of 29.5% in their NAV and of 29.2% in their share price.

One area in which there has been a substantial improvement is the reduction of the discount to net asset value at which your shares trade in the market from 16.0% at 30 September 2000 to 9.8% at 30 September 2001. The average discount of the peer group has reduced from 10.9% to 10.5%.

As shareholders will be aware Lindsell Train Limited were appointed our Investment Adviser with effect from 11 December 2000. Their report is set out on page 6. Their prompt action in realising some £60m of investments shortly after their appointment has done much to limit damage to the portfolio. At the year end £13.7m of cash remained to be reinvested.

The Company's relative performance is detailed by the following chart.

Performance Graph



The Board considers the following companies to be its peer group: Edinburgh Investment Trust PLC, Fleming Claverhouse Investment Trust PLC, Ivory Sime ISIS Trust PLC, Merrill Lynch UK Investment Trust PLC and Schroder UK Growth Fund PLC
Source: Datastream





Chairman's Statement

Shareholder profile

In common with many other investment trusts we are anxious to widen our shareholder base. I am pleased to be able to report that during the year some 9% of our share capital, which was formerly held by institutions, has been placed with private investors.

Revenue Return and Dividend

The revenue return per share was 2.38p compared with 4.52p per share in the previous year. This sharp reduction results from the restructuring of the investment portfolio and from dealing losses of £705,000 by our dealing subsidiary (compared with a profit of £632,000 last year). Your board are proposing a final dividend of 2.00p per share (2000: 2.45p) payable on 21 December 2001 to shareholders on the Register of Members on 7 December 2001, which together with the interim dividend of 1.2p makes a total distribution for the year of 3.20p per share compared with 3.85p per share last year.

Statement of Total Return

The Statement of Total Return is set out on page 23. The total return per share for the year was a negative 58.52p per share (2000: positive 22.39p) made up of a revenue return of 2.38p per share (2000: 4.52p) and a negative capital return of 60.90p per share (2000: positive 17.87p per share).

Investments

The valuation of investments at 30 September 2001 was £76,886,000 (2000: £113,083,000). The net asset value at the year end was 179.7p (2000: 241.0p). On a total return basis the NAV per share decreased by 24.8% which compares with a decrease of 20.8% in total return for the FTSE All-Share Index.

Following the appointment of our new Investment Adviser, there was a significant restructuring of the portfolio which realised material cash balances pending reinvestment on which interest was earned. The Directors believe that, during the year ended 30 September 2001, the Company has inadvertently not complied with the requirements of Section 842 of the Income and Corporation Taxes Act 1988. The breach occurred because the uninvested cash resulting from the restructuring of the portfolio was loaned to the subsidiary, Tynepower Limited. It is considered that the Inland Revenue may not grant the Company investment trust status for the year under review. The Company made net realised losses on those investments sold during the year ended 30 September 2001 and accordingly it is believed that failure to obtain investment trust status will not result in any additional tax liability to the Company. The Directors believe that since 1 October 2001 the Company has directed its affairs so as to enable it to regain its investment trust status for the year ending 30 September 2002.

Repurchase of Ordinary Shares

I reported in my statement with the Interim Report in May that in the first six months of the year the Company repurchased 517,500 shares, equivalent to 1.3% of the current issued share capital, at an average discount of 17.2%. Since then there have been no further purchases.

Borrowing arrangements

In order to take advantage of the substantial fall in interest rates the Company has decided to pre-pay the £20m 7.95% Senior Loan Notes, which would otherwise have been repayable in June 2002. We have arranged a £20m facility with our bankers in replacement of the loan notes. In order to achieve maximum flexibility this facility can be utilised at either a fixed or variable interest rate.

Outlook

The principal global economies are either in recession or on the verge of recession and the war on terrorism, we are warned, is likely to be a long one. Clearly then the outlook for investment markets must be an uncertain one. However difficult times can throw up good investment opportunities. We shall proceed with caution in investing our liquid funds and take advantage of those opportunities as they arise, bearing in mind our belief that equities provide the best long-term investment.

Annual General Meeting

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2 on 19 December 2001 at 12 noon and I very much hope that as many shareholders as are able will attend. Our investment adviser, Nick Train, will make a presentation after the meeting. A map showing the location of 10 Crown Place can be found on page 38.

Michael Reeve, Chairman
22 November 2001





Review of Investments

Investment Review

This is the first Annual Report we, Lindsell Train Limited, your new Investment Adviser, have contributed to and thus our first opportunity in earnest to address the shareholders of the Company. We have decided, therefore, to devote this report to a discussion of the investment principles that we are acting on for your portfolio. In future years and we trust there will be many, our reports will comprise more conventional accounts of the previous year's activity, but we hope, nonetheless, that the philosophy that we outline below will remain consistent and transparent in all we do.

Investment philosophy

We are seeking to earn exceptional returns for the Company by exploiting other investors' unwillingness, or inability, to ascribe full strategic value to the companies that meet our selection criteria. Three quotations define our thinking.

- 1) *"Stocks are simple. All you do is buy shares in a great business for less than the business is intrinsically worth, with managers of the highest integrity and ability. Then you own those shares forever.*

Warren Buffett

From bitter personal experience we can report that, in fact, stocks are not simple. However, Buffett's assertion is a clear exposition of what Lindsell Train is striving to implement on behalf of shareholders. The quotation begs three questions:

- a) What is a "great business"? We define one as exhibiting:

Durability. Above any other investment criteria, we want confidence that a company can endure through business cycles and vicissitudes, preferably for decades. Mere survival, though, is not enough. We must believe that candidate companies must earn in excess of their cost of capital for the indefinite future, critically for reasons that are readily understandable to us. On our analysis very few UK companies meet this test.

A High Prospective Return on Equity. We are far more attracted to companies with the potential to earn an exceptional return on equity, say 15 percent per annum or more, year-in, year-out, than those delivering rapid current growth in earnings per share, but with uncertain long-term prospects. Indeed, we regard investors' fixation on near-term earnings momentum as one of the prime causes of the long-term valuation anomalies we hope to exploit for the Trust.



A G Barr (Consumer Branded Goods)

Barr is one of the most undervalued companies we know. Its business is soft drinks, notably IRN-BRU, Tizer and the UK franchise for Orangina. Like many soft drink companies, the economics are excellent. Fizzy water, sugar and flavourings are inexpensive to combine, yet command high retail prices and brand loyalty. Return on equity is 18%.

The key property is IRN-BRU, which has a 20% share of the Scottish soft drink market, but less than 0.5% of the English. Nonetheless, with clever marketing, the beverage is growing volumes rapidly south of the border. The shares trade on a P/E of less than 10x and a yield of 4.5%. If IRN-BRU continues to grow, profits and returns across the group will soar.





Review of Investments

Low Capital Intensity/High Free Cash Generation. We prefer companies that have no need to make heavy balance sheet investment to generate their earnings growth.

- b) What is a company "intrinsically worth"? We can state, with absolute precision, what any company is worth. Any company is worth exactly the Net Present Value of all its future free cash flows. Unfortunately neither we nor anyone else can calculate this worth with any accuracy, because both the quantum of the very distant cash flows and the appropriate discount rate required to work the sums are unknowable. However, our inability to arrive at a scientifically exact result does not invalidate the attempt. We calculate intrinsic values for all candidate investments, in full consciousness of the fallibility of the approach, but regarding it, like Democracy, as the "least worst" option. We buy, or sell, when the gap between our assessment of Net Present Value and the market valuation is very wide.

An illustration of our analysis is provided by Cadbury Schweppes, which is a typical and major new holding in the Company. There is little doubt about the durability of the properties this company owns. No carbonated soft drink launched in the United States since 1945 has more than a 1% market share, demonstrating the "eternal" characteristics of Cadbury's two substantial brands in this market, Seven Up and Doctor Pepper, both launched pre-war and the latter having a longer pedigree than Coca Cola. Meanwhile, our parents' and indeed our own and our childrens' enjoyment of the confectionery brands confirms their longevity. Cadbury earns a return on equity of over 20%, while capital expenditure has been less than depreciation over recent years, notwithstanding steady growth in volumes. The company is forecast to earn 26.8p per share to December 2001. The current yield on the long gilt is 5.0%. Therefore, an investor who believes that Cadbury will never again grow its earnings in real terms should be indifferent as to whether he owns the gilt or a share in Cadbury at a price per share of £5.36p ($26.8/5.0\%=5.36$). The current price of Cadbury is £4.33p, suggesting that investors believe the company will shrink in real terms for the foreseeable future. We believe Cadbury can grow at 1% pa real, or 3% nominal, which seems plausible, so a fair price for the shares, on our analysis, is £6.70 ($26.8/4.0\%=6.70$), over 50% above current levels.

- c) How long is forever? Forever is too long, even for us, much as we hate to sell any part of a great business and much as we regard transaction costs as a tax on shareholders, to be avoided. In practice though, we expect portfolio turnover to average between 10 to 20 percent per annum of the total, implying a holding period for investments of



HBOS (Retail Financial Services)

Mortgage banks have proven unrewarding investments in recent years, as new entrants to their core market have undermined the margin structure. HBOS shares still trade below the Halifax issue price of June 1997. However, we take a contrary view – that the mortgage banks have durable relationships with their customers and are well placed to assist ordinary British people in saving for their futures. Distribution and brand are crucial in the financial services industry. Halifax has 20mn customer relationships plus the Clerical Medical, Equitable and St James' Place brands and sales forces. The merger with Bank of Scotland increases the number of customers and services for the combined group, as well as offering significant cost savings.

HBOS trades on 13x next year's forecast earnings and a Price Book of 2.5x, both of which measures suggest to us that investors believe the company will shrink in real terms in the long run, whereas we expect modest growth of 1-2% pa real or 4-5% nominal. Bradford & Bingley, another recent investment, has similar characteristics. If B&B were to be acquired on the same terms as Barclays paid for the Woolwich, its shares would double, we believe.





Review of Investments

between five to ten years. In conclusion, however naively this may read, we pretend that whenever we buy a fractional proportion, or share, of a company we are, in fact, buying the entire enterprise. This pretence, we believe, forces us to think more like businessmen and less like speculators.

- 2) *"Some merged, some went out of business, some got smaller.*

Michael Bloomberg – on the 339 constituents of the 1981 S&P 500 that failed to retain this status by 1998.

Statistically most companies fail as investments. This is a truth the investment industry does not care to advertise. The FTSE 100 index was first calculated in 1984. Of its original members only 30 remain. So, over 16 years, 70% of Britain's top 100 companies have merged, gone out of business, or in the case of the majority, simply got smaller.

The moral is to be cynical about most investment propositions, if not downright pessimistic about the outlook for the majority of companies. However, the corollary is that investors tend not to be optimistic enough about long run winners. "The strong get stronger" – this is the economic effect we are seeking to exploit in the Company.

- 3) *"It is a mistake to think one limits one's risks by spreading too much between enterprises about which one knows little and has no reason for special confidence.*

John Maynard Keynes

If we are upheld in our confidence that we can identify "great businesses" and invest in them for less than their "intrinsic worth" and if, in addition, we are correct to suppose most shares will make mediocre long term investments – then to our minds, it is appropriate for us to concentrate our portfolios on those relatively few companies where we think we know a lot and where we do indeed have special confidence.

In fact, Lindsell Train has special confidence about a relatively limited number of sectors, albeit we track these globally, and would expect the majority of the portfolio to be made up of companies found in them. Our analytical efforts are particularly concentrated on four broad categories, Branded consumer goods, Media, particularly copyright owners, Retail financial services, especially asset management and Software. All these exhibit our required characteristics of predictability, high returns and occasional undervaluation. Our largest single holding is HBOS, which was formed by the merger of Halifax and Bank of Scotland (both of which we held). In addition to the HBOS ordinary shares we also hold non cumulative preference stock issued by Halifax which, unusually, combines a high yield with a strong credit rating.



Reuters (Media)

Reuters is an exceptional company – both as regards its market position, with Bloomberg its only substantive competitor and its economics, which combine a return on equity of over 60%, healthy cash generation and growth. We believe Reuters presents very significant technological and reputational barriers to entry to competitors and therefore represents a low risk proxy for long term growth in capital market activity of all types. Clearly, this means its shares are vulnerable to downdrafts in markets, especially NASDAQ, to which they are highly correlated.

We are happy to accumulate stock into such episodes, as now, and happy to participate in the long-term fortunes of NASDAQ. At today's share price of c£6.50, Reuters' core business of financial information provision is under valued, in our view. Moreover, Reuters owns or part owns other important assets – notably Instinet, the electronic stock market, which we regard as a wonderful company in its own right (with a 10% share of all US equity volumes in early 2001), TIBCO and its venture capital business. If our valuation work is correct, then these come effectively for free at the current capitalisation of the parent.





Review of Investments

We are unlikely to invest extensively outside these sectors and will doubtless miss opportunities as a result. In particular, we will tend to miss out on most companies whose value is dependent on the successful development of a new product or process, when such development is uncertain or, literally, speculative.

Portfolio Strategy and Outlook

The implementation of the investment philosophy outlined above commenced at the start of 2001 and is now complete, with some very marginal exceptions. The portfolio restructuring required the sale of many inherited positions and a progressive reinvestment of the monies raised. It is always hard to judge, even with hindsight, the benefits, or otherwise, of the reorientation of a portfolio. Nonetheless, we are encouraged by the timeliness of some of the disposals, notably those of Independent Insurance, Marconi and other technology stocks, which certainly helped preserve shareholders' capital. Moreover, as the year progressed, it became apparent that there was no rush to commit cash back to equities and the Company has, accordingly, harboured higher liquidity balances than has been customary and higher than we expect will be the average in periods to come. On balance, this too has benefited shareholders.

We are always cautious about making equity market outlook statements, for the simple reason that we have little confidence in our ability to second guess short term fluctuations in prices and anyway do not manage the Company's assets with an eye to such swings. However, we can say that we see no fundamental reason why the long-term propensity for UK equities to deliver total returns of around 8.0% p.a. should have changed. After all, they have done so through periods at least as challenging as those of today. Moreover and of greater significance to our minds, we find sufficient value in companies that meet our selection criteria to construct an adequately diversified portfolio, which we expect to deliver returns, in the fullness of time, that could exceed our benchmark. The very significant scope we retain to reinvest the Company's cash balances, gives us the confidence to view the current uncertainties and vicissitudes as more an opportunity for shareholders than a threat.

Nick Train

AFIM Limited, Investment Manager

Lindsell Train Limited, Investment Adviser

22 November 2001



Wolverhampton and Dudley Breweries ("Wolves") (Consumer Branded Goods)

Wolves has a powerful regional franchise in the Midlands of England, with some well loved brands in Banks and Marston's Pedigree and c.1,750 pubs.

Our interest in the company is based on our ability to acquire shares at a price below the level at which an offer was made this summer for the whole company, which the management peremptorily turned down. We believe management was correct to reject the bid and that the strategic value for the business is 25-30% above current levels. This analysis is cross-referenced against other recent transactions in the sector.

The stock trades on a P/E of 8.0, a yield of 5% and a 30% discount to the stated book. Debt is quite high, with interest cover of approximately 3x this year, but the cash flows are stable and we believe its total return will prove competitive, relative to cash. Finsbury Growth Trust is accumulating other positions in entrenched regional brewery and pub franchises, notably Young & Co and Fuller, Smith and Turner, both of London. All these investments require patience, but offer attractive dividend yields and the likelihood of dividend increases in excess of inflation.





Investments

The investments as at 30 September 2001 were:

Investment	Market value £000	% of investments
HBOS	7,984	10.4%
Cadbury Schweppes	6,444	8.4%
Halifax non cumulative preference (non equity)	5,325	6.9%
Bradford & Bingley	4,395	5.7%
Wolverhampton & Dudley Breweries	4,352	5.7%
Reuters	3,974	5.2%
Vodafone Group	3,750	4.9%
Glemorangie A and B	3,745	4.8%
BP	3,372	4.4%
Shell Transport & Trading	3,096	4.0%
Top 10 investments	46,437	60.4%
Reed International	2,976	3.9%
Barr (A.G.)	2,804	3.6%
Schroders	2,474	3.2%
EMI Group	2,370	3.1%
Centrica	2,130	2.8%
Lloyds TSB Group	1,950	2.5%
Daily Mail & General Trust 2.5% Exchequer (non equity)	1,446	1.9%
Halma	1,400	1.8%
Manchester United	1,388	1.8%
Fuller Smith & Turner	1,351	1.8%
Top 20 investments	66,726	86.8%
Abbey National	1,198	1.6%
Pearson	1,111	1.4%
GlaxoSmithKline	1,056	1.4%
Lindsell Train Investment Trust	1,035	1.3%
Daily Mail & General Trust	920	1.2%
Sage Group	858	1.1%
Euromoney Institutional Investors	748	1.0%
Young & Co Brewery	722	0.9%
London Stock Exchange	676	0.9%
Metal Bulletin	577	0.8%
Top 30 investments	75,627	98.4%
Virt-X	489	0.6%
Capital Radio	390	0.5%
St James Place Capital	149	0.2%
Instinet Group	118	0.2%
Mallett	82	0.1%
Spirax-Sarco Engineering	31	0.0%
Investment portfolio	76,886	100.0%

All of the above investments are equities unless otherwise stated.

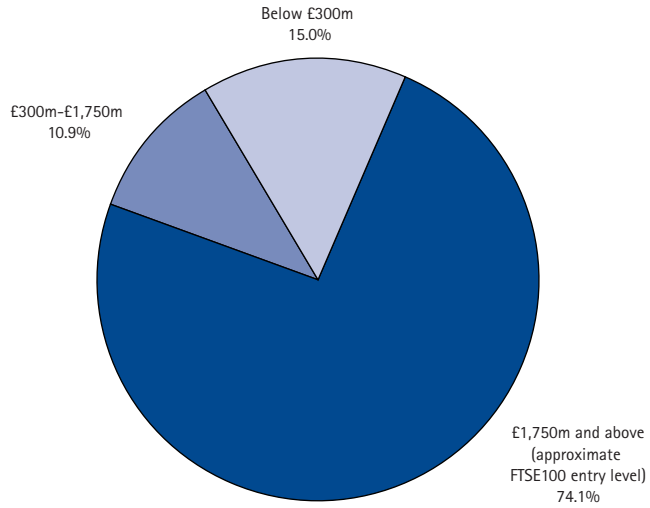




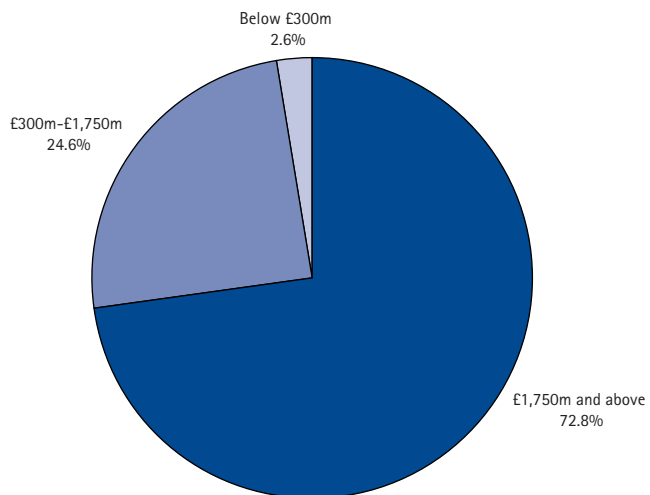
Analysis of Portfolio

Market Capitalisation Analysis

2001



2000





Analysis of Portfolio

	Finsbury Growth %	FTSE All Share %	(Under)/over weight %
Resources			
Mining	0.0	2.3	-2.3
Oil & gas	8.3	14.1	-5.8
	8.3	16.4	-8.1
Basic Industries			
Chemicals	0.0	0.7	-0.7
Construction & building materials	0.0	1.7	-1.7
Forest & paper	0.0	0.0	0.0
Steel & other materials	0.0	0.1	-0.1
	0.0	2.5	-2.5
General industrials			
Aerospace & defence	0.0	1.3	-1.3
Diversified industrials	0.0	0.0	0.0
Electronic & electrical equipment	0.0	0.3	-0.3
Engineering & machinery	1.8	0.5	1.3
	1.8	2.1	-0.3
Cyclical consumer goods			
Automobiles	0.0	0.2	-0.2
Household goods & textiles	0.0	0.0	0.0
	0.0	0.2	-0.2
Non-cyclical consumer goods			
Beverages	8.4	2.6	5.8
Food producers & processors	8.3	2.2	6.1
Health	0.0	0.8	-0.8
Packaging	0.0	0.1	-0.1
Personal care & household products	6.9	0.4	6.5
Pharmaceuticals	1.4	13.7	-12.3
Tobacco	0.0	1.3	-1.3
	25.0	21.1	3.9



Analysis of Portfolio

	Finsbury Growth %	FTSE All Share %	(Under)/over weight %
Cyclical services			
Distributors	0.0	0.3	-0.3
General retailers	0.1	3.0	-2.9
Leisure, entertainment & hotels	10.1	2.3	7.8
Media & photography	18.7	3.7	15.0
Restaurants & pubs	0.0	0.0	0.0
Support services	0.0	2.1	-2.1
Transport	0.0	1.6	-1.6
	28.9	13.0	15.9
Non-cyclical services			
Food & drug retailers	0.0	2.3	-2.3
Telecommunications	4.8	10.4	-5.6
	4.8	12.7	-7.9
Utilities			
Electricity	0.0	2.3	-2.3
Gas distribution	2.7	1.0	1.7
Water	0.0	0.8	-0.8
	2.7	4.1	-1.4
Financials			
Banks	20.0	17.2	2.8
Insurance	0.0	0.5	-0.5
Life Assurance	0.2	3.7	-3.5
Investment companies	2.4	2.3	0.1
Real estate	0.0	1.5	-1.5
Speciality & other finance	4.2	1.3	2.9
	26.8	26.5	0.3
Information technology			
Information technology	0.0	0.4	-0.4
Software & computer services	1.7	1.0	0.7
	1.7	1.4	0.3



Company Information

Directors

Michael Reeve (Chairman)
 John Allard
 Vanessa Renwick
 Anthony Townsend
 Stewart Urry
 Giles Warman

Directors

Michael Reeve, MA, FCA (Chairman)

Michael Reeve (64) joined the Board in 1991. He is Chairman of Close Brothers AIM VCT PLC and a director of several other companies, including Hansa Trust PLC.

John Allard

John Allard (55) joined the Board on 1 October 2000. He was a fund manager with M&G for over 20 years and is now a director of Exeter Equity Growth & Income Fund Limited.

Vanessa Renwick

Vanessa Renwick (40) joined the Board on 1 October 2000. She has over 15 years experience in the investment funds industry having worked for Laing & Cruickshank and UBS Warburg. She has particular expertise in corporate finance and marketing.

Anthony Townsend, MA

Anthony Townsend (53) joined the Board in 1998. He is Chairman of Adam & Harvey Group PLC, a director of BRIT Insurance Holdings PLC and a director of eight other investment trust companies including Finsbury Life Sciences Investment Trust PLC, Finsbury Smaller Quoted Companies Trust PLC, Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC. Mr Townsend is a deputy chairman of The Association of Investment Trust Companies.

Stewart Urry, LLB, FCA

Stewart Urry (55) joined the Board in 1995 and was appointed Chairman of the Audit Committee in 2000. He was formerly a partner in Binder Hamlyn and is currently a director of several companies.

Giles Warman

Giles Warman (53) joined the Board in 1989. Mr Warman has over 30 years experience in the investment industry and is currently an executive with Credit Agricole Indosuez Cheuvreux UK Limited.

Secretary

Close Finsbury Asset Management Limited
 12 Appold Street
 London EC2A 2AW
 Telephone 020 7426 4000

Registered Office

50 Lothian Road
 Festival Square
 Edinburgh EH3 9BY

Company Number

13958 (Registered in Scotland)

Investment Manager

AFIM Limited
 12 Appold Street
 London EC2A 2AW
 Investor Helpline 0800 1696968

Investment Adviser

Lindsell Train Limited
 35 Thurloe Street
 London SW7 2LQ

Auditors

RSM Robson Rhodes
 186 City Road
 London EC1V 2NU

Stockbrokers

HSBC Investment Bank plc
 Vintners Place
 68 Upper Thames Street
 London EC4V 3BJ





Shareholder Information

Investment Manager

AFIM Limited
 12 Appold Street
 London EC2A 2AW
 Investor Helpline: 0800 169 6968
 Professional Advisers Helpline: 020 7426 4372
 E-Mail: info@closefinsbury.co.uk
 Website: www.closefinsbury.co.uk

Please contact Close Finsbury to obtain information and literature concerning the Company or the other Finsbury investment trusts.

Registrars

Capita IRG plc
 Balfour House
 390/398 High Road
 Ilford, Essex IG1 1NQ
 Telephone: 020 8639 2000

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

Close Finsbury PEP & ISA

Close Finsbury Asset Management Limited
 3 Finsbury Avenue
 London EC2M 2NB
 Freephone: 0800 169 6968

Close Finsbury Investment Trust Savings Scheme

Close Finsbury Asset Management Limited
 3 Finsbury Avenue
 London EC2M 2NB
 Freephone: 0800 169 6968

Please contact Close Finsbury Asset Management Limited if you have a query concerning a Close Finsbury Savings Scheme, PEP or ISA account.

Professional Advisers Helpline

Telephone: 020 7426 4372
 Email: info@closefinsbury.co.uk
 Website: www.closefinsbury.co.uk

Share Price Listings

The price of your shares can be found in the Financial Times under the heading Investment Companies and in The Daily Telegraph under the heading Investment Trusts.

In addition, share price information can be found under the following:

	<u>Code</u>
<i>Bloomberg</i>	
Ordinary shares	FGT LN
<i>Datastream</i>	
Ordinary shares	FGT
<i>Reuters</i>	
Ordinary shares	FGT.L
<i>SEAO</i>	
Ordinary shares	FGT

Internet addresses

Close Finsbury	www.closefinsbury.co.uk
Trustnet	www.trustnet.co.uk
Interactive Investor	www.iii.co.uk

Financial Calendar

Company year end	30 September
Preliminary full year figures announced	November
Annual Report sent to shareholders	November
Annual General Meeting held	December
Announcement of interim figures	May
Interim report sent to shareholders	June





Shareholder Analysis

	As at 30 September 2001		As at 30 September 2000	
	number of shares	% holding	number of shares	% holding
Pension funds	306,466	0.8	877,424	2.2
Insurance companies	4,952,895	12.7	9,287,163	23.6
Investment funds	11,089,566	28.5	9,743,427	24.8
Other Institutions	889,800	2.3	1,121,809	2.8
Total Institutions	17,238,727	44.3	21,029,823	53.4
Individuals	3,229,894	8.3	4,412,915	11.2
Private clients	4,962,750	12.8	6,028,064	15.3
Retail investors held through bank and broker nominee accounts	3,562,667	9.2	1,442,577	3.7
Close Finsbury Savings Scheme	1,147,928	3.0	1,075,899	2.7
Close Finsbury PEP	6,709,256	17.3	4,040,259	10.3
Close Finsbury ISA	364,961	0.9	256,072	0.6
Other PEP & ISA clients	1,640,247	4.2	1,088,321	2.8
Total Individuals	21,617,703	55.7	18,344,107	46.6
Total shares in issue	38,856,430	100.0	39,373,930	100.0



Report of the Directors

The Directors present their report and the financial statements for the year ended 30 September 2001.

Status and Activities

During the year the Company has carried on the business of investing in shares of larger UK companies with the objective of achieving capital growth and providing a total return in excess of that of the FTSE All-Share Index.

The Company last received approval as an investment trust for the year ended 30 September 2000.

Following the appointment of our new Investment Adviser, there was a significant restructuring of the portfolio which realised material cash balances pending reinvestment on which interest was earned. The Directors believe that, during the year ended 30 September 2001, the Company has inadvertently not complied with the requirements of Section 842 of the Income and Corporation Taxes Act 1988. The breach occurred because the uninvested cash resulting from the restructuring of the portfolio was loaned to the subsidiary, Tynepower Limited. It is considered that the Inland Revenue may not grant the Company investment trust status for the year under review. The Company made net realised losses on those investments sold during the year ended 30 September 2001 and accordingly it is believed that failure to obtain investment trust status will not result in any additional tax liability to the Company. The Directors believe that since 1 October 2001 the Company has directed its affairs so as to enable it to regain its investment trust status for the year ending 30 September 2002.

Other than the failure to comply with all of the requirements of Section 842 of the Income and Corporation Taxes Act 1988 there has been no significant change in the activities of the Company during the year.

The Company currently manages its affairs so as to be a fully qualifying investment trust for ISA purposes. As a result, under current UK legislation the Company's shares qualify for investment in the stocks and shares component of a non-CAT Standard ISA up to the full annual subscription limit (currently £7,000 per tax year until 5 April 2006 for maxi ISAs and £3,000 for mini-ISAs). The Company's shares are fully qualifying for inclusion in an existing general PEP. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

Results and Dividends

The results attributable to shareholders for the year and the transfer to reserves are shown on page 23. The dividends paid and proposed are as follows:

	2001 £000	2000 £000
Ordinary shares		
Interim paid of 1.2p (2000: 1.8p) per share	453	767
Final proposed of 2.0p (2000: 2.45p) per share	777	965
Preference shares	-	6
	1,230	1,738

If approved at the Annual General Meeting, the final dividend will be paid on 21 December 2001 to Ordinary shareholders on the Register of Members on 7 December 2001. The exdividend date will be 5 December 2001.

Under Section 264 of the Companies Act 1985 a company may only pay a dividend if, at the time of the distribution, its net assets are not less than the aggregate of its called up share capital and undistributable reserves. At 30 September 2001 the Company would have not have been able to pay a dividend under section 264. The Directors believe that the increase in net assets since the year-end, together with the crystallisation of certain unrealised losses, will enable the Company to pay the final dividend on 21 December 2001.

The Company is intending to re-apply for investment company status in order to increase the level of its distributable reserves.

Fixed Asset Investments

The market value of the Group's investments at 30 September 2001 was £76,886,000 (2000: £113,083,000) showing an unrealised loss of £11,062,000 (2000: unrealised gain of £7,996,000) over book value. Taking these investments at this valuation, the net assets attributable to each ordinary share amounted to 179.7p at 30 September 2001 (2000: 241.0p).

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Report of the Directors

Management

Investment Management Agreement: AFIM Limited ("the Investment Manager") provides investment management services to the Group. AFIM Limited is a wholly owned subsidiary of Close Brothers Group PLC. Details of the fee paid to the Investment Manager may be found in note 3 on page 28. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months.

Administrative and Secretarial Services Agreement: company secretarial and administrative services are provided by Close Finsbury Asset Management Limited ("Company Secretary"). Close Finsbury Asset Management Limited is a wholly owned subsidiary of Close Brothers Group plc. In the year ended 30 September 2001 there were company secretarial and administration fees of £47,000 (2000: £47,000). The Administrative and Secretarial Services Agreement may be terminated by either party giving notice of not less than 12 months.

Investment Advisory Agreement: Lindsell Train Limited ("Investment Adviser") provides investment advisory services to the Company and Investment Manager. The Investment Adviser receives 50% of each periodic fee and 75% of each Performance Fee received by the Investment Manager from the Company.

Directors

The present members of the Board are shown on page 14. Dr Clark Brundin and Johan Beckman retired as Directors with effect from 21 December 2000.

Michael Reeve and Giles Warman retire by rotation and, being eligible, offer themselves for re-election for terms not to extend beyond the third Annual General Meeting following.

The interests of Directors and their families in the Company at 30 September 2001 were set out below:

	Ordinary shares of 25p each	
	30 September 2001	1 October 2000
Michael Reeve	14,000	14,000
John Allard	3,491	–
Vanessa Renwick	10,830	–
Anthony Townsend	42,938	42,938
Stewart Urry	12,500	–
Giles Warman	5,080	5,080

All of the Directors' interests are beneficial save that the interest of Michael Reeve in 4,000 of the shares disclosed above is that of the trustee and beneficiary of an Inland Revenue approved retirement benefit scheme. He has a non-beneficial interest in 10,000 shares. None of the Directors were granted or exercised rights over shares during the year. No change in the Directors' interests disclosed above has occurred prior to the date of this report.

Substantial Shareholdings

At the date of this report the following interests in the ordinary shares of the Company which exceeded 3 per cent of the issued share capital of that class have been notified:

Ordinary Shares

	Number of shares	% of issued capital of that class
Hansa Trust PLC (formerly Finsbury Trust PLC)	6,900,000	17.8
Close Finsbury PEP	6,709,256	17.3
Equitable Life Assurance Society	1,998,000	5.1

Close Brothers Group plc have notified a non-beneficial interest in 8,222,145 (21.2%) ordinary shares in the Company, including the shares held by the Close Finsbury PEP shown above.





Report of the Directors

Repurchase of shares

During the year ended 30 September 2001 the Company repurchased for cancellation a total of 517,500 (2000: 6,126,070) ordinary shares, representing 1.3% (2000: 13.5%) of the issued share capital at the beginning of the year. The consideration paid in respect of these shares was £1,048,000 (2000: £12,097,000) and their nominal value was £129,000 (2000: £1,532,000). These repurchases were made at discounts to net asset value ranging between 15.2% and 17.6% (2000: 14.4% and 22.3%), thus increasing the net asset value for each of the remaining ordinary shares in issue.

Creditors' Payment Policy

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 2001, the number of days trade (brokers) creditors was nil (2000: 5 days).

Auditors

RSM Robson Rhodes have expressed 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.

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, the majority of which are traded on recognised stock exchanges.

Directors' Responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the return of the Group for that period. In preparing these financial statements, the Directors have:

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

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

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

Corporate Governance

The Board has carried out a full review of the principles of good governance and the code of best practice (the 'Combined Code') prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel. To ensure that the appropriate level of corporate governance is attained, the Board has confirmed that arrangements are in place to enable compliance with Section 1 of the Combined Code, as required by Listing Rule 12.43A issued by the Financial Services Authority.

Compliance with the Combined Code

The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 30 September 2001, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Code).



Report of the Directors

Internal Control

The Directors are responsible for overseeing the effectiveness of the internal control systems for the Group, which are designed to ensure that proper accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable, and that the assets of the Group are safeguarded. Such a system of internal control can provide only reasonable and not absolute assurance against material mis-statement or loss.

The Combined Code also requires the Directors to review the effectiveness of the Group's internal controls. The Directors, through the procedures outlined below, have kept the effectiveness of the Group's internal controls under review throughout the period covered by these financial statements and up to the date of approval of the Annual Report and Financial Statements. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review. This accords with the guidance in "Internal Control – Guidance for Directors on the Combined Code" (the Turnbull Report).

The Board recognises its ultimate responsibilities for the Group's system of internal controls and for monitoring its effectiveness. It receives regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers).

As disclosed on page 17 of the Directors Report the Company did not meet all of the requirements of section 842 of the Income and Corporation Taxes Act 1988 during the year. Procedures for monitoring investment trust status have subsequently been reviewed and enhanced.

With the exception of the above, it is believed that an appropriate framework is in place to meet the requirements of the Combined Code.

The Group does not have an internal audit department. All the Group's management and administrative functions are delegated to independent third parties and it is therefore felt there is no need for the Group to have an internal audit facility. However this need is reviewed periodically.

Principles of the Combined Code

(a) Directors

The Board consists of six members, all of whom are non-executive. All of the Board are independent save that Anthony Townsend was until August 1999 a director of a holding company of the Investment Manager. The Board believes that the appointment of a senior independent director is not appropriate for a Board which has only non-executive directors. There is no position of Chief Executive Officer.

The Directors meet as a Board regularly on a quarterly basis and at other times as necessary. The Board is responsible for investment policy and has a schedule of matters reserved for the resolution of the Directors. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services which includes safeguarding of the assets, and the day-to-day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration of the quality and cost of services.

A full report is received from the Investment Manager at the quarterly meetings on the investment holdings and performance. In the light of these reports, the Board gives directions to the investment manager as to the investment objectives and guidelines.

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

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting and due to the nature of such resolutions, Directors are subsequently subject to re-election at intervals of no more than three years.

(b) Remuneration

The Board as a whole fulfils the function of a remuneration committee and considers that the specific appointment of such a committee is not appropriate for an investment trust company. The level of Directors' fees is reviewed on a regular basis relative to other comparable companies and in the light of Directors' responsibilities.





Report of the Directors

(c) Relations with Shareholders

The Company has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors.

(d) Accountability and Audit

The Company's Audit Committee is comprised of the whole Board and is chaired by Stewart Urry. The Audit Committee meets representatives of the Investment Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company 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. The responsibilities of the Audit Committee include review of the internal financial controls, accounting policies, financial statements, the management contract and the appointment and remuneration of the Auditors.

Annual General Meeting

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

(a) Authority to issue shares for cash

Resolution 7 in the Notice of the Annual General Meeting gives the Directors authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, for cash up to an aggregate nominal amount of £485,705 representing 1,942,820 ordinary shares of 25p each, such amount being equivalent to 5% of the present issued share capital. As such issues would only be made at prices greater than the Net Asset Value per share ("NAV") they increase the assets underlying each share and spread administrative expenses, other than those charged as a percentage of assets, over a greater number of shares. This authority will remain in place until the next Annual General Meeting.

(b) Disapplication of pre-emption rights

Resolution 8 in the Notice of the Annual General Meeting seeks shareholder approval for the disapplication of pre-emption rights in respect of a) the allotment of shares pursuant to a rights issue or b) the allotment (other than as part of a rights issue) of shares for cash up to a nominal value of £485,705.

(c) Authority to repurchase shares

Resolution 9 in the Notice of the Annual General Meeting seeks shareholder approval for the Company to have the power to repurchase its ordinary shares. The Board believes that the ability of the Company to purchase its own shares in the market will potentially benefit all shareholders of the Company. The re-purchase of shares at a discount to the underlying NAV would enhance the NAV on the remaining shares.

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 5,824,578 ordinary shares, representing 14.99% of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 25p a share (the nominal value of each share) and not more than 5% above the average of the middle market quotations for the five business days preceding the day of purchase. The authority being sought will last until the date of the next Annual General Meeting. The decision as to whether to repurchase any shares will be at the absolute discretion of the Board.

At 30 September 2001 the Company has authority to repurchase up to 5,824,578 ordinary shares. This authority will lapse at the Annual General Meeting to be held on 19 December 2001.

By order of the Board

Close Finsbury Asset Management Limited

Secretary

22 November 2001

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Report of the Independent Auditors

to the Shareholders of Finsbury Growth Trust PLC

We have audited the financial statements on pages 23 to 36.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2001 and of the Group's net revenue, total return and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

Chartered Accountants and Registered Auditors

186 City Road, London EC1V 2NU, England

22 November 2001





Consolidated Statement of Total Return

incorporating the revenue account for the year ended 30 September 2001

	Notes	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000	Revenue 2000 £000	Capital 2000 £000	Total 2000 £000
(Losses)/gains on investments	12	–	(22,155)	(22,155)	–	9,264	9,264
Exchange gains on currency balances		–	10	10	–	–	–
Income	2	2,142	–	2,142	3,146	–	3,146
Investment management fee	3	(212)	(431)	(643)	(361)	(734)	(1,095)
Other expenses	4,5	(459)	–	(459)	(349)	–	(349)
Net return/(loss) before finance costs and taxation		1,471	(22,576)	(21,105)	2,436	8,530	10,966
Interest payable and similar charges	6	(547)	(1,111)	(1,658)	(558)	(1,131)	(1,689)
Return/(loss) on ordinary activities before tax		924	(23,687)	(22,763)	1,878	7,399	9,277
Taxation on ordinary activities	7	–	–	–	–	–	–
Return/(loss) on ordinary activities after tax for the financial year	8	924	(23,687)	(22,763)	1,878	7,399	9,277
Dividends in respect of non-equity shares	9	–	–	–	(6)	–	(6)
Return/(loss) attributable to equity shareholders		924	(23,687)	(22,763)	1,872	7,399	9,271
Dividends in respect of equity shares	9	(1,230)	–	(1,230)	(1,732)	–	(1,732)
Transfer (from)/to reserves	17	(306)	(23,687)	(23,993)	140	7,399	7,539
Return/(loss) per share	10	2.38p	(60.90p)	(58.52p)	4.52p	17.87p	22.39p

The revenue column of this statement is the profit and loss account of the Group.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

The accompanying notes are an integral part of this statement.



Balance Sheet of the Group and of the Company

as at 30 September 2001

	Notes	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Fixed assets investments					
Group undertaking	12	–	–	787	1,012
Financial Investments	12	76,886	113,083	76,886	113,083
		76,886	113,083	77,673	114,095
Current assets					
Debtors	13	660	2,654	12,604	2,868
Investments	14	–	1,422	–	–
Cash at bank		13,660	4,795	929	4,795
		14,320	8,871	13,533	7,663
Creditors					
Amounts falling due within one year	15	(21,375)	(7,179)	(21,375)	(6,983)
Net current (liabilities)/assets		(7,055)	1,692	(7,842)	680
Total assets less current liabilities		69,831	114,775	69,831	114,775
Creditors					
Amounts falling due after more than one year	15	–	(19,903)	–	(19,903)
Net assets		69,831	94,872	69,831	94,872
Capital and reserves					
Called up share capital	16	9,714	9,843	9,714	9,843
Share premium account	17	13,160	13,160	13,160	13,160
Capital redemption reserve	17	3,353	3,224	3,353	3,224
Other reserves:					
Capital reserve – realised	17	53,270	58,947	53,270	58,947
Capital reserve – unrealised	17	(11,062)	7,996	(10,275)	9,007
Revenue reserve	17	1,396	1,702	609	691
Equity shareholders' funds		69,831	94,872	69,831	94,872
Net asset value per share	18	179.7p	241.0p	179.7p	241.0p

The financial statements on pages 23 to 36 were approved by the Board of Directors on 22 November 2001 and were signed on its behalf by:

M A F Reeve *Chairman*

S W Urry *Director*

The accompanying notes are an integral part of this statement.





Consolidated Cash Flow Statement

for the year ended 30 September 2001

	Notes	2001 £000	2001 £000	2000 £000	2000 £000
Net cash inflow from operating activities	23		2,028		2,236
Servicing of finance					
Bank overdraft and loan interest paid			(1,602)		(1,632)
Preference dividend paid			–		(6)
Taxation					
Tax paid			–		–
Financial investment					
Purchases of investments		(70,850)		(91,359)	
Sales of investments		85,651		95,274	
Net cash inflow from financial investment			14,801		3,915
Equity dividends paid			(1,418)		(2,041)
Management of liquid resources			–		(283)
Financing					
Purchase of own shares			(4,944)		(8,413)
Increase/(decrease) in cash	24		8,865		(6,224)
Reconciliation of net cash flow to movement in net debt					
Increase/(decrease) in cash as above			8,865		(6,224)
Cashflow from liquid resources			–		283
Movement in valuation of current asset investments			(1,422)		–
Amortisation of finance costs included in net debt			(58)		(58)
Movement in net debt			7,385		(5,999)
Net debt at 1 October			(13,686)		(7,687)
Net debt at 30 September	24		(6,301)		(13,686)

The accompanying notes are an integral part of this statement.



Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies of the Group, all of which have been applied consistently throughout the year and in the preceding year in the preparation of its accounts are set out below:

(a) Accounting Convention

The accounts have been prepared under the historical cost convention, except where stated in 1(c) and 1(d) below and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of investment trust companies'.

(b) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiary undertaking all made up to 30 September 2001.

In the Company's accounts, the investment in the subsidiary undertaking is stated at the net asset value as shown in the most recent accounts.

A revenue account is not presented for the Company as permitted by section 230 of the Companies Act 1985.

(c) Investment Trust Status

The Company is not an investment company within the meaning of Section 266 of the Companies Act 1985. As set out in the Directors Report on page 17, the Directors believe that, during the year ended 30 September 2001, the Company did not meet all of the requirements of Section 842 of the Income and Corporation Taxes Act 1988. Accordingly it is considered that the Inland Revenue may not grant the Company investment trust status for the year under review. The Directors nonetheless consider it appropriate that, in order to give a true and fair view, the accounts be presented in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("the SORP"). Under the SORP, the financial performance of the Group is presented in a statement of total return in which the revenue column is the profit and loss account of the Group. The revenue column excludes certain capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account: profits and losses on disposal of investments, calculated by reference to their previous carrying amount, loss of £5.9m (2000: gain of £9.6m); and management expenses and finance costs charged to capital of £0.4m and £1.1m respectively (2000: £0.7m and £1.1m). In the opinion of the Directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Group, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The Directors therefore consider that these departures from law and accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

(d) Investments held as Fixed Assets

Other than the dealing subsidiary, all fixed asset investments are listed investments stated at closing middle-market prices on recognised stock exchanges.

(e) Investments held as Current Assets

Listed investments are stated individually at the lower of cost and market value.

(f) Investment Income

Dividends receivable on quoted equity shares are taken into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to return is established.



Notes to the Financial Statements

1. Accounting Policies *continued*

(g) Expenditure and Finance Costs

All expenses and finance costs are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- (i) expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of that investment;
- (ii) expenses are taken to realised capital reserve 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 investment portfolio, 67% of the investment management fee and of the interest expense are taken to the realised capital reserve.

(h) Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

The tax effect of different items is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

(i) Foreign Currencies

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

(j) Reserves

Capital reserves – Realised

The following are taken to this reserve:

- (i) gains and losses on the realisation of investments
- (ii) realised exchange differences of a capital nature
- (iii) expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserves – Unrealised

The following are taken to this reserve:

- (i) increase and decreases in the valuation of investments held at the year end
- (ii) unrealised exchange differences of a capital nature.



Notes to the Financial Statements

2. Income

	2001 £000	2000 £000
Income from UK listed investments		
Franked investment income	1,903	2,276
Unfranked investment income	142	107
	2,045	2,383
Other income		
Dealing (losses)/profits	(705)	632
Underwriting income	2	14
Management fee for dealing subsidiary	–	(96)
Bank interest receivable	800	213
	97	763
Total income	2,142	3,146
Total income comprises:		
Dividends	2,024	2,379
Interest from convertible fixed interest securities	21	4
Bank interest	800	213
Other	(703)	550
	2,142	3,146

3. Investment Management Fees

	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000	Revenue 2000 £000	Capital 2000 £000	Total 2000 £000
Investment management fee	181	368	549	307	625	932
Performance fee	–	–	–	–	–	–
Irrecoverable VAT thereon	31	63	94	54	109	163
	212	431	643	361	734	1,095

Between 1 October and 10 December 2000 the Company paid an investment management fee of 0.75% of gross assets (adjusted for the payment of dividends and the repurchase of shares) which was varied by 0.02% for each 1% by which the adjusted gross asset value per ordinary share over or under performed the total return on the FTSE All-Share Index in the year. The maximum investment management fee was 0.87% and the minimum investment management fee was 0.63%.

With effect from 11 December 2000 the Company has paid an annual fee of 0.65% of the average market capitalisation of the Company over the year ("Periodic Fee"). With effect from 1 February 2001 the Investment Manager has also been entitled to an annual performance fee amounting to 15% of the increase in the Company's market capitalisation in any year, but only after the attainment of an absolute return hurdle, which will be the sum of the increase in the Retail Price Index in the year, plus a fixed return of 6.0%. The basic and performance fee total payable in any one year is capped at 1.25% of the year-end market capitalisation. Any outperformance, that would have resulted in a higher fee being paid had there been no cap, will be carried forward into the calculation of future years' fees. Similarly, in the case of underperformance against the hurdle, any underperformance will have to be made up in future years before a performance fee becomes payable in those years. The Investment Manager pays 50% of the periodic fee and 75% of the performance fee to the Investment Adviser.



Notes to the Financial Statements

4. Directors emoluments

During the year Michael Reeve (Chairman) received fees of £24,000 (2000: £24,000), Stewart Urry (Chairman of the Audit Committee) received fees of £15,000 (2000: £15,000) and the remaining Directors received fees of £12,000 each (2000: £12,000).

Total remuneration for the year amounted to £92,000 (2000: £87,000).

Other than disclosed above none of the Directors received any salary, benefit, bonus or pension contributions (2000: nil). All of the Directors fees were charged to the revenue account.

5. Other Expenses

	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000	Revenue 2000 £000	Capital 2000 £000	Total 2000 £000
Secretarial services	47	–	47	47	–	47
Auditors' remuneration for audit services	15	–	15	14	–	14
Auditors' remuneration non-audit services	1	–	1	–	–	–
Printing	41	–	41	34	–	34
ISA, PEP & Savings Scheme costs	62	–	62	2	–	2
Bank and custody fees	27	–	27	23	–	23
Marketing costs	84	–	84	72	–	72
Legal and professional fees	8	–	8	19	–	19
Other expenses	82	–	82	51	–	51
	367	–	367	262	–	262

6. Interest Payable and Similar Charges

	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000	Revenue 2000 £000	Capital 2000 £000	Total 2000 £000
Interest payable on 7.95% Senior Notes	525	1,065	1,590	525	1,065	1,590
Amortised 7.95% Senior Notes issue expenses	19	39	58	19	38	57
Bank interest	3	7	10	14	28	42
	547	1,111	1,658	558	1,131	1,689

7. Taxation Charge

No corporation tax was paid during the year or the prior year.



Notes to the Financial Statements

8. Revenue Attributable to Shareholders

The return on ordinary activities after tax dealt with in the accounts of the Company is £1,148,000 (2000: £1,317,000). As permitted by Section 230(2) of the Companies Act 1985, a separate revenue account for the Company has not been included in these accounts.

9. Dividends

	2001 £000	2000 £000
Dividends on equity shares:		
Interim paid on 30 March 2000 1.2p (2000: 1.8p)	453	767
Final proposed 2.0p (2000: 2.45p)	777	965
	1,230	1,732
Dividends on non-equity shares:		
5% Cumulative Preference shares of £1	–	6
	1,230	1,738

10. Return per Share

	Revenue 2001	Capital 2001	Total 2001	Revenue 2000	Capital 2000	Total 2000
Return per share	2.38p	(60.90p)	(58.52p)	4.52p	17.87p	22.39p

Revenue return per share is based on £924,000 (2000: £1,872,000) net revenue on ordinary activities after taxation and dividends on non-equity shares, and on the weighted average number of shares in issue during the year of 38,893,807 (2000: 41,393,370). Capital return per share is based on net capital losses for the financial year of £23,687,000 (2000: gains of £7,399,000) and on the weighted average number of shares in issue during the year of 38,893,807 (2000: 41,393,370).

11. Investment in Subsidiary Undertaking

The Company's investment in its subsidiary undertaking, Tynepower Limited, an investment dealing company, is shown in Note 12. The Company owns 100% of the ordinary share capital and voting rights of Tynepower Limited, which is registered and operates in England.

The movement in the value during the year represents the movement in the net asset value of the subsidiary.



Notes to the Financial Statements

12. Fixed Asset Investments

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Investments listed on recognised investment exchanges	76,886	113,083	76,886	113,083
Subsidiary undertaking (see note 11)	–	–	787	1,012
	76,886	113,083	77,673	114,095
Movement of Listed Investments			Group and Company Listed UK 2001 £000	Total 2001 £000
Opening book cost			105,087	105,087
Opening unrealised appreciation			7,996	7,996
Opening valuation			113,083	113,083
Movements in the year:				
Purchases at cost			69,676	69,676
Sales – proceeds			(83,718)	(83,718)
– realised losses on sales			(3,097)	(3,097)
Increase in unrealised depreciation			(19,058)	(19,058)
Closing valuation			76,886	76,886
Closing book cost			87,948	87,948
Closing unrealised depreciation			(11,062)	(11,062)
			76,886	76,886
			Group 2001 £000	Group 2000 £000
Realised (losses)/gains on sales			(3,097)	15,366
Less: Amounts recognised as unrealised in previous years			(2,803)	(5,711)
Realised (losses)/gains based on carrying value at previous balance sheet date			(5,900)	9,655
Net movement in unrealised appreciation			(16,255)	(391)
(Losses)/gains on investments in the year			(22,155)	9,264

13. Debtors

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Due from subsidiary undertaking	–	–	11,944	313
Future settlements – sales	190	2,209	190	2,123
Taxation recoverable	15	15	15	15
Prepayments and accrued income	455	430	455	417
	660	2,654	12,604	2,868



Notes to the Financial Statements

14. Investments held by Dealing Subsidiary

	Group 2001 £000	Group 2000 £000
Listed in the United Kingdom	–	1,422
Aggregate market value	–	1,422

15. Creditors

Amounts falling due within one year

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Future settlements – purchases	–	1,432	–	1,295
Proposed dividends	777	965	777	965
7.95% Senior Notes due June 2002	20,000	–	20,000	–
Issue costs less amounts amortised	(39)	–	(39)	–
Other creditors and accruals	637	4,782	637	4,723
	21,375	7,179	21,375	6,983

Amounts falling due after more than one year

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
7.95% Senior Notes due June 2002	–	20,000	–	20,000
Issue costs less amounts amortised	–	(97)	–	(97)
	–	19,903	–	19,903

The Board has decided to repay the Senior Notes before their original redemption date of 5 June 2002. Details of this early redemption are given in note 22.

16. Share Capital

	2001 £000	2000 £000
Authorised:		
225,000 5% Cumulative Preference shares of £1	–	225
Ordinary shares of 25p	13,658	13,658
	13,658	13,883
Allotted, issued and fully paid:		
Ordinary shares of 25p 38,856,430 (2000: 39,373,930)	9,714	9,843
	9,714	9,843

During the year the Company repurchased for cancellation 517,500 (2000: 6,126,070) Ordinary shares at discounts ranging between 15.2% and 17.6% (2000: 14.4% and 22.3%).





Notes to the Financial Statements

17. Reserves

	Share Premium Account £000	Capital Reserve realised £000	Capital Reserve unrealised £000	Revenue Reserve £000	Capital Redemption Reserve £000
Group					
Balance as at 1 October 2000	13,160	58,947	7,996	1,702	3,224
Revenue deficit	-	-	-	(306)	-
Losses on investments	-	(5,900)	(16,255)	-	-
Foreign exchange currency gain	-	10	-	-	-
Transfer on disposal of investments	-	2,803	(2,803)	-	-
Expenses charged to capital	-	(1,542)	-	-	-
Amount charged to reserves re share buy-backs of ordinary shares	-	(1,048)	-	-	129
Balance as at 30 September 2001	13,160	53,270	(11,062)	1,396	3,353
Company					
Balance as at 1 October 2000	13,160	58,947	9,007	691	3,224
Revenue deficit	-	-	-	(82)	-
Losses on investments	-	(5,900)	(16,479)	-	-
Foreign exchange currency gain	-	10	-	-	-
Transfer on disposal of investments	-	2,803	(2,803)	-	-
Expenses charged to capital	-	(1,542)	-	-	-
Amount charged to reserves re share buy-backs of ordinary shares	-	(1,048)	-	-	129
Balance as at 30 September 2001	13,160	53,270	(10,275)	609	3,353

18. Net Asset Value per Share

	2001	2000
Net asset value per share	179.7p	241.0p

The net asset value per share is based on the net assets attributable to equity shareholders of £69,831,000 (2000: £94,872,000) and on 38,856,430 (2000: 39,373,930) shares in issue at 30 September 2001 following the repurchase and cancellation of 517,500 shares during the year.

19. Movement in Shareholders' Funds

	2001 £000	2000 £000
Opening shareholders' funds	94,872	99,655
Total recognised (losses)/gains for the year	(22,763)	9,277
Share buy-backs	(1,048)	(12,097)
Cancellation of preference shares	-	(225)
Dividends	(1,230)	(1,738)
Balance as at 30 September 2001	69,831	94,872





Notes to the Financial Statements

20. Contingent Liabilities

Financial commitments of the Company and the Group at 30 September 2001, which have not been accrued in the financial statements, consist of an underwriting commitment of Enil (2000: nil).

21. Related Parties

Details of the relationship between the Company, AFIM Limited and Close Finsbury Asset Management Limited are disclosed in the Report of the Directors. The management fee payable to AFIM Limited for the year ended 30 September 2001 amounted to £643,000 (2000: £1,095,000) of which £41,000 was outstanding at the year-end (2000: £245,000).

The Company held an investment of £1,035,000 (2000: nil) in The Lindsell Train Investment Trust PLC ("LTIT"). This investment is equivalent to 5% of the issued share capital of LTIT, which is managed by Lindsell Train Limited. LTIT owns 25% of Lindsell Train Limited and accordingly the Company has an indirect interest of 1.25% in the investment adviser.

22. Risk Management

(a) Background

The Group's financial instruments comprise securities, cash balances, and debtors and creditors that arise directly from its operations (for example, in respect of sales and purchases awaiting settlement and debtors for accrued income). The numerical disclosures below exclude short-term debtors and creditors.

The Group has little exposure to credit and cash flow risk. Fixed asset investments in the portfolio are subject to liquidity risk. This risk is taken into account by the Investment Manager when making investment decisions.

The principal risks the Group faces in its portfolio management activities are:

- market price risks, i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement.
- interest rate risk.

(b) Policy

The policies for managing these risks are summarised below and have been applied throughout the year.

Market Price Risk

By the nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Review.



Notes to the Financial Statements

22. Risk Management *continued*

Interest Rate Risk

The Group's borrowings consist of a Sterling fixed rate medium term loan note.

The table below summarises the extent to which the value of the assets and liabilities are affected by changes in interest rates.

	Fixed rate interest paid 2001 £000	Floating rate interest received 2001 £000	Nil interest received 2001 £000	Total 2001 £000	Fixed rate interest paid 2000 £000	Floating rate interest received 2000 £000	Nil interest received 2000 £000	Total 2000 £000
Equities								
– denominated in sterling	–	–	76,768	76,768	–	–	113,083	113,083
– denominated in US dollars	–	–	118	118	–	–	–	–
Current asset investments	–	–	–	–	–	–	1,422	1,422
Cash balances	–	13,660	–	13,660	–	4,795	–	4,795
Total financial assets	–	13,660	76,886	90,546	–	4,795	114,505	119,300
Financial liabilities	(19,961)	–	–	(19,961)	(19,903)	–	–	(19,903)
Net financial assets	(19,961)	13,660	76,886	70,585	(19,903)	4,795	114,505	99,397

Use of Derivatives

It is not the Group's policy to enter into derivative contracts.

Financial Liabilities

The Group's financial liabilities at 30 September 2001 and at 30 September 2000 are represented by fixed rate £20 million 7.95% Senior Loan Notes due for repayment in June 2002. However, on 20 November 2001 the Board took the decision to repay the Senior Notes before their original redemption date. As a result, a final payment of approximately £20,395,000 will be made on 21 December 2001, which represents the return of the principal amount, interest accruing up to the payment date and an early redemption fee of approximately £325,000.

The Company has arranged a £10,000,000 7 year term loan facility and a £10,000,000 7 year revolving credit facility with Allied Irish Banks plc ("AIB"). The new AIB facilities may be drawn down on either a fixed or floating rate basis.

Financial Assets

The Group's cash balances are generally placed on short-term deposit and earn a floating rate of interest of 1% below The Bank of New York Daily Treasury Rate.

Currency Exposure

The currency denomination of the Group's assets and liabilities is predominantly Sterling which is the accounting currency of the Group. One security is denominated in US dollars and is valued at £118,000 (2000: nil).



Notes to the Financial Statements

22. Risk Management *continued*

Primary Financial Instruments

All of the assets and liabilities of the Group are shown at fair value except for the following:

	2001 £000 Book	2001 £000 Fair value	2000 £000 Book	2000 £000 Fair value
Fair value of Group liabilities				
7.95% Senior Notes due June 2002	19,961	20,761	19,903	20,242

The fair value of the 7.95% Senior Notes is calculated using discounted cash flow techniques.

	2001 £000 Book	2001 £000 Fair value	2000 £000 Book	2000 £000 Fair value
Fair value of Group assets				
Investments held in the dealing subsidiary	–	–	1,422	1,430

The fair value of the dealing investments is calculated using closing middle market prices quoted on recognised stock exchanges.

23. Reconciliation of operating revenue to net cash inflow from operating activities

	2001 £000	2000 £000
Net return before interest payable and taxation	1,471	2,436
Net sales of trading stock	1,422	–
(Increase)/decrease in prepayments and accrued income	(25)	509
Decrease in other debtors	86	54
Decrease in other creditors and accruals	(374)	(15)
Expenses allocated to capital	(431)	(734)
Tax on unfranked investment income	–	(14)
Scrip dividends included in investment income	(121)	–
Net cash inflow from operating activities	2,028	2,236

24. Analysis of net debt

	At 1 October 2000 £000	Cashflow £000	Other non cash changes £000	At 30 September 2001 £000
Cash	4,795	8,865	–	13,660
7.95% Senior notes	(20,000)	–	–	(20,000)
Issue costs	97	–	(58)	39
	(15,108)	8,865	(58)	(6,301)
Current asset investments	1,422	(1,422)	–	–
Total	(13,686)	7,443	(58)	(6,301)



Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Finsbury Growth Trust PLC will be held at 10 Crown Place, London EC2 on 19 December 2001 at 12.00 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 2001.
- 2 To declare a final dividend.
- 3 To re-elect Michael Reeve, who retires by rotation, a Director of the Company for a term not to extend beyond the third Annual General Meeting following.
- 4 To re-elect Giles Warman, who retires by rotation, a Director of the Company for a term not to extend beyond the third Annual General Meeting following.
- 5 To re-appoint the Auditors.
- 6 To authorise the Directors to determine the remuneration of the Auditors.

Special Business

To consider, and if thought fit, pass the following resolutions, which will be proposed as special resolutions:

Authority to allot shares

- 7 THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities within the meaning of that section up to a maximum aggregate nominal amount of £485,705 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution 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 Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of pre-emption rights

- 8 THAT in substitution of all existing powers the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred on them as if subsection (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment of equity shares in connection with a rights issue in favour of the ordinary shareholders where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £485,705

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired. No allotment at less than the net asset value (as determined in the absolute discretion of the Directors) per share shall be made.





Notice of the Annual General Meeting

Authority to Repurchase Ordinary Shares

- 9 THAT the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p in the capital of the Company ("ordinary shares") provided that:
- (i) the maximum aggregate number of ordinary shares authorised to be purchased is 5,824,578 or, if less, the number representing 14.99 per cent. of the issued ordinary share capital of the Company at the date of the meeting at which this resolution is proposed;
 - (ii) the minimum price which may be paid for an ordinary share is 25p;
 - (iii) the maximum price (excluding expenses of such purchase) which may be paid for an ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary 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 ordinary share is purchased;
 - (iv) this authority expires at the conclusion of the annual general meeting of the Company to be held in 2002 or within 15 months from the date of the passing of this resolution whichever is earlier; and
 - (v) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board

Close Finsbury Asset Management Limited

Secretary

22 November 2001

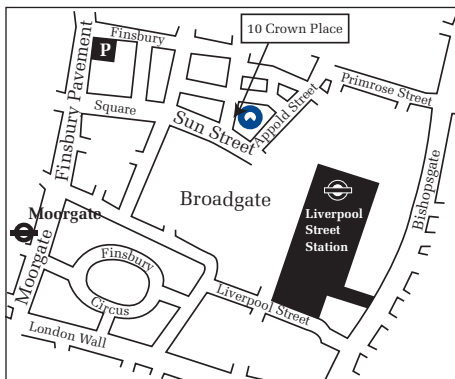
12 Appold Street
London EC2A 2AW

Notes

- 1 A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- 2 A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged with the registrar not later than 48 hours before the time for holding the meeting. Deposit of a form or proxy will not preclude a member from attending the meeting and voting in person.
- 3 No director has a service contract with the Company.
- 4 Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company has specified that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 12 noon on 18 December 2000. Changes to entries on the register of members after 12 noon on that date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Location of Annual General Meeting

to be held at 10 Crown Place, London EC2 on
Wednesday, 19 December at 12 noon.





Glossary of Terms

Investment Trust Terms

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, eg 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 for the shares.

Discount

A description of the situation when the share price is lower than the NAV per share. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage (%) of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium and the percentage is commonly shown prefixed with a minus sign.

Gearing

Also known as leverage, particularly in the USA. Gearing is the process whereby capital growth (and conversely any capital depreciation) and income to the ordinary shareholders of the Company are boosted by borrowings, which provide some scope for additional investment but which carry a fixed liability. The return on this extra investment minus the cost of borrowing the money gives the shareholder an enhanced or geared profit or loss.

Initial Public Offering (IPO)

The initial offer by a company of shares to be quoted on a stock exchange. Often known as a flotation.

Potential Gearing

The directors may choose to arrange a loan facility (or draw down a loan) which is less than the amount they are able to draw under the terms of the Prospectus. This is usually due to the market conditions. Potential gearing is the amount currently available for the Company to use by way of loan already arranged.

Actual Gearing

Actual gearing is the term used to describe the amount of available loan facility that has been invested in the stock market and is not being held in cash.



Investing through Close Finsbury

The Close Finsbury Range

Close Finsbury Asset Management, which is a member of the Close Brothers Group, is a specialist investment house with the following investment trusts:

Finsbury Growth Trust PLC which invests in larger UK company shares with the objective of achieving capital growth and providing a total return in excess of that of the FTSE All-Share Index.

Finsbury Worldwide Pharmaceutical Trust PLC which invests worldwide in pharmaceutical and biotechnology companies with the aim of achieving a high level of capital growth.

Finsbury Technology Trust PLC which invests principally in equity securities of quoted technology companies on a worldwide basis with the aim of achieving long term capital growth.

Finsbury Life Sciences Investment Trust PLC which invests in life science companies based in the UK, Continental Europe and Israel, with particular emphasis on biotechnology, with the aim of achieving long term capital growth.

Finsbury Smaller Quoted Companies Trust PLC which invests in smaller UK quoted companies to achieve a high level of total return.

Close Finsbury Eurotech Trust PLC which invests primarily in equity securities of European technology companies with the aim of achieving long term capital growth.

Private Investor Plans

Finsbury Growth Trust PLC and all the Close Finsbury investment trusts participate in the **Close Finsbury Individual Savings Account (ISA)** and the **Close Finsbury Investment Trust Savings Scheme**. For full details of these investment schemes please contact our Investor Helpline on freephone 0800 169 6968.

Should you require copies of any Close Finsbury literature, again please call our Investor Helpline on 0800 1696968
or e-mail to info@closefinsbury.co.uk
Website address: <http://www.closefinsbury.co.uk>

This page has been approved for the purposes of the Financial Services Act 1986
by Close Finsbury Asset Management Limited which is regulated by IMRO.





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